Quartix

Real-Time Vehicle Tracking

Quartix Technologies plc
Annual Report 2023

Contents

Company Information

Company registration number:	06395159
Registered office:	No.9 Journey Campus Castle Park Cambridge CB3 0AX
Directors:	Paul Boughton (resigned on 25 September 2023) Richard Lilwall (resigned on 10 October 2023) Emily Rees Laura Seffino (resigned on 7 July 2023) Andrew Walters (resigned on 24 March 2023 and reappointed on 26 September 2023) David Warwick (resigned 28 November 2023) Russell Jones (resigned 28 November 2023) Alison Seekings (appointed on 28 November 2023) Ian Spence (appointed on 19 February 2024)
Company secretary:	Emily Rees
Bankers:	HSBC Bank Plc 63-64 St Andrews Street Cambridge CB2 3BZ
Solicitors:	HCR Hewitsons 50-60 Station Road Cambridge CB1 2JH
Auditor:	PKF Littlejohn LLP 15 Westferry Circus London E14 4HD
Nominated advisor and broker:	Cavendish One Bartholomew Close London EC1A 7BL

Highlights

Quartix is one of Europe's leading suppliers of subscription-based vehicle tracking systems, analytical software and services.

Financial highlights

- Group revenue increased by 8.6% to £29.9m (2022: £27.5m)
  - Fleet revenue increased[1] by 10.6% to £29.5m (2022: £26.7m)
  - Fleet revenue represented 98.8% of total revenue (2022: 97.0%)
  - Insurance revenue[2] decreased by 55.7% to £0.4m (2022: £0.8m)
- Adjusted EBITDA[3] decreased by 10.8% to £5.4m (2022: £6.1m)
- Adjusted profit before tax[4] decreased by 12.2% to £5.1m (2022: £5.8m)
- Statutory (Loss) for the year was (£0.9m) (2022: Profit £5.0m)
  - stated after a £3.8m non cash provision relating to the replacement of all 2G units with 4G units in France; and
  - a £2.7m non cash impairment of the goodwill from the acquisition of Konetik Deutschland GmbH ("Konetik")
- Adjusted diluted earnings per share[5] fell by 2.14p to 8.75p (2022: 10.88p)
- Free cash flow[6] decreased by 65.9% to £1.3m (2022: £3.8m). Free cash flow excluding the acquisition of Konetik was £3.3m.
- Final proposed dividend payment of 1.50p per share (2022: 6.30p) with no supplementary dividend (2022: 3.85p) giving a total dividend for the year of 3.00p per share

[1] Fleet Revenue (See Strategic Report: Financial Review, Financial Overview)
[2] Insurance revenue (see Strategic Report: Financial Review, Financial Overview)
[3] Earnings before interest, tax, depreciation, amortisation, share based payment expense and adjustments (see note 4)
[4] Adjusted measure is excluding the impairment of intangibles and the provision to replace 2G units offset by the fair value gain of the future earn out payments
[5] Diluted earnings per share before adjustments (see Strategic Report: Financial Review, Financial Overview and note 10)
[6] Cash flow from operations after tax and investing activities

Principal activities and performance measures

The Group's main strategic objective is to profitably 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 the most significant forward-looking key performance measure and it grew by £2.2m to £29.1m at 31 December 2023.

The Key Performance Indicators 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	**2023**	2022	% change
New Fleet subscriptions[1] (new units)	**64,418**	60,809	5.9
Fleet subscription base[2] (units)	**266,568**	235,510	13.2
Fleet customer base[3]	**27,268**	25,342	7.6
Fleet gross attrition[4] (%)	**13.3**	12.8	
Annualised recurring revenue[5] (£'000)	**29,083**	26,928	8.0
Fleet invoiced recurring revenue[6] (£'000)	**27,764**	25,446	9.1
Fleet revenue[7] (£'000)	**29,512**	26,680	10.6
Average Price erosion[8] (%)	**4.6**	4.9	

[1] New vehicle tracking unit subscriptions added to the subscription base before gross 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

Chairman's Statement

Introduction

Having returned to the business in September as Chairman it is very disappointing to report that the Company recorded a loss for the first time in its 23-year history due to the recognition of an impairment charge against the acquisition of Konetik in the year. Our entire focus, since my reappointment, has been to return to profitable, organic growth via our core vehicle telematics subscription service and it is a testament to the strength of that underlying business that the Company has been able to fund the issues that have arisen in 2023 from internally generated cashflow. I am sorry to have to report, however, that dividend payments to shareholders have been substantially reduced for 2023 and 2024 as a consequence.

The key metric of the business, the annualised value of its recurring revenue, increased by £2.2m, at a constant currency rate, to £29.1m at 31 December 2023. Group revenue grew by 8.6% during the year, in line with the growth in the ARR of the subscription base. A detailed review of performance by territory is shown in the table below:

	Subscription Base	New subscriptions	Customers	New Customers
United Kingdom				
2023	146,679	26,411	11,305	1,215
2022	136,514	26,363	11,426	1,523
Change (%)	7.4	0.2	(1.1)	(20.2)
France				
2023	67,895	22,151	8,230	2,275
2022	52,604	17,094	6,935	2,304
Change (%)	29.1	29.6	18.7	(1.3)
USA				
2023	29,235	5,994	3,849	778
2022	30,800	9,088	4,038	1,213
Change (%)	(5.1)	(34.0)	(4.7)	(35.9)
Other European Territories				
2023	22,759	9,862	3,884	1,491
2022	15,592	8,264	2,943	1,487
Change (%)	46.0	19.3	32.0	0.3

Fleet revenue in the UK increased by 1.3% to £18.0m (2022: £17.8m).
The subscription base in the UK increased by 7% during the year, and new subscriptions were broadly in line with the prior year. New customer acquisition, particularly in the small and medium size segments, weakened, resulting in a slight reduction in the total customer base. Renewed emphasis will be placed on the core business and the effectiveness of all channels to market in the UK. Although this will take some time to restore, the Board hope to see improvements by the end of 2024.

Performance in France was excellent, with strong growth in the subscription base, new subscriptions and customer base. The rate of new customer acquisition was comparable with 2022. All channels to market delivered strong progress. Revenue increased by 25.4% to €7.9m (2022: €6.3m).

Introduction (continued)

Sales and marketing operations in the USA have been subject to several changes in strategy over the past two years, resulting in the loss of key sales resources. New subscriptions, the customer base, the subscription base and customer acquisition all fell as a consequence. These issues were the most significant contributory factor in the slight increase in gross attrition at Group level. It will take time to reverse these trends but the Board hope to be able to show some improvement in key metrics before the end of 2024. Revenue increased slightly by 2.5% to $4.1m in 2023 (2022: $4.0m).

Subscription base growth in Spain, Italy and Germany was good; new customer acquisition was broadly in line with 2022. Recent progress has been very encouraging, however, particularly in Spain and Italy. The rate of new customer acquisition has started 2024 at almost double the rate of a year ago. Resource and investment will be committed to all channels in Spain and Italy, and the development of both direct and indirect channels to market in Germany will be continued. The Company will report progress in these countries on an individual basis starting with the Interim Report. Revenue in these territories increased by 55.3% to €1.9m (2022: €1.2m).

Overall, Quartix's installed base grew by 13.2% to 266,000 units, and the customer base reached 27,000 customers at year end. Group gross attrition increased to 13.3% (2022: 12.8%). Price erosion reduced to 4.6% (2022: 4.9% in constant currency), and the introduction of RPI clauses into customer contracts at the end of 2023 should see further improvement in this metric in 2024.

Results

Group revenue for the year increased by 8.6% to £29.9m (2022: £27.5m). Total fleet revenue increased by £2.8m and represented 98.8% of total revenue (2022: 97.0%).

