Quartix

Real-Time Vehicle Tracking

Quartix Technologies plc
Annual Report 2021

Contents

Company Information

Company registration number:	06395159	
Registered office:	Sheraton House Castle Park Cambridge CB3 0AX	
Directors:	Paul Boughton Andrew Walters Richard Lilwall Emily Rees Daniel Mendis David Warwick Laura Seffino	 (appointed 11 October 2021) (appointed 20 May 2021) (resigned 20 May 2021)
Company secretary:	Emily Rees	(appointed 12 April 2021)
Bankers:	Barclays Bank PLC Mortlock house, Station Road, Histon, Cambridgeshire CB24 9DE	
Solicitors:	HCR Hewitsons Shakespeare House 42 Newmarket Road Cambridge CB5 8EP	
Auditor:	PKF Littlejohn LLP 15 Westferry Circus London EH14 4HD	
Nominated advisor and broker:	finnCap One Bartholomew Close, London, EC1A 7BL	

Highlights

Quartix is one of Europe's leading suppliers of vehicle telematics services and driver analytics.

Financial highlights

- Group revenue decreased by 1.2% to £25.5m (2020: £25.8m)
    - Fleet revenue grew[1] by 7.7% to £23.8m (2020: £22.0m)
    - Fleet revenue represented 93.1% of total revenue (2020: 85.4%)
    - Insurance revenue[2] decreased by 53.4% to £1.8m (2020: £3.8m)
- Adjusted EBITDA[3] decreased by 27.3% to £5.7m driven by planned investment for growth (2020: £7.9m)
    - Fleet telematics services profits[4] increased by 1.0% to £19.8m (2020: £19.6m)
    - Fleet customer acquisition investment[5] increased by 21.6% to £8.4m (2020: £6.9m)
- Operating profit decreased by 6.5% to £5.3m (2020: £5.7m)
- Profit before tax decreased by 6.6% to £5.3m (2020: £5.7m)
- Adjusted diluted earnings per share[6] of 9.18p (2020: 13.16p), diluted earnings per share of 10.07p (2020: 9.82p)
- Free cash flow[7] decreased by 41.0% to £3.3m (2020: £5.5m), partly due to increased inventory holding as Quartix manages component levels due to global microchip supply issues.
- Final dividend payment of 7.00p per share proposed (2020: 17.70p) including 5.10p for supplementary dividend (2020: 15.30p) giving a total dividend for the year of 8.50p per share

Outlook

- Strong start to 2022, with fleet new unit subscriptions growth of 25% for the first two months, leading to a £0.4m increase in annualised recurring revenue.
- Acceleration of growth planned, targeting annualised recurring revenue of at least £30.0m by the end of 2023.

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[1] Total Fleet segmental revenue (see Strategic Report: Financial Review, Financial Overview)
[2] Insurance segmental revenue (see Strategic Report: Financial Review, Financial Overview)
[3] Earnings before interest, tax, depreciation, amortisation, share based payment expense and the 3G swap out provision (see note 5)
[4] Profit for the Fleet segment before customer acquisition costs and central costs (see note 4)
[5] Revenue, marketing, net equipment, net installation and carriage cost for new fleet customers (see note 4)
[6] Diluted earnings per share before the 3G replacement provision (see Strategic Report: Financial Review)
[7] Cash flow from operations after tax and investing activities

Principal activities and performance measures

The Group's main strategic objective is to grow its fleet subscription base and develop the associated annualised recurring revenue.

Annualised recurring revenue (see definition in KPI table below), when measured in constant currency year on year, is a forward-looking key performance measure and it is pleasing that it grew by £2.0m to £23.9m at 31 December 2021.

The Key Performance Indicators and the Segmental Analysis used by the Board to assess the performance of the business are listed below and discussed in the Chairman's Statement and Strategic Report.

Key Performance Indicators ("KPIs")

Year ended 31 December	**2021**	2020	% change
Fleet subscriptions[1] (new units)	**50,765**	42,898	18.3
Fleet subscription base[2] (units)	**202,734**	173,793	16.7
Fleet customer base[3]	**22,668**	19,039	19.1
Fleet attrition (annualised)[4] (%)	**11.6**	12.2	
Annualised recurring revenue[5] (£'000)	**23,942**	21,943	9.1
Fleet invoiced recurring revenue[6] (£'000)	**22,506**	20,801	8.2
Fleet revenue[7] (£'000)	**23,752**	22,059	7.7
Price erosion[8] (%)	**6.0**	6.7	

[1] New vehicle tracking unit subscriptions added to the subscription base before any attrition
[2] The number of vehicle tracking units subscribed to the Group's fleet tracking services, including units waiting to be installed for which subscription payments have started or are committed
[3] The number of customers associated with the fleet subscription base
[4] The number of new vehicle tracking unit subscriptions, less the increase in subscription base, expressed as a percentage of the mean subscription base
[5] Annualised data services revenue for the subscription base at the year end, before deferred revenue, including revenue for units waiting to be installed for which subscription payments have started or are committed, all measured in constant currency.
[6] Invoiced subscription charges before provision for deferred revenue
[7] Total Fleet revenue (see Strategic Report: Financial Review, Financial Overview)
[8] The annual decrease in average subscription price of the base expressed as a percentage of the average subscription price at the start of the year, all measured in constant currency

Principal activities and performance measures (continued)

Since 2018, the financial statements have included segmental financial information for the Group's insurance and fleet operations. Following the managed reduction in the insurance sector revenue and contribution to adjusted EBITDA, the Group will not provide this segmental analysis in future. Instead, insurance will be included in the Fleet telematics services sub-category (see below).

However, to increase transparency, the Group will continue to include an additional voluntary disclosure, separating the fleet segment into two sub-categories, see financial statement note 4, in order to highlight the different costs structures within the business:

- Customer acquisition, for new customer contracts; and
- Fleet telematics services for recurring revenue and repeat contracts with existing customers.

Segmental analysis 2021	Customer Acquisition £'000	Fleet Telematics Services £'000	**Total Business £'000**
Revenue	280	25,233	**25,513**
Segmental costs	(8,692)	(5,437)	**(14,129)**
Sub-categories profit	**(8,412)**	**19,796**	**11,384**
Central costs			**(5,659)**
Adjusted EBITDA			**5,725**

Segmental analysis 2020	Customer Acquisition £'000	Fleet Telematics Services £'000	**Total Business £'000**
Revenue	223	25,612	**25,835**
Segmental costs	(7,138)	(6,007)	**(13,145)**
Sub-categories profit	**(6,915)**	**19,605**	**12,690**
Central costs			**(4,819)**
Adjusted EBITDA			**7,871**

The profit before central costs decreased by £1.3m compared to the prior year, at £11.4m (2020: £12.7m), following targeted investment in growing the subscription base. The profitability of the Group's fleet telematics services, grew by £0.2m to £19.8m (2020: £19.6m), which comprised an increase of £1.2m for the core part of the business associated with recurring revenues offset by a £1.0m decline for insurance. The growth in the core fleet element was then invested into organic growth by spending an additional £1.6m on Customer Acquisition costs such as marketing and sales staff to acquire additional fleet customers for the future.

Chairman's Statement

Introduction

Our key focus for the past year was investing in the growth of our core Fleet operations, both in the UK and overseas to drive an increase in recurring revenues. As noted in the Highlights section, the annualised recurring revenue increased by £2.0m, at a constant currency rate, to £23.9m at 31 December 2021. This was achieved, with the Group experiencing strong growth in its Fleet tracking subscription platform. Performance in the first half of the year was particularly encouraging; new subscriptions were 31.0% ahead of the prior year (which was adversely impacted globally by covid restrictions) but also 8.7% above the 2nd half of 2020. Fleet revenue grew by 7.7% during the year; in line with the growth in the value of the subscription base.

This performance brought new subscriptions for the year 15.8% ahead of those for 2019, which was previously our strongest year for installations. It was also pleasing to see that, despite the pandemic, Group attrition marginally improved to 11.6% (2020: 12.2%) and price erosion reduced to 6.0% (2020: 6.7%). For the first time ever our installed base now exceeds 200,000 units, and the customer base exceeded 20,000 customers.

Each geographical market registered increases in both new subscriptions and in the subscription base for the year. In the UK, and the US, new unit installations grew at a slower rate than in the newer regions, partly due to recruitment challenges during the second half. The UK achieved new unit installation growth of 5.7%. Sales in the UK fleet operations grew by 3.6%, reaching £16.2m (2020: £15.6m) whilst UK insurance revenues decreased to £1.8m (2020: £3.8m), due to availability of driving tests and the Company's decision to terminate the supply of new installations for its main insurance client (see Results section below for further information).

New unit installations growth was very impressive in France, driven by the continuing expansion of the direct sales force. French revenue increased by 19.3% to €5.1m (2020: €4.3m), ending the year with 40,343 vehicles under subscription (2020: 31,345) across 5,479 fleet customers (2020: 4,299).

2021 was the Group's seventh full year of operations in the USA, where growth continued. It completed the year with 27,912 vehicles under subscription (2020: 23,479) across 3,860 fleet customers (2020: 3,247), and revenue increased by 16.8% to $3.6m in 2021 (2020: $3.1m). The prospects for future business development remain encouraging with management creating a new expansion strategy which will be a key focus for the Group for 2022.

The Group continued to make progress in its other European territories, with Spain and Italy achieving excellent results, albeit from a much lower base, ending the period with a subscription base of 9,394 vehicles (2020: 3,904) across 1,997 fleet customers (2020: 920).

Results

Group revenue for the year decreased marginally to £25.5m (2020: £25.8m); the Group continues to replace insurance revenue with higher quality fleet revenue. Total fleet revenue increased by £1.7m and now represents 93.1% of total revenue (2020: 85.4%). Insurance revenue decreased by £2.0m.

Both operating profit and profit before tax for the year decreased to £5.3m (2020: £5.7m). However, the underlying decrease was £2.4m (33.1%) due to a release of £0.4m and a charge of £1.6m, in 2021 and 2020 respectively, for the swap out of 3G units in the USA (see below).

Results (continued)

As illustrated in the segmental analysis under the Financial Highlights on page 5, there was a £1.6m increase in customer acquisition segmental cost to £8.7m in 2021 (2020: £7.1m), due to the significant customer acquisition investment and the impact of higher equipment cost (see below). The profitability of the Group's fleet telematics services, which represents the core part of the business associated with recurring revenues, grew by £0.2m to £19.8m (2020: £19.6m). This is the net improvement, comprising an improvement of £1.2m for the core fleet operations and a £1.0m decline for insurance, driven by the £2.0m reduction in insurance revenue. The combined impact on total profit before central costs, was a reduction of £1.3m to £11.4m (2020: £12.7m).

In 2021 Quartix was impacted by the global supply shortage in component parts increasing the equipment costs. Given this shortage, the Company took the decision to terminate the supply of new installations for its main insurance client in order to prioritise its fleet operations. Under a new agreement Quartix will only continue to provide tracking systems for the customer's existing policy holders and will provide data and warranty services for a contractually agreed monthly service fee until September 2022. It is anticipated that the profits of the insurance segment will continue to decline.

Cash conversion weakened due to higher equipment costs and stock holding levels due to the component parts shortages, resulting in free cash flow, cash flow from operations after tax and investing activities, of £3.3m (2020: £5.5m). Net cash decreased to £5.4m at 31 December 2021 (2020: £10.6m), following the payment of an interim dividend in 2021 and a final and supplementary dividend for 2020 in 2021, totalling £9.3m. The 31 December 2020 cash balance benefitted from the cancellation of the final and supplementary divided for 2019 as a result of the coronavirus pandemic.

A provision of £1.6m was recognised in the prior year in respect of the swap out of 3G fleet units in the US, of which £0.3m has been utilised in the year for replaced units and £0.4m has been released on re-estimate of the provision at the current year end (see Strategic Report: Financial Review).

Earnings per share

Basic earnings per share increased by 2.9% to 10.14p (2020: 9.86p). Diluted earnings per share increased to 10.07p (2020: 9.82p). The adjusted diluted earnings per share, which is calculated by adding back the cost of the replacement of 3G units was 9.18p (2020: 13.16p).

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 2021, the Board decided to pay an interim dividend of 1.50p per ordinary share. This totalled £0.7m and was paid on 10 September 2021 to shareholders on the register as at 13 August 2021.

Dividend (continued)

The Board is recommending a final ordinary dividend of 1.90p per share, together with a supplementary dividend of 5.10p per share, giving a final pay out of 7.00p per share and a total dividend for the year of 8.50p per share.

The final and supplementary dividend amounts to approximately £3.4m in aggregate. Subject to the approval at the forthcoming AGM, this aggregate dividend of 7.00p per share will be paid on 29 April 2022 to shareholders on the register as at 1 April 2022.

Outlook

The Group has made a strong start to the year, with fleet new unit subscriptions growth of 25% for the first two months, in line with our expectations. Given the success that Quartix has achieved in its core fleet markets, and considering the broader market opportunity available to it, the Group intends to continue to invest a proportion of its profits on sales and marketing to capitalise further on the profitable subscription platform it has created by accelerating growth in its fleet subscription base. The majority of this investment is already underway with the recruitment of additional comparison sales staff and substantial increases in UK and French field sales capacity.

Quartix also plans further sales resource increases in France, as well as in the other European countries where initial sales results have shown the most promise for the future. For 2022 this will be focused on Spain, Italy and Germany, where unit sales have been growing rapidly, albeit from a low base. To further drive European growth, the Company is planning to establish a small, serviced regional sales office in Southern France by the midpoint of 2022. This will both support the locally based French sales force and provide back-office services for direct sales staff to be recruited in adjacent countries.

Quartix will also be launching several incremental added value features that it can upsell to the existing substantial customer base including fleet migration to electric vehicle and vehicle condition monitoring.

These investments will enable Quartix to accelerate the growth of the installed Fleet base and annualised recurring revenue in this financial year and beyond, targeting annual recurring revenue of at least £30m by the end of 2023, compared to £23.9m as at 31 December 2021.

AGM

The Group's AGM will be held at 12.30 p.m. on 23 March 2022 at the Group's registered office at Sheraton House, Castle Park, Cambridge, England, CB3 0AX.

Paul Boughton
Chairman

Strategic Report: Operational Review

Strategy and business model

The Group's main strategic objective is to grow its fleet subscription platform and develop the associated recurring revenue. This strategy is based on 5 key elements, which were first highlighted in the 2018 annual report. We are pleased to be able to report significant progress in each area, as summarised below:

1. *Market development:* new fleet subscriptions increasing by 18.3%, with particularly strong growth in France and the new European territories, notably Spain and Italy. The subscription base increased by 16.7%.
2. *Cost leadership:* We continue to seek improvements in the efficiency of the sales cycle and to review product and overhead costs in order to identify further operational efficiencies.
3. *Continuous enhancement of the Group's core software and telematics services:* further improvements have been made to the Group's software platform, which have increased its functionality and ease of use, as well as allowing the integration of camera systems. A new self-install fleet unit has been launched for the UK and Europe.
4. *Outstanding service:* Quartix maintained its excellent reputation with its fleet customers throughout the year, consistently being rated as "excellent" by TrustPilot users. Changes to the support and service processes during the year have realised benefits that have kept attrition at a steady level in the midst of the global coronavirus pandemic.
5. *Standardisation and centralisation:* the expansion into European markets has thus far been achieved entirely from the Group's principal operational office in Newtown. However, with recruitment constraints following Brexit, this structure is being reviewed (see Capacity for future growth section below). The office in Chicago is now exclusively a sales office, with US support and service functions being performed from the UK.

Our fleet customers typically use the Group's vehicle telematics 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 minimal initial commitment from the customer, providing the best return to the Group over the long term.

The number of vehicles connected to our subscription platform and the value of recurring subscription revenue derived from it are the key measures of our performance in the fleet sector. As noted in the Highlights section, the annualised recurring revenue increased by £2.0m, at a constant currency rate, to £23.9m at 31 December 2021.

Quartix also provides telematics technology and services to insurers, who 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. As noted above, the Company has terminated its contract with its main insurance client. Consequently, in terms of installed units, revenues and profits, the insurance business is now insignificant for the Group and this expected to be the case in the longer term and will no longer be reported as a separate segment.

The Group has focused over the past five years on growth in its fleet operations evidenced in the year on year trend in the increasing proportion of total revenues that is within the fleet segment:

	2021	2020	2019	2018	2017	2016
Fleet revenue %	**93.1**	85.4	81.2	73.2	69.4	63.9

People

We take pride in the level of service we provide, and it is gratifying to see that fleet customers consistently provide us with excellent reviews – both in person and on third-party sites such as TrustPilot. The changes in support and service processes which we have made during 2021 led to a marginal improvement in attrition levels during the year and we are delighted to have been able to support our customers throughout the coronavirus pandemic.

These service achievements are a reflection of the teamwork, creativity and dedication of our people and a testament to how seriously we take our commitment to providing the best experience for our customers. Our financial performance derives from the customer service we deliver, backed by the technology we develop. We would like to register our personal thanks to every one of our employees who made 2021 another great year for Quartix.

We are pleased 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. With the growth of the number of employees and staff turnover, the Board will no longer routinely offer shares to all members of staff annually but intends to adopt a more targeted approach to grant options to both attract new and retain valued members of staff. During the year the two new plc Directors were granted share options in the Company, refer to the Directors Remuneration Report for more detail.

Operational performance

All of our business operations continued to perform at a high level in 2021. Gross margin increased to 73.0% (2020: 66.0%), mainly due to the deferred revenue release in insurance coupled with the reduction in new insurance units. Additional spend on customer acquisition of £1.6m and volume related recruitment in other areas, including senior management, where the main drivers for the 17.3% increase in administrative expenses.

Cash conversion weakened, due to higher equipment costs and the stock building for component shortage, with cash flow from operations representing 74.6% of profit for the year (2020: 117.9%). We expense all research and development investment, tracking system and installation costs as they are incurred unless development spend meets the criteria for capitalisation.

Working capital management has been more challenging under covid: trade debtors at the year-end were equivalent to 34 days of sales (2020: 31). Inventory levels increased significantly by 91.6% compared to prior year levels, due to buffer stock holding to address component shortage and due to the increasing number of models with the transition to 4G in both the US and Europe.

Fleet

Our core fleet business delivered excellent progress in a further year of investment. There was particularly strong growth in the subscription base for France and the new European territories, so that for the first time ever our installed base now exceeds 200,000 units.

During the course of the year, we won 5,868 new fleet customers (2020: 4,484). Sales leads continued to be generated through a broad range of media and channels and investments have been made in marketing, technology, processes and training, adding automation wherever possible.

Total investment in fleet customer acquisition, net of revenue, increased by £1.5m to £8.4m in 2021 (2020: £6.9m). This investment will continue in 2022 as we continue to develop our business across each of our markets, thereby increasing recurring revenues.

Fleet (continued)

	Subscription Base	New subscriptions	Customers	New Customers
United Kingdom (inc. Ireland)				
2021	125,085	23,557	11,332	1,706
2020	115,065	22,294	10,573	1,801
Change	10,020	1,263	759	(95)
France				
2021	40,343	12,054	5,479	1,661
2020	31,345	9,135	4,299	1,294
Change	8,998	2,919	1,180	367
Other European Territories				
2021	9,394	6,163	1,997	1,252
2020	3,904	2,922	920	599
Change	5,490	3,241	1,077	653
USA				
2021	27,912	8,991	3,860	1,249
2020	23,479	8,547	3,247	1,150
Change	4,433	444	613	99

Fleet UK
UK fleet revenue was £16.2m (2020: £15.6m). The strength of our brand, service capability and reputation in the UK is leading to higher levels of enquiries from larger fleet prospects.

Our UK website continued to perform well in terms of enquiries, and we continued to add new content to it.

We will continue to focus on telephone sales staff and we have increased UK field sales capacity, to support our fleet marketing initiatives; we will look to find additional channels and partners to help us develop the market.

Fleet France
French fleet revenue increased by 19.3% to €5.1m (2020: €4.3m), making a profitable contribution to the Group. We saw significant growth in new installations driven by the continuing expansion of the direct sales force, including the new French field sales to help facilitate growth with customers who have larger fleets, with 50 or more vehicles.

New European territories
Spain and Italy achieved excellent results, albeit from a much lower base, and the Company will increase investment in these.

Fleet USA
Trading in the USA showed further progress demonstrated by a 16.8% increase in fleet revenue to $3.6m (2020: $3.1m). The USA reported a trading profit of $2.0m (2020: loss $0.7m) but both results were impacted by movements in the provision for the cost of replacing 3G units in the USA. The underlying trading profit was $1.4m compared to $1.5m in 2020. We continue to see potential for growth in the USA.

US 3G swap out

In 2020, the Group made a provision of £1.6m for the replacement cost of a large proportion of the US installed base of tracking systems as a consequence of the sunsetting of the 3G mobile network in the US, being replaced by 4G networks. The Board made the decision to provide this service free of charge to customers to minimise the chances of incremental attrition and to further enhance the Company's reputation in the US market. The transition from 3G has taken longer than expected and by the end of 2021, it had completed the replacement of approximately one third of the 15,000 total units involved. The spend in 2021 was approximately £0.3m, and the Group expects the swap out to be completed in 2022, predominately in the first half, and the cash required to finalise the transition will be approximately £0.9m.

Insurance

Reductions in the availability of driving tests and termination of a main insurance client's contract (see above), resulted in the 69.5% decrease in insurance installations to 5,204 units. The profitability of this segment decreased by £1.0m, driven by a £2.0m reduction in revenue which was only partially compensated by reductions in equipment and installation costs from the declining volume.

Research and development

The Group is committed to the continuous enhancement of its core software and telematics services, and we aim to offer a market-leading platform which addresses the most common needs of SME customers in the service sector of each of our target markets. We achieved some notable successes in 2021:

1. In 2020, we developed a new family of 4G (LTE) models for the US market which went into production in Q3 2021, following a longer than expected lead time due to availability of some key components. We have developed new 4G (LTE) models across the product range of tracker units for the UK and European markets and anticipate that these will be available during Q2 2022. These 4G models address the US 3G network sunset scheduled for 2022 and also the European 2G network sunsets anticipated from 2025. These products are also the basis for ongoing development to support electric vehicles.
2. We are undergoing an extensive modernisation program of our core software and telematics code, both from a technology and user experience perspective. In 2022, these combined elements will result in the launch of a new user interface, introducing new functionality and including new self-serve features- to provide our customers with more flexibility to configure their trackers and associated reports. These enhancements help improve the customer experience as well as increasing the efficiency of our support operation.
3. To address product upselling opportunities, Quartix has embarked on a number of incremental added value features to its existing analytical software offerings, including ones concerning fleet migration to electric vehicles analysis and vehicle condition monitoring, which we anticipate will be launched during the first half of 2022

All of our investment in research and development was fully expensed in the year. The total cost of £0.8m was similar to the prior year (2020: £0.8m).

Sustainability and Environmental, Social, and Governance ("ESG") matters

The Board is aware that investors are increasingly applying non-financial factors, such as ESG matters, as part of their analysis process to identify material risks and growth opportunities. Being part of an ethical, purpose driven business increasingly matters more to our people, our shareholders and our business partners.

Software companies such as Quartix have a central role in the transition to a low carbon economy and a more sustainable future. We are essentially a non-emitting and limited-consuming business and the Board believes our limited use of carbon energy is largely offset by the savings that we achieve for our customers in reduced fuel consumption and other efficiencies in vehicle fleet management.

Sustainability and Environmental, Social, and Governance ("ESG") matters (continued)

Quartix has been awarded the "Green Economy Mark", of the London Stock Exchange, which recognises London-listed companies and funds that derive more than 50% of their revenues from products and services that are contributing the environmental objectives such as climate change mitigation and adaptation, waste and pollution reduction, and the circular economy. The Mark was received due to analytics from an external consultancy firm and evidence from our customers, that fleet vehicle tracking and analytics changes driver behaviour and results in a reduction of between 10~25% in fuel consumption.

Following the appointment of Andrew Walters as a Non-Executive Director in October 2021, the Board have appointed him as Chair of our newly formed ESG Committee. The other members will be David Warwick, also a Non-Executive Director, and Richard Lilwall, CEO. Andrew Walters will be leading our first sustainability review in 2022, in order to better understand our environmental impact and to prioritise areas for action. In addition, the ESG Committee will be assessing our performance in Social and Governance matters, where we believe that Quartix already conforms to current best practice in most areas.

Capacity for future growth

We believe that the Company has significant opportunity for growth in its fleet business in both new and existing markets. We achieved excellent growth in our subscription platform in 2021, despite the ongoing challenges with COVID-19, and established encouraging positions in a range of new markets.

The Group has made a strong start to the year, with fleet new unit subscriptions growth of 25% for the first two months, in line with our expectations. Given the success that Quartix has achieved in its core fleet markets, and considering the broader market opportunity available to it, the Group intends to continue to invest a proportion of its profits on sales and marketing to capitalise further on the profitable subscription platform it has created.

Quartix intends to make further additional investments in sales channels during 2022 and beyond. The Company has identified a large part of its core markets still unpenetrated which it intends to pursue, alongside winning potential customers from its competitors. In the UK, the Company plans to implement data-driven optimisation across the sales and marketing funnel and execute automation and simplification across business processes in order to drive growth. This will be paired with new technology features for up-sell opportunities, as described above. In the US, the Company intends to increase marketing spend to grow its funnel of opportunities, look to sell its products via e-commerce to better serve small customers and continue to provide product developments.

Quartix also plans further sales resource increases in France, as well as in the other European countries where initial sales results have shown the most promise for the future. For 2022 this will be focused on Spain, Italy and Germany, where unit sales have been growing rapidly, albeit from a low base. To further drive European growth, the Company is planning to establish a small, serviced regional sales office in Southern France by the midpoint of 2022. This will both support the locally based French sales force and provide back-office services for direct sales staff to be recruited in adjacent countries.

To address product upselling opportunities, Quartix will be launching several incremental added value features to its existing analytical software offerings, including ones concerning fleet migration to electric vehicles analysis and vehicle condition monitoring.

The Company anticipates that these investments will enable both new fleet units installed and the associated value of the annualised subscription base to increase at a significantly faster rate than was achieved in 2021.

Richard Lilwall	**Emily Rees**
Chief Executive Officer	Chief Financial Officer

Strategic Report: Financial Review

Financial Overview

Year ended 31 December **£'000 (except where stated)**	**2021**	2020	% change
Revenue			
Fleet	**23,752**	22,059	7.7
Insurance	**1,761**	3,776	(53.4)
Total	**25,513**	25,835	(1.2)
Gross profit before 3G swap out provision	**18,207**	18,657	(2.4)
Gross margin before 3G swap out provision	**71.4%**	72.2%	
Gross profit	**18,637**	17,047	9.3
Gross margin	**73.0%**	66.0%	
Operating profit	**5,309**	5,680	(6.5)
Operating margin	**20.8%**	22.0%	
Adjusted EBITDA (note 5)	**5,725**	7,871	(27.3)
Profit for the year	**4,896**	4,728	3.6
Earnings per share	**10.14**	9.86	2.9
Adjusted diluted earnings per share	**9.18**	13.16	(30.2)
Cash generated from operations	**3,963**	6,698	(40.8)
Operating profit to operating cash flow conversion	**74.6%**	117.9%	
Free cash flow	**3,266**	5,534	(41.0)
Adjusted Free cash flow	**3,696**	5,534	(33.2)

Revenue

Revenue decreased by 1.2% to £25.5m (2020: £25.8m); the Group continues to replace insurance with higher quality fleet revenue. Fleet revenue, benefitting from past investment and expansion into new European territories, increased by £1.7m to £23.8m (2020: £22.1m). Sales to insurance customers decreased by £2.0m to £1.8m (2020: £3.8m). Insurance revenue fell to 6.9% (2020: 14.6%) of total revenue and is expected to fall further to between 3 and 4% in 2022.

Gross margin

Gross margin increased to 73.0% in the year (2020: 66.0%). The primary cost saving was achieved through the reduction in equipment, installation and carriage costs, partly due to the large reduction in insurance installations and partly due to a higher proportion of self-install fleet units. The gross margin also benefitted from a £0.4m release (2020: charge £1.6m) in the provision, relating to the swap out of 3G units in the US, due to the reduction in the number of replacement units forecast at 31 December 2021. Management expect the sunsetting of the 3G mobile network in the US to be finalised in 2022 and this necessitates the replacement of a large proportion of the US installed base of tracking systems. In 2020, the Board decided to provide replacement units free of charge to customers, to minimise any incremental attrition, and originally anticipated that most units would be replaced in 2021. However, the replacement programme was delayed, following a longer than expected lead times and limited availability of some key components due to covid disruption, and will now be completed in 2022.

Financial Overview (continued)

Adjusted EBITDA

Adjusted EBITDA, which excludes the £0.4m provision release for the replacement of the 3G units, decreased to £5.7m (2020: £7.9m), driven by the increase in equipment costs, as a result of the global shortage in the supply of component parts used in the manufacture of our product, and the reduction in insurance revenue.

A summary of the Group's segmental analysis for the financial year ended 31 December 2021 is included under the Financial Highlights on page 5 (see note 4).

Overheads

We continued to invest in our product offering, in our sales structure and in marketing, which led to an increase in overheads of 17.3%.

Taxation

Our effective tax rate benefits from the Group's investment in research and patents in the UK business and loss relief for the US business. The effective rate decreased from 16.4% in 2020 to 7.4% in 2021, due to loss relief for US operations and EMI option relief, following the exercise of a substantial number of options during 2021, compared to the prior year.

Statement of financial position

Property, plant and equipment, at £1.0m (2020: £1.3m), decreased by £0.3m largely due to derecognition of the right of use leasehold property in Cambridge, for which the lease was terminated. The latter property was replaced by a 24-month lease agreement in a managed office building in Cambridge, which has an insignificant impact on the financial statements.

Inventories increased to £1.3m (2020: £0.7m) due to buffer component stock lines and the increase in the variation of models with the transition to 4G. Cash at the year-end was £5.4m (2020: £10.6m), since the final and supplementary dividends for 2020, totalling £8.5m, was paid during the year, where the 2020 cash balance benefitted from the cancellation of the final and supplementary dividends for 2019. Trade and other receivables increased slightly to £4.0m in the year (2020: £3.8m). Trade and other payables increased to £3.2m (2020: £2.8m), and provisions decreased from £1.8m to £1.0m due to utilisation and partial release on re-estimate of the US 3G swap out provision.

Contract liabilities represent customer payments received in advance of satisfying performance obligations, which are expected to be recognised as revenue in future years (both fleet and insurance). These unwound to £3.2m in 2021 (2020: £3.7m) and are described further in note 19.

Cash flow

Cash generated from operations before tax at £4.0m was 74.6% of operating profit (2020: £6.7m, 117.9% of operating profit). Tax paid in 2021 was £0.6m (2020: £1.1m), so cash flow from operating activities after taxation but before capital expenditure was £3.3m (2020: £5.6m).

Free cash flow, after capital expenditure and interest received, was £3.3m, a decrease of 41.0% (2020: £5.5m). 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 staff. The impact of not mitigating this risk is that the Group ceases to be innovative and provide customers with the vehicle telematics services they require. Considerable focus has been given to recruitment, development and retention. The Group has a range of tailored incentive schemes to help recruit, motivate and retain top quality staff, which include the use of share options.

Reliance on Mobile To Mobile ("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.

Management believes that, at some point between 2025 and 2030, most UK and European network operators will finalise the sunsetting of their 2G networks. Depending on the actual timetable and the commercial climate, there may be a cost at that time associated with the upgrading of customers' technology, which the Group is seeking to minimise through various technological and commercial means.

As described in the 2020 Financial Statements, Management expect the sunsetting of the 3G mobile network in the US to be finalised in 2022. This necessitated the replacement of a large proportion of the US installed base of tracking systems planned for 2021, however because of the global shortage of some of the components required in the manufacture of hardware, new unit sales were prioritised. The carrier approvals and certifications have come through on a new model to be rolled out to replace the 3G units in the US, and there should be accelerated shipments of these new products over the coming months to replace the remaining 3G units in the installed base in 2022. The Company provided £1.6m in its 2020 accounts. In 2021, it has utilised £0.3m for 3G units replaced and released £0.4m, because of attrition in the base.

Business disruption

Like any business the Group is subject to the risk of 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 and business interruption insurance to cover certain events to help mitigate these risks.

The full extent of the impact to the Group's business as a result of the UK leaving the EU remains uncertain. The Group acquires, manages and supports its customers in the EU centrally, from its offices in the UK. The resulting trading and data adequacy arrangements has not made it necessary for a relocation of some of its operations to within the EU. However, the existing French branch is instrumental in the logistics of moving the goods between the France and the customers in the EU territories and the Group is planning to establish a small, serviced regional sales office in Southern France by the midpoint of 2022.

There remains a risk that the coronavirus pandemic will further impact the growth of the global economy and therefore the Group's subscription base and its ability to collect cash from its customers. The rollout of the vaccination programme appears to have mitigated this risk.

As with other industries, there is also a risk of some short-term disruption to component supply as the global economy recovers and suppliers increase production to meet demand. The Group is actively working with suppliers to manage this and has increased its buffer stock holding.

Risk Management policies (continued)

Cyber security
The Group needs to make sure its data is kept safe and that there is security of supply of data services to customers. The reputational and commercial impact of a security breach would be significant. To combat this, the Group has a security policy and prepares a security report which is reviewed by members of 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 and their applications 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.

Section 172 (1) Statement

In accordance with the Companies Act 2006 (Act), as amended by the Companies (Miscellaneous Reporting) Regulations 2018, the Directors provide this statement to describe how they have engaged with and had regard to the interest of our key stakeholders when performing their duty to promote the success of the Group, under Section 172 of the Act. The Directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in Section 172 of the Act) in the decisions taken during the year ended 31 December 2021.

Given the importance of our stakeholders and the impact they have on our strategy, reputation and the Group's long-term success, consideration has been given to them throughout the 2021 Annual Report and the table below identifies where they are discussed:

Section 172 responsibility	Where you can read more
The likely consequence of any decision in the long-term	Outlook on page 8, Strategic Report: Operational review: Strategy and business model page 9, Capacity for future growth page 13 Corporate Governance Report: section 1 page 23 and section 9 on page 31~33
The interests of the Group's employees	Strategic Report: Operational review: Strategy and business model page 9 Corporate Governance Report: Section 3 Page 25-26
The need to foster the Group's business relationships with suppliers, customers and others	Strategic Report: Operational review: Strategy and business model page 9 Financial Overview: Risk Management (M2M network and business disruption from coronavirus for example of working with suppliers and fostering customers) page 16~17 Corporate Governance Report: Section 3 Page 25-26
The impact of the Group's operations on the community and the environment	Our commitment to our stakeholders: page 13
The desirability of the Group maintaining a reputation for high standards of business conduct	Corporate Governance Report: Section 8 Page 30
The need to act fairly as between members of the Group	Corporate Governance Report: Shareholder engagement page 23

The Corporate Governance Code also highlights the importance of effective engagement with shareholders and other stakeholders. Engaging with our stakeholders and the issues that matter to them allows us to take more informed decisions and better identify the consequences of our actions on our stakeholders, whilst recognising that each decision will not always result in a positive outcome for each of our stakeholders. By having good governance procedures in place, the Board aims to make sure that its decisions maintain a high standard of business conduct.

Our commitment to our stakeholders

The following table sets out how we engage with our key stakeholders.

Our stakeholders	What has mattered to them this year?	Our response
Customers		The Board's main strategic objective is to grow its fleet subscription platform and develop the associated recurring revenue. This was supported by each of the following decisions/actions:
	Consistent quality service and support, despite potential disruption to Quartix and customers' operations during coronavirus restrictions.	Providing data services consistently throughout the year, having invested in robust infrastructure. (see also employees).
	Innovation to support their business.	Prompt development response to product innovation. Such as vehicle condition monitoring and self install hardware for the insurance sector, to overcome coronavirus restrictions on installation engineers, to support and retain established customers.
	Concerns about impact of network upgrades on services.	Timely development of new generation hardware to meet changing network requirements. Clear communication, to each US customer impacted from 3G sunset, of the Board's swap out plans, in 2021~22.
	Support during difficult trading conditions.	Contract variations to give financial flexibility to assist cashflows.
Employees	Great career in a positive and motivating work environment underpinned by a supportive culture.	Continuing to focus on developing culture that inspires and motivates staff. Encouraging and offering staff opportunities to progress within the business in new roles/departments, to seek to retain them for the long term benefit of the business.
	Focus this year on working at home environment, health & safety and mental health/wellbeing.	Coronavirus actions to retain and support staff included: • Risk assessment for office when some staff returned to work to ensure it complied with government guidelines and safety for staff. • Mental health & wellbeing initiatives including an employee wellbeing solution which saw an improvement in engagement, motivation, team work and interaction.

		• Providing regular communications to employees and regular contact with their line manager or team. • Utilisation of surveys to monitor staff wellbeing. • Specific support for staff with childcare responsibilities during lockdown
Suppliers: component suppliers, network providers, installation engineers, distributors, marketing support	Our Suppliers want us to be trustworthy and build long-term mutually beneficial relationships. Maintain our product and ethical standards across our supply chain.	The Group actively looks to create long-term collaborative relationships with key suppliers. It is actively working with suppliers to manage the risk of some short-term disruption to component supply as the global economy recovers from the pandemic. The Group expects its suppliers and distributors to demonstrate a culture that reinforces ethical and lawful behaviours and periodically conducts inspection audits at the key assembler in China.
Communities and the environment	Communities want us to act responsibly, to create employment locally to help their communities thrive and reduce environmental impact. We believe that sustainability and ESG matters, including climate change, are increasing in importance	The more successful we can be as a business, the greater difference we can make to our communities. We encourage staff to engage with local charities and for 2021 introduced a Company donations policy. Vehicle tracking services generally impact driver behaviour and should have a positive impact on the environment. 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, including adapting to environmentally driven changes to vehicles. A new appointment has been made at Board level to address ESG issues (see page 13).
Shareholders	The major areas raised include: Communication.	The Board is committed to maintaining an appropriate level of communication with shareholders (see section 2 of the Corporate Governance Report) and has issued regular trading updates and held investor presentations and meetings throughout the year.

	Corporate governance topics, such as succession planning.	Changes in the Board that took place in 2021 including the appointment of Richard Lilwall as Chief Executive Officer, Emily Rees as Chief Financial Officer (see section 7 of the Corporate Governance Report). The Company now has more shares in public ownership than it did a year ago.
	The composition of the shareholder base, and transferability of shares, the dividend policy.	Shareholder base composition communicated on the website. Clear communication of the dividend policy in the Annual Report and a consistency of approach other than in exceptional circumstances.

We believe we have the right strategy and service in place to deliver strong growth in sales over the medium to long term and to deliver sustainable shareholder value.

Emily Rees
Chief Financial Officer

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 25 February 2022.

Richard Lilwall
Chief Executive Officer

Corporate Governance Report

Chairman's Corporate Governance Statement

All members of the Board believe strongly in the value and importance of good corporate governance and in our accountability to all of Quartix's stakeholders, including shareholders, staff, customers and suppliers. In the statement below, we explain our approach to governance, and how the Board and its committees operate.

The corporate governance framework which the Group operates, including board leadership and effectiveness, board remuneration, and internal control is based upon practices which the Board believes are appropriate for the size, risks, complexity and operations of the business and is reflective of the Group's values. Of the two widely recognised formal codes, we have therefore decided to adhere to the Quoted Companies Alliance's (QCA) Corporate Governance Code for small and mid-size quoted companies (revised in April 2018 to meet the new requirements of AIM Rule 26).

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the Board judges these to be appropriate in the circumstances, and below we provide an explanation of the approach taken in relation to each. The Board considers that it has complied with the principles of the QCA Code.

Roles and responsibilities of Chairman

Paul Boughton, the Non-Executive Chairman since November 2014, is responsible for running the Board and ultimately for all corporate governance matters affecting the Group. He is a chartered accountant and also chairs the Audit Committee. He is an experienced Executive and Non-Executive Director, having been on the Boards of 6 public listed companies, including Quartix.

The Chairman is responsible for leadership of the Board, setting its agenda and monitoring its effectiveness. He ensures effective communication with shareholders and that the Board is aware of the views of major shareholders. He ensures that the Executive Directors develop a strategy which is supported by the Board as a whole. The Executive Directors, through the Chief Executive Officer, are responsible for executing the strategy once agreed by the Board.

Board composition and compliance

The QCA Code requires that the boards of AIM companies have an appropriate balance between Executive and Non-Executive Directors of which at least two should be independent. During 2021 we satisfied this requirement.

The Non-Executive Chairman and Independent Non-Executive Director bring wide and varied commercial experience to the Board and Committee deliberations. They are appointed for an initial three-year term, subject to election by shareholders at the first AGM after their appointment, after which their appointment may be extended subject to mutual agreement and shareholder approval. 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. The Company remains committed to a Board which has a balanced representation of Executives and Non-Executives.

Board evaluation

We support the QCA Code's principle to review regularly the effectiveness of the Board's performance as a unit, as well as that of its committees and individual Directors, and completed the first review during 2019. We may consider the use of external facilitators in future board evaluations. The next review, which will be in accordance with current QCA guidelines, will be carried out in the first half of 2022

Shareholder engagement

We have made significant efforts to ensure effective engagement with both institutional and private shareholders. In addition to the AGM, we have roadshows with investors and prospective investors to not only share our financial results, but also to share the leadership's future plans and strategy in an open and interactive forum.

The Board is aware that following the introduction of the Markets in Financial Instruments Directive II (MiFID II) regulations at the start of 2018, private investor access to research on public companies has been restricted. We have not yet commissioned any "paid for" research from third party analysts and have no current intention of doing so.

The Board has ultimate responsibility for reviewing and approving the Annual Report and Accounts and it has considered and endorsed the arrangements for their preparation, under the guidance of its audit committee. The Directors confirm that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

10 Principles of the QCA Code

1 Establish a strategy and business model which promote long-term value for shareholders

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 same technology is used for both commercial fleet tracking and insurance telematics, but these markets exhibit different characteristics and in July 2016 the Board decided to focus on the core fleet market.

The value of recurring subscription revenue is the key measure of our performance in the fleet sector.

Fleet customers typically use the Group's vehicle telematics 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 minimal initial commitment from the customer, providing the best return to the Group over the long term.

Insurance telematics customers use the Group's technology to monitor the driving style and habits of higher-risk drivers, normally for a policy with a term of just 12 months. The volatility of this sector, the lower margins and the limited opportunities for recurring revenues in this sector led to the decision to focus only on insurance opportunities which are closely aligned to the fleet business.

The key risks and uncertainties we face are included under the Strategic Report: Financial Review.

2 Seek to understand and meet shareholder needs and expectations

Responsibility for investor relations rests with the CEO, supported by the CFO. During 2021 the following activities were pursued to develop a good understanding of the needs and expectations of all constituents of the Group's shareholder base:

Date	Description	Participants	Comments
Jan	Trading statement	Board	
Feb	Preliminary results meeting	CEO	
Mar	Presentations to institutional investors and analysts	CEO, CFO	The CEO and CFO prepare and review with the Board detailed presentations covering the Group's activities over the relevant period and take guidance from the brokers.
Mar	Annual results video	CEO, CFO	Presentations disseminated via website at 7.00 a.m. on morning of results release so all information available publicly available to all shareholders and potential investors.
Mar	AGM	Board	This was a closed meeting in 2021 due to the pandemic but normally all shareholders invited to attend
Mar	AGM trading statement	Board	
May	Trading update statement	Board	
Jul	Trading update statement	Board	
Jul	Interim results presentations to institutional investors and analysts	CEO, CFO	
Jul	Interim results video	CEO, CFO	Presentations disseminated via website (see above)
Oct	Trading statement	Board	
various	Potential investor meetings	CEO, CFO	Presentation to potential investors

<u>Key</u>: CEO: Chief Executive Officer , CFO: Chief Financial Officer

The Group is committed to communicating openly with its shareholders to ensure that its strategy and performance are clearly understood. As illustrated in the table above, we communicate with shareholders throughout the year by various formats. A range of corporate information (including all Quartix announcements) is also available to shareholders, investors and the public on our website.

Private shareholders: The AGM is the principal forum for dialogue with private shareholders and normally the Board invite all shareholders to attend and participate. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The chairs of the Board and all committees, together with all other Directors, attend the AGM and are available to answer questions raised by shareholders. Shareholders vote on each resolution and subsequently publish the outcomes on our website.

Institutional shareholders: The Directors actively seek to build a mutual understanding of objectives with institutional shareholders. Our CEO and CFO make presentations to institutional shareholders and analysts immediately following the release of the full-year and half-year results. We communicate with institutional investors frequently through formal meetings. The majority of meetings with shareholders and potential investors are arranged by the broking team within the Group's nominated advisor. Following meetings, the broker provides anonymised feedback to the Board from all fund managers met, from which sentiments, expectations and intentions may be gleaned.

2 Seek to understand and meet shareholder needs and expectations (continued)

In addition, we review analysts' notes to achieve a wide understanding of investors' views. This information is considered by the Board.

3 Take into account wider stakeholder and social responsibilities and their implications for long-term success

Staff – our ability to fulfil customer requirements and execute our strategy relies on having talented and motivated staff.

Reason for engagement: Good two-way communication with staff is a key requirement for high levels of engagement.

How we engage:

- Weekly update communication.
- Regular staff briefings via video presentation during 2021.
- A Q3 presentation was held at each UK office
- Annual engagement survey.

These have provided insights that have led to enhancement of management practices and staff incentives.

Customers – our success and competitive advantage are dependent upon fulfilling customer requirements, particularly in relation to quality of service and report reliability.

Reason for engagement: Longevity of customer relationships is a key part of our strategy.
Understanding current and emerging requirements of customers enables us to develop new and enhanced services, together with software to support the fulfilment of those services. In 2021, a third party conducted a review of our customers experience as part of an Investor in Customers Survey and we were awarded a silver award.

How we engage:

- Seek feedback on services and software systems.
- Develop tools and reports to enable our customers to analyse driver behaviour.
- Obtain feedback to use in the development of future service.

Suppliers – We have a range of suppliers including those who provide us with hardware, communication services, installation services and marketing support.

Reason for engagement: Good services from our suppliers are critical to us delivering the data services to our customers.

How we engage:

- Co-ordinate and manage our network of installers to ensure on-time activation of tracking devices.
- Operate systems to ensure that supplier invoices are processed and paid on time.

3 Take into account wider stakeholder and social responsibilities and their implications for long-term success (continued)

Shareholders – as a public company we must provide transparent, easy-to-understand and balanced information to ensure support and confidence.

Reason for engagement: Meeting regulatory requirements and understanding shareholder sentiments on the business, its prospects and performance of management.

How we engage:

- Regulatory news releases.
- Keeping the investor relations section of the website up to date.
- Publish videos of investor presentations and interviews.
- Annual and half-year reports and presentations.
- AGM.

We believe we successfully engaged with our shareholders over the past 12 months.

4 Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Group has a risk register that identifies key risks and all members of the Board are provided with a copy of the register. The register, including control mechanisms to mitigate risks, is reviewed bi-annually by the Board and is updated following each such review.

The key risks and uncertainties are included in the Strategic Report: Financial Review.

Staff are reminded on appointment and on a bi-annual basis that they should seek approval from the CFO if they, or their families, plan to trade in the Group's equities.

5 Maintain the Board as a well-functioning, balanced team led by the chair

The members of the Board have a collective responsibility and legal obligation to promote the interests of the Group and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the Board.

The Board consists of three executive and three Non-Executives, of which two are independent Non-Executives. The Board is supported by four committees: audit, remuneration, nominations and, newly appointed, ESG Committees. The Board will consider appointing additional Non-Executive Directors as its business expands.

Non-Executive Directors are required to attend 10-12 Board meetings per year (in Cambridge, Newtown and London or remote via telephone call) and to be available at other times as required for face-to-face and telephone meetings with the executive team and investors. In addition, they attend Board committee meetings as required.

5 Maintain the Board as a well-functioning, balanced team led by the chair (continued)

Meetings held during 2021 and the attendance of Directors is summarised below:

	Board meetings		Audit Committee		Remuneration Committee	
	Possible	Attended	Possible	Attended	Possible	Attended
Executive Directors						
Andrew Walters[1]	8	8	-	-	2	2
Richard Lilwall[2]	3	3	-	-	-	-
Emily Rees[3]	7	7	2	2	-	-
Daniel Mendis[4]	5	5	1	1	1	1
Laura Seffino	11	11	-	-	-	-
Non-Executive Directors						
Paul Boughton	11	11	3	3	2	2
David Warwick	11	11	-	-	2	2
Andrew Walters[1]	3	3	-	-	-	-

1 On 11 October 2021Andrew Walters terminated his appointment as CEO, and was appointed as a Non-Executive

2 Richard Lilwall was appointed CEO on 11 October 2021

3 Emily Rees was appointed CFO on 20 May 2021 and was invited to attend the Audit Committee meetings in September and December 2021

4 Daniel Mendis resigned his appointment as COFO on 20 May 2021. He attended the Audit & Remuneration meetings in February 2021

The Nominations Committee meets when required in relation to Board appointments.

The Board has a schedule of regular business, financial and operational matters, and each Board committee has compiled a schedule of work to ensure that all areas for which the Board has responsibility are addressed and reviewed during the course of the year. The Chairman is responsible for ensuring that, to inform decision-making, Directors receive accurate, sufficient and timely information. The Company Secretary, who is also the CFO, compiles the Board and committee papers which are circulated to Directors prior to meetings. The Company Secretary provides minutes of each meeting and every Director is aware of the right to have any concerns minuted and to seek independent advice at the Group's expense where appropriate.

6 Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

All eight members of the Board bring relevant sector experience in software and business services. They have an aggregate 60 years of public company directorship experience, and one member is a chartered accountant. The Board believes that its blend of relevant experience, skills and personal qualities and capabilities is sufficient to enable it to successfully execute its strategy. Where relevant, Directors research relevant information, including on line material, and occasionally attend seminars and trade events, to ensure that their knowledge remains current.

After 20 years in the role as Chief Executive Officer Andrew Walters has retired but remains on the Board in a non-executive capacity and is succeeded by Richard Lilwall. Richard has 20 years of global experience in telematics and telecommunications.

As planned, Daniel Mendis resigned as COFO and Board member, to take up a new role within the Group. Emily Rees, a member of the Chartered Institute of Management Accountants, joined the business in April 2021 and was appointed Chief Financial Officer on 20 May 2021.

6 Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities (continued)

Key to committees/roles: E: Executive, N: Nomination, A: Audit, R: Remuneration, ESG: Environmental, Social & Governance, C: Chair

Paul Boughton, Independent Chairman (CN, CA, R)
Background:
Paul is a chartered accountant who has worked at senior level in industry since 1981. His work was primarily in business development and acquisitions, and involved extensive projects in the USA and mainland Europe, which are the primary growth territories for Quartix. Sectors he was involved in were industrial controls, instrumentation and analysers, using a combination of hardware and software. As an executive he served on the Boards of two fully listed companies.

With his only financial or commercial involvement with Quartix being his annual salary as Chairman, and his publicly disclosed shareholding, he is considered independent and with no conflicts of interest with Quartix employees or shareholders.

Current external appointments:
He is a Non-Executive Director of Eleco plc, the AIM listed software serving the built environment, where he chairs the Audit Committee. He is also a Trustee and Treasurer of two charities, and for each he chairs their Finance and Resources Committee. For one of the charities he also chairs three of their commercial subsidiaries

Skills and experience:
In previous Non-Executive roles he was a Board member of a fintech software and a navigation electronics public company. For both entities he also served as chair of the audit committee, and for one he was also the Senior Independent Director. He therefore brings a wide range of relevant skills, commercial experience and governance knowledge to Quartix. He has a BSc degree in Business Economics and is a Chartered Accountant
Time commitment: 3-5 days per month.

David Warwick, Independent Non-Executive Director (N, CR, ESG)
Background:
David was Technical Director of Analysys Ltd – a telecoms consultancy, involved primarily in financial modelling of telecoms operators. In 2000 he joined Abcam plc as an Executive Director when it had around 7 staff, eventually becoming its COO during his 16 years there. At Abcam he initially headed the development of its online ecommerce systems, and then oversaw its overall operations including international expansion to be a world-wide leader in life-science reagents employing over 1000 staff. Through this he was involved in Abcam's IPO in 2005, as well as several acquisitions.

His only financial involvement with Quartix is his annual Non-Executive salary and his publicly declared shareholding. He is considered independent with no conflicts of interest with Quartix employees or shareholders.

Current external appointments:
He is currently a Non-Executive Director of two start-up companies around the Cambridge area, as well as chairing an educational trust.
Skills and experience:
David has a MA in Computer Science from the University of Cambridge and has worked in hi-tech industries since graduation in 1986. David brings considerable skills relating to IT and e-commerce systems as well as overall experience with international expansion and organisational growth issues very relevant to Quartix.
Time commitment: 1-2 days a month

6 Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities (continued)

Andrew Walters, Non-Executive Director (R until Oct 21, C ESG, N)
Background:
Andrew Walters founded Quartix in 2001 with three colleagues. Prior to that he was Managing Director of a subsidiary of Spectris plc for 6 years and had spent 15 years with Schlumberger in the UK and France, where he was Marketing Director of the payphones and smart cards division. He is a major shareholder in the Company so is not an independent Non-Executive Director.
Current external appointments:
Some voluntary business mentoring for The Prince's Trust.
Skills and experience:
Andrew holds an MA in electrical sciences from the University of Cambridge and developed the Company's UK patent, granted under the Patents Act 1977. He has many years' experience of the vehicle tracking market, having started the company in 2001 with three colleagues, and has been fully engaged in all aspects of the business throughout this time.
Time commitment: 1-2 days a month

Richard Lilwall (E, N, R, ESG)
Background:
Richard joined Quartix as Chief Executive Officer in October 2021. Prior to joining Quartix he was VP and European Managing Director of Teletrac Navman, a leading global supplier of vehicle tracking and telematics services and systems. After a brief period in project management and consultancy Richard set up his own company, ACT Communications (UK) Ltd., in January 2002. ACT became the most successful vehicle tracking distributorship in the UK and was subsequently acquired by Navman Wireless in 2011. At Navman Wireless, Richard progressed rapidly to Head of Enterprise in 2014, following which he was appointed as Managing Director of Teletrac Navman Automotive in January 2017. In June 2018 he was promoted to VP and European Managing Director for Teletrac Navman.
Current external appointments:
None
Skills and experience:
Richard has a degree in civil engineering from Kingston University and has 20 years of global experience in telematics and telecommunications.
Time commitment: Full time

Emily Rees, Chief Financial Officer (E)
Background:
Emily Rees, who is a Certified Management Accountant, joined Quartix in 2021. Emily brings more than a decade of experience in finance, having most recently served as Regional Head of Finance & HR for Western Europe for Ecco Shoes. Her global career includes senior financial positions within Pizza Express Limited and Tesco Stores Limited.
Current external appointments:
None
Skills and experience:
Emily is a member of the Chartered Institute of Management Accounts and holds a BSc (Hons) in Government and Economics from the London School of Economics and Political Science.
Time commitment: Full time

6 Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities (continued)

Laura Seffino, Chief Technical Officer (E)
Background:
Laura Seffino joined Quartix in June 2018 as Head of Software, and was promoted to Chief Technical Officer in October 2019. Laura holds responsibility for Group technology, strategy, development and implementation. Prior to joining Quartix Laura spent 17 years in software development, project management and delivery roles at 1Spatial plc, Cambridge.
Current external appointments:
None
Skills and experience:
Laura has a Bachelor's and Master's degrees in Computer Science from the Universidad Nacional del Sur in Argentina the State University of Campinas in Brazil, respectively.
Time commitment: Full time

7 Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

A board evaluation process led by the Chairman was completed in 2019. This evaluation was accompanied by a wider review of the levels of investment in the business, as well the senior management posts required to deliver on its strategy. The next review, which will be in accordance with current QCA guidelines, will be carried out in the first half of 2022.

8 Promote a corporate culture that is based on ethical values and behaviours

At Quartix we believe the prosperity of our business and of the communities within which we operate requires a commitment to ethical values and behaviours. We have therefore developed policies that enhance all areas of our business in this regard.

Quartix cares about providing a customer experience that is remarkable. We want to keep our customers happy, impressed and reassured. We want to create the positivity that leads to great reviews, repeat purchases and customer referrals. To achieve that, our employees strive to make every interaction a great one. We follow these principles:

Build meaningful connections.
Whilst dealing with any of our stakeholders, be they customers, partners, investors or employees, foremost in our minds is building great, meaningful relationships. We are not a provider of arms-length transactional services; we are here to listen, understand, support and deliver tangible benefits as best we can.

Keep things simple.
Whether it is our processes, communication, hardware or software, we strive to keep things simple. Fewer moving parts make for clearer, more efficient and reliable operations. We don't make our customers jump through hoops to speak to us, nor do we make them study an article to understand its meaning. We get straight to the incoming call, to the email in our inbox, to the point, and provide a fast, helpful and clear response.

Treat everybody the same.
Whoever you talk to, whether internally or externally, their impression of the Quartix service should be the same. We treat everyone equally, with respect, and remain transparent as a business.

8 Promote a corporate culture that is based on ethical values and behaviours (continued)

Do the right thing
Quartix cares about doing what's best for our customers and for each other. We own problems and solve them, regardless of whether it's our designated responsibility. With or without a corporate process, we will strive to provide a satisfactory solution in every case.

Share your knowledge
Knowledge is valuable. Our customers, prospects and colleagues can all benefit from the knowledge that we have to offer. Quartix and its staff have a whole host of skills, expertise and experience to share with others and we are proud to do so.

The culture of the Group is characterised by these values which are communicated to staff through a number of mechanisms.

The Board believes that a culture that is based on the five core values is a competitive advantage and consistent with fulfilment of the Group's execution of its strategy.

The culture is monitored through the use of a widely-used satisfaction and engagement survey that is operated on an annual basis and to which all permanent staff are invited to contribute. The Operations Board reviews the findings of the survey and determines whether any action is required.

9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board provides strategic leadership for the Group and operates within the scope of a robust corporate governance framework. Its purpose is to ensure the delivery of long-term shareholder value, which involves setting the culture, values and practices that operate throughout the business, and defining the strategic goals that the Group implements in its business plans. The Board defines a series of matters reserved for its decision and has delegated some of its responsibilities to Audit, Remuneration, Nominations and, newly appointed, ESG Committees. The chair of each committee reports to the Board on the activities of that committee.

The **Audit Committee** monitors the integrity of financial statements, oversees risk management and control, monitors the effectiveness of internal controls and reviews external auditor independence.

Paul Boughton is Chairman of the Audit Committee which generally meets twice a year, as appropriate. 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 August 2021 Grant Thornton UK LLP resigned as the Quartix' statutory auditor, and the Board, upon recommendation of the Audit Committee appointed PKF Littlejohn LLP (PKF) as external auditors for the Group for the financial year ending 31 December 2021.

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

9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board (continued)

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

- Reviewing the basis for the going concern statement in light of the financial plans and reasonably possible scenarios especially considering the potential continued impacts on the business of the coronavirus pandemic
- 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
- Considering if the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable.

The **Remuneration Committee** sets and reviews the compensation of Executive Directors including the setting of targets and performance frameworks for cash and share-based awards.

David Warwick chairs the Remuneration Committee. It acts to ensure sound Corporate Governance with respect to Director and senior management remuneration and meets once or twice in the year, as appropriate. 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.

The **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. See section 6 for Board changes in 2021.

The **ESG Committee**

Following the appointment of Andrew Walters as a Non-Executive Director in October 2021, the Board have appointed him as Chair of our newly formed ESG Committee. The other members will be David Warwick, also Non-Executive Director, and Richard Lilwall, CEO.

9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board (continued)

The **ESG Committee (continued)**
Andrew Walters will be leading our first sustainability review in 2022, in order to better understand our environmental impact and to prioritise areas for action. In addition, the ESG Committee will be assessing our performance in Social and Governance matters, where we believe that Quartix already conforms to current best practice in most areas.

The **Chairman** has overall responsibility for corporate governance and in promoting high standards throughout the Group. He leads and chairs the Board, ensuring that committees are properly structured and operate with appropriate terms of reference, ensures that performance of individual Directors, the Board and its committees are reviewed on a regular basis, leads in the development of strategy and setting objectives, and oversees communication between the Group and its shareholders.

The **CEO** provides coherent leadership and management of the Group and leads the development of objectives, strategies and performance standards as agreed by the Board. He also monitors, reviews and manages key risks and strategies with the Board, ensures that the assets of the Group are maintained and safeguarded, leads on investor relations activities to ensure communications and the Group's standing with shareholders and financial institutions is maintained, and ensures that the Board is aware of the views and opinions of employees on relevant matters.

The **Executive Directors** are responsible for implementing and delivering the strategy and operational decisions agreed by the Board, making operational and financial decisions required in the day-to-day operation of the Group, providing executive leadership to managers, championing the Group's core values and promoting talent management.

The **Independent Non-Executive Directors** contribute independent thinking and judgement through the application of their external experience and knowledge, scrutinise the performance of management, provide constructive challenge to the Executive Directors and ensure that the Group is operating within the governance and risk framework approved by the Board.

The **Company Secretary** is responsible for providing clear and timely information flow to the Board and its committees and supports the Board on matters of corporate governance and risk.

The key matters reserved for the Board are:

- Setting long-term objectives and commercial strategy.
- Approving annual budgets.
- Changing the share capital or corporate structure of the Group.
- Approving half-year and full-year results and reports.
- Approving dividend policy and the declaration of dividends.
- Ensuring a satisfactory dialogue with shareholders
- Approving major investments, disposals, capital projects or contracts.
- Approving resolutions to be put to general meetings of shareholders and the associated documents or circulars.
- Approving changes to the Board structure.

The Board has approved the adoption of the QCA Code as its governance framework against which this statement has been prepared and will monitor the suitability of this code on an annual basis and revise its governance framework as appropriate as the Group evolves.

The Board will continue to monitor its governance structures as the Group grows and will take action as appropriate to develop and enhance its governance functions.

10 Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

In addition to the investor relations activities described previously, the following audit, remuneration and nominations committee reports were provided during 2021:

Audit Committee Report
The Audit Committee is chaired by Paul Boughton. During 2021, following Grant Thornton's resignation, the Audit Committee considered the recommendation of the Board to appoint PKF as the new external auditor. The Audit Committee Chairman met with the audit partner as part of the tender process and the Audit Committee subsequently approved the Board's recommendation for appointment of PKF. The Audit Committee continued to focus on the effectiveness of the controls throughout the Group. The committee met formally three times, and had other discussions (including with the new auditors) as required, and the external auditor and CFO were invited to attend the formal meetings.

Consideration was given to the auditor's pre- and post-audit reports and these provide opportunities to review the accounting policies, internal control and the financial information contained in the annual report.

Remuneration Committee Report
The remit of the Remuneration Committee is to determine the framework, policy and level of remuneration, and to make recommendations to the Board on the remuneration of Executive Directors. In addition, the committee oversees the creation and implementation of all-employee share plans. The Remuneration Committee during 2021 consisted of Paul Boughton, David Warwick and Andrew Walters, until October 2021 when Richard Lilwall was appointed instead. The committee met twice.

In setting remuneration packages the committee ensured that individual compensation levels, and total board compensation, were comparable with those of other AIM-listed companies.

During 2021 the Remuneration Committee granted options over ordinary shares in the Company to employees of the Company, including the newly appointed Board members details of which are included in the Directors Remuneration Report below.

In granting these options, the Remuneration Committee's objective was to attract, motivate and retain key staff over the long term, designed to incentivise delivery of the Company's growth objectives.

Nomination Committee Report
The remit of the Nomination committee is to evaluate potential Board appointments against the skills and experience which the Board requires. It meets as required for this purpose.

The Nomination committee is chaired by Paul Boughton and also includes David Warwick and Andrew Walters.

Directors' Remuneration Report

During the year ended 31 December 2021 the Remuneration Committee consisted of two Non-Executive Directors and the CEO, and was chaired by David Warwick.

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.

Remuneration of Executive Directors

In 2021, the Directors' remuneration packages comprised of a salary and the opportunity to enrol in the Governments' auto-enrolment pension scheme. See below for a breakdown of the Directors' remuneration packages during the year.

Directors' detailed emoluments and compensation (audited)

				2021 (£)		2020 (£)
		Salary	**Bonus**	**Pension**	**Total**	Total
Executive Directors	Andrew Walters[1]	68,362	-	-	68,362	65,302
	Richard Lilwall[2]	38,542	17,160	780	56,482	-
	Emily Rees[3]	84,680	39,600	2,350	126,630	-
	Laura Seffino	113,878	52,800	3,321	169,999	102,505
	Daniel Mendis[4]	39,763	-	1,199	40,962	101,499
		345,225	109,560	7,650	462,435	269,306
Non-Executive Directors	Paul Boughton	59,167	-	-	59,167	52,500
	David Warwick	44,000	-	-	44,000	42,000
	Andrew Walters [1]	-	-	-	-	-
		103,167	-	-	103,167	94,500

[1] Retired from Quartix Technologies plc Executive Directorship and was appointed on 11 October 2021 as a Non-Executive Director, but opted not to receive remuneration for his Non-Executive Director role until 2022
[2] Appointed on 11 October 2021
[3] Appointed on 20 May 2021
[4] Resigned from Quartix Technologies plc Board of Directors on 20 May 2021, emoluments above to that date.

Directors and their interests in shares

Year ended 31 December		**Ordinary shares £0.01 each** **2021**	2020
Executive Directors	Andrew Walters	**-**	17,855,986
	Richard Lilwall	**-**	-
	Emily Rees	**-**	-
	Laura Seffino	**6,635**	-
		6,635	17,855,986
Non-Executive Directors	Paul Boughton	**53,889**	53,889
	David Warwick	**73,333**	73,333
	Andrew Walters	**10,661,609**	-
		10,795,466	17,983,208

Directors and employees share options

During the period under review the Remuneration Committee granted options over ordinary shares in the company to employees of the company. In granting these options, the Remuneration Committee's objective was to attract, motivate and retain key staff over the long term, designed to incentivise delivery of the company's growth objectives.

On 24 May 2021 the Remuneration Committee awarded Emily Rees with 51,546 equity options at an exercise price of 485p. There are no performance conditions linked to the options, and they are exercisable in three annual tranches, the first of which is expected to be in May 2022. The fair value of each option has been calculated using the Black-Scholes Model as 82.9p based on a volatility of 30.0%, a risk free rate of 0.125% and a dividend yield of 2.1%. The shares are subject to a minimum holding period.

On 18 October 2021 the Remuneration Committee awarded Richard Lilwall with 58,823 equity options at an exercise price of 425p. There are no performance conditions linked to the options, and they are exercisable in three annual tranches, the first of which is expected to be in October 2022. The fair value of each option has been calculated using the Black-Scholes Model as 67.9p based on a volatility of 27.3%, a risk free rate of 0.695% and a dividend yield of 2.1%. The shares are subject to a minimum holding period.

Directors share options

		2021 Number	2020 Number
Equity-settled	Richard Lilwall	**58,823**	-
	Emily Rees	**51,546**	-
	Laura Seffino	**30,863**	92,592
	Daniel Mendis (resigned 20 May 21)	**n/a**	280,000
Cash-settled	Laura Seffino	**-**	68,000
	Daniel Mendis	**n/a**	170,000

During 2021 Daniel Mendis exercised 58,640 and settled 112,443 equity options (worth £97k), leaving 105,830 outstanding at 31 December 2021. He also exercised the first two tranches of his cash settled options, equating to £240k including employer and employee payroll costs. Laura Seffino exercised 58,642 equity options and exercised the first tranche of her cash settled options, equating to £51k including employer and employee payroll costs.

In October 2021 the Remuneration Committee agreed to cancel the cash settled share option incentive scheme offered to Laura Seffino in 2020 and replace this, with effect from September 2021, with the Management Incentive Scheme offered to the Executive Directors who joined during 2021. The Scheme provides a single Incentive Scheme Payment based on two key financial indicators for the financial year ending 31 December 2021, payable following the announcement of the Company's annual results in 2022.

See below for details for the new share options awards issued to the Executive Directors who joined during 2021 and note 23.

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. The current Non-Executive Directors have entered into service contracts for a third three year term as this was considered to be in the best interest of the Company. 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 2020	16 months
David Warwick		1 May 2020	16 months
Andrew Walters		11 October 2021	33 months

David 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 2021.

Principal activity

The principal activity of the Group during the year was the design, development, marketing and delivery of vehicle telematics 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 Sheraton House, Castle Park, Cambridge, CB3 0AX.

Research and development

Please see the Strategic Report on page 12 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 13.

Proposed dividend

In the year ending 31 December 2021, the Board decided to pay an interim dividend of 1.5p (2021: 2.50p) with no supplementary interim dividend (2020: 0.87p) per ordinary share. This totalled £0.7m and was paid on 10 September 2021 to shareholders on the register as at 13 August 2021.

The Board is recommending a final dividend of 1.9p per share, together with a supplementary dividend of 5.1p per share, giving a final payment of 7.0p per share, amounting to approximately £3.4m in aggregate and giving a total dividend for the year equivalent to 8.5p per share. If this is approved at the forthcoming AGM on 23 March 2022, the final dividend will be paid on 29 April 2022 to shareholders on the register as at 1 April 2022.

Major interest in shares

On 25 February 2022, the Company had been notified that six 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[1]	**% of total**
Andrew Walters[2]	10,661,609	22.04
Conbrio Fund Partners Ltd	9,215,000	19.05
Liontrust Investment Partners LLP	5,582,640	11.54
Andrew Kirk	4,009,853	8.29
William Hibbert	2,663,000	5.50
Charles Stanley & Co. Ltd Rock (Nominees) Ltd	2,427,045	5.02
Kenneth Giles	1,871,800	3.87

[1] Based on the most recent available data to the Company
[2] 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)
- David Warwick
- Andrew Walters (from 11 October 2021)

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

- Andrew Walters (until 11 October 2021)
- Richard Lilwall (from 11 October 2021)
- Emily Rees (from 20 May 2021)
- Daniel Mendis (until 20 May 2021)
- Laura Seffino

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 6 months for all Executive Directors.

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 23 March 2022.

Going concern

The consequences of the coronavirus pandemic have continued to adversely disrupt the global economic situation in 2021. The Company continues to take appropriate action to monitor, address and mitigate the uncertainties and increased risks facing the Company as a result and have taken these additional uncertainties into account in assessing the going concern position.

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.

In addition to the base case scenario, the Board reviewed two further scenarios as part of its going concern assessment. The first scenario assumes that the attrition rate increases for the first quarter of 2022, as a result of the coronavirus pandemic and our customers facing business problems and terminating their contracts, plus an increase in price erosion, which is a continuing market trend. The second scenario considered the impact of a more severe downturn for the duration of 2022. Neither scenario was considered likely, but was included in the assessment.

After assessing the forecasts and liquidity of the business, including the two going concern scenarios, 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' 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 accounting standards in conformity with the requirements of the Companies Act 2006 (IFRS (UK)) 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 IFRS (UK) 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.

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. Principal risks and uncertainties are considered in the strategic report on page 16-17.

Credit risk

The principal credit risk relates to trade receivables and is mitigated, where possible, by third party credit clearance for new customers and collection by direct debit, or similar. 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, PKF Littlejohn 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 25 February 2022.

Richard Lilwall
Chief Executive Officer

Independent Auditor's Report to the Members of Quartix Technologies plc

Opinion

We have audited the financial statements of Quartix Technologies plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation of the Group financial statements is applicable law and UK-adopted international accounting standards . The financial reporting framework that has been applied in the preparation of the Parent Company financial statements, is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosures Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's and Parent company's ability to continue to adopt the going concern basis of accounting included discussions with management of their assessment of the Group's ability to continue as a going concern, assessing the reasonableness of projected cashflow and working capital assumptions and critically evaluating the revenue and cost projections underlying the cash flow model.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in the evaluation of the effect of identified misstatements on the audit and of uncorrected misstatement, if any, on the financial statement in formatting the opinion in the auditor's report.

We define materiality as the magnitude of misstatement in the financial statements that, individually or in aggregate could reasonably be expected to influence the economic decisions of the users of the financial statements. We use materiality in determining the nature, timing and extent our of audit work.

Our materiality for the Group is £253,000 which represents 1% of turnover. In determining materiality, we made the following significant judgements: Turnover is considered to be the most appropriate benchmark because the Group is a commercially focussed organisation and turnover is a key financial measure for the Directors and Shareholders. For the Parent Company, we applied a materiality level of £164,900 which represents 1% of the Parents Company's net assets. In determining materiality, we made the following significant judgements: Net assets is considered the most appropriate benchmark because the entity is a non-trading holding company.

We calculated materiality during the planning stage of the audit, and then during our audit, we re-assessed our initial materiality based on actual results for the year ended 31 December 2021 and adjusted our audit procedures accordingly.

We set performance materiality at an amount less than materiality for the financial statement as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Our performance materiality for the Group is £177,100, which is 70% of financial statement materiality. Our performance materiality for the Parent Company is £115,430 which is 70% of the financial statements materiality. We have selected 70% because of the good control environment, but to also reflect our first year of engagement. We calculated performance materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial performance materiality based on actual results and adjusted our audit procedures accordingly.

We report to the Directors all corrected and uncorrected misstatements we identified through our audit with a value in excess of £12,650 for the Group and £8,245 for the Parent entity, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Our approach to the audit

Our audit is risk based and designed to focus our efforts on the areas of greatest risk and material misstatement, aspects subject to significant management judgement as well as greatest complexity, risk and size.

In designing our audit, we determined materiality and assessed the risk of material misstatement in the Group and Parent company financial statements. We looked at areas involving significant accounting estimates and judgements by the directors and considered future events that are inherently uncertain, in particular with regard to the valuation of intangibles. We also assess the risk of management override of internal controls, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We performed an audit of the financial information of the components using component materiality (full scope procedures) on the financial information of Quartix Technologies plc, and of Quartix Limited. For the remaining component, Quartix Inc, we performed a limited scope review on this component which was assessed as material but not significant.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our scope addressed this matter
Revenue Recognition (Notes 1 and 3) We identified revenue recognition as one of the most significant assessed risks of misstatement due to fraud. As seen in Note 1 and 3 of the financial statements, the Group's principal revenue stream relates to the provision of telematics vehicle tracking services, including data services, to customers. The Group's activities of supplying telematic units and providing telematics services are considered to be a single performance obligation which is satisfied over a period of time. The Group also performs support services. These are considered to be a separate performance obligation for which a separate charge and invoice is raised. The Group has two types of customers, Fleet and Insurance, and revenue is recognised over the period that services are provided. Given the nature of the Group's revenue being a relatively high volume of low value transactions we identified that the risk of fraud recognition was in the occurrence assertion, for example through the posting of a fraudulent journal.	In responding to the key audit matter, we performed the following audit procedures: • We tested the two types of customers separately, i.e Fleet and Insurance revenue by performing substantive testing on each class of customers revenue. • We assessed selected revenue trial balance codes to identify if any of them included journals meeting our fraud risk criteria. From this audit procedure, we did not identify any journals that would be indicative of fraud. • We assessed whether revenue was recorded in the period was consistent with the Group's accounting policy and whether that was compliant with IFRS 15. • For a sample of sales invoices raised for telematics services, we confirmed that the telematics service was provided to the customer by tracing a tracking unit to the live vehicle tracking system, thus evidencing the occurrence of revenue. The same selected invoices were also trace to contracts with respective customers and subsequent cash receipts. • For a sample of support services, we inspected third party supplier invoices evidencing that the service was provided to the customer. • We tested credit notes raised post year end to determine if they related to the revenue recognised pre year end. This ensured that revenue was recognised during the year was not subsequently being reversed.

Revenue Recognition (Notes 1 and 3) (continued)	• **We performed substantive testing on insurance customers revenue by reviewing the numbers of units and contract price, and obtained third party confirmations directly from insurance customers to confirm the number of units installed.** **Based on our audit work, we did not identify any material misstatement in respect of revenue recognition.**
Deferred Revenue (Note 19) We identified deferred revenue as one of the most significant assessed risk of material misstatement due to fraud. As seen in Note 19 of the financial statements, the Group raises invoices in advance and classifies deferred revenue as contract liabilities. Under IFRS 15, the Group's activities of supplying telematics units and providing telematics services are considered to be a single performance obligation which is satisfied over a period of time. The deferred revenue is driven by the contract terms and numbers of units, and a significant balance presents a risk of material misstatement.	In responding to the key audit matter, we performed the following audit procedures for both types of customers: • For a sample of sales invoices, we recalculated the appropriate porting of revenue to defer based on the contractual billing terms agreed with the customer and compared this to the actual amount deferred. • Deferred income is adjusted for rent-free periods (including for Covid relief), spreading the income over the contract. For a sample of items we checked the rent-free periods to customer contracts, or communicated with the customer when non-contractual. We then performed a recalculation of the adjustment. • For insurance customers, revenue is deferred over the length of the insurance policies (a year), we have recalculated the deferred revenue balance in aggregate based on monthly sales figures for the year. Based on our audit work, we did not identify any material misstatement in respect to deferred revenue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the Group and Parent company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the Group and Parent company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group and Parent company financial statements, the directors are responsible for assessing the Group and the Parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the Group and Parent company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management and the application of our audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the Group and Parent company in this regard to be those arising from IFRS, Companies Act 2006, AIM rules, QCA Corporate governance code and the relevant tax compliance regulations in the jurisdictions in which the Group operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to employee matters. The Group provides vehicle telematics services with a strategy to grow its subscription based to have annual recurring revenue streams mainly in the UK, USA and Europe.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the Group and Parent company with those laws and regulations. These procedures included, but were not limited to:
    - The Group provides vehicle telematics services with a strategy to grow its subscription based to have annual recurring revenue streams mainly in the UK, USA and Europe. We obtained an understanding of the effectiveness of the Group's overall control environment and policies to monitor these controls, it appears that the controls are designed appropriately to identify these irregularities.
    - We reviewed all the Group's press releases and performed a search of any related information in the public domain
    - In addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and financial statements with applicable reporting requirements.
    - We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that there was the potential for management bias was identified in relation to the impairment of goodwill and we addressed this by challenging the assumptions and judgements made by management when auditing that significant accounting estimate.
- We addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.
- As the finance function is centralised and UK based, all audit work is undertaken by the London based Group audit team.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Zahir Khaki (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
25 February 2022

15 Westferry Circus
Canary Wharf
London E14 4HD

Consolidated Statement of Comprehensive Income

Year ended 31 December	Notes	2021 Before Provision £'000	2021 Provision (note 18) £'000	2021 Total £'000	2020 Before Provision £'000	2020 Provision (note 18) £'000	2020 Total £'000
Revenue	3,4	**25,513**	**-**	**25,513**	25,835	-	25,835
Cost of sales		**(7,306)**	**430**	**(6,876)**	(7,178)	(1,610)	(8,788)
Gross profit		**18,207**	**430**	**18,637**	18,657	(1,610)	17,047
Administrative expenses		**(13,328)**	**-**	**(13,328)**	(11,367)	-	(11,367)
Operating profit		**4,879**	**430**	**5,309**	7,290	(1,610)	5,680
Finance income receivable	8	**0**	**-**	**0**	19	-	19
Finance costs payable	9	**(23)**	**-**	**(23)**	(40)	-	(40)
Profit for the year before taxation	5	**4,856**	**430**	**5,286**	7,269	(1,610)	5,659
Tax expense	10	**(390)**	**-**	**(390)**	(931)	-	(931)
Profit for the year		**4,466**	**430**	**4,896**	6,338	(1,610)	4,728
Other Comprehensive income:							
Items that may be reclassified subsequently to profit or loss:							
Exchange difference on translating foreign operations		**(101)**	**-**	**(101)**	99	-	99
Other comprehensive income for the year, net of tax		**(101)**	**-**	**(101)**	99	-	99
Total comprehensive income attributable to the equity shareholders of Quartix Technologies plc		**4,365**	**430**	**4,795**	6,437	(1,610)	4,827
Earnings per ordinary share (pence)	11						
Basic		**-**	**-**	**10.14**	-	-	**9.86**
Diluted		**-**	**-**	**10.07**	-	-	**9.82**

Consolidated Statement of Financial Position

	Notes	**31 December 2021 £'000**	31 December 2020 £'000
Assets			
Non-current assets			
Goodwill	12	**14,029**	14,029
Property, plant and equipment	13	**956**	1,278
Deferred tax assets	21	**131**	135
Contract cost assets	15	**293**	297
Total non-current assets		**15,409**	15,739
Current assets			
Inventories	14	**1,330**	694
Trade and other receivables	15	**3,986**	3,811
Cash and cash equivalents	16	**5,414**	10,570
Total current assets		**10,730**	15,075
Total assets		**26,139**	30,814
Current liabilities			
Trade and other payables	17	**3,216**	2,823
Provisions	18	**953**	1,785
Contract liabilities	19	**3,160**	3,650
Current tax liabilities		**77**	301
		7,406	8,559
Non-current liabilities			
Lease liabilities	20	**650**	822
		650	822
Total liabilities		**8,056**	9,381
Net assets		**18,083**	21,433
Equity			
Share capital	22	**484**	479
Share premium account	22	**6,332**	5,252
Equity reserve		**380**	792
Capital redemption reserve		**4,663**	4,663
Translation reserve		**(170)**	(69)
Retained earnings		**6,394**	10,316
Total equity attributable to equity shareholders of Quartix Technologies plc		**18,083**	21,433

Approved by the Board of Directors, authorised for issue and signed on behalf of the Board on 25 February 2022.

Richard Lilwall
Chief Executive Officer

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 2019	**479**	**5,230**	**4,663**	**616**	**(168)**	**7,161**	**17,981**
Shares issued	-	22	-	-	-	-	**22**
Increase in equity reserve in relation to options issued	-	-	-	189	-	-	**189**
Adjustment for exercised options	-	-	-	(43)	-	43	**-**
Deferred tax on share Options	-	-	-	30	-	-	**30**
Dividend paid	-	-	-	-	-	(1,616)	**(1,616)**
Transactions with owners	**-**	**22**	**-**	**176**	**-**	**(1,573)**	**(1,375)**
Foreign currency translation differences	-	-	-	-	99	-	**99**
Profit for the year	-	-	-	-	-	4,728	**4,728**
Total comprehensive income	**-**	**-**	**-**	**-**	**99**	**4,728**	**4,827**
Balance at 31 December 2020	**479**	**5,252**	**4,663**	**792**	**(69)**	**10,316**	**21,433**
Shares issued	5	1,080	-	-	-	-	**1,085**
Increase in equity reserve in relation to options issued	-	-	-	170	-	-	**170**
Adjustment on settlement of options	-	-	-	(98)	-	-	**(98)**
Recycle of equity reserve to P&L	-	-	-	(456)	-	456	**-**
Deferred tax on share Options	-	-	-	(28)	-	-	**(28)**
Dividend paid	-	-	-	-	-	(9,274)	**(9,274)**
Transactions with owners	**5**	**1,080**	**-**	**(412)**	**-**	**(8,818)**	**(8,145)**
Foreign currency translation differences (note 29)	-	-	-	-	(101)	-	**(101)**
Profit for the year	-	-	-	-	-	4,896	**4,896**
Total comprehensive income	**-**	**-**	**-**	**-**	**(101)**	**4,896**	**4,795**
Balance at 31 December 2021	**484**	**6,332**	**4,663**	**380**	**(170)**	**6,394**	**18,083**

Consolidated Statement of Cash Flows

	Notes	**2021 £'000**	2020 £'000
Cash generated from operations	24	**3,963**	6,698
Taxes paid		**(636)**	(1,106)
Cash flow from operating activities		**3,327**	5,592
Investing activities			
Additions to property, plant and equipment		**(61)**	(72)
Interest received	8	**-**	14
Cash flow used in investing activities		**(61)**	(58)
Cash flow from operating activities after investing activities (free cash flow)		**3,266**	5,534
Financing activities			
Repayment of lease liabilities	25	**(166)**	(185)
Proceeds from share issues		**1,085**	22
Dividend paid		**(9,274)**	(1,616)
Cash flow used in financing activities		**(8,355)**	(1,779)
Net changes in cash and cash equivalents		**(5,089)**	3,755
Cash and cash equivalents, beginning of year		**10,570**	6,789
Exchange differences on cash and cash equivalents		**(67)**	26
Cash and cash equivalents, end of year	16	**5,414**	10,570

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 Technologies plc, a company registered in the UK, and all its subsidiaries. These consolidated financial statements are for the year ended 31 December 2021 and are prepared in Sterling and are rounded to the nearest thousand pounds (£'000). They have been prepared in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS (UK)') and in accordance with those parts of the Companies Act 2006 that are relevant to companies which report under IFRS (UK).

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

There were several amendments to existing Standards and interpretation published by the IASB, effective for accounting periods commencing 1 January 2021, but none of these amendments were considered to be relevant to these financial statements. New Standards, Amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

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 over an investee entity, exposure or rights to variable returns from the involvement in the investee and the ability to use its power over the investee to affect the amount of the investors returns. 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 32.

Going concern

The consequences of the coronavirus pandemic have materially and adversely disrupted the global economic situation. The Company is taking appropriate action to monitor, address and mitigate the uncertainties and increased risks facing the Company as a result and have taken these additional uncertainties into account in assessing the going concern position.

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.

In addition to the base case scenario, the Board reviewed two further scenarios as part of its going concern assessment. The first scenario assumes that the attrition rate increases for the first quarter of 2022, as a result of the coronavirus pandemic and our customers facing business problems and terminating their contracts, plus an increase in price erosion, which is a continuing market trend. The second scenario considered the impact of a more severe downturn for the duration of 2022. Neither scenario was considered likely, but was included in the assessment.

After assessing the forecasts and liquidity of the business, including the two going concern scenarios, 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.

1 Summary of significant accounting policies (continued)

Revenue recognition

Revenue is the amount receivable for goods and services, excluding sales taxes, rebates, and trade discounts.

Revenue comprises the provision of telematics-based fleet and vehicle management solutions. Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Under IFRS 15, the Group must evaluate the separability of the promised goods or services based on whether they are 'distinct'. A promised good or service is 'distinct' if both:

- the customer benefits from the item either on its own or together with other readily available resources; and
- it is 'separately' identifiable (i.e. the Group does not provide a significant service integrating, modifying or customising it).

For the adoption of IFRS 15 the Group completed a detailed assessment of its sources of revenue and concluded that the Group's activities of supplying telematics units, installing telematics units and providing telematics services are not distinct and that it has one single performance obligation. Consequently, the Group does not recognise revenue separately for these goods and services; but recognises this revenue together as the provision of vehicle telematics services.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as contract liabilities in the statement of financial position (see note 19).

If the Group satisfies a performance obligation before it received the consideration, the Group recognises a receivable in its statement of financial position.

In relation to costs, the hard-wired unit and associated installation costs are recognised when the Group relinquishes control of the unit since, once installed, the unit relates to both unsatisfied performance obligations and to satisfied performance obligations (or partially satisfied performance obligations).

In line with IFRS 15 'Revenue from Contracts with Customers', the commissions incurred in winning customer contracts are capitalised and are amortised through profit and loss, over the period it is expected that the revenue will be realised from that customer. These are described as contract cost assets and disclosed in note 15 with trade and other receivables.

Insurance telematic services

For insurance telematic services, the customer commits to purchase data services for 12 months, with revenue recognised over the 12 month period on a straight line basis, since the customer benefits from the Group's services evenly throughout the contract.

Fleet telematic services

Fleet customers enter into contracts typically with a commitment to purchase data services for 12 months. The price is fixed for the contract term. Generally, invoices are raised quarterly in advance, with payment due within 30 days. Quartix satisfies its performance obligations over time as services are rendered.

If promotional offers include any free months, then total revenue is allocated on a straight line basis over the whole period (including the free period) of data services in accordance with the performance obligations, since the customer benefits from the Group's services evenly throughout the contract term and receives the benefit of the services as they are made available.

1 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Support Services
Quartix performs additional services, such as removing, upgrading or transferring units to alternative vehicles, and theft tracking. These are considered to be separate performance obligations for which a separate charge and invoice is raised. Revenue is recognised once the additional service obligation has been delivered to the customer, at a point in time.

Segmental reporting
Since 2018 the Directors have included segmental financial information for its insurance and fleet operations. These two segments were identified as they are managed separately, with different marketing approaches for the discrete market sectors and for which the Group has difference strategies.

Until 2021, their reported revenue each meet the quantitative thresholds of IFRS 8, however following the managed reduction in the insurance revenue and contribution to adjusted EBITDA, the Group anticipate it will not provide this segmental analysis in future. Instead, insurance will be included in the Fleet telematics services sub-category (see below).

The Group has aggregated fleet operations for all geographical markets. However, to increase transparency, the Group has decided to include an additional voluntary disclosure, separating the fleet segment into two sub-categories in order to highlight the different costs structures within the business:
- Customer acquisition, for new customer contracts; and
- Fleet telematics services for recurring revenue and repeat contracts with existing customers.

Some central overhead costs, such as Director salaries, development, audit and legal fees, property costs and infrastructure costs, which can't be easily allocated between the two sub-categories are simply recorded in total.

Detailed segmental information, including a reconciliation to the financial statements, are included in note 4.

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. The goodwill arose in 2008 from the acquisition of Quartix Limited, the main trading entity in the Group, which at the time only had commercial fleet operations, therefore the entirety of the goodwill has been allocated to the fleet segment for the impairment review. Any impairment is recognised immediately in profit or loss.

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:

• Leasehold properties	The life of the lease
• Office equipment	25% straight line
• Motor Vehicles	The life of the lease

1 Summary of significant accounting policies (continued)

Research and development
Expenditure on research activities is recognised as an expense in the period in which it is incurred. Costs that are directly attributable to a projects development phase are recognised as internally generated intangible assets, provided they meet all of the following recognition requirements:

- The development costs can be measured reliably
- The project is technically and commercially feasibly
- The Group intends to and has sufficient resources to complete the project
- The Group has the ability to use or sell the software/hardware
- The software/hardware will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on research and development along with an appropriate portion of relevant costs. 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 discount 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 unit used for the impairment test of goodwill is the fleet segment as explained in the Intangible Assets policy above. Goodwill is assessed for impairment at least annually (assessed at each reporting date).

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, charged to profit & loss. Impairment losses are allocated firstly against goodwill, and secondly on a pro rata basis against intangible and other assets.

Leases
For any new lease contract entered into, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset, or restore a property at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

1 Summary of significant accounting policies (continued)

Leases (continued)

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It will also be remeasured to reflect any reassessment or modification, or if there are changes in the in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients which are permitted in IFRS 16. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Inventories

Components held for manufacture of vehicle tracking units and units not yet deployed to customers are classified as inventory. Inventories are stated at the lower of cost and net realisable value less provision for obsolete, slow moving or defective items. Cost is based on the cost of purchase on a first in first out basis. Provision against inventories is 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.

1 Summary of significant accounting policies (continued)

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

The Group has reviewed its business model for its financial assets, which comprise only basic loans and receivables, and concluded that they are held for collecting contractual associated cash flows. Under IFRS 9 loans and receivables, are initially recognised at fair value and will subsequently be measured at amortised cost.

The Group makes use of a simplified approach in accounting for trade and other receivables and record the loss allowance as lifetime expected credits. These are the expected shortfalls in contractual cashflows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on days past due. Refer to note 15 for an analysis of how the impairment requirements of IFRS 9 are applied.

The Group will recognise in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with IFRS 9.

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.

Provisions, contingent assets and contingent liabilities

Provisions for product warranties and replacement of units are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probably that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. The timing or amount of the outflow might be uncertain.

In line with IAS 37, provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date.

1 Summary of significant accounting policies (continued)

Equity

Equity comprises the following:

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

Dividends

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

Foreign currencies

The Parent Company's functional currency is Sterling; the French branch’s is Euros, with its results translated for inclusion 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.

1 Summary of significant accounting policies (continued)

Employee benefits: share based payments

The Group operates several employee share schemes for employees of its UK trading subsidiary under which it makes equity-settled and cash-settled share-based payments.

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, for the schemes where there are no market performance conditions using the Black-Scholes model, which excludes the impact of non-market vesting conditions. Under a share scheme where there are market performance conditions, the binomial option pricing model has been used which includes the impact of market vesting conditions (such as the growth in the share price).

All equity-settled share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to retained earnings. If vesting periods or other vesting conditions apply, 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.

All cash-settled share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to a share-based payment liability. The fair value is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

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 point at which development projects become technically and commercially feasible. No development expenditure was capitalised in the year ended 31 December 2021. The research and development expenditure primarily related to the on-going research work on the Group's existing vehicle telematics services to ensure that the functionality is maintained. The research work undertaken may successfully come to fruition in the development of a marketable service 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. See the Strategic Report on page 12 for further information about the Group's approach to research and development

Key judgement: timing of revenue and cost recognition

The adoption of IFRS 15, see note 1, required the Group to identify its performance obligations, determine the transaction price and allocate this to the performance obligations and to recognise revenue when/as performance obligations are satisfied, which are the subject of key judgements. The Group's judgement continues to be that supplying telematics units, installing telematics units and the provision of data services are a single performance obligation, under contracts with customers.

The performance obligations continue to be satisfied over time, since the Group has the obligation to deliver the data services for the contract term. Customers simultaneously receive and consume the benefits of the tracking services as Quartix delivers its performance obligation.

2 Key judgements and estimates (continued)

Key judgement: timing of revenue and cost recognition (continued)
Where customer contracts are structured so that tracking units and installations are separately identified, the Group recognises this revenue as part of the single performance obligation of delivering tracking services.

As described in note 1, it is the Group's judgement that, once installed, the hard-wired units relate to both unsatisfied performance obligations and to satisfied performance obligations (or partially satisfied performance obligations).

Key judgement: recognition of 3G units replacement provision
The Group considers the communication to all US customers of the replacement of their units, free of charge, in response to the 3G mobile network sunsetting to be sufficient action as a past event, which has created a constructive obligation at the year end to incur costs for all US customers that accept the offer of the free of charge replacement of their existing 3G unit to an upgraded 4G unit. Management consider this to be a constructive obligation as an expectation in the market has been created. This is based on our estimate of the costs, based on our judgement of the take up of the offer of the replacement units to our existing customer base.

3 Revenue

The Group's revenue disaggregated by primary geographical markets is as follows:

	2021 £'000	**2020 £'000**
United Kingdom	**17,953**	19,409
France	**4,425**	3,826
New European Territories	**507**	202
United States of America	**2,628**	2,398
	25,513	25,835

During 2021 UK revenue of £1.5m (2020: £3.4m) was derived from one insurance customer, as a proportion of total revenue this one customer makes up 6.1% of the Group's revenue (2020: 13.3%).

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

The Group's revenue disaggregated by pattern of revenue recognition is as follows:

	2021 £'000	2020 £'000
Goods and services transferred over time	**24,556**	24,955
Revenue recognised at a point in time	**957**	880
	25,513	25,835

Goods and services transferred over time represent 96.2% of total revenue (2020: 96.6%).

For 2021, revenue includes £3.6m (2020: £4.8m) included in the contract liability balance at the beginning of the period (see note 19). Changes to the Group's contract liabilities (i.e. deferred revenue) are attributable solely to the satisfaction of performance obligations.

4 Segmental analysis

Since 2018, the financial statements have included segmental financial information for the Group's insurance and fleet operations. Following the managed reductio in the insurance sector revenue and contribution to adjusted EBITDA, the Group will not provide this segmental analysis in future. Instead, insurance will be included in the Fleet telematics services sub-category (see below).

However, to increase transparency, the Group will continue to include an additional voluntary disclosure, separating the fleet segment into two sub-categories in order to highlight the different costs structures within the business, in particular to give clarity as to the level of upfront investment the Group is making in acquiring new customers, as well as the associated impact on recurring revenue.

The two sub-categories are:

- **Customer Acquisition**: This is the sales and marketing cost of acquiring new fleet customers and the cost associated with units installed for those customers. Recurring subscription revenue is not recognised in this sub-category, only equipment and installation income attributed to new fleet customers.
- **Fleet Telematics Services**: This is the recurring revenue associated with the Group's active subscription base and the cost of servicing that subscription base. The costs in this sub-category include the cost of installing additional units for existing customers, as well as the associated marketing costs.

Estimated allocations of cost have been made between the sub-sections.

Segmental analysis 2021	Customer Acquisition £'000	Fleet Telematics Services £'000	**Total Business £'000**
Recurring revenue	-	22,506	**22,506**
Other sales	280	2,727	**3,007**
Revenue	280	25,233	**25,513**
Sales and marketing costs	(6,538)	(1,075)	**(7,613)**
Equipment, installation, carriage	(2,154)	**(1,896)	**(4,050)**
Cost of service	**-**	(2,466)	**(2,466)**
Total Sub-category cost	(8,692)	(5,437)	**(14,129)**
(Loss)/Profit before central costs	**(8,412)**	**19,796**	**11,384**
Central costs			**(5,659)**
Adjusted EBITDA (see note 5)			**5,725**

** The figures above do not include the £0.4m provision release for replacing the 3G units in the US market. As the replacement units relate to existing customers, the total cost would be allocated to the Fleet Telematics Services sub-segment costs.

4 Segmental analysis (continued)

Reconciliation of the total Segmental costs to the cost of sales on the income statement is as below:

	2021	2020
	£'000	£'000
Total Segmental costs	**14,129**	13,145
Less elements included in administrative expenses:		
Cost of service: employees	**(714)**	(657)
Selling and marketing costs (excluding direct commissions)	**(5,991)**	(4,967)
Bad Debts	**(118)**	(343)
3G replacement provision not included in Segmental costs	**(430)**	1,610
Cost of sales	**6,876**	8,788

Segmental analysis 2020

	Customer Acquisition	Fleet Telematics Services	**Total Business**
	£'000	£'000	**£'000**
Recurring revenue	-	20,801	**20,801**
Other sales	223	4,811	**5,034**
Revenue	223	25,612	**25,835**
Sales and marketing costs	(5,546)	(941)	**(6,487)**
Equipment, installation, carriage	(1,592)	***(2,523)	**(4,115)**
Cost of service	**-**	(2,543)	**(2,543)**
Total Sub-category cost	(7,138)	(6,007)	**(13,145)**
(Loss)/Profit before central costs	**(6,915)**	**19,605**	**12,690**
Central costs			**(4,819)**
Adjusted EBITDA (see note 5)			**7,871**

*** The figures above do not include the £1.6m provision for replacing the 3G units in the US market. As the replacement units relate to existing customers, the total cost would be allocated to the Fleet Telematics Services sub-segment costs.

Revenue note 3 discloses the geographical analysis by destination and revenue generated from our major customer.

5 Profit for the year before taxation

The profit for the year for the Group is stated after charging/(crediting):

	2021 £'000	2020 £'000
Research and development expenses	**766**	806
3G replacement unit provision	**(774)**	1,610
Rentals under short term lease agreements:		
Other leases	**16**	6
Land and buildings	**81**	76
Depreciation on property, plant and equipment, owned	**180**	175
Depreciation on property, plant and equipment, right of use	**151**	182
Share-based payment expense	**515**	224
Foreign exchange losses	**(33)**	21
Expected credit loss charge	**(94)**	120
Audit services:		
Fees paid to Company auditor for the audit of the Company and consolidated financial statements	**60**	31
The audit of the Company's subsidiary pursuant to legislation	**15**	33
Other services	**-**	3

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

	2021 £'000	2020 £'000
Operating profit	**5,309**	5,680
Depreciation on property, plant and equipment, owned	**180**	175
Depreciation on property, plant and equipment, right of use	**151**	182
EBITDA	**5,640**	6,037
Share-based payment expense (incl. cash-settled)	**515**	224
Provision for replacement of 3G units	**(430)**	1,610
Adjusted EBITDA	**5,725**	7,871

6 Employee remuneration

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

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

	2021 £'000	2020 £'000
Wages and salaries	**6,123**	5,077
Social security costs	**671**	496
Contributions to defined contribution pension plan	**138**	115
Share-based payment	**515**	224
	7,447	5,912

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

	2021	2020
Administration	**23**	21
Operations	**20**	26
Sales	**77**	65
Customer service	**35**	22
Research and development	**27**	24
	182	158

7 Key management remuneration and Directors' remuneration

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any Directors (whether Executive or otherwise) of the entity. For 2021, the Group identified nine such individuals: three Executive Directors, three Non-Executive Directors, and three members of Senior Management. In 2020, the Group identified six such individuals: three Executive Directors, two Non-Executive Directors, and one member of Senior Management.

	2021	2020
	£'000	£'000
Wages and salaries	**856**	451
Social security costs	**90**	56
Contributions to defined contribution pension plan	**15**	9
Share-based payment	**425**	87
Total employee benefits	**1,386**	603

Details of Directors' remuneration and the highest paid Director is disclosed on page 35.

The Group introduced the NEST pension arrangements in 2015 for all employees. During 2021, six members of the key management personnel team were members of the NEST 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.

The following relates to key management, including Directors:

	2021	2020
Share based payment charge: equity options (£'000)	**80**	52
Share based payment charge: cash options (£'000)	**345**	35
	425	87
Equity settled share options held	**376,705**	465,184
Cash settled options held	**78,000**	238,000
Equity options exercised **	**258,375**	nil
Cash options exercised	**156,000**	nil
Shares held	**11,061,389**	18,199,642

** Included in Equity options exercised for key management is 112,443 for the settlement of non-EMI options to Daniel Mendis (see page 36)

Included in above relating only to Directors of Quartix Technologies plc are:

	2021	2020
Share based payment charge: equity options (£'000)	**32**	52
Share based payment charge: cash options (£'000)	**202**	5
	234	57
Equity settled share options held	**141,232**	372,592
Cash settled options held	**n/a**	238,000
Equity options exercised	**117,282**	nil
Cash options exercised	**84,000**	nil
Shares held	**10,795,466**	17,983,208

The only new options granted to key management during the year was the issue of new cash equity options to newly appointed Executive Directors as outlined on page 36. Details about the exercise of cash settled options are included in page 36.

8 Finance income receivable

	2021 £'000	2020 £'000
Bank interest	-	19

9 Finance costs payable

	2021 £'000	2020 £'000
Lease interest expense	23	40

10 Tax expense

	2021	2020
Analysis of tax charge in the year	**£'000**	£'000
Current tax		
UK corporation tax charge on profit for the year	**418**	1,013
Adjustments in respect of prior periods	**(3)**	21
Total corporation tax	**415**	1,034
Deferred tax		
Origination and reversal of temporary differences	**(25)**	(105)
Adjustments in respect of prior periods	**-**	2
Total deferred tax	**(25)**	(103)
Tax on profit of ordinary activities	**390**	931

The relationship between the expected tax expense based on an effective tax rate of the Group of 19.00% (2020: 19.00%), 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:

	2021 £'000	2020 £'000
Result for the year before taxation	**5,286**	5,659
Tax rate (%)	**19.00**	19.00
Expected tax expense	**1,004**	1,075
Adjustments to tax charge in respect of prior periods*	**(3)**	23
Adjustments for tax rate differences in France**	**13**	55
Expenses not deductible for tax purposes	**4**	8
Losses in the USA not provided	**(281)**	85
Research and development tax credit	**(151)**	(155)
Patent box credit	**(116)**	(140)
Remeasurement of deferred tax	**(13)**	5
Tax adjustment on exercise of options	**(67)**	(25)
Tax on profit on ordinary activities	**390**	931

Effective rate of tax	**7.4%**	16.4%
*Effective rate of tax ignoring adjustments in respect of prior years'	7.4%	16.0%

**The French branch, which has utilised its trading losses, is subject to local tax and there is a differential rate between the UK and France.

The Finance No. 2 Bill 2021 became substantively enacted on 24 May 2021, which includes legislation increasing the UK corporation tax rate to 25% for companies that have profits of more than £250k. This increase has been enacted at the balance sheet date and has been reflected in the deferred tax recognised on the balance sheet.

11 Earnings per share and dividends

Earnings per share

The calculation of the basic earnings per share is based on the profits attributable to the shareholders of Quartix Technologies 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 2021	**4,896**	**48,269,166**	**10.14**	**48,661,104**	**10.07**
Year ended 31 December 2020	4,728	47,953,023	9.86	48,170,860	9.82
Adjusted earnings per ordinary share					
Year ended 31 December 2021	**4,466**	**48,269,166**	**9.26**	**48,661,104**	**9.18**
Year ended 31 December 2020	6,338	47,953,023	13.22	48,170,860	13.16

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.

To illustrate the underlying earnings for the year, the table above includes adjusted earnings per ordinary share, which for 2021 excludes the £0.4m release of the exceptional 3G replacement unit provision and for 2020 excluding the charge for the original provision of £1.6m.

Dividends

During the year ended 31 December 2021, the Group paid interim dividends of £0.7m (2020: £1.2m), equivalent to 1.50p per share (2020: 2.5p per share). There was no supplementary dividend (2020: £0.4m – 0.87p giving a total interim dividend 3.37p per ordinary share).

Details of dividends the Board is recommending for approval at the AGM are included in the Directors' Report on page 38. As the distribution of dividends require approval at the Annual General Meeting, no liability in this respect is recognised in the 2021 Group consolidated financial statements.

12 Goodwill

	Goodwill on consolidation £'000
Cost and net book value	
At 1 January and 31 December 2020 and 2021	**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 1).

12 Goodwill (continued)

The Group considers the fleet segment of Quartix Limited to be the sole cash-generating unit (CGU) for the assessment of goodwill (see Intangible Assets policy included in note 1) 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 5.0%. The discount rate used is 10.52% 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. The estimate of the recoverable amount for the cash generating unit is not particularly sensitive to the discount rate.

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

13 Property, plant and equipment

	Leasehold properties £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Cost:				
At 1 January 2020	542	1,412	25	1,979
Additions	808	80	19	907
Disposals	(200)	(7)	(8)	(215)
Foreign exchange	(2)	(4)	-	(6)
At 31 December 2020	1,148	1,481	36	2,665
Additions	52	57	40	149
Disposals	(329)	(77)	-	(406)
Foreign exchange	(1)	-	-	(1)
At 31 December 2021	870	1,461	76	2,407

13 Property, plant and equipment (continued)

	Leasehold properties £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Depreciation:				
At 1 January 2020	147	981	6	1,134
Provided in the year	178	170	9	357
Disposals	(89)	(1)	(8)	(98)
Foreign exchange	(3)	(4)	1	(6)
At 31 December 2020	233	1,146	8	1,387
Provided in the year	147	166	18	331
Disposals	(191)	(76)	-	(267)
Foreign exchange	-	-	-	-
At 31 December 2021	189	1,236	26	1,451
Net book amount:				
At 31 December 2021	**681**	**225**	**50**	**956**
At 31 December 2020	915	335	28	1,278
At 1 January 2020	395	431	19	845

14 Inventories

Components held for manufacture of vehicle tracking units and units not yet deployed to customers:

	2021 £'000	2020 £'000
Raw materials	**1,001**	489
Work in progress	**161**	79
Finished goods and goods for resale	**168**	126
	1,330	694

Included in the analysis above are impairment provisions against inventory amounting to £125,000 (2020: £88,000). The cost of vehicle tracking units are recognised as an expense and included in "cost of sales" amounted to £2.3m (2020: £2.3m).

15 Trade and other receivables

	2021 £'000	2020 £,000
Trade receivables	**2,754**	2,620
Contract cost assets	**892**	896
Other receivables	**24**	5
Prepayments and accrued income	**316**	290
	3,986	3,811

All the amounts are due within in year. Trade receivables are measured initially at fair value and subsequently at amortised cost. At each period end, there is an assessment of the expected credit loss in accordance with IFRS 9 with any increase or reduction in the credit loss provision charged or released to administration costs in the statement of comprehensive income.

15 Trade and other receivables (continued)

The loss allowance for expected credit losses has been recorded as follows.

	2021 £'000	2020 £'000
Loss allowance at 1 January	**257**	134
Increase in loss allowance	**(94)**	120
Foreign exchange	**(3)**	3
Loss allowance at 31 December	**160**	257

As explained in note 29, the Group's trade receivables arise from transactions that do not contain a significant financing component, therefore the loss allowance is always measured at an amount equal to lifetime expected credit losses.

The expected credit loss for trade receivables at 31 December was determined as follows:

	2021 £'000	2020 £'000
Not more than 1 month	**351**	**258**
More than one month but not more than 3 months	**86**	**28**
More than 3 months but not more than 6 months	**-**	**-**
	437	**286**

Contract cost assets are analysed as follows:

	2021 £'000	2020 £'000
Not more than 12 months	**892**	896
More than 12 months	**293**	297
	1,185	1,193

16 Cash and cash equivalents

Cash and cash equivalents include the following components:

	2021 £'000	2020 £'000
Cash at bank and in hand	**5,414**	10,570

Quartix Limited uses Barclay's Business Premium account to aggregate Sterling instant access balances and earn interest, which up to March 2020 was at 0.65% and since then 0.01%. Since August 2020, the Group has placed deposits in HSBC UK Bank plc money market deposit accounts earning interest ranging from 0.01%-0.09%. At 31 December 2021, HSBC deposits were £0.4m.

17 Trade and other payables

Amounts falling due within one year:

	2021 £'000	2020 £'000
Trade payables	**1,674**	1,612
Social security and other taxes	**642**	575
Other payables	**114**	137
Accruals	**673**	364
Lease liabilities (see note 20)	**113**	135
	3,216	2,823

18 Provisions

All provisions are considered current. The carrying amounts and the movements in the provision account are as follows:

	3G Replacement £'000	Other £'000	Total £'000
Carrying amount at 1 January 2020	-	247	247
Additional Provision	1,610	-	1,610
Amount utilised	-	(54)	(54)
Foreign exchange	(18)	-	(18)
Carrying amount at 31 December 2020	1,592	193	1,785
Amount utilised	(344)	-	(344)
Amount released	(430)	(63)	(493)
Foreign exchange	5	-	5
Carrying amount at 31 December 2021	**823**	**130**	**953**

The additional provision recognised in 2020 related to the estimated cost of replacing active 3G units with US customers at 31 December 2020. The replacement programme was slower than expected and as a result a reassessment of the provision at 31 December 2021 led to the release of £430,000.

The majority of the other provision relates to standard or extended warranties for which customers are covered for the cost of repairs or replacement units as appropriate.

19 Contract liabilities

	2021 £'000	2020 £'000
Deferred insurance tracking data services income	**273**	932
Deferred fleet tracking data services income	**2,887**	2,718
	3,160	3,650

Deferred tracking data services income represents customer payments received in advance of performance (contract liabilities) that are expected to be recognised as revenue in future years, as described in note 1

- Under insurance contracts, the customer commits to purchase data services for 12 months. Quartix raises a single invoice upon installation and recognises revenue over 12 months on a straight-line basis, since the customer benefits from the Group's services evenly throughout the contract term and receives the benefit of the services as they are made available.
- Fleet customers enter into contracts typically with a commitment to purchase data services for 12-36 months and are generally invoiced quarterly in advance and recognises revenue over the period covered by the invoice, as the performance obligations are satisfied.

The amounts recognised as a contract liability will generally be utilised within the next reporting period.

Changes to the Group's contract liabilities (i.e. deferred revenue) are attributable solely to the satisfaction of performance obligations. The reduction in contract liabilities was due to the release of deferred contract revenue in the year arising from the reduction in the number of new insurance installations.

	2021 £'000	2020 £'000
Contract liabilities at 1 January	**3,650**	4,843
Contract liabilities released to revenue in the period	**(3,591)**	(4,773)
Contract revenue deferred in the period, net of releases in the period	**3,101**	3,580
Contract liabilities at 31 December	**3,160**	3,650

20 Lease liabilities

The Group has leases for the property it occupies and motor vehicles. With the exception of short-term leases and leases considered to be of a low value, each lease is reflected on the balance sheet as a right of use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment for presentation purposes.

Included in the net carrying amount and depreciation provided for in the year of property, plant and equipment (note 13) are right-of-use assets as follows:

	2021	2020
Right-of-use asset carrying amounts	**£'000**	£'000
Property	**675**	899
Equipment	**50**	28
Total	**725**	927
Depreciation		
Property	**133**	173
Equipment	**18**	9
Total	**151**	182

Each lease imposes a restriction that the right-of-use asset can only be used by the Group. Some leases have a break clause; however, the majority are either non-cancellable or may only be cancelled by incurring a substantial termination fee.

Notice was served in January 2021 for the Dukes Court lease in Cambridge, which expired on 31 August 2021. The impact of this was a reduction in the lease liability of £135k. There were no penalty payments for early termination.

The Group is prohibited from selling or pledging the underlying leased assets as security. For the property leases, the Group must keep the property in a good state of repair and return the properties in their original state at the end of the lease. Furthermore, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

Lease liabilities are presented in the statement of financial position as follows:

	2021	2020
	£'000	£'000
Current lease liability	**113**	**135**
Non-current lease liability	**650**	**822**
Total lease liability	**763**	**957**

The decrease in lease liabilities in the year relates to termination of Dukes Court, in Cambridge in August 2021.

20 Lease liabilities (continued)

Future minimum lease payments at 31 December 2021 were as follows:

	Minimum lease payments due			
	Within 1 year	**1 to 5 years**	**After 5 years**	**Total**
31 December 2021	£000	£000	£000	£000
Lease payments	143	440	313	896
Finance charges	(30)	(82)	(21)	(133)
Net present value	**113**	**358**	**292**	**763**
31 December 2020				
Lease payments	174	537	420	1,131
Finance charges	(39)	(101)	(35)	(175)
Net present value	135	436	385	956

Total cash outflow for the year ended 31 December 2021 was £166k (2020: £185k).

Lease payments not recognised as a liability:
The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or leases considered to be low value. Payments made under such leases are expensed on a straight-line basis.

The expense relating to payments not included in the measurement of the lease liability at 31 December 2021 was £96,000 (2020: £82,000). At the year end the Group was committed to short-term leases and the total commitment at that date was £52,000 (2020: £12,000).

21 Deferred tax

Deferred tax assets/(liabilities) recognised by the Group at 31 December 2021 and 31 December 2020 are as follows:

	2021	2020
Deferred tax asset/(liability)	**£'000**	£'000
Accelerated Capital Allowances	**(37)**	(45)
Short term temporary differences	**35**	33
Equity settled share options	**133**	147
	131	135

	2021	2020
	£'000	£'000
(Credit)/charge to profit and loss		
Accelerated Capital Allowances	**(8)**	(7)
Short term temporary differences	**(2)**	(38)
Equity settled share options	**(15)**	(58)
Total (see note 10)	**(25)**	(103)

There are unprovided tax losses related to the USA business of $488,000 (2020: $731,000). The $1.1m release of the 3G swap provision is not chargeable to US tax.

22 Equity

	Number of ordinary shares of £0.01 each	Share capital £'000	Share premium £'000
Allotted, called up and fully paid			
At 1 January 2021	47,962,516	479	5,252
Shares issued	417,518	5	1,080
At 31 December 2021	**48,380,034**	**484**	**6,332**

All the shares issued in the year to 31 December 2021 related to the exercise of share options.

23 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 12 and 63 months. Options are forfeited if the employee leaves the Company before the options vest.

During 2021, there were cash-settled options schemes for two directors, incentive programmes linked to the share price, to facilitate the exercise of existing equity-settled share options. These cash-settled share options are linked to both service and market performance conditions. During 2021, both directors exercised options under the schemes and Laura Seffino's remaining options were subsequently terminated (see page 36). At 31 December 2021, the remaining cash-settled options were revalued using a binomial option pricing model.at that date.

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

	2021		**2020**	
	Weighted average exercise price per share in pence	**Options number**	**Weighted average exercise price per share in pence**	**Options number**
Outstanding at 1 January	**279.3**	**1,232,068**	276.9	1,193,469
Granted	**453.0**	**110,369**	255.2	167,700
Settled	**360.0**	**(112,443)**	-	-
Lapsed	**251.2**	**(74,546)**	257.4	(104,905)
Exercised	**259.9**	**(417,518)**	89.0	(24,196)
Outstanding at 31 December	**306.8**	**737,930**	279.3	1,232,068
Exercisable at 31 December	**281.8**	**173,204**	290.5	356,974

The weighted average fair value of equity-settled options issued during the year ended 31 December 2021 was 74.91p (2020: 118.37p). Included in the equity-settled options granted in 2021 none (2020: none) were granted to staff with performance conditions.

The weighted average share price at the date of exercise of options during the year ended 31 December 2021 was 467.22p (2020: 265.75p).

23 Share based payments (continued)

At 31 December Quartix Technologies plc had the following outstanding equity-settled options and exercise prices:

2021

Period when exercisable	Expiry dates	Average exercise price per share in pence	Options number	Weighted average remaining contractual life in months
Starting from March 2019	31 March 2025	360.0	74,965	39
Starting from March 2020	31 March 2024	270.0	346,463	27
Starting from March 2020	31 March 2026	270.0	30,863	51
Starting October 2020	30 September 2025	335.0	25,000	45
Starting from May 2021	1 May 2026	291.0	134,400	52
Starting from March 2022	1 December 2025	1.0	15,870	47
Starting from May 2022	1 June 2027	485.0	51,546	65
Starting October 2022	18 October 2031	425.0	58,823	118
		306.7	**737,930**	**45**

2020

Period when exercisable	Expiry dates	Average exercise price per share in pence	Options number	Weighted average remaining contractual life in months
Starting from March 2019	31 March 2025	360.0	187,408	51
Starting from March 2020	31 March 2024	270.0	742,268	39
Starting from March 2020	31 March 2026	270.0	92,592	63
Starting from October 2020	30 September 2025	335.0	25,000	57
Starting from March 2021	2 December 2024	1.0	17,100	47
Starting from May 2021	1 May 2026	291.0	147,000	64
Starting from March 2022	1 December 2025	1.0	20,700	59
		279.3	1,232,068	46

The fair value of equity-settled 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 based on UK Government gilt yields at the time of the grant.

23 Share based payments (continued)

The following assumptions were used in the model for equity-settled options granted during the year ended 31 December 2021:

Number granted	**51,546**	**58,823**
Grant date	**24-May**	**18-Oct**
Share price at grant date (pence)	**485.0**	**425.0**
Exercise price (pence)	**485.0**	**425.0**
Fair value per option (pence)	**82.9**	**67.9**
Expected life in years	**3.0**	**3.0**
Expected volatility (%)	**30.0**	**27.3**
Risk-free interest rate (%)	**0.1**	**0.7**
Dividend yield (%)	**2.1**	**2.1**

The following assumptions were used in the model for equity-settled options granted during the year ended 31 December 2020:

Number granted	147,000	20,700
Grant date	04-May	01-Dec
Share price at grant date (pence)	291.0	363.0
Exercise price (pence)	291.0	1.0
Fair value per option (pence)	85.5	352.0
Expected life in years	3.00	1.3
Expected volatility (%)	49.6	112.3
Risk-free interest rate (%)	0.1	0.0
Dividend yield (%)	2.1	2.1

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

		2021		**2020**
	Weighted average exercise price per share in pence	**Options number**	**Weighted average exercise price per share in pence**	**Options number**
Outstanding at 1 January	**321.4**	**238,000**	322.0	170,000
Granted	**-**	**-**	320.0	68,000
Re-estimated	**322.0**	**40,000**	-	-
Cancelled	**320.0**	**(44,000)**	-	-
Exercised	**321.7**	**(156,000)**	-	-
Outstanding at 31 December	**322.0**	**78,000**	321.4	238,000
Exercisable at 31 December	**n/a**	**n/a**	n/a	n/a

23 Share based payments (continued)

At 31 December Quartix Technologies plc had the following outstanding cash-settled options and exercise prices:

2021

Period when exercisable	Expiry dates	Average exercise price per share in pence	Options number	Weighted average remaining contractual life in months
Starting from August 2020	5 April 2024	**322.0**	**78,000**	**27**

2020

Period when exercisable	Expiry dates	Average exercise price per share in pence	Options number	Weighted average remaining contractual life in months
Starting from August 2020	5 April 2024	322.0	170,000	39
Starting from March 2021	5 April 2025	320.0	68,000	51
		321.4	**238,000**	**42**

24 Notes to the cash flow statement

Cash flow adjustments and changes in working capital

	Notes	2021 £'000	2020 £'000
Profit before tax		**5,286**	5,659
Foreign exchange		**39**	183
Depreciation	5, 13	**331**	357
Loss on disposal of fixed asset		**-**	3
Interest income	8	**-**	(19)
Lease interest expense	9	**23**	40
Share based payment expense		**72**	224
Operating cash flow before movement in working capital		**5,751**	6,447
(Increase)/decrease in trade and other receivables		**(231)**	69
(Increase)/decrease in inventories		**(636)**	181
(Decrease)/Increase in trade and other payables		**(427)**	1,189
(Decrease)/Increase in contract liabilities		**(494)**	(1,188)
Cash generated from operations		**3,963**	6,698

25 Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities, is entirely as a result of lease liabilities which is as follows:

	2021 £'000	2020 £'000
1 January	**957**	397
Non-cash: (Disposals)/addition	**(28)**	745
Cash-flows: Repayment	**(166)**	(185)
31 December (see note 20)	**763**	957

26 Related party transactions and controlling related party

The Group's related parties comprise its Board of Directors and its key management (see note 7). There were no related party transactions with Directors to disclose other than dividends received based on shareholdings disclosed in the Directors' Remuneration Report on page 35 and note 7.

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

27 Purchase commitments and contingent liabilities

Quartix Limited has signed agreements with suppliers which commit the Group to purchase inventory to the value of £1,300,000 (2020: £570,000).

Short term lease commitment at year end is £52k rental on a property (2020: £12k).

There were no other financial commitments or contingent liabilities at 31 December 2021 or 31 December 2020.

28 Capital commitments

The Group had no capital commitments as at 31 December 2021 or 31 December 2020.

29 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:

	2021 £'000	2020 £'000
Loans and receivables		
Trade receivables and other receivables	**2,778**	2,625
Cash and cash equivalents	**5,414**	10,570
	8,192	13,195

29 Risk management objectives and policies (continued)

Credit risk (continued)

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, where possible, by third party credit clearance for new customers and collection by direct debit, or similar. The Group has one large customer whose debts have been as much as £0.3m and the credit risk on this balance is carefully monitored. The Group has established credit control procedures to undertake various tasks at different stages as invoices move further from their issue date. At 45 days past due date, the credit risk is believed to have increased substantially and customers are included in the loss allowance assessment.

The Group uses the practical expedient in the calculation of the expected credit losses on all its trade receivables using a provision matrix, to estimate the lifetime expected credit losses, with fixed provision rates, based on its historical credit loss experience adjusted where possible for current observable data. The Group uses such data to make reasonable forward-looking estimates of recoverability.

The Group continues to work with customers to recover trade receivables and may take legal action or use third-party collection specialists where necessary. Only after these steps have been completed and there is no reasonable expectation of recovery, would the receivable be written off.

Currency risk

The Group is exposed to transaction foreign exchange risk as a consequence of procuring tracking unit components in both euros and dollars. The risk with the Euro has been mitigated by trading in France which generates enough Euros to cover the Group's needs. Whilst the Group also trades in the US, in 2021, the Group purchased about $2.1m, primarily to purchase components for the vehicle tracking units (2020: $1.1m).

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

It is estimated that a 5.0% strengthening of Pound Sterling to the US dollar would have reduced purchase costs by £73,000 and vice versa (2020: £35,000). (This is assuming that Dollar denominated prices do not adjust for currency movements.)

It is estimated that a 5.0% strengthening of Pound Sterling to the Euro would have reduced net profit by £59,000 and vice versa (2020: £75,000).

The Group's financial instruments denominated in foreign currencies were:

	2021			2020		
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
	US$	**€**	**zl**	US$	€	zl
Cash and cash equivalents	**268**	**996**	**0**	261	1,119	0
Trade receivables	**-**	**592**	**2**	-	465	5
Trade payables	**(356)**	**(431)**	**0**	(354)	(385)	0
	(88)	**1,157**	**2**	(93)	1,199	5

29 Risk management objectives and policies (continued)

Currency risk (continued)

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 1.3% from 31 December 2020 to 31 December 2021 (2020: increased by 3.3%). The total translation reserve movement for the year reported in the Consolidated Statement of Changes in Equity was a debit of £101,000 (2020: credit £99,000). The majority of this movement related to the retranslation of Quartix Inc's opening net liabilities as at 1 January 2021.

Quartix Inc's net liabilities relate mainly to amounts owed to other Group entities and the 3G units swap out provision. The foreign exchange differences arising on translation of these monetary liabilities are recognised in the Consolidated Income Statement.

It is estimated that a 5.0% weakening of Pound Sterling to the US dollar would give an exchange gain of around £116,000 (2020: £192,000) from the retranslation of Quartix Inc's net liabilities, the exchange gain that relates to the retranslation of amounts owed by Quartix Inc is around £26,000 (2020: £107,000).

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. The Group generates funds from operational activities in excess of its operational requirements and has substantial cash balances available for its current investment activities. Consequently, liquidity is not seen as a key risk. As at 31 December 2021, the Group's non-derivative financial liabilities that have contractual maturities of more than 12 months are lease liabilities; see note 20 for the maturity analysis of lease liabilities.

30 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:

	2021	2020
	£'000	£'000
Loans and receivables		
Trade and other receivables	**2,778**	2,625
Cash and cash equivalents	**5,414**	10,570
	8,192	13,195

	2021	2020
	£'000	£'000
Financial liabilities measured at amortised cost		
Trade and other payables	**3,300**	3,761
Lease liabilities	**763**	957
	4,063	4,718

31 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:

	2021	2020
	£'000	£'000
Capital		
Total equity	**18,083**	21,433
Less cash and cash equivalents	**(5,414)**	(10,570)
	12,669	10,863
Overall financing		
Total equity	**18,083**	21,433
Lease liabilities	**763**	957
	18,846	22,390
Capital-to-overall financing ratio (%)	**67.2**	48.5

32 Subsidiaries

As at the 31 December 2021 the subsidiaries of the Group were:

Subsidiary	**Quartix Ltd**	**Quartix Inc**
Country of registration	England & Wales	USA
Registered office	New Church Street, Newtown, Powys SY16 1AF	901 2nd Street, Springfield, Sangamon IL 62704-7909
Class of share capital held	Ordinary shares	Common shares
Proportion held by the Company	100%	100%
Nature of the business	Vehicle Tracking	Vehicle Tracking

Parent Company Statement of Financial Position

Company registration number 06395159

	Notes	2021 £'000	2020 £'000
Fixed assets			
Investments	4	**20,256**	19,741
Current assets			
Debtors	5	**680**	2,306
Current tax asset		**44**	46
Cash at bank and in hand		**52**	2,102
Total current assets		**776**	4,454
Creditors – amounts falling due within one year	6	**(1,176)**	(77)
Net current (liabilities)/assets		**(400)**	4,377
Total assets less current liabilities		**19,856**	24,118
Net assets		**19,856**	24,118
Capital and reserves			
Share capital	7	**484**	479
Share premium account	7	**6,332**	5,252
Equity reserve		**379**	763
Capital redemption reserve		**4,663**	4,663
Retained earnings		**7,998**	12,961
Total equity attributable to equity shareholders of Quartix Technologies plc		**19,856**	24,118

No Statement of profit and loss is presented for Quartix Technologies plc as provided by section 408 of the Companies Act 2006. Profit for the year and total comprehensive income attributable to the equity shareholders of Quartix Technologies plc was £3,855,000 (2020: £7,884,000)

Approved by the Board of Directors, authorised for issue and signed on behalf of the Board on 25 February 2022.

Richard Lilwall
Chief Executive Officer

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 2019	479	5,230	4,663	617	6,650	**17,639**
Shares issued	-	22	-	-	-	**22**
Increase in equity reserve in relation to options issued	-	-	-	189	-	**189**
Adjustment for exercised options	-	-	-	(43)	43	**-**
Dividend paid	-	-	-	-	(1,616)	**(1,616)**
Transactions with owners	**-**	**22**	**-**	**146**	**(1,573)**	**(1,405)**
Profit for the year and total comprehensive income	-	-	-	-	7,884	**7,884**
Balance at 31 December 2020	479	5,252	4,663	763	12,961	**24,118**
Shares issued	5	1,080	-	-	-	**1,085**
Increase in equity reserve in relation to options issued	-	-	-	170	-	**170**
Adjustment for settled options	-	-	-	(98)	-	**(98)**
Recycle of equity reserve to P&L reserve	-	-	-	(456)	456	**-**
Dividend paid	-	-	-	-	(9,274)	**(9,274)**
Transactions with owners	**5**	**1,080**	**-**	**(384)**	**(8,818)**	**(8,117)**
Profit for the year and total comprehensive income	-	-	-	-	3,855	**3,855**
Balance at 31 December 2021	**484**	**6,332**	**4,663**	**379**	**7,998**	**19,856**

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 accounting policies which follow were those applied in preparing the financial statements for the year ended 31 December 2021 and the year ended 31 December 2020. The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) Share-based Payment disclosure, as Quartix Technologies 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. For further details, refer to the accounting policy note on Going Concern for the Group on page 53.

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 Company 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

As required by IFRS 9, the Company will apply the impairment requirements and recognise a loss allowance for expected credit losses on its financial assets. At each reporting date, it will measure the loss allowance at an amount equal to the lifetime expected credit losses, if the credit risk on financial instruments has increased significantly since initial recognition.

1 Summary of significant accounting policies (continued)

Financial assets (continued)
The Company will recognise in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with IFRS 9.

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 several employee share schemes for employees of its UK trading subsidiary under which it makes equity-settled and cash-settled share-based payments.

For equity-settled options, 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.

For cash-settled options, 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 the share based payment liability, over the period that the employees unconditionally become entitled to the award.

Upon exercise of the equity-settled share options the proceeds received are allocated to share capital and share premium. On settlement of the cash award the share based payment liability is released.

1 Summary of significant accounting policies (continued)

Share capital and reserves

Share capital and reserves comprises the following:

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

2 Profit and loss account

Auditors' remuneration attributable to the Company is as follows:

	2021	2020
	£'000	£'000
Audit fees – statutory audit	**60**	31
Other services	**-**	2
	60	33

Details of Directors' emoluments are set out on page 35.

3 Directors and employees

Staff costs, including Directors, comprised the following:

	2021	2020
	£'000	£'000
Wages and salaries	**103**	95
Social security costs	**12**	11
	115	106

The average number of employees for the company, being the Non-Executive Directors only, during the year was 2 (2020: 2), Andrew Walters was appointed as a Non-Executive Director from October 2021 but did not draw a remuneration between his appointment and the end of the year.

4 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 2020	**19,518**
Increase due to granting of share options to subsidiary employees:	
New investments	**223**
At 1 January 2021	**19,741**
Increase due to granting of share options to subsidiary employees:	
New investments	**515**
Net book amount at 31 December 2021	**20,256**

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

See note 32 of the consolidated financial statements for details of the registered offices for the above subsidiaries.

5 Debtors

	2021 £'000	2020 £'000
Social security and other taxes	**10**	11
Prepayments	**23**	11
Amounts owed by subsidiary undertakings	**647**	2,284
	680	2,306

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 £0.6m (2020: £1.0m) which is repayable on or before 31 December 2022 but can be extended by mutual agreement. Interest was charged quarterly at 1% per quarter on the quarter end balance. The remainder of the balance for the prior year related to the current account with Quartix Limited.

6 Creditors: amounts falling due within one year

	2021	2020
	£'000	£'000
Social security and other taxes	**3**	-
Accruals and deferred income	**118**	77
Amounts owed to subsidiary undertakings	**1,055**	-
	1,176	77

The amount owed to subsidiary undertakings in 2021 related to the current account with Quartix Limited, which changed from a debtor position in 2020, following a payment of £6.7m during 2021 to fund dividends partially offset by a dividend receipt of £4m following a dividend declaration by Quartix Limited in December 2021.

7 Share capital

Allotted, called up and fully paid ordinary shares of £0.01 each

	Number of ordinary shares of £0.01 each	Share capital £'000	Share premium £'000
At 1 January 2021	47,962,516	479	5,252
Shares issued	417,518	5	1,080
At 31 December 2021	**48,380,034**	**484**	**6,332**

Details of movements in share options and those outstanding at 31 December 2021 are disclosed in note 23 of the Group accounts.

8 Related party transactions and ultimate controlling party

The Company has taken advantage of the exemption not to disclose transactions with wholly owned subsidiaries. Details of Directors' remuneration and interests in shares are disclosed in the Directors' Remuneration Report (see page 35) and key management remuneration in note 7 of the Group accounts.

9 Contingent liabilities

There are no material contingent liabilities subsisting at 31 December 2021 or 31 December 2020.

10 Financial commitments

The Company had no financial commitments at 31 December 2021 or 31 December 2020.

11 Risk management objectives and policies

Financial Instruments

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

The main risks arising from the Company's financial instruments are 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 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:

	2021	2020
	£'000	£'000
Loans and receivables		
Cash and cash equivalents	**52**	**2,102**
Amounts owed by subsidiary undertakings	**647**	**2,284**
	699	**4,386**

Credit risk

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 £0.6m (2020: £1.0m) which is repayable on or before 31 December 2022 but can be extended by mutual agreement. Interest was charged quarterly at 1% per quarter on the quarter end balance.

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 foreign currencies (all US dollars) were:

	2021	2020
	£'000	£'000
Loan and receivables		
Cash at bank	**19**	**123**
Amounts owed by subsidiary undertakings	**647**	**1,046**
	666	**1,169**

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 ninth Annual General Meeting (the "Meeting") of Quartix Technologies plc will be held on **Wednesday 23 March 2022** at **12.30 pm** at Sheraton House, Castle Park, Cambridge, CB3 0AX for the purpose of considering the resolutions below.

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 2021.
2. To approve and declare a final dividend for the year ended 31 December 2021 of 1.90p per ordinary share and supplementary dividend of 5.10p per ordinary share, a total final dividend of 7.00p per share. This will be paid on 29 April 2022 to shareholders on the register as at the close of business on 1 April 2022.
3. To elect Richard Lilwall as a Director who, having been appointed to the Board since the last Annual General Meeting, in accordance with the Company's Articles of Association, retires as a newly appointed Director and is eligible for re-election.
4. To elect Emily Rees as a Director who, having been appointed to the Board since the last Annual General Meeting, in accordance with the Company's Articles of Association, retires as a newly appointed Director and is eligible for re-election.
5. To re-elect Laura Seffino as a Director who, in accordance with the Company's Articles of Association, retires as a Director and is eligible for re-election.
6. To re-elect Paul Boughton as a Director who, in accordance with the Company's Articles of Association, retires as a Director and is eligible for re-election.
7. To re-elect David Warwick as a Director who, in accordance with the Company's Articles of Association, retires as a Director and is eligible for re-election.
8. To re-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
9. To re-appoint PKF Littlejohn LLP as the auditors of the Company until the end of the next Annual General Meeting.
10. To authorise the Directors to determine the remuneration of the auditors.
11. 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 £161,267 (representing approximately 33% of the issued share capital of the Company as at 25 February 2022) 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 2023, 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:

12. 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 11 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 £24,190, representing approximately 5% of the ordinary share capital in issue as at 25 February 2022.

This power shall expire at the conclusion of the next Annual General Meeting of the Company or 30 June 2023, 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.

13. 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 2,419,000 (representing approximately 5% of the ordinary share capital in issue as at 25 February 2022);
b. The minimum price that may be paid for an ordinary share is its nominal value (£0.01);
c. The maximum price, exclusive of any expenses, which may be paid for an ordinary share shall be the higher of:
   i. 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
   ii. an amount equal to the higher of the price quoted for the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the trading venue where the purchase is carried out.
d. This authority shall expire, unless previously renewed, revoked or varied, on the date of the next Annual General Meeting or 30 June 2023, 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 25 February 2022.

Emily Rees
Company Secretary

Notes to the Notice of Annual General Meeting

The following notes explain your general rights as a shareholder and your right to attend and vote at this Meeting or to appoint someone else to vote on your behalf.

1 To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the Register of Members of the Company at close of business on 21 March 2022. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

2 Shareholders, or their proxies, intending to attend the Meeting in person are requested, if possible, to arrive at the Meeting venue at least 20 minutes prior to the commencement of the Meeting at 12.30 pm (UK time) on 23 March 2022 so that their shareholding may be checked against the Company's Register of Members and attendances recorded.

3 Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the Meeting. A shareholder may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company.

4 In the case of joint holders, where more than one of the joint holders' purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).

5 A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting

6 In order for a proxy appointment to be valid, a form of proxy must be completed. You can appoint a proxy and indicate how you would like your proxy to vote at the Meeting or any adjournment by using any of the following methods:

- by logging on to www.signalshares.com and following the instructions, ensuring that your submission is completed before 12.30 pm on 21 March 2022;
- by completing and returning a hard copy proxy form to Link Group at 10th Floor Central Square, 29 Wellington Street, Leeds LS1 4DL to be received by 12.30 pm on 21 March 2022; or
- in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below, transmitting the instructions so as to be received by 12.30 pm on 21 March 2022.

You may request a hard copy form of proxy directly from the registrars, Link Group, on Tel: 0371 664 0391. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday, excluding public holidays in England and Wales.

7 If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.

8 The return of a completed form of proxy, electronic filing or any CREST Proxy Instruction (as described in note 10 below) will not prevent a shareholder from attending the Meeting and voting in person if he/she wishes to do so.

9 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

10 In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 12.30 pm on 21 March 2022. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

11 CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

12 Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.

13 As at 25 February 2022 (being the latest practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 48,380,034 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 25 February 2022 are 48,380,034.

14 Any shareholder attending the Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the Meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered

15 The following documents are available for inspection during normal business hours at the registered office of the Company on any business day from the date of this Notice until the time of the Meeting and may also be inspected at the Meeting venue, as specified in this Notice, from 12.15 am on the day of the Meeting until the conclusion of the Meeting:

- copies of the Directors' letters of appointment or service contracts

16 You may not use any electronic address (within the meaning of Section 333(4) of the Companies Act 2006) which is provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

A copy of this Notice, and other information required by Section 311A of the Companies Act 2006, can be found on the Company's website at www.quartix.com/en-gb/company/investors/

Any general queries by members about the Annual General Meeting should be addressed to the Company Secretary by letter or email at Quartix Technologies plc, Sheraton House, Castle Park, Cambridge CB3 0AX or investors@quartix.net

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Quartix

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