Quartix

Award-Winning Vehicle Tracking

Quartix Holdings plc
Annual Report 2016

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 1JJ

Highlights

Financial highlights

- Group revenue increased by 19% to £23.3m (2015: £19.7m)
    - Fleet revenue grew by 15% to £14.9m (2015: £13.0m)
    - Insurance revenue increased by 25% to £8.4m (2015: £6.7m)
- Operating profit increased by 8% to £6.5m (2015: £6.0m)
- Earnings before interest, tax, depreciation, amortisation and share based payment expense (Adjusted EBITDA) increased by 9% to £6.8m (2015: £6.2m)
- Profit before tax increased by 9% to £6.5m (2015: £6.0m)
- Diluted earnings per share increased by 21% to 12.70p (2015: 10.53p)
- Free cash flow increased by 10% to £6.0m (2015: £5.4m)
- Cash inflow before tax remained at £6.8m (2015: £6.8m)
- Net cash increased to £6.2m (2015 net cash: £3.0m)
- Final dividend payment of 9.0p per share proposed (2015: 4.0p) including 4.7p for supplementary dividend (2015: nil) giving a total dividend for the year of 11.2p per share

Operational highlights

- Strong progress in the main fleet business:
    - 19% increase in subscription base to 87,889 units (2015: 73,744)
    - 16% increase in customer base to 9,105 (2015: 7,849)
    - Unit attrition fell to 10.0% (2015: 11.3%) and compares favourably with our estimate of the industry average of around 14-15 per cent
    - 3% growth in new fleet installations
    - Strong growth in France, ending the year with 1,428 customers (2015: 1,196) and 9,986 vehicles under subscription (2015: 7,910), an increase of 19% and 26% respectively
    - During its second full year of trading the USA grew its customer base to 1,075 (2015: 693), with 6,191 vehicles under subscription (2015: 3,179).
- Continued growth in the insurance telematics business:
    - 22% growth in insurance installations to 69,300 (2015: 57,024)

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 and Ireland grew by 15%, reaching £21.3m (2015: £18.4m). The Group made good progress in France, where revenue increased by 25% to €1.8m (2015: €1.4m).

2016 was our second full year of operations in the USA, having launched our product and opened an office there in 2014. We are pleased with progress and completed the year with 6,191 vehicles under subscription (2015: 3,179) across 1,075 fleet customers (2015: 693). Revenue increased from $392,000 in 2015 to $907,000 in 2016 and the prospects for future business development remain encouraging.

Results
Group revenue for the year increased by 19% to £23.3m (2015: £19.7m).

Operating profit for the year increased by 8% to £6.5m (2015: £6.0m), at the same time as the Group made increased investments in product and market development.

Profit before tax increased by 9% to £6.5m (2015: £6.0m).

Cash conversion was good, resulting in free cash flow from operations after tax and investing activities of £6.0m (2015: £5.4m), enabling the Group to increase its net cash by £3.2m to £6.2m at 31 December 2016, following the payment of £2.9m in dividends.

Earnings per share
Basic earnings per share rose by 20% to 12.87p (2015: 10.69p). Diluted earnings per share increased to 12.70p (2015: 10.53p).

Dividend policy
Our ordinary dividend policy is to pay a dividend set at approximately 50% of cash flow from operating activities, which is calculated after taxation paid but before capital expenditure.

In addition to this the Board will 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 is 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 policy will be subject to periodic review.

Dividend

In the year ended 31 December 2016, the Board decided to pay an interim dividend of 2.2p per ordinary share. This totalled £1.04m and was paid on 15 September 2016 to shareholders on the register as at 19 August 2016.

The Board is recommending a final ordinary dividend of 4.3p per share, together with a supplementary dividend of 4.7p per share, giving a final pay out of 9.0p per share and a total dividend for the year of 11.2p per share.

The final and supplementary dividend amounts to approximately £4.3m in aggregate. Subject to the approval at the forthcoming AGM, this dividend will be paid on 5 May 2017 to shareholders on the register as at 7 April 2017.

Governance and the Board

The Board is comprised of two Non-Executive Directors, myself included, and two Executive Directors, Andrew Walters and David Bridge. Andrew Walters was a co-founder of the main trading entity, Quartix Limited, and has been one of its directors since 5 July 2001.

I have over 29 years of experience in identifying, negotiating and completing acquisitions in the USA and Europe. I spent 13 years as Business Development Director for Spectris plc. From 2014 to early 2016 I was 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 was Chief Operating Officer at Abcam plc until 31 December 2016, having originally joined as Technical Director in 2001. Abcam is a global leader in the supply of innovative protein research tools. Prior to that, he worked on IT, software and web development initiatives for the telecommunications consultancy group Analysys Limited.

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 good start to the year, in line with our expectations. The high levels of recurring revenue, a focus on growth in the core fleet markets in UK, France and the USA and targeting only those insurance opportunities which offer satisfactory margins, underpin our confidence for the rest of the year and beyond.

AGM

The Group's AGM will be held on 28 March 2017 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 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 revenue by increasing the number of vehicles under subscription. The related insurance business helps to provide 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 revenue based on system rental, providing the best return to the Group over the long term.

The value of recurring subscription and rental revenue 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 month's service and data usage included. This is standard practice in the industry, as the level of attrition is relatively high.

Whilst the value of revenue has been the key measurement of our performance in the insurance sector, we will restrict our operations to those opportunities in this sector which provide an adequate return.

People

Our business performance was recognised by several independent bodies in 2016: Megabuyte, the independent technology financial analysts, placed us first amongst all UK public technology companies; the London Stock Exchange Group named us as one of "1000 companies to inspire Britain"; and we were also shortlisted in the Grant Thornton Quoted Company Awards, technology category.

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 2016 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 fourth 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 2016. Although gross margins fell by 1.5 percentage points to 60.3%, this was due to an increase in unit costs with the devaluation of Sterling, an increase in the proportion of US units installed and higher distributor commissions. As a consequence, return on sales decreased by 2.7 percentage points compared to the prior year (31%). Cash conversion was strong with cash flow from operating activities after investing activities and tax (free cash flow) representing 92% of operating profit. We expense all R&D investment and tracking system and installation costs as they are incurred.

Capex investments totalled £189,000, as we invested in systems and servers, including a data centre for France, and relocation to larger USA offices in Chicago to support our growth.

Our accounts and operations teams continued to manage working capital well: trade debtors at the year-end represented just 30 days of sales, and inventory levels remained comparable despite sales growth of £3.7m in the year.

During the course of the year we increased the level of investment in key product and market developments. We believe that the Company has significant opportunity for growth in its fleet business, particularly in the USA. We ended the year with good growth in fleet installations in the USA and have taken the decision to make additional investment in business development in 2017.

Fleet

Our core fleet business, which accounted for 64% 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 second full year of trading saw us reach an installed base of 6,191 (2015: 3,179) vehicles under subscription.

During the course of the year we won 2,336 new fleet customers (2015: 2,184). 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 2017, 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 15% to 71,712 during the year, and our fleet customer base reached 6,602. We won 1,345 new customers in 2016, and the gains in customer and vehicle base were broadly spread between the channels we use. UK fleet revenue was £12.8m (2015: £11.7m). We added a number of new key accounts during the year and 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 continued to add new content to it.

We will continue to focus on 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.

Fleet (continued)

Fleet France
The number of new installations in the French market was 7% below the previous year, but there was a 26% increase in the unit base, ending the year with 9,986 vehicles (2015: 7,910) under subscription across 1,428 fleet customers (2015: 1,196). French fleet revenue increased by 25% to €1.8m (2015: €1.4m), making a profitable contribution to the Group. We made a senior management appointment to head up the French operations in the second half of 2016, and his focus will be on delivering strong sales growth in 2017 in both our direct and distributor channels.

Fleet USA
Our second full year of trading in the USA showed good progress: we concluded 2016 with 1,075 fleet customers (2015: 693) having a total of 6,191 vehicles under subscription (2015: 3,179). As in the UK and France, our fleet revenue derives from subscription income, which builds over time. Nonetheless USA fleet revenue increased to $0.9m from just $0.4m in 2015, 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 9 employees in our Chicago office.

Insurance
We installed 69,300 new insurance tracking systems in 2016, an increase of 22%. Despite this growth, installations in the second half were 13% lower than in the first half. This trend was in keeping with the decision announced at the time of the Company's interim results in July 2016 to focus on its core fleet market and on only those insurance opportunities which offer satisfactory margins and which are closely aligned to its fleet business, a trend we see increasing in 2017.

In line with this strategy, the Group developed and launched an insurance platform which it believes will appeal to a range of specialist insurance brokers. The development for this ran in tandem with the new fleet capabilities on which it is based, namely the TCSV11 telematics system, the SafeSpeed Database and the display dashboards provided for fleet managers. By the end of the year this proposition had been adopted and used by one new insurance broker client, with a further client having chosen it for launch during the first half of 2017. These initial projects are relatively small in volume, but offer an opportunity for Quartix to deliver greater value to both insurer and broker, and to establish the benefits of the SafeSpeed database.

We continue to take steps to manage our cost base in line with the strategies outlined above, particularly given continued price pressure in the insurance market.

Research and development

The Group is committed to continued investment in research in order to ensure that the functionality of its fleet tracking systems and software remains competitive across each of our three fleet markets as well as in the insurance sector. The principal areas of development focus in 2016 were:

1. An enhanced version of the TCSV11 product. This product is now equipped with backup battery and fast GPS and accelerometer capabilities.
2. The TCSV12 tracking system. This product is believed to be one of the most compact on the market, allowing ease of user installation in approximately 90% of European vehicles. The initial target for this is the fleet sector in Europe, but it has also been launched in the insurance sector and will be launched in the US following product approvals.
3. Electronic logging of driver hours for the US market. This application, which involves a direct connection to the vehicle's own bus and the use of an Android tablet device by the driver, was delivered in beta version to customers during the second half of the year, and has so far received good reviews.
4. The "powered by Quartix" insurance platform. This software platform includes software tools for both insurers and brokers and allows driver scoring based on a range of factors, but most significantly it makes use of our "SafeSpeed Database", which we believe offers a significant improvement in risk assessment of young drivers.
5. Configurable real-time dashboard for fleet managers. These were fully released at the mid-year point.
6. Enhancements to our API (QWS 2.0). These were completed towards the end of the year, and were also used as the basis of further developments to our mobile apps (point 7 below).
7. Enhance mobile apps including driving style monitoring. These apps, which are available for both iOS and Android operating systems, have been adapted to make use of our own API, and to include driving style monitoring as part of the functionality available in this environment.

All of our investment in research and development was fully expensed in the year. The total cost amounted to£1.4m, which represents an increase of 31% compared to the prior year (2015: £1.1m).

Strategic priorities

We believe that the Company has significant opportunity for growth in its fleet business, particularly in the USA. We ended the year with good growth in fleet installations and have taken the decision to make additional investment in business development in 2017.

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, following the strategic decision to move away from low margin insurance sales, we will seek to target those opportunities which allow us to demonstrate and deliver the levels of service quality and value for which we have become known.

Andrew Walters
Managing Director

Strategic Report: Financial Review

Key performance indicators ("KPIs")

Year ended 31 December	2016	2015	% change
Fleet installations (units)	**22,224**	21,518	3.3
Fleet subscription base (units)	**87,889**	73,744	19.2
Fleet customer base	**9,105**	7,849	16.0
Fleet attrition (annualised) (%) [1]	**10.0**	11.3	-
Fleet invoiced recurring revenue[2] (£'000)	**13,646**	11,828	15.4
Fleet revenue (£'000)	**14,909**	12,957	15.1
Insurance installations (units)	**69,300**	57,024	21.5
Insurance revenue (£'000)	**8,430**	6,718	25.5

[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

2016 was a year of good progress in our primary strategic objective of building our fleet subscription base.

We achieved over 22,000 fleet installations, an increase of 3.3% compared to 2015, helped particularly by growth in our US operations.

Our installed base grew by 19.2% to 87,889 units.

Attrition during the period fell to 10.0%.

Group invoiced recurring revenue (before adjusting for deferred revenue) grew at 15.4% to £13.6m (2015: £11.8m).

The growth in fleet revenue at 15.1% was less than the growth of our recurring revenue as our primary focus is on growing subscription revenue.

Insurance unit installations were up 21.5% at 69,300; but the second half was 13.1% lower than the first half, in keeping with the decision announced in July, to focus more on our fleet market.

Financial Overview

Year ended 31 December **£'000 (except where stated)**	**2016**	2015	% change
Revenue			
Fleet	**14,909**	12,957	15.1
Insurance	**8,430**	6,718	25.5
Total	**23,339**	19,675	18.6
Gross profit	**14,063**	12,150	15.7
Gross margin	**60%**	62%	
Operating profit	**6,543**	6,045	8.2
Operating margin	**28%**	31%	
Adjusted EBITDA	**6,808**	6,248	9.0
Net profit for the year	**6,087**	5,014	21.4
Earnings per share	**12.87**	10.69	20.4
Cash generated from operations	**6,812**	6,781	0.5
Operating profit to operating cash conversion	**104%**	112%	
Free cash flow	**6,005**	5,440	10.4

Revenue
Revenue increased by 18.6% to £23.3m (2015: £19.7m). Fleet revenue benefitting from past investment was 15.1% up at £14.9m (2015: £13.0m). Sales to insurance customers increased by 25.5% to £8.4m (2015: £6.7m).

Gross margin
The fall in Sterling led to an increase in unit costs and there was also an increase in overseas installation costs, both of which contributed to the percentage gross margin falling from 62% to 60%, restricting the increase in gross profit to 15.7%.

Operating profit and Adjusted EBITDA
We continued to invest in our product offering, in our sales structure and in marketing which led to an increase in overheads of 23.2%. As a result, operating profit grew at a lower rate than gross profit at 8.2% to £6.5m, adding back depreciation and share-based payment expense gives £6.8m of adjusted EBITDA.

Part of this investment was in the USA where our customer base almost doubled and revenue, as disclosed in note 3, more-than doubled to £677,000 ($0.9m) in 2016. As disclosed in note 9, losses in the USA were around £830,000 ($1.1m).

Net profit for the year
Our low effective tax rate reflects a benefit from research and development tax allowances. It fell to 7% in 2016 (2015: 16%) due to the impact of claiming patent box relief for the first time. The rate of tax for the current year is 12% but the overall charged fell due to a corporation tax refund of £0.3m for patent box claims made in 2016 in respect of prior periods.

The overall impact of the above was that profit for the year rose by 21.4% to £6.1m (2015 £5.0m).

Financial Overview (continued)

Earnings per share
Earnings per share increased by 20.4%, helped by a reduced tax charge.

Statement of financial position
Cash at the year-end was £6.2m and bank debt was nil, having repaid the bank loan in full during the year, (2015: net cash £3.0m).

Cash flow
Operating cash flow is impacted by the fall in Sterling as it is calculated after foreign exchange losses but ignores exchange gains on cash balances. Additionally, the Group qualified for VAT payments on account for the first time which resulted in £0.2m of additional VAT payments in 2016.

Despite the above, cash generated from operations before tax at £6.8m was 104% of operating profit.

Tax paid in 2016 was £0.6m, net of the £0.3m refund for patent box claims in respect of prior periods, so cash flow from operating activity after taxation but before capital expenditure was £6.2m (2015: £5.7m).

Free cash flow, after £0.2m of capital expenditure, was £6.0m, a 10.4% increase. (2015: £5.4m)

The translation of cash flow into dividends is covered in the Chairman's Statement.

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 recruitment, development and retention.

Particular attention has been given to the composition of the Operations Board. On 1 July 2016 Quartix Limited appointed Donato Quagliariello as a Director of the company responsible for operations in France. Following the year end, on 1 February 2017, Ed Ralph was appointed a Chief Operating Officer of Quartix Limited and Lynne Austin was appointed as Director of Quartix Limited with responsibility for the company's UK fleet operations.

The Group has a range of tailored incentive schemes which include the uses of share options.

Reliance on M2M network
The Group's service delivery is dependent on a functioning M2M network covering both the internet and mobile data. 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.

Financial Overview (continued)

Dependence on a key customer
As disclosed in note 3, during 2016 revenue of £8.4m was derived from one insurance customer, a specialist reseller for the insurance industry. 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. The Group has taken the strategic decision to move away from low margin insurance sales and widen its insurance customer base.

Cyber security
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 24 February 2017.

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**
Chairman	Paul Boughton	1 May 2014
Executive Directors	Andrew Walters	29 January 2008
	David Bridge	26 February 2008
Non-Executive Director	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.

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)

Board committees (continued)

Audit Committee

Paul Boughton is Chairman of the Audit Committee which normally meets two 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. The Group's Risk Register is reviewed at least twice a year by the main board. A list of Matters Reserved for the Board was adopted in January 2016 including ensuring a sound system of internal control and risk management. All systems issues or unexpected outcomes are brought to the attention of the board.
- 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.

Board committees (continued)

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
- Monitoring and reporting
- Requiring a high level of integrity for key roles

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

There are Group wide minimum control standards for such issues as Health and Safety which are listed in around 30 policy documents. In addition, an extensive range of accounting systems and procedures are documented and maintained.

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 includes Paul Boughton. Its creation was confirmed by the Board of Directors on 3 October 2015 in accordance with the Company's Articles of Association. The Committee's fundamental purpose is to ensure sound Corporate Governance. In the year 2017 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 at the executive directors' request 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	2 months
Jim Warwick		1 May 2014	2 months

Subject to re-election at the forthcoming AGM, it is the Board's intention to renew the Non-Executive Directors' contracts for another three years from 1 May 2017.

Directors' detailed emoluments and compensation (audited)

		2016 (£)			2015 (£)
		Salary	**Pension**	**Total**	Total
Executive Directors	Andrew Walters[1]	83,388	-	83,388	80,961
	David Bridge	82,105	834	82,939	81,298
		165,493	834	166,327	162,259
Non-Executive Directors	Paul Boughton	50,000	-	50,000	46,667
	Jim Warwick	35,000	-	35,000	35,000
	Avril Palmer-Baunack[2]				14,583
		85,000	-	85,000	96,250

[1] Highest paid director in 2016
[2] Salary paid up to the date of resignation on 16 April 2015

Directors and their interests in shares

		Ordinary shares £0.01 each	
Year ended 31 December		**2016**	2015
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 2016 and the year ending 31 December 2015.

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 2016.

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 2016, the Board decided to pay an interim dividend of 2.2p per ordinary share. This totalled £1.0m and was paid on 15 September 2016 to shareholders on the register as at 19 August 2016.

The Board is recommending a final dividend of 4.3p per share, together with a supplementary dividend of 4.7p per share, giving a final payment of 9.0p a share amounting to approximately £4.3m in aggregate and giving a total dividend for the year equivalent to 11.2p per share. If this is approved at the forthcoming AGM on 28 March 2017, the final dividend will be paid on 5 May 2017 to shareholders on the register as at 7 April 2017.

Substantial shareholdings

On 23 February 2017, 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 Walters[1]	17,855,986	37.7
Andrew Kirk	5,009,853	10.6
BlackRock Inc	4,718,025	10.0
David Bridge	2,663,000	5.6
William Hibbert	2,663,000	5.6
Kenneth Giles	2,371,800	5.0
Miton Group plc	2,236,345	4.7

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

Directors

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

- Paul Boughton (Chairman)
- Jim Warwick

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 28 March 2017.

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
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Company financial statements

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 26.

Interest rate risk

The Group has no debt so it is not exposed to fluctuations in interest rates.

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 24 February 2017.

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 2016 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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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.
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

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

Matters on which we are required to report by exception

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

- 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 parent company financial statements of Quartix Holdings plc for the year ended 31 December 2016.

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

24 February 2017

Consolidated Statement of Comprehensive Income

Year ended 31 December	Notes	2016 £'000	2015 £'000
Revenue	3	**23,339**	19,675
Cost of sales		**(9,276)**	(7,525)
Gross profit		**14,063**	12,150
Administrative expenses		**(7,520)**	(6,105)
Operating profit		**6,543**	6,045
Finance income receivable	7	**21**	13
Finance costs payable	8	**(24)**	(69)
Profit for the year before taxation	4	**6,540**	5,989
Tax expense	9	**(453)**	(975)
Profit for the year		**6,087**	5,014
Other Comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations		**(255)**	(49)
Tax benefit(expense)		**-**	-
Other comprehensive income for the year, net of tax		**(255)**	(49)
Total comprehensive income attributable to the equity shareholders of Quartix Holdings plc		**5,832**	4,965
Earnings per ordinary share (pence)	10		
Basic		**12.87**	10.69
Diluted		**12.70**	10.53

Consolidated Statement of Financial Position

Company registration number: 06395159

	Notes	2016 £'000	2015 £'000
Assets			
Non-current assets			
Goodwill	11	**14,029**	14,029
Property, plant and equipment	12	**360**	317
Deferred tax assets	18	**141**	77
Total non-current assets		**14,530**	14,423
Current assets			
Inventories	13	**680**	638
Trade and other receivables	14	**2,591**	2,586
Cash and cash equivalents	15	**6,249**	4,040
Total current assets		**9,520**	7,264
Total assets		**24,050**	21,687
Current liabilities			
Trade and other payables	16	**2,892**	2,842
Borrowings	17	**-**	997
Deferred revenue		**2,591**	2,244
Current tax liabilities		**238**	407
		5,721	6,490
Total liabilities		**5,721**	6,490
Net assets		**18,329**	15,197
Equity			
Called up share capital	19	**474**	472
Share premium account	19	**4,702**	4,631
Equity reserve	20	**281**	177
Capital redemption reserve		**4,663**	4,663
Translation reserve		**(304)**	(49)
Retained earnings		**8,513**	5,303
Total equity attributable to equity shareholders of Quartix Holdings plc	28	**18,329**	15,197

Approved by the Board of Directors, authorised for issue and signed on behalf of the Board on 24 February 2017.

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 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	-	-	(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**
Shares issued	2	71	-	-	-	-	**73**
Increase in equity reserve in relation to options issued	-	-	-	113	-	-	**113**
Adjustment for exercised options (note 20)	-	-	-	(56)	-	56	**-**
Deferred tax on share Options	-	-	-	47	-	-	**47**
Dividend paid	-	-	-	-	-	(2,933)	**(2,933)**
Transactions with owners	**2**	**71**	**-**	**104**	**-**	**(2,877)**	**(2,700)**
Foreign currency translation differences (note 26)	-	-	-	-	(255)	-	**(255)**
Profit for the year	-	-	-	-	-	6,087	**6,087**
Total comprehensive income	**-**	**-**	**-**	**-**	**(255)**	**6,087**	**5,832**
Balance at 31 December 2016	**474**	**4,702**	**4,663**	**281**	**(304)**	**8,513**	**18,329**

Consolidated Statement of Cash Flows

	Notes	2016 £'000	2015 £'000
Cash generated from operations	21	**6,812**	6,781
Taxes paid		**(639)**	(1,092)
Cash flow from operating activities		**6,173**	5,689
Investing activities			
Additions to property, plant and equipment	12	**(189)**	(262)
Interest received	7	**21**	13
Cash flow used in investing activities		**(168)**	(249)
Cash flow used in operating activities after investing activities (free cash flow)		**6,005**	5,440
Financing activities			
Repayment of long term borrowings		**(1,000)**	(1,000)
Interest paid		**(29)**	(75)
Proceeds from share issues		**73**	257
Dividend paid		**(2,933)**	(2,348)
Cash flow from financing activities		**(3,889)**	(3,166)
Net changes in cash and cash equivalents		**2,116**	2,274
Cash and cash equivalents, beginning of year		**4,040**	1,812
Exchange differences on cash and cash equivalents	26	**93**	(46)
Cash and cash equivalents, end of year	15	**6,249**	4,040

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 2016 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 Group has not adopted any new standards or amendments that have a significant impact on the Group's results or financial position. The standards and interpretations in issue but not effective for accounting periods commencing on 1 January 2016 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	(2014-2016 Cycle)	Not yet endorsed

The Directors have not yet assessed the impact of the adoption of the standards listed above on the consolidated financial information of the Group in future periods. IFRS 15 may change the timing of recognition of revenue for units purchased by customers, although the majority of contracts are rental agreements, and IFRS 16 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 29.

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 95 days 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 Limited’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.

Employee benefits
The only pension provision 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. Other employee benefits including holiday pay, company sick pay and a range of tailored incentive schemes, some of which include the grant of share options, are recognised in the period that related employee services are received.

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.

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 dependent on management's judgment of the probability and measurability of future economic benefits. No development expenditure was capitalised in the year ended 31 December 2016. 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 11.

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 revenue, 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:

	2016	2015
	£'000	£'000
By customer base		
Fleet	**14,909**	12,957
Insurance	**8,430**	6,718
	23,339	19,675

	2016	2015
	£'000	£'000
Geographical analysis by destination		
United Kingdom	**21,249**	18,390
France	**1,408**	1,025
Republic of Ireland	**5**	4
United States of America	**677**	256
	23,339	19,675

During 2016 revenue of £8.4m (2015: £6.7m) was derived from one insurance customer.

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

4 Profit for the year before taxation

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

	2016 £'000	2015 £'000
Research and development expenses	**1,442**	1,097
Rentals under operating leases:		
Other operating leases	**14**	12
Land and buildings	**150**	53
Depreciation on property, plant and equipment, owned	**152**	132
Share-based payment expense	**113**	71
Foreign exchange gains	**(265)**	(18)
Audit services:		
Fees paid to Company auditor for the audit of the Company and consolidated financial statements	**15**	14
The audit of the Company's subsidiary pursuant to legislation	**18**	16
Other services	**3**	3

Earnings before interest, tax, depreciation and amortisation (EBITDA):

	2016 £'000	2015 £'000
Operating profit	**6,543**	6,045
Depreciation	**152**	132
EBITDA	**6,695**	6,177
Share-based payment expense	**113**	71
Adjusted EBITDA	**6,808**	6,248

5 Employee remuneration

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

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

	2016 £'000	2015 £'000
Wages and salaries	**3,889**	3,123
Social security costs	**366**	302
Contributions to defined contribution pension plan	**26**	8
Share-based payment	**113**	71
	4,394	3,504

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

	2016	2015
Administration	**21**	13
Operations	**31**	21
Sales	**43**	35
Customer service	**15**	11
Research and development	**25**	21
	135	101

6 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. For 2016, the Group identified 9 such individuals: two Executive Directors, two Non-Executive Directors, and five members of Senior Management, a reduction on 2015 to include only those Managers on the Operations Board of Quartix Limited. In 2015, the Group identified thirteen such individuals: two Executive Directors, three Non-Executive Directors, and eight members of Senior Management.

	2016	2015
	£'000	£'000
Wages and salaries	**653**	730
Social security costs	**76**	88
Contributions to defined contribution pension plan	**2**	1
Share-based payment	**51**	29
Total employee benefits	**782**	848

Key management had 402,662 share options outstanding at 31 December 2016 (2015: 670,900). Key management held 28,349,839 shares at 31 December 2016 (2015: 32,342,711) 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. One director 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 2016 the directors held no share options (2015: nil) and no share options were exercised in the year.

7 Finance income receivable

	2016	2015
	£'000	£'000
Bank interest	**21**	13

8 Finance costs payable

	2016	2015
	£'000	£'000
Interest on bank loans and overdrafts	**24**	69

9 Tax expense

Analysis of tax charge in the year	2016 £'000	2015 £'000
Current tax		
UK corporation tax charge on profit for the year	**818**	957
Adjustments in respect of prior periods	**(348)**	-
Total corporation tax	**470**	957
Deferred tax		
Origination and reversal of temporary differences	**(17)**	23
Adjustments in respect of prior periods	**-**	(5)
Total deferred tax	**(17)**	18
Tax on profit of ordinary activities	**453**	975

The current tax credit in respect of prior periods relates to patent box claims submitted during 2016 in respect of the two years ended 31 December 2014 and 31 December 2015. The current tax charge for the year to 31 December 2016 also includes the benefit of a Patent box credit of £244,000 as highlighted below. The impact of the patent box claim for the year ended 31 December 2016, ignoring the adjustments in respect of prior periods, is to reduce the effective rate of tax from 16.0%, broadly in line with the year ended 31 December 2015, to 12.3%. The impact of the prior year adjustments is to reduce the effective rate of tax from 12.3% to 6.9%.

The relationship between the expected tax expense based on the effective tax rate of the Group at 20.00% (2015: 20.25%) 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:

	2016 £'000	2015 £'000
Result for the year before taxation	**6,540**	5,989
Tax rate (%)	**20.00**	20.25
Expected tax expense	**1,308**	1,213
Adjustments to tax charge in respect of prior periods	**(348)**	(5)
Expenses not deductible for tax purposes	**1**	3
Losses in the USA not provided	**166**	116
Research and development tax credit	**(332)**	(262)
Patent box credit	**(244)**	-
Remeasurement of deferred tax	**(9)**	(4)
Tax adjustment on exercise of options	**(89)**	(86)
Tax on profit on ordinary activities	**453**	975

Effective rate of tax	6.9%	16.3%
Effective rate of tax ignoring adjustments in respect of prior years'	12.3%	16.4%

10 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. 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 2016	**6,087**	**47,292,755**	**12.87**	**47,929,813**	**12.70**
Year ended 31 December 2015	5,014	46,912,132	10.69	47,595,383	10.53

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 where the exercise price is less than the average market price of the Company's ordinary shares during that year.

11 Goodwill and other intangible assets

Goodwill

	Goodwill on consolidation £'000
Cost and net book value	
At 1 January and 31 December 2015 and 2016	**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 4.12% 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.

12 Property, plant and equipment

	Leasehold improvements £'000	Tools and equipment £'000	Office equipment £'000	Total £'000
Cost:				
At 1 January 2015	12	12	401	425
Additions	5	-	257	262
At 31 December 2015	17	12	658	687
Additions	-	-	189	189
Foreign exchange	-	-	10	10
At 31 December 2016	17	12	857	886
Depreciation:				
At 1 January 2015	-	12	226	238
Provided in the year	3	-	129	132
At 31 December 2015	3	12	355	370
Provided in the year	3		149	152
Foreign exchange	-	-	4	4
At 31 December 2016	6	12	508	526
Net book amount:				
At 31 December 2016	**11**	**-**	**349**	**360**
At 31 December 2015	14	-	303	317
At 1 January 2015	12	-	175	187

13 Inventories

	2016 £'000	2015 £'000
Raw materials	**334**	335
Work in progress	**109**	161
Finished goods and goods for resale	**237**	142
	680	638

Included in the analysis above are impairment provisions against inventory amounting to £80,000 (2015: £80,000). The cost of inventories recognised as an expense and included in "cost of sales" amounted to £2.9m (2015: £2.4m).

14 Trade and other receivables

	2016	2015
	£'000	£,000
Trade receivables	**2,318**	2,313
Other receivables	**12**	126
Prepayments and accrued income	**261**	147
	2,591	2,586

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.

	2016	2015
	£'000	£'000
Provision at 1 January	**48**	15
(Release of provision)/additional provision	**(3)**	33
Foreign exchange	**2**	-
Provision at 31 December	**47**	48

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:

	2016	2015
	£'000	£'000
Not more than 1 month	**122**	156
More than one month but not more than 3 months	**19**	64
More than 3 months but not more than 6 months	**-**	-
	141	220

15 Cash and cash equivalents

Cash and cash equivalents include the following components:

	2016	2015
	£'000	£'000
Cash at bank and in hand	**6,249**	4,040

Quartix Limited uses Barclay's Business Premium account to aggregate Sterling instant access balances and earn interest, which is -0.15% below the Base Rate. Since September 2016, the Group has placed deposits with Investec Bank plc on 95 day notices with interest currently at 0.7%. At 31 December 2016, Investec deposit were £2.0m.

16 Trade and other payables

Amounts falling due within one year:

	2016	2015
	£'000	£'000
Trade payables	**1,572**	1,632
Social security and other taxes	**626**	783
Other payables	**222**	152
Accruals	**472**	275
	2,892	2,842

17 Borrowings: amounts falling due within one year

	2016	2015
	£'000	£'000
Bank loan	**-**	997

The Group repaid its bank loans during the year ended December 2016. The loan had been subject to an effective interest rate of 3.88% over LIBOR secured by way of a debenture.

18 Deferred tax

Deferred tax asset recognised by the Group at 31 December 2016 and 31 December 2015 are as follows:

	2016	2015
Provision for deferred tax	**£'000**	£'000
Accelerated Capital Allowances	42	47
Short term temporary differences	(7)	(7)
Equity settled share options	(176)	(117)
	(141)	(77)
(Credit)/charge to profit and loss		
Accelerated Capital Allowances	**(5)**	21
Short term temporary differences	**(1)**	(3)
Equity settled share options	**(11)**	-
	(17)	18

There are unprovided tax losses related to the USA business of $946,000 (2015: $568,000).

19 Equity

	Number of ordinary shares of £0.01 each	Share capital £'000	Share premium £'000
Allotted, called up and fully paid			
At 1 January 2016	47,175,704	472	4,631
Shares issued	170,250	2	71
At 31 December 2016	**47,345,954**	**474**	**4,702**

All the shares issued in the year to 31 December 2016 related to the exercise of share options.

20 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.

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

		2016		2015
	Weighted average exercise price per share in pence	**Options number**	**Weighted average exercise price per share in pence**	**Options number**
Outstanding at 1 January	**76.5**	**757,900**	47.1	1,076,954
Granted	**316.6**	**332,612**	192.9	170,400
Lapsed	**1.0**	**(3,450)**	0.7	(5,750)
Exercised	**42.7**	**(170,250)**	53.1	(483,704)
Outstanding at 31 December	**55.3**	**916,812**	76.5	757,900
Exercisable at 31 December	**110.6**	**207,000**	43.5	131,500

The weighted average fair value of options issued during the year ended 31 December 2016 was 78.73p (2015: 87.73p). Included in the options granted in 2016, 3,662, were granted to a senior manager with performance conditions relating to the Group for the year ended 31 December 2016 and subsequent service conditions. The remaining options granted during the year have only service conditions.

The weighted average share price at the date of exercise of options during the year ended 31 December 2016 was 371.84p (2015: 197.6p).

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 1,500 (2015: 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 £13.50 (2015: £634) has been charged to the capital redemption reserve to reflect the capitalisation.

20 Share based payments (continued)

At 31 December 2016 Quartix Holdings plc had the following outstanding options, warrants and exercise prices:

2016

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	420,000	35
Starting from July 2016	29 July 2021	219.0	147,000	55
March 2017	16 December 2020	1.0	17,200	48
January 2019	01 January 2019	1.0	3,662	24
Starting from October 2017	28 October 2023	337.5	312,000	82
March 2018	06 December 2021	1.0	16,950	59
		55.3	**916,812**	**55**

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 2016	29 July 2021	219.0	150,000	67
March 2017	16 December 2020	1.0	20,400	60
		76.5	**757,900**	**51**

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 the Group's share price. 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 granted during the year ended 31 December 2016:

	2016			2015	
Number granted	**3,662**	**312,000**	**16,950**	150,000	20,400
Grant date	**1 Jan**	**28 Oct**	**6 Dec**	29 Jul	16 Dec
Share price at grant date (pence)	**252.5**	**337.5**	**330.0**	219.0	241.0
Exercise price (pence)	**1.0**	**337.5**	**1.0**	219.0	1.0
Fair value per option (pence)	**230.5**	**64.9**	**301.5**	72.0	203.4
Expected life in years	**3**	**3**	**1.25**	3	1.25
Expected volatility (%)	**49.4**	**35.1**	**36.0**	55.5	52.2
Risk-free interest rate (%)	**0.87**	**0.25**	**0.25**	0.5	0.5
Dividend yield (%)	**2.9**	**2.9**	**2.9**	2.3	2.3

21 Notes to the cash flow statement

Cash flow adjustments and changes in working capital

	Notes	2016 £'000	2015 £'000
Profit before tax		**6,540**	5,989
Foreign exchange		**(326)**	-
Depreciation	12	**152**	132
Interest income	7	**(21)**	(13)
Interest expense	8	**24**	69
Share based payment expense	4	**113**	71
Operating cash flow before movement in working capital		**6,482**	6,248
Decrease/(increase) in trade and other receivables		**5**	(650)
(Increase) in inventories		**(39)**	(201)
Increase in trade and other payables		**364**	1,384
Cash generated from operations		**6,812**	6,781

22 Leases

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

	Land & buildings		Other	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
No later than one year	**156**	58	**10**	10
Later than one year and no later than four years	**218**	4	**11**	3
Later than five years	**12**	-	**-**	-
	386	62	**21**	13

Lease payments recognised as an expense during the year amount to £164,000 (2015: £65,000).

23 Related party transactions and controlling related party

The Group's related parties comprise its Board of Directors and its key management (see note 6). 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 6.

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

24 Purchase commitments

Quartix Limited has signed agreements with suppliers which commit the Group to purchase inventory to the value of £324,000 (2015: £186,000). In December 2016, the Group entered into an agreement for the provision of data services which included a contractual obligation to pay a minimum of £40,000 per month, over a two-year term. There were no other financial commitments or contingent liabilities as at 31 December 2016 or 31 December 2015.

25 Capital commitments

The Group had no capital commitments at 31 December 2016 (2015: £nil).

26 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 credit risk and currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

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:

	2016	2015
	£'000	£'000
Loans and receivables		
Cash and cash equivalents	**6,249**	4,040
Trade and other receivables	**2,330**	2,439
	8,579	6,479

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 14 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 $3.7m a year, to purchase components for the fleet tracking unit as well as the investment in Quartix Inc (2015: $3.0m).

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

26 Risk management objectives and policies (continued)

Currency risk (continued)

It is estimated that a 5% strengthening of Pound Sterling to the US dollar would have reduced purchase costs £140,000 and vice versa (2015: £100,000). (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 £34,000 and vice versa (2015: £23,000).

The Group's financial instruments dominated in currencies were:

	2016		2015	
	£'000	**£'000**	£'000	£'000
	US$	**€**	US$	€
Cash and cash equivalents	**279**	**172**	418	109
Trade receivables	**-**	**166**	32	140
Trade payables	**(459)**	**(181)**	(483)	(126)
	(180)	**157**	(33)	123

As set out in the accounting policies (note 1), the assets and liabilities of Group entities that have a functional currency other than Sterling are translated at the closing exchange rate at the reporting date. The US dollar exchange rate fell by 16% from 31 December 2015 to 31 December 2016. The impact of this movement on the retranslation of Quartix Inc's net liabilities at 31 December 2015 is a translation reserve loss of £(212,000). The total translation reserve movement during the year, including movements in the net liability, reported in the Consolidated Statement of Changes in Equity was £(255,000).

Quartix Inc's net liabilities mainly relate to amounts owed to other Group entities. The foreign exchange differences arising on translation of these monetary liabilities are recognised in the Consolidated Income Statement and was the main reason for the increase in the foreign exchange gain in 2016 (see note 4). The retranslation of the amounts owed to Group entities by Quartix Inc at 31 December 2015 amounted to £(198,000).

It is estimated that a 5% weakening of Pound Sterling to the US dollar would give an exchange gain of around £115,000 from the retranslation of amounts owed by Quartix Inc and vice versa.

27 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:

	2016	2015
	£'000	£'000
Loans and receivables		
Trade and other receivables	**2,330**	2,439
Cash and cash equivalents	**6,249**	4,040
	8,579	6,479
Financial liabilities measured at amortised cost		
Trade and other payables	**2,044**	1,907
Bank borrowings	**-**	997
	2,044	2,904

28 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:

	2016 £'000	2015 £'000
Capital		
Total equity	**18,329**	15,197
Less cash and cash equivalents	**(6,249)**	(4,040)
	12,080	11,157
Overall financing		
Total equity	**18,329**	15,197
Plus borrowings	**-**	997
	18,329	16,194
Capital-to-overall financing ratio (%)	**66**	69

29 Subsidiaries

As at the 31 December 2016 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 2016 which comprise the Parent Company Statement of Financial Position, the Parent Company 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 2016 and of its profit for the year then ended;
- 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, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

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

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

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 2016.

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

24 February 2017

Parent Company Statement of Financial Position

Company registration number 06395159

	Notes	2016 £'000	2015 £'000
Fixed assets			
Investments	3	**18,735**	18,622
Current assets			
Debtors	4	**3,428**	529
Current tax asset		**11**	55
Cash at bank and in hand		**37**	213
Total current assets		**3,476**	797
Creditors – amounts falling due within one year	5	**(35)**	(1,422)
Net current assets/(liabilities)		**3,441**	(625)
Total assets less current liabilities		**22,176**	17,997
Net assets		**22,176**	17,997
Capital and reserves			
Called up share capital	6	**474**	472
Share premium account		**4,702**	4,631
Equity reserve		**135**	78
Capital redemption reserve		**4,663**	4,663
Retained earnings		**12,202**	8,153
Total equity attributable to equity shareholders of Quartix Holdings plc		**22,176**	17,997

Profit for the year and total comprehensive income attributable to the equity shareholders of Quartix Holdings plc was £6,926,000 (2015: £6,855,000)

Approved by the Board of Directors, authorised for issue and signed on behalf of the Board on 24 February 2017.

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 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	-	-	(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**
Shares issued	2	71	-	-	-	**73**
Increase in equity reserve in relation to options issued	-	-	-	113	-	**113**
Adjustment for exercised options (see note 20 of Group accounts)	-	-	-	(56)	56	**-**
Dividend paid	-	-	-	-	(2,933)	**(2,933)**
Transactions with owners	2	71	-	57	(2,877)	**(2,747)**
Profit for the year and total comprehensive income	-	-	-	-	6,926	**6,926**
Balance at 31 December 2016	474	4,702	4,663	135	12,202	**22,176**

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 transitioned to FRS 101 in 2015 having previously adopted extant UK Generally Accepted Accounting Practice for all periods presented. There were no adjustments to the comparative figures for the year ended 31 December 2015 arising from the change in financial reporting framework. The accounting policies which follow were those applied in preparing the financial statements for the year ended 31 December 2016 and 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 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 UK 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 £6.93m (2015: £6.86m).

Auditors' remuneration attributable to the Company is as follows:

	2016 £'000	2015 £'000
Audit fees – statutory audit	**15**	14
Other services	**1**	1
	16	15

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 2015	**18,551**
Increase due to granting of share options to subsidiary employees:	
New investments	**71**
At 1 January 2016	**18,622**
Increase due to granting of share options to subsidiary employees:	
New investments	**113**
Net book amount at 31 December 2016	**18,735**

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

	2016 £'000	2015 £'000
Social security and other taxes	**6**	5
Prepayments	**5**	5
Amounts owed by subsidiary undertakings	**3,417**	519
	3,428	529

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

The amount owed by subsidiary undertakings includes a US dollar loan to Quartix Inc of £1.2m (2015: £0.5m) which is repayable on or before 31 December 2017 but can be extended by mutual agreement. Interest is charge quarterly at 1% per quarter on the quarter end balance. The remainder relates to a current account to Quartix Limited

5 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Amounts owed to subsidiary undertakings	**-**	388
Bank loan	**-**	997
Social security and other taxes	**4**	4
Accruals and deferred income	**31**	33
	35	1,422

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 started in February 2016.

6 Called up share capital

	2016 £'000	2015 £'000
Allotted, called up and fully paid		
47,345,954 (2015: 47,175,704) ordinary shares of £0.01 each	**474**	472

Details of movements in share options and warrants and those outstanding at 31 December 2016 are disclosed in note 20 of the Group accounts.

7 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 6 of the Group accounts.

8 Contingent liabilities

There are no material contingent liabilities subsisting at 31 December 2016 or 31 December 2015.

9 Financial commitments

The Company had no financial commitments at 31 December 2016 or 31 December 2015.

10 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, which were repaid by 31 December 2016. The exposure to interest rate fluctuations on its loans has been managed historically by loan repayments to reduce the level of debt and related interest. As at the 31 December 2016, there was no interest payable risk. At the 31 December 2015 each 1% increase in interest rates would have added £10,000 to interest charges on an annual basis.

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's working capital requirements, most of which earn interest via Barclay's Money Transmission Plus, Barclays Business Premium account and Investec 95-day notice account. 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:

	2016	2015
	£'000	£'000
Bank loans		
Within six months	**-**	521
Six to twelve months	**-**	509
One to five years	**-**	-
	-	1,030

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:

	2016	2015
	£'000	£'000
Loans and receivables		
Cash and cash equivalents	**37**	213
Amounts owed by subsidiary undertakings	**3,417**	519
	3,454	732

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 includes a US dollar loan to Quartix Inc of £1.2m (2015: £0.5m) which is repayable on or before 31 December 2017 but can be extended by mutual agreement. Interest is charge quarterly at 1% per quarter on the quarter end balance. The remainder relates to a current account to Quartix Limited. (see below and note 4).

10 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:

	2016	2015
	£'000	£'000
Loan and receivables		
Cash at bank	1	1
Amounts owed by subsidiary undertakings	1,215	519
	1,216	520

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 28 March 2017** 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 2016.
2. To approve and declare a final dividend for the year ended 31 December 2016 of 4.3p per ordinary share and supplementary dividend of 4.7p per ordinary share, a total of 9.0p per share. This will be paid on 5 May 2017 to shareholders on the register as at the close of business on 7 April 2017.
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 £157,820 (representing approximately 33% of the issued share capital of the Company as at 24 February 2017) 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 2018, 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 £23,680, representing approximately 5% of the ordinary share capital in issue as at 24 February 2017.

This power shall expire at the conclusion of the next Annual General Meeting of the Company or 30 June 2018, 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 2,368,000 (representing approximately 5% of the ordinary share capital in issue as at 24 February 2017);
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 2018, 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 24 February 2017.

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 close of business on 24 March 2017, or, in the event that the meeting is adjourned, at close of business 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 Friday **24 March 2017**.

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 24 February 2017 the Company’s issued share capital comprised 47,345,954 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 47,345,954.

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.

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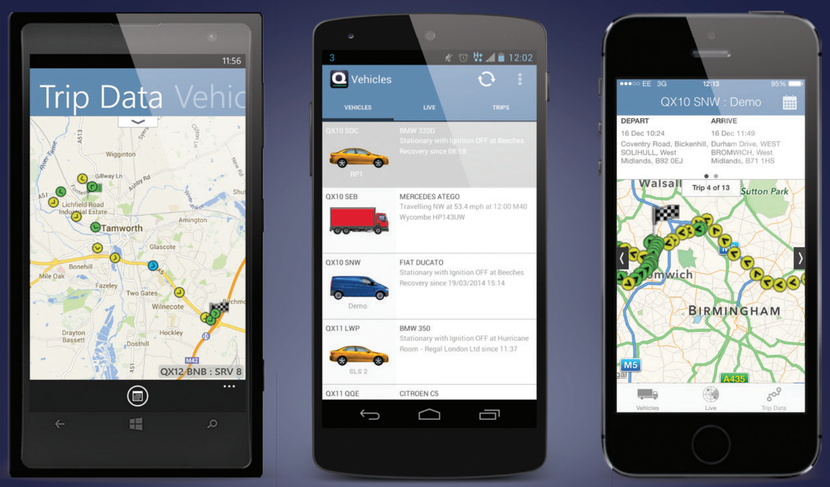
Quartix

Award-Winning Vehicle Tracking



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