In 2023, the Group delivered Adjusted EBITDA of £5.4m (2022: £6.1m), slightly ahead of previous guidance, as the core business traded profitably. However there was an operating loss of £1.1m and loss before tax of £1.1m (2022: operating profit £5.6m, profit before tax £5.5m). Part of the expenses in 2023 were in funding the operational costs of Konetik Deutschland GmbH ("Konetik"), a business acquired by the Company in September 2023 and which accounted for £0.6m of the decrease in profitability year-on-year; other significant parts of the shortfall included two exceptional non-cash costs, namely the impairment of the goodwill from the acquisition of Konetik (£2.7m) and the recognition of the provision to replace all 2G units with 4G units in France (£3.8m) partially offset by the fair value gain in re-estimating the future earn out payments (£0.3m) as a result of the poorer performance in EVolve sales to expectations when Konetik was acquired (see note 33). The table below presents the underlying business performance of Quartix excluding Konetik:

	Core Business £'000	Konetik £'000	**Total Business £'000**
Revenue	29,851	31	**29,882**
Business costs	(23,864)	(621)	**(24,485)**
Adjusted EBITDA	5,987	(590)	**5,397**

Results (continued)

Cash conversion weakened following increased corporation tax payments in 2023 (£0.7m), resulting in an adjusted free cash flow (cash flow from operations after tax and investing activities) excluding the investment into Konetik, of £3.3m (2022: £3.8m), slightly ahead of previous guidance. Net cash decreased to £2.4m at 31 December 2023 (2022: £5.1m), following the acquisition of Konetik (€2.25m) in September from available cash reserves.

By the end of 2023, the £1.6m provision raised in 2020 for the sunsetting of the US 3G mobile network had approximately £0.4m worth of unit replacements remaining. Meaning that since the provision was raised in 2020, 73% of the total units have been replaced, with approximately £0.1m worth being replaced in 2023.

As stated in the trading statement on 9 January 2024 the Company expects the sunsetting of the 2G mobile network in France to be finalised by the end of 2026. This necessitates the replacement of a large proportion of the French installed base of tracking systems by the end of 2026. The Company has taken the decision, as it did for the US, to provide this service free of charge to customers in order to minimise the chances of incremental attrition and to further enhance the Company's reputation in the French market. As a result the Company has identified a provision with a cash cost of £4.0m and recognised a provision discounted for the time value of money of £3.8m, defined outside of adjusted EBITDA.

Additionally included as an exceptional item in the income statement is the impairment of the goodwill on consolidation after acquiring Konetik Deutschland GmbH offset by the fair value gain in the re-estimate of the future earn out payments payable under the share purchase agreement for Konetik. Following internal review, it is considered that Quartix would not be able to make a return on the investment in this company in a reasonable time period. After 31 December 2023, but before the approval of these financial statements it was concluded that the Company should wind down Konetik to reduce further losses and to remove the burden of this business. Under the terms of the transaction Quartix took on legal entities in both Germany and Hungary, together with their operational costs. There will be further cost involved in winding these down.

The Company's EVolve product will also be discontinued, as it has not yet resulted in the winning of any new customers for Quartix, despite substantial resource investment in its sales and marketing since May 2022.

Earnings per share

Basic earnings per share decreased to a loss per share of 1.88p (2022: profit of 10.42p per share). Diluted earnings per share decreased to a loss of 1.88p per share (2022: profit of 10.38p per share). The adjusted diluted earnings per share, which in 2023 is calculated by adding back the cost of the replacement of 2G units, the impairment of Konetik offset by the fair gain on re-estimate of the future earn out payments, was 8.75p (2022: 10.88p).

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 2023, the Board decided to pay an interim dividend of 1.50p per ordinary share. This totalled £0.7m and was paid on 6 October 2023 to shareholders on the register as at 11 August 2023.

The Board is recommending a final ordinary dividend of 1.50p per share, with no supplementary dividend, giving a total dividend for the year of 3.00p per share, subject to shareholder approval. The Board acknowledges the proposed final ordinary dividend is not in line with the Company's dividend policy, however as stated at the top of this report is necessary to fund the replacement programme out of cash reserves in 2024. The Board expects to return to declaring dividends in line with its dividend policy in relation to the new financial year.

The final dividend amounts to approximately £0.7m in aggregate. Subject to the approval at the forthcoming AGM, this dividend of 1.50p per share will be paid on 29 April 2024 to shareholders on the register as at 2 April 2024. The ex-dividend date is therefore 28 March 2024.

Outlook

We have started 2024 well, with new installations in January approximately 10% ahead of the same period in 2023.

The effects of the Konetik acquisition will, unfortunately, continue to have an impact on the Group's financial performance and management time in 2024 which the Board will seek to minimise. Current expectations of further cash expenditure (including operating, administrative and transaction costs) are of the order of €0.7m, which have been budgeted.

The Board has been considerably strengthened by the appointment of Alison Seekings and Ian Spence as non-executive directors since my return to the Company: their input and advice will be invaluable in strategic decision making, corporate governance and control.

Looking beyond the resolution of the Konetik acquisition, the Board is confident that a return to the Company's focus on its core telematics business will ensure its return to profitable growth.

The Board believes there are significant opportunities for business development in each of the markets in which Quartix operates. The Board and I will strive to maximise efficiency and improve the Company's growth potential in 2024 and having had a positive start to the new financial year, are confident of achieving market expectations for 2024.

AGM

The Group's AGM will be held at 11.30 a.m. on 27 March 2024 at the Company's registered address No.9 Journey Campus, Castle Park, Cambridge, CB3 0AX.

Andrew Walters
Executive Chairman

Strategic Report: Operational Review

Strategy and business model

The Group's main strategic objective is to grow its fleet subscription platform profitably 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 progress in each area, as summarised below:

1. *Market development*: Quartix will continue to focus on fleet markets, exploring further opportunities within its six existing markets. Investment and focus on France and the other European territories delivered the majority of Quartix's growth for 2023.
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. The Group recognises that, in recent years, its overhead structure has grown at a faster rate than revenues, and attention will be brough to bear on this during 2024.
3. *Continuous enhancement of the Group's core software and telematics services:* Quartix has an ongoing modernisation program of its core software and telematics code, both from a technology and user experience perspective. These enhancements help improve the customer experience as well as increase the efficiency of its support operation. As part of this program, we are adding new features to our product suite and launching a new interface for our core product Fleet Tracking.
4. *Outstanding service:* Quartix maintained its excellent reputation with its fleet customers throughout the year, consistently being rated as "excellent" by TrustPilot users. Quartix achieved a Gold in the 2022 Investors in Customers survey, which recognises truly excellent service.
5. *Standardisation and centralisation:* the expansion into European markets has been achieved by staff operating under the existing operational structures in place in the UK, with some sales staff being located in France. Support and service functions continued to be performed from the UK.

Our fleet customers typically use the Group's vehicle telematics services for many years following an initial contract. Accordingly, the Group focuses its business model on the development of subscription revenue, with a low rate of gross attrition, 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 Principal activities and performance measures section, the annualised recurring revenue increased by £2.2m, at a constant currency rate, to £29.1m at 31 December 2023.

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. Whilst the Group's gross attrition increased to 13.3%, the Group believes this is still below the industry average.

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. Following the 2022 Investors in Customers survey, Quartix received a Gold Award, which is a testimony to our excellent customer service. Our financial performance in our core business derives from the customer service we deliver, backed by the technology we develop. The Board would like to register its personal thanks to every one of our employees who worked hard to continue our growth in 2023.

Operational performance

Gross margin excluding the provision for the replacement of 2G units decreased to 69.4% (2022: 71.9%). Higher unit manufacturing cost of the new 4G product in the first half led to higher costs throughout the year as this cash cost was amortised against profit. The second generation 4G product was introduced early in the second half and the benefit in amortisation will begin to appear as we progress through 2024. A further evolution of the 4G product is now underway, with the objective of reducing our unit manufacturing cost to its lowest level yet. This should be in production in the second half. In addition there were higher administrative expenses, which increased by 20.3%. The main drivers behind these were the post-acquisition operational costs of Konetik of £0.6m, IT costs following the final physical service migration to the cloud of £0.2m and higher payroll costs following inflationary pay reviews.

Cash generated from operations after tax and investing activities (free cash flow) is substantially higher than the reported result due to the non-cash impairments and provision for the upgrade of 2G units in France. The year on year free cash flow also includes increased tax payments in the year following the IFRS 15 change in policy in the prior year and its impact on the 2022 tax charge.

Working capital management improved in the year despite the trade debtors at the year-end increasing to the equivalent of 42 days of sales (2022: 38), this is in part driven by the increase in the larger fleet customers which dictate 45-60 day payment terms. Inventory levels decreased by 29.1% compared to prior year levels, as a result of management's decision to reduce component stock held in the business as the component shortage started to improve in the wider market.

Fleet

Our core fleet business delivered good progress, with particularly strong growth in the subscription base for France and the new European territories, such that the installed base is now 266,000 units.

During the course of the year, the Group won 5,759 new fleet customers (2022: 6,527). Sales leads continued to be generated and converted through a broad range of media and channels and investments have been made in marketing, technology, processes and training, adding automation wherever possible.

Sales & Marketing expenses, being essentially the total investment in fleet customer acquisition, has remained flat with the prior year at £6.4m. A key focus of the management group is ensuring effective investment in customer acquisition costs in order to maximise returns.

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.

Key developments included:

1. The Company initiated an update to its 4G telematics hardware to achieve reductions in manufacturing cost which had its first unit launched in August 2023. The Group continues to seek avenues to manage manufacturing costs.
2. The Company has developed a connected 4G dashcam solution which provides a fully integrated, cost optimized feature within our core Fleet Tracking application. This new solution is being launched in Q1 and offers our UK customers the ability to receive notification alerts when important video footage, from collision events, has been automatically uploaded to our server. This online service includes easy access to both event videos and historical video footage directly from the Dashcam footage menu. Connected dashcams give our customers an easy upgrade path within our fleet management service, providing rapid assessment of vehicle incidents and helping to reduce their fleet insurance costs. The service will be expanded to other geographical markets later in 2024.
3. The Company has delivered the US road speed database to provide speed limits for the US market. This is also the basis for completing the provision of speed limits on our products in all markets.

All of our investment in research and development was fully expensed in the year with a total cost of £1.1m in 2023 (2022: £0.8m).

Acquisition of Konetik

On 15 September 2023, the Group acquired 100% of the share capital in Konetik Deutschland GmbH (Konetik), a company incorporated in Germany, for a consideration payable in cash. Konetik provides the core technology used within the EVolve product, a tool that assists fleet managers with planning their migration to electric vehicles, including an evaluation of costs, potential savings and environmental benefits (see note 33)

Post acquisition, a detailed review of the potential of the Evolve product and of Konetik's software technology was completed and it was concluded that the ability to increase the customer base and scale the business would be substantially more challenging than had been envisaged at the time of the acquisition due to:

- demand for Evolve, particularly in the private sector, had been adversely impacted by delays to EV transition deadlines with the UK government's decision to postpone the ban on the sale of petrol and diesel vehicles to 2035.
- the ability to generate substantial increases in the volume of license sales was expected to require much higher investment in the software infrastructure due to limitations in the scalability and design of the existing Konetik product.
- the customer acquisition cost and implementation support were expected to be much higher than previously anticipated.
- the customer lifetime was expected to be significantly shorter than previously anticipated, with virtually all customers using the product just once, with considerable involvement and support needed from Quartix personnel.

Acquisition of Konetik (continued)

In addition, the Board considered that the Evolve product was not an effective tool for the acquisition of new vehicle tracking customers and the anticipated resource requirements for the development, sale, support and maintenance of Evolve meant that such investment was not anticipated to achieve an appropriate return.

Despite significant management, technical, marketing and sales involvement in the development, launch and promotion of Evolve in 2022 and 2023, no new customers were acquired using the product, and a non-cash impairment in the goodwill arising from the Konetik acquisition (£2.5 million) has been included in the financial statements (see note 11).

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. The Group is essentially a non-emitting and limited-consuming business and the Board believes the Group's 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.

In 2022 Quartix was granted the London Stock Exchange's "Green Economy Mark", which champions pioneering London-listed companies driving growth in the global green economy. To qualify, companies must generate at least 50% of their total annual revenue from products and services that significantly contribute towards the transition to a low carbon 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.

The ESG Committee conducted a sustainability review in 2023, in order to better understand Quartix's environmental impact and to prioritise areas for action. In addition, the ESG Committee continue to assess Quartix's performance in Social and Governance matters, where it believes that the Group already conforms to current best practice in most areas. (See page 38 for the ESG report).

Capacity for future growth

The Group has significant opportunity for profitable growth in its fleet business. Quartix intends to make further additional investments in sales channels during 2024 and beyond. The Group believes that large parts of its existing addressable markets are still unpenetrated, and it will continue to pursue these alongside the winning of new customers from its competitors in more established markets.

The Group will continue to implement data-driven optimisation across the sales and marketing funnel and execute automation and simplification across business processes in order to drive growth.

The Group anticipates that these investments in sales channels will enable both new fleet units installed and the associated value of the annualised subscription base to increase in 2024.

Andrew Walters	**Emily Rees**
Executive Chairman	Chief Financial Officer

Strategic Report: Financial Review

Financial Overview

Year ended 31 December

£'000 (except where stated)	**2023**	2022	% change
Revenue			
Fleet	**29,511**	26,680	10.6
Insurance	**371**	837	(55.7)
Total	**29,882**	27,517	8.6
Gross profit before replacement provision	**20,737**	19,793	4.8
Gross margin before replacement provision	**69.4%**	71.9%	
Gross profit	**16,978**	19,702	(13.8)
Gross margin	**56.8%**	71.6%	
Operating (loss)/profit	**(1,056)**	5,553	(119.0)
Operating margin	**(3.5%)**	20.2%	
Adjusted operating profit	**5,086**	5,795	(12.2)
Adjusted operating margin	**17.0%**	21.1%	
Adjusted EBITDA (note 4)	**5,397**	6,051	(10.8)
(Loss)/profit for the year	**(912)**	5,041	(120.9)
Earnings per share	**(1.88)**	10.42	(118.0)
Adjusted diluted earnings per share	**8.75**	10.88	(19.7)
Cash generated from operations	**4,465**	4,170	7.1
Adjusted operating profit to operating cash flow conversion	**64.4%**	65.4%	
Free cash flow (excluding acquisition)	**3,277**	3,790	(13.5)

Revenue

Revenue increased by 8.6% to £29.9m (2022: £27.5m).

Gross margin

Gross margin before the recognition of the provision to replace the French 2G units decreased to 69.4% in the year (2022: 71.9%) due to the more expensive new generation 4G model being utilised for the first half of 2023 after its release in July 2022. In August 2023 the new generation 4G model was released. Given the IFRS 15 policy of spreading the costs incurred over the expected contract period, this saving is not reflected in the margin until the more expensive costs per unit deferred have completely unwound.

Adjusted EBITDA

Adjusted EBITDA, fell to £5.4m (2022: £6.1m) driven by the increase in administrative expenses of £1.6m. The main drivers behind this increase were the post-acquisition operational costs of Konetik of £0.6m, IT costs following the final physical service migration to the cloud costing an additional £0.2m and payroll costs after Management awarded all staff with a 5% pay rise effective in 2023 of approximately £0.5m.

Financial Overview (continued)

Overheads

The sales & marketing investment remained flat with the prior year at £6.4m. Administrative expenses increased by 20.2%, excluding the Konetik operational and acquisition costs the underlying increase was approximately 12.9%. Part of this increase in administrative overheads was from the migration from physical services to cloud based services, the 2023 annual salary increase, which was approximately 5%, and the introduction of an annual bonus scheme for the operation board, which is based on and aligned with key strategic objectives of the business.

Taxation

In 2023 our effective tax rate increased as a result of the available loss relief in the US being reduced, the patent relief no longer being available following the expiration of our patent in February 2022 and an increase in the applicable tax rate in the UK from 19% to 25% in April 2023 and finally recognising a deferred tax asset of c.£1.0m on recognising the French 2G unit replacement provision. As a result the effective rate of tax has increased from 8.8% in 2022 to 15.7% in 2023.

Statement of financial position

Property, plant and equipment, remained flat at £0.7m (2022: £0.8m).

Contract cost assets increased to £5.4m (2022: £4.3m). Inventories decreased to £1.4m (2022: £2.0m) due to utilisation of component stockholding. Cash at the year-end was £2.4m (2022: £5.1m), after funding the acquisition of Konetik (€2.25m) during the year and the increased corporation tax payments in 2023. Trade and other receivables increased to £4.2m (2022: £3.7m), due to trade receivables collection period increasing from 38 days to 42 days, one of the key drivers of this being field sales teams' agreements with customers of larger size typically leading to a longer payment term dictated by the customer. Trade and other payables increased to £4.0m (2022: £3.6m) which includes the deferred consideration for the acquisition of Konetik of £0.3m, and provisions increased from £0.5m to £4.2m due to the recognition of the France 2G unit replacement provision.

Contract liabilities represent customer income invoiced in advance of satisfying performance obligations, which are expected to be recognised as revenue in future years. These increased to £3.7m in 2023 (2022: £3.5m) and are described further in note 20.

Cash flow

Cash generated from operations before tax at £4.5m was 87.8% of adjusted operating profit (2022: £4.2m, 72.0% of operating profit). Tax paid in 2023 was higher at £1.2m (2022: £0.3m). As a result, cash flow from operating activities after taxation but before capital expenditure was £3.3m (2022: £3.8m).

Free cash flow, after capital expenditure and interest received but excluding cash expended on the acquisition of Konetik, was £3.3m, a decrease of 13.5% (2022: £3.8m). 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 and the introduction of an annual bonus scheme for the operating board leadership team.

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. EE have announced the sunsetting in France, and as a result Quartix began its proactive 2G unit replacement programme in France in January 2024. The Company continues to monitor the announcements regarding the UK sunsetting of the 2G network, and 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. Management continue to review the situation for network migration in the UK. Currently all new systems installed are either 4G compatible or make use of a roaming sim card which can use a range of 2G networks, as the Group believe that some of these will continue to be operational beyond 2028.

As described in the 2020 Financial Statements, Management anticipated 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. By the end of 2023, Quartix had completed approximately 73% of the total units to be replaced, with the last replacements now focussing on Quartix's smallest customers.

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 Group acquires, manages and supports its customers in the EU centrally, from its offices in the UK. The BREXIT trading and data adequacy arrangements have not made it necessary for a relocation of some of its operations to within the EU. However, the existing French business is instrumental in the logistics of moving the goods between France and customers in the EU.

The war in Ukraine, with its impact on energy prices and other inflationary pressures, has impacted the growth of the global economy and continues to present a risk that there may be an impact on the Group's subscription base and its ability to collect cash from its customers. The Group engaged with a debt collector that covers the European and French territories in an effort to increase the probability of collection of debt following after the 45 days overdue period has passed. The Group continues to review its collection process and credit control efforts to mitigate the risk.

Risk Management policies (continued)

Quartix had considered changing its method of unit shipment from its manufacturing facility in China to the stock assembly house in Cambridge via marine shipment for environmental reasons, following the ESG review, however this has not been implemented and will not be in light of recent events effecting all shipments passing through the Suez Canal. This will be monitored and the supply chain logistics will be reviewed once these risks have fallen away.

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 2023.

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 2023 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, Acquisition of Konetik page 11~12, Capacity for future growth page 12 Corporate Governance Report: section 1 page 22 and section 9 on page 30~32
The interests of the Group's employees	Strategic Report: Operational review: Strategy and business model page 9 Corporate Governance Report: Section 3 page 24~25
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 15~16. Corporate Governance Report: Section 3 page 24~25
The impact of the Group's operations on the community and the environment	Our commitment to our stakeholders: page 12 The ESG report: page 38
The desirability of the Group maintaining a reputation for high standards of business conduct	Corporate Governance Report: Section 8 Page 29~30
The need to act fairly as between members of the Group	Corporate Governance Report: Shareholder engagement page 22

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, to customers.	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. Timely development of new generation hardware to meet changing network requirements.
	Concerns about impact of network upgrades on services.	Provision of free replacement of units, to prevent lack of services due to an incompatible product.
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 team building and integration of teams working remotely.	Actions to retain and support staff included: • Whole Group overnight conference with presentations and communication sessions to inform and grow partnerships between teams. • Regular virtual senior management communication sessions to motivate, praise and engage staff. • Relationship building through team quizzes and fund-raising activities. • Mental health & wellbeing initiatives including an employee wellbeing solution which saw an improvement in engagement, motivation, teamwork and interaction. • Work and recommendations from Investors in Customers, where we were awarded Gold in January 2023

Suppliers: component suppliers, network providers, installation engineers, distributors, marketing support	Our Suppliers want us to be trustworthy and build long-term mutually beneficial relationships.	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.
	Maintain our product and ethical standards across our supply chain.	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. An inspection is planned in 2024.
Communities and the environment	Communities want us to act responsibly, to create employment locally to help their communities thrive and reduce environmental impact.	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 in 2021 introduced a Company donations policy. A number of successful fund-raising events were held during 2023 with good staff engagement in the support of our nominated charity "MIND". 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.
	We believe that sustainability and ESG matters, including climate change, are increasing in importance.	An ESG steering committee was created to identify, evaluate, respond to and monitor ESG issues. The Group engaged with a third-party consultant to improve the processes of capturing, measuring and reporting on its environmental impact.
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. The composition of the shareholder base, and transferability of shares, the dividend policy.	For changes in the Board that took place in 2023 see section 5 of the Corporate Governance Report. 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 1 March 2024.

Andrew Walters
Executive Chairman

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). In November 2023 a revised QCA code was released, which Quartix has not considered in this Annual Report but will apply in the current accounting period in line with the guidance set out by the QCA.

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 resigned from his position as Non-Executive Chairman on 25 September 2023, and Andrew Walters was appointed as Chairman on 26 September 2023. The Chairman is responsible for running the Board and ultimately for all corporate governance matters affecting the Group.

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 Team develop a strategy which is supported by the Board as a whole. The Executive Team 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. Throughout the majority of 2023 we satisfied this requirement, although the board changes announced later in the year meant that in February 2024 a second independent Non-Executive Director was appointed to increase the number of independent Non-Executive Directors from one to two.

The Independent Non-Executive Directors 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 last review in 2022. We may consider the use of external facilitators in future board evaluations.

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 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 gross 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 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/Executive Chairman, supported by the CFO. During 2023 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 publicly available to all shareholders and potential investors.
Mar	AGM	Board	Normally all shareholders invited to attend
Mar	AGM trading 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)
Sept	Konetik acquisition statement	Board	
Oct	Trading statement	Board	Meetings with each of our key institutional investors held by the Executive Chairman
Dec	Konetik update statement	Board	
various	Potential investor meetings	CEO/Executive Chairman, CFO	Presentation to potential investors

Key: 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.

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

Institutional shareholders: The Directors actively seek to build a mutual understanding of objectives with institutional shareholders. Our CEO/Executive Chairman 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. 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 2023.
- A Q3 Group wide overnight event was held at the main UK office.
- Annual engagement survey through Investors in Customers.

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. During 2022, Quartix secured the Investor in Customers (IIC) Gold accreditation, demonstrating its commitment to deliver high standards of customer service. IIC reviews customer experience by conducting a third-party, wide-scale survey to examine how well a business listens and responds to customer needs.

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.
- A Leadership Adoption Plan was introduced in 2022 where all senior management in the business have direct relationships with some of Quartix's larger customers to gain first-hand knowledge of their comments and concerns.

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

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.

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.

For the majority of 2023, the Board consisted of three Executive and three independent Non-Executives. The following plc Board changes took place in 2023:

- Laura Seffino stepped down from her position as an Executive Director in July 2023;
- in September 2023 the previous Chairman, Paul Boughton resigned;
- in October 2023 Richard Lilwall the previous CEO resigned;
- in September 2023, Andrew Walters one of the founders of the business re-joined the plc Board after retiring in March 2023;

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

- in November 2023 the two independent directors, Jim Warwick and Russell Jones resigned; and finally
- in November 2023, the Board announced the appointment of an independent Non-Executive Director, Alison Seekings.

In February 2024 the nominations committee appointed Ian Spence, a second independent Non-Executive Director, to achieve an equally balanced Board of 2 Executive Directors and 2 Non-Executive Directors. The Board is supported by four committees: audit, remuneration, nominations and, newly appointed, ESG committees.

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

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.

Meetings held during 2023 and the attendance of Directors is summarised below:

	Board meetings		Audit Committee		Remuneration Committee		ESG Committee	
	Held	Present	Held	Present	Held	Present	Held	Present
Executive Directors								
Richard Lilwall [1]	11	8	-	-	1	-	-	-
Emily Rees	11	10	2	2	-	-	-	-
Laura Seffino [2]	11	6	-	-	-	-	-	-
Andrew Walters [3]	11	4	-	-	-	-	-	-
Non-Executive Directors								
Paul Boughton [4]	11	7	2	1	1	1	-	-
David Warwick [5]	11	9	-	-	1	1	-	-
Andrew Walters [3]	11	2	-	-	-	-	-	-
Russell Jones [6]	11	8	-	-	-	-	-	-
Alison Seekings [7]	11	2	2	1	-	-	-	-
Ian Spence [8]	11	-	-	-	-	-	-	-

[1] Richard Lilwall resigned from the Board in October 2023.
[2] Laura Seffino resigned from the Board in July 2023, but has remained with the Company as a Quartix Limited Director.
[3] Andrew Walters retired from the Board as Non-Executive Director in March 2023, and rejoined the Board as Non-Executive Chairman in September 2023, later becoming Executive Chairman on 10 October 2023
[4] Paul Boughton resigned from the Board in September 2023
[5] David Warwick resigned from the Board in November 2023
[6] Russell Jones resigned from the Board in November 2023
[7] Alison Seekings was appointed to the Board in November 2023
[8] Ian Spence was appointed to the Board in February 2024

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 members of the Board bring relevant sector experience in software and business services. The board at the reporting date have an aggregate 18 years of public company directorship experience, and two members are qualified accountants. 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, the Directors research relevant information, including online material, and occasionally attend seminars and trade events, to ensure that their knowledge remains current.

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

Andrew Walters, Executive Chairman (CESG, N, CR)
<u>Background:</u>
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.

His financial involvement with Quartix is his annual Executive salary and he is a major shareholder in the Company so is not an independent Director.

<u>Current external appointments:</u>
Some voluntary business mentoring for The Prince's Trust.

<u>Skills and experience:</u>
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: 8 days a month

Emily Rees, Chief Financial Officer (E, ESG)
<u>Background:</u>
Emily Rees joined Quartix in 2021 and brings significant experience in operational and commercial finance across both private and public firms. Her previous role was 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. Emily also heads up Quartix's HR department.

<u>Current external appointments:</u>
Emily was a trustee and treasurer for two charities in 2023.

<u>Skills and experience:</u>
Emily is a member of the Chartered Institute of Management Accountants 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)

Alison Seekings, Independent Non-Executive Director (CA)
Background:
Alison is a senior finance leader with extensive experience of working at board level. She has worked in large professional services firms, formerly with Deloitte and then as a partner with Grant Thornton UK LLP until 2021. Alison has over 30 years' experience of advising boards and supporting companies with their financial strategy and reporting requirements.

Current external appointments:
Alison is the founder of her own consultancy company called Seekings Advisory Limited, and also sits as a non-executive director for a company called Green and Purple Limited and is CFO for RQ Biotechnology Limited.

Skills and experience:
Alison is a qualified chartered accountant and chartered tax adviser and has a degree in Natural Sciences from the University of Cambridge.
Time commitment: 1-2 days a month

Ian Spence, Independent Non-Executive Director (CN)
Background:
Ian has more than 25 years' experience in researching and advising companies in the technology sector. Ian started his career in the City as a technology analyst working for, amongst others, Robert W Baird, WestLB Panmure and Bridgewell. He later went on to start Megabuyte, a leading company intelligence platform focusing on UK mid-market tech businesses, where he is currently Executive Chairman.

Current external appointments:
Ian's other current roles include sitting as Non-Executive Director of Crown Place VCT PLC, a fund investing in early stage technology companies and as Principal at Agnosco Capital Ltd, where he provides research and strategic advice to technology companies and their investors.

Skills and experience:
Ian has been recognised as a highly respected financial analyst in the technology sector, having twice been voted as TechMARK Analyst of the Year and recognised by Debretts and The Sunday Times as a top 20 influencer in the UK technology sector. Ian has a degree in Accounting & Finance from Manchester Metropolitan University.
Time commitment: 1-2 days a month

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

A board evaluation process led by the Chairman was completed in 2022. 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.

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.

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

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.

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 Investors in Customers that surveys employee satisfaction on an annual basis. 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 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.

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

Alison Seekings was appointed to Chairman of the Audit Committee following Paul Boughton's resignation. The Audit Committee 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 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
- Reviewing the basis for the going concern statement in light of the financial plans and reasonably possible scenarios especially considering industry wide factors that could impact the business such as inflationary pressures from the macro-economic effects of the Ukraine War.
- 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.

Andrew Walters chairs the Remuneration Committee following David Warwick's resignation. 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.

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

The **Nominations Committee**
The Nominations Committee was chaired by Andrew Walters in 2023 following Paul Boughton's resignation, and is now chaired by Ian Spence following his appointment to the Board. 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.

The **ESG Committee**
Russell Jones led our first sustainability review in 2022, in order to better understand our environmental impact and to prioritise areas for action. Following his return to the plc Board, Andrew was appointed as Chair of the ESG Committee. The ESG Committee assesses our performance in Social and Governance matters, where it believes 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.

At present Andrew Walters fulfils both the role of the Chairman and the CEO on the Board.

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 talented 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.

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

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 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 2023:

Audit Committee Report

During 2023 the committee met formally twice and had other discussions (including the impairment for Konetik and provision for the replacement of 2G units in France) as required, and the external auditor and CFO were invited to attend the formal meetings. The Audit Committee continued to focus on the effectiveness of the controls throughout the Group.

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 setting remuneration packages, the committee ensured that individual compensation levels, and total board compensation, were comparable with those of other AIM-listed companies. In addition, the committee oversees the creation and implementation of all-employee share plans.

The Remuneration Committee during 2023 consisted of Paul Boughton, David Warwick and Richard Lilwall until their Directorships ended at which point Andrew Walters became the sole member and therefore Chair of the Remuneration Committee. The committee met once.

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

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 was chaired by Andrew Walters in 2023 following Paul Boughton's resignation, and is now chaired by Ian Spence following his appointment to the Board.

ESG Committee Report

The remit of the ESG committee is to ensure the effective operation of a company's ESG policy, and delegated responsibility for overseeing its implementation. The committee reviews data from across the business and then filters and summarises it for the board. It meets as required for this purpose.

The ESG committee was chaired by Russell Jones until his resignation, at which point Andrew Walters was appointed as Chair, Emily Rees is also a member of the ESG Committee.

Directors' Remuneration Report

At the year ended 31 December 2023 the Remuneration Committee consisted of Andrew Walters.

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 2023, the Directors' remuneration packages comprised of a salary, a performance related bonus scheme 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)

				2023 (£)		2022 (£)
		Salary	**Bonus**	**Pension**	**Total**	Total
Executive Directors	Andrew Walters[1]	13,269	-	-	13,269	-
	Richard Lilwall[2]	164,547	-	6,290	170,837	234,411
	Emily Rees[3]	150,384	-	4,500	154,884	174,051
	Laura Seffino[4]	67,000	-	2,010	69,010	151,193
		395,200	-	12,800	408,000	559,655
Non-Executive Directors	Paul Boughton[5]	72,092	-	-	72,092	80,000
	David Warwick[6]	44,000	-	-	44,000	44,000
	Andrew Walters [1]	7,077	-	-	7,077	30,000
	Russell Jones[7]	45,662	-	-	45,662	-
	Alison Seekings[8]	4,269	-	-	4,269	-
		173,100	-	-	173,100	154,000

[1] Retired from Quartix Technologies plc Non-Executive Director role on 24 March 2023 and rejoined the Board as Chairman on 26 September 2023 and became Executive Chairman on 10 October 2023 following Richard Lilwalls resignation
[2] Resigned on 10 October 2023 and highest paid Director for 2023, not included in his salary is £30k gratuity on his resignation
[3] Included in both salary figures is a benefit in kind
[4] Stepped down from the Board on 7 July 2023, but remains an employee of the Company
[5] Resigned from the Board on 25 September 2023
[6] Resigned from the Board on 26 November 2023
[7] Resigned from the Board on 26 November 2023
[8] Appointed to the Board on 28 November 2023

Directors Bonus Schemes

In 2021 the Remuneration Committee awarded a Management Incentive Scheme to all the Executive Directors, which replaced any outstanding option awards included in their offer of employment letters. The Incentive Scheme is designed to provide up to 50% of basic salary (pro-rated for starters/leavers) in a single Incentive Scheme Payment based on the Group's performance on two key financial indicators:

a) The level of Annualised Recurring Revenue growth – the increase in total value of all fleet vehicle subscription on an annualised basis (calculated at a constant exchange rate) on 1 January each year; and
b) The Free Cash Flow - the cash generated from operating activities after investing activities of the Group.

as determined from the audited consolidated accounts of the Group for the financial year.

The percentage of base salary to be awarded under the Scheme is calculated based on a Targets table of parameters for the two KPIs, awarded on a sliding scale, which is updated annually. The Board is entitled to adjust any Target for changes in circumstances, where it considers a revised Target is appropriate in order to provide a fairer measure of performance, such as an acquisition.

Directors and their interests in shares

		Ordinary shares £0.01 each	
Year ended 31 December		**2023**	2022
Executive Directors	Emily Rees	**-**	-
	Laura Seffino	**n/a**	6,635
	Andrew Walters	**10,861,609**	-
		10,861,609	6,635
Non-Executive Directors			
	Paul Boughton	**n/a**	53,889
	David Warwick	**n/a**	73,333
	Andrew Walters	**n/a**	10,661,609
	Russell Jones	**n/a**	323
	Alison Seekings	**-**	-
		10,861,609	10,789,154

Directors and employees share options

On 22 December 2022, in accordance with the Long Term Incentive Plan ("LTIP") established by Resolution of the Board of Directors, both Emily Rees and Richard Lilwall were granted 106,000 options over ordinary shares of 1 pence each exercisable at the nominal share price. Following Richards resignation, his options had not yet vested and therefore were forfeited in their entirety.

The options were granted in 2022 and vest over a period of three years and vesting is subject to stretching performance conditions on 3-year compound increases across three measures: Annual Recurring Revenue (ARR), Free Cash Flow (FCF) and Total Shareholder Return (TSR). The overall blend of options is 57% based on ARR, 22% FCF and 22% TSR.

The performance conditions are based on compound growth from baselines in each measure, within a threshold and maximum envelope of:

ARR - 7.5% to 15% per year
FCF - 7.5% to 15% per year
TSR - 10% to 20% per year.

Directors and employees share options (continued)

The LTIP is subject to malus and clawback rules whereby the Board has the discretion to clawback options already exercised by any means available per the Rules of the LTIP, or to reduce the number of options available for future exercises due to:

- Either Director acting in such a way which falls foul to the Rules of the LTIP; or
- There was an error in a prior period performance measurement, which would have resulted in less options being available to exercise than what was awarded.

Directors share options

	2023 Number	2022 Number
Emily Rees	**106,000**	106,000
Richard Lilwall	**n/a**	106,000
Laura Seffino	**n/a**	29,320

The Directors did not exercise any share options during 2023.

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 three-year term. Any term renewal is subject to Board review and AGM re-election.

	Date of contract	**Unexpired period at date of report**
Alison Seekings	28 November 2023	32 months
Ian Spence	19 February 2024	36 months

Andrew Walters
Chairman, Remuneration Committee

ESG Committee Report

During the year ended 31 December 2022 Quartix formed an ESG Committee, and in 2023 the ESG Committee comprised of Russell Jones as chair until he resigned, at which point Andrew Walters took over as Chair, and Emily Rees.

The Committee functions with the objective of ensuring the Group's strategy and vision are aligned with agreed ESG metrics so Quartix, beyond the core environmental benefits of their product, contribute positively in all territories that it operates.

Quartix's ESG report for 2023 starts with incorporating some of the standard ESG KPIs for the year 31 December 2023. The Group is still updating processes to capture sufficient information to produce a more comprehensive report for the Quartix Annual Report. During 2023 the Committee worked more widely with its stakeholders in the business to ensure that conversations around the ESG impact of business decisions become a more central function, as it also becomes more central to our relationship with shareholders, institutional clients, customers and employees. During the year, the business engaged with a third party consultant in order to better identify ESG issues, implement processes to better capture information needed to report on and make any changes where practicably possible to make improvements in Quartix' commitment to the environment.

Streamlined Energy and Carbon Reporting

2022 was Quartix's baseline for future year-on-year reporting with regard to all ESG KPIs. The carbon reporting included in the report for year ended 31 December 2023 includes Scope 1, direct emissions and Scope 2, indirect emissions from the electricity purchased and used. The Committee continues to make progress on Scope 3 and market-based Scope 2 emissions in order to report on these measures in future years.

While Quartix has been awarded the LSE's Green Economy Mark, in recognition of the business generating at least 50% of its total annual revenue from products that contribute towards the transition to a low carbon economy, the Committee recognises that there will still be a journey to have a greater focus internally on sustainability, and to minimise Quartix's environmental footprint by reducing carbon emissions.

Streamlined Energy and Carbon Reporting (continued)

The data below relates to UK emissions for the twelve-month period ending 31 December 2023.

		2023	2022	Variance
Energy consumption (kWh) [1]				
Scope 1: Combustion of fuel and operation of facilities	Natural gas	-	-	(100%)
	Direct transport	47,154	56,467	(16%)
	Total Scope 1	47,154	56,467	(16%)
Scope 2: Electricity purchased[3]	Total electricity	109,652	121,496	(10%)
Total scope 1 and 2 energy consumption		156,806	177,963	(12%)
Greenhouse gas (GHG) emissions (tonnes CO2e) [2]				
Scope 1: Combustion of fuel and operation of facilities	Natural gas	-	-	(100%)
	Direct transport	11	13	(16%)
	Total Scope 1	11	13	(16%)
Scope 2: Electricity purchased	Location Based	22	22	(0%)
Location based total scope 1 and 2 emissions		**33**	**35**	**(6%)**
Intensity metric assessment (tonnes CO2e/£m revenue) [1]				
Intensity ratio		1.1	1.3	(14%)

1 Energy from electricity, natural gas and direct transport fuel have been included. Quartix has used the conversion factors published in the 2023 Defra GHG conversion factors for company reporting for both 2022 and 2023.
2 We have used the GHG Protocol Corporate Accounting and Reporting Standards (Revised) methodology to calculate our emissions. No mandatory emissions have been excluded.
3 Where estimates were provided from energy providers in the prior year, this is updated in the current year for actual energy usage.

Social and Community Reporting

Quartix's relationships with employees, suppliers and communities are important factors for how the business operates, with a commitment to creating a great place to work which celebrates diversity and inclusion, and where health and wellbeing is prioritised and able to make a positive difference to the societies in which the business operates.

Key focuses for the year have included investment in people, with set learning and development programmes now in place for new people managers in the Group, and the business continues to support and develop staff who wish to study for further qualifications. A key focus for the future is creating a greater curriculum of either external or internal learning and development courses to support staff development. In 2023 the majority of the training hours undertaken by staff was for management training to upskill for development roles. In 2024 the HR team will be incorporating both internal and external training hours logged into their training matrix to better report the training hours and follow up in appraisal sessions.

	2023
Staff training hours - external	**700**

The business continues to support staff through ongoing mental health support, with a key management group having gone through the i-act mental health and wellbeing programme for understanding and managing mental health and wellbeing in the workplace. Further work on wellbeing across a range of topics are a focus in the medium term in order to support staff further.

Social and Community Reporting (continued)

The business' staff turnover continues to be a focus area in 2024.

As well as supporting Quartix staff, a growing focus is on supporting the communities that Quartix staff operate in. While many staff in the business personally commit voluntary time to community and charitable organisations, there is currently no corporate scheme to facilitate this, though Quartix's Social Committee is looking to review this for the business' main base of operations in Newtown, Wales. The Social Committee is composed of a key group of staff in Newtown that deliver on local and national charity initiatives in order to support communities.

	2023	2022	Variance
Voluntary staff turnover (%)	**31**	20	11
Share of temporary staff (%)	**4**	2	2

Governance Reporting

Quartix recognises the importance of strong governance practices in ensuring the long-term success and sustainability of the business. Our governance framework is designed to promote ethical behaviour, accountability, and transparency, and to align the interests of the Company with those of its stakeholders (please refer to the Corporate Governance statement page 24 for more details on this).

In addition to the governance provided by the Board, Quartix's executive management team, called the operations board, is responsible for the day-to-day operations of the business and implementing the strategies and plans that are approved by the Board of Directors. The team is comprised of experienced and knowledgeable individuals who have a strong track record of delivering results. Three out of the nine members of the operations board are female.

Quartix is committed to operating in an ethical and responsible manner and complying with all relevant laws and regulations, and has established an ethics and compliance program to ensure that all employees are aware of their obligations and are equipped to make ethical decisions.

	2023	2022	Variance
Political contributions (£)	**-**	-	n/a
Independent directors [1]	**1**	3	(66%)
Number of female directors [2]	**2**	2	-
Number of corruption fines	**-**	-	n/a

1 As at 31 December 2023, please refer to page 25 for details of Board changes

2 Female plc Board Directors as at 31 December 2023

Andrew Walters
Chairman, ESG Committee

Directors' Report

The Directors present their annual report and the financial statements of the Company for the year ended 31 December 2023.

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, a subsidiary incorporated in France that for 2023 was a shell company with no trading activity, an overseas subsidiary in the USA and a newly acquired subsidiary in Germany with a Hungarian branch. The Parent Company is incorporated and domiciled in the UK. The registered office is No.9 Journey Campus, Castle Park, Cambridge, CB3 0AX.

Research and development

Please see the Strategic Report on page 11 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 Capacity for future growth on page 12.

Proposed dividend

In the year ending 31 December 2023, the Board decided to pay an interim dividend of 1.50p (2022: 1.50p) per ordinary share. This totalled £0.7m, which was paid on 9 September 2023 to shareholders on the register on 12 August 2023.

The Board is recommending a final dividend of 1.50p per share, with no supplementary dividend, amounting to approximately £0.7m in aggregate and giving a total dividend for the year equivalent to 3.00p per share. If this is approved at the forthcoming AGM on 27 March 2024, the final dividend will be paid on 29 April 2024 to shareholders on the register as at 28 March 2024.

Major interest in shares

On 1 March 2024, the Company had been notified that seven parties had holdings of 3% or more in the ordinary share capital of the Company. The number of ordinary shares and the percentage of the total shares held by each party is outlined below.

	Number of £0.01 shares[7]	% of total
Andrew Walters[8]	10,861,609	22.44
Liontrust Investment Partners LLP	5,453,653	11.27
Charles Stanley Group plc	4,826,256	9.97
Sanford Deland Asset Management Ltd	4,750,000	9.82
Andrew Kirk	4,009,853	8.29
William Hibbert	2,663,000	5.50
Schroders PLC	2,497,631	5.16
Kenneth Giles	1,871,800	3.87

[7] Based on the most recent available data to the Company
[8] 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, until 25 September 2023)
- David Warwick (until 27 November 2023)
- Andrew Walters (until 24 March 2023)
- Russell Jones (until 27 November 2023)
- Alison Seekings (from 28 November 2023)

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

- Richard Lilwall (until 8 October 2023)
- Emily Rees
- Laura Seffino (until 7 July 2023)
- Andrew Walters (Executive Chairman, from 26 September 2023)

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 27 March 2024.

Going concern

The war in Ukraine has continued to adversely disrupt the global economic situation in 2023, in addition to other wider economic factors causing adverse economic pressures. 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. Included in the going concern assessment, was the review of the cash impact to the business over the next 3-5 years for the upgrade of units from 2G to 4G in France and in the UK where the Company will begin a replacement programme once the announcement of the expected 2G network shutdown in the UK has been made. In order to minimise the impact of attrition impact and to manage the cashflow impact of replacing these units over the next 3-5 years, the Company started in January 2024 to proactively replace the 2G units with 4G units in France. The replacement provision is expected to result in a reduced dividend per share for the duration of the replacement programme, but the strength of the Company's recurring business model allows the Company to fund this replacement programme from cash reserves, without having to financially leverage itself with a financing alternative from the bank.

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 a further scenario as part of its going concern assessment. This additional scenario considered the impact on the Company if for both 2024 and 2025 there is a reduction in new unit subscription growth due to a reduction in repeat business from existing customers as the economic pressures in the market dictate they cannot increase their fleet sizes, gross attrition rate increases again as a result of economic pressures in the market resulting in a higher number of customers going bankrupt, or having to reduce their fleet sizes at renewals dates.

Going concern (continued)

Additionally an increase in the price erosion has been considered as a sensitivity, given the continuing market trend with new order prices and businesses being forced to shop around to make more economic decisions for their own profit/cash positions. This scenario was not considered likely but was included in the assessment.

After assessing the forecasts and liquidity of the business, including the 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 UK-adopted International Accounting Standards (UK-adopted IAS) 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 UK-adopted IAS 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 15-16.

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 1 March 2024.

Andrew Walters
Executive Chairman

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 2023 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 Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the 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 FRS 101 Reduced Disclosure 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 2023 and of the Group's loss 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 overall materiality for the group is £298,400 (2022: £275,100) which represents 1% (2022: 1%) of turnover. 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 an overall materiality level of £166,000 (2022: £206,200) which represents 1% (2022: 1%) of the parent company's net assets. Net assets is considered the most appropriate benchmark because the entity is a non-trading holding company.

We set performance materiality at an amount less than the overall materiality for the financial statements 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 £223,000 (2022: £206,325), which is 75% (2022: 75%) of overall materiality. Our performance materiality for the parent company is £124,500 (2022: £154,650) which is 75% (2022: 75%) of overall materiality. We have selected 75% based on our risk assessment of the group and parent company and our assessment of the group's and parent company's control environment.

We report to the directors all corrected and uncorrected misstatements we identified through our audit with a value in excess of £14,920 (2022: £13,755) for the group, and £8,300 (2022: £10,310) for the parent company as well as 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.

As the finance function is centralised and UK based, all audit work was undertaken by the London based group audit team.

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 the valuation of goodwill. We also assessed the risk of management override of internal controls, among other matters such as revenue recognition (see Key audit matter section below), in consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We performed a full scope audit using component materiality on the financial information of Quartix Technologies Plc and Quartix Limited. For Quartix Inc, which was assessed as material but not significant, we performed a limited scope review. For Konetik Deutschland GmbH and Quartix SASU, which were assessed as not material and not significant we audited one or more specific account balances, classes of transactions or disclosures or completed analytical reviews.

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.

<table>
<tr><th>Key Audit Matter</th><th>How our scope addressed this matter</th></tr>
<tr><td>Revenue Recognition (Notes 1 and 3)

We identified revenue recognition as an audit area susceptible to a risk of misstatement due to fraud.

As detailed in Notes 1 and 3 to 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 high volume of low value transactions and of high quantum, we identified that revenue was deemed to be a significant risk and a key audit matter.</td><td>Our audit work in this area included:

• Assessing whether revenue recorded in line with the group's accounting policy and whether the accounting policy was compliant with International Financial Report Standard 15 Revenue from Contracts with Customers (IFRS 15);
• Testing a sample of sales invoices and agreeing the numbers of units and contract prices to agreements. In addition, for a sample of selected invoices subsequent cash receipts testing was performed;
• Testing credit notes raised post year end to determine if they related to the revenue recognised during the year to ensure revenue recognised during the year was not subsequently being reversed; and
• Performing controls testing over data inputs for the invoicing process.</td></tr>
</table>

Deferred Revenue (Note 20) We identified deferred income as a significant class of transactions where there was risk of material misstatement due to fraud. As detailed in note 20 to the financial statements, the group raises invoices in advance and classifies deferred income 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 income is driven by the contract terms and numbers of units and as a significant balance, presents a risk of material misstatement and as such was deemed to be a significant risk and key audit matter.	Our audit work in this area included: For both fleet and insurance customers: • Recalculating, for a sample of sales invoices, the appropriate portion of revenue to defer based on the contractual billing terms agreed with the customer and comparing this to the actual amount deferred. • Validating, on a sample basis, the free periods to customer contracts and performing a recalculation of the adjustment. For insurance customers: • Recalculating the deferred income balance in aggregate based on monthly sales figures for the year.

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 UK-adopted international accounting standards, Companies Act 2006, AIM Rules for Companies, QCA Corporate Governance Code and the relevant tax compliance regulations in the jurisdictions in which the group operates.
- 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:
    - We obtained an understanding of the effectiveness of the group's overall control environment and policies to monitor controls related to revenue recognition;
    - We reviewed all the Group's press releases, board minutes 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; and
    - 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 that there was a risk of material misstatement in revenue recognition and deferred income (see Key audit matters section above) as well as the potential for management bias in relation to the valuation of goodwill and we addressed this by challenging the key assumptions and judgements made by management when auditing that significant accounting estimate.
- As in all of our audits, 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.

Auditor's responsibilities for the audit of the financial statements (continued)

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
1 March 2024

15 Westferry Circus
Canary Wharf
London E14 4HD

Consolidated Statement of Comprehensive Income

Year ended 31 December	Notes	2023 Before Adjustments £'000	2023 Adjustments £'000	2023 After Adjustments £'000	2022 Before Adjustments £'000	2022 Adjustments £'000	Restated* 2022 After Adjustments £'000
Revenue	3	**29,882**	**-**	**29,882**	27,517	-	27,517
Cost of sales		**(9,145)**	**(3,759)**	**(12,904)**	(7,724)	(91)	(7,815)
Gross profit		**20,737**	**(3,759)**	**16,978**	19,793	(91)	19,702
Sales & Marketing expenses		**(6,366)**	**-**	**(6,366)**	(6,358)	(71)	(6,429)
Administrative expenses		**(9,285)**	**-**	**(9,285)**	(7,640)	(80)	(7,720)
Impairment	11	**-**	**(2,695)**	**(2,695)**	-	-	-
Fair value gain	33	**-**	**312**	**312**	-	-	-
Operating (loss)/profit		**5,086**	**(6,142)**	**(1,056)**	5,795	(242)	5,553
Finance income receivable	7	**10**	**-**	**10**	8	-	8
Finance costs payable	8	**(31)**	**-**	**(31)**	(31)	-	(31)
(Loss)/profit for the year before taxation	4	**5,065**	**(6,142)**	**(1,077)**	5,772	(242)	5,530
Tax expense	9	**(771)**	**940**	**169**	(486)	-	(486)
(Loss)/profit for the year		**4,294**	**(5,202)**	**(908)**	5,286	(242)	5,044
Other Comprehensive income:							
Items that may be reclassified subsequently to profit or loss:							
Exchange difference on translating foreign operations		**43**	**-**	**43**	(169)	-	(169)
Other comprehensive income for the year, net of tax		**43**	**-**	**43**	(169)	-	(169)
Total comprehensive income attributable to the equity shareholders of Quartix Technologies plc		**4,337**	**(5,202)**	**(865)**	5,117	(242)	4,875
Earnings per ordinary share (pence)	10						
Basic		**-**	**-**	**(1.88)**	-	-	10.42
Diluted		**-**	**-**	**(1.88)**	-	-	10.38

*Restatement arises from the adoption of 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (Amendments to IAS 12) requiring recognition of deferred tax on leases on initial recognition.

Consolidated Statement of Financial Position

	Notes	**31 Dec 2023 £'000**	Restated 31 Dec 2022 £'000
Non-current assets			
Goodwill	11	**14,029**	14,029
Property, plant and equipment	13	**684**	845
Deferred tax assets	22	**1,144**	210
Contract cost assets	15	**894**	752
Total non-current assets		**16,751**	15,836
Current assets			
Inventories	14	**1,411**	1,989
Contract cost assets	15	**4,550**	3,536
Trade and other receivables	16	**4,186**	3,692
Cash and cash equivalents	17	**2,380**	5,063
Total current assets		**12,527**	14,280
Total assets		**29,278**	30,116
Current liabilities			
Trade and other payables	18	**3,955**	3,650
Provisions	19	**2,775**	543
Contract liabilities	20	**3,679**	3,499
Current tax liabilities		**557**	896
		10,966	8,588
Non-current liabilities			
Lease liabilities	21	**520**	617
Non-current provisions	19	**1,443**	-
		1,963	617
Total liabilities		**12,929**	9,205
Net assets		**16,349**	20,911
Equity			
Share capital	23	**484**	484
Share premium account	23	**6,332**	6,332
Equity reserve		**392**	342
Capital redemption reserve		**4,663**	4,663
Translation reserve		**(295)**	(338)
Retained earnings		**4,773**	9,428
Total equity attributable to equity shareholders of Quartix Technologies plc		**16,349**	20,911

Approved by the Board of Directors, authorised for issue and signed on behalf of the Board on 1 March 2024.

Emily Rees
Chief Financial 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 2021	**484**	**6,332**	**4,663**	**380**	**(169)**	**8,355**	**20,045**
Adjustment for recognising deferred tax on IFRS 16 leases	**-**	**-**	**-**	**-**	**-**	10	**10**
Restated balance at 31 December 2021	**484**	**6,332**	**4,663**	**380**	**(169)**	**8,365**	**20,055**
Shares issued	-	-	-	-	-	-	-
Increase in equity reserve in relation to options issued	-	-	-	93	-	-	**93**
Adjustment on settlement of options	-	-	-	(85)	-	85	**-**
Recycle of equity reserve to P&L	-	-	-	(46)	-	46	**-**
Dividend paid	-	-	-	-	-	(4,112)	**(4,112)**
Transactions with owners	**-**	**-**	**-**	**(38)**	**-**	**(3,981)**	**(4,019)**
Foreign currency translation differences (note 30)	-	-	-	-	(169)	-	**(169)**
Profit for the year	-	-	-	-	-	5,044	**5,044**
Total comprehensive income	**-**	**-**	**-**	**-**	**(169)**	**5,044**	**4,875**
Restated Balance at 31 December 2022	**484**	**6,332**	**4,663**	**342**	**(338)**	**9,428**	**20,911**
Shares issued	-	-	-	-	-	-	-
Increase in equity reserve in relation to options issued	-	-	-	78	-	-	**78**
Recycle of equity reserve to P&L	-	-	-	(28)	-	28	**-**
Dividend paid	-	-	-	-	-	(3,775)	**(3,775)**
Transactions with owners	**-**	**-**	**-**	**50**	**-**	**(3,747)**	**(3,697)**
Foreign currency translation differences (note 30)	-	-	-	-	43	-	**43**
Profit for the year	-	-	-	-	-	(908)	**(908)**
Total comprehensive income	**-**	**-**	**-**	**-**	**43**	**(908)**	**(865)**
Balance at 31 December 2023	**484**	**6,332**	**4,663**	**392**	**(295)**	**4,773**	**16,349**

Consolidated Statement of Cash Flows

	Notes	**2023** **£'000**	2022 £'000
Cash generated from operations	25	**4,465**	4,170
Taxes paid		**(1,181)**	(320)
Cash flow from operating activities		**3,284**	3,850
Investing activities			
Additions to property, plant and equipment		**(17)**	(68)
Interest received	7	**10**	8
Acquisition of subsidiary, net of cash acquired	33	**(1,986)**	-
Cash flow used in investing activities		**(1,993)**	(60)
Cash flow from operating activities after investing activities (free cash flow)		**1,291**	3,790
Financing activities			
Repayment of lease liabilities	26	**(172)**	(151)
Proceeds from share issues		**-**	-
Dividend paid		**(3,775)**	(4,112)
Cash flow used in financing activities		**(3,947)**	(4,263)
Net changes in cash and cash equivalents		**(2,656)**	(473)
Cash and cash equivalents, beginning of year		**5,063**	5,414
Exchange differences on cash and cash equivalents		**(27)**	122
Cash and cash equivalents, end of year	17	**2,380**	5,063

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 2023 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 (UK-adopted IAS).

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 2023, the only amendment updated in these financial statements is for IAS 12: Income Taxes which requires a deferred tax asset and liability to be recognised from the earliest reporting period presented in the financial statements for IFRS 16 leases. The comparative has therefore been restated for this amendment. 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 in note 12 and disclosures on the acquisition in the year are disclosed in note 33.

Business combinations

Business combinations are accounted for using the acquisition method under the revised IFRS 3 Business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair value of assets transferred, liabilities incurred, and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration agreement. Acquisition costs are expensed within administration expenses as incurred. The Group recognises identifiable assets acquired and liabilities assumed including contingent liabilities in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Going concern

The war in Ukraine has continued to adversely disrupt the global economic situation in 2023, in addition to other wider economic factors causing adverse economic pressures. 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.

1 Summary of significant accounting policies (continued)

Going concern (continued)

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. Included in the going concern assessment, was the review of the cash impact to the business over the next 3-5 years for the upgrade of units from 2G to 4G in France and in the UK where the Company will begin a replacement programme once the announcement of the expected 2G network shutdown in the UK has been made. In order to minimise the impact of attrition impact and to manage the cashflow impact of replacing these units over the next 3-5 years, the Company started in January 2024 to proactively replace the 2G units with 4G units in France. The replacement provision is expected to result in a reduced dividend per share for the duration of the replacement programme, but the strength of the Company's recurring business model allows the Company to fund this replacement programme from cash reserves, without having to financially leverage itself with a financing alternative from the bank.

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 a further scenario as part of its going concern assessment. This additional scenario considered the impact on the Company if for both 2024 and 2025 there is a reduction in new unit subscription growth due to a reduction in repeat business from existing customers as the economic pressures in the market dictate they cannot increase their fleet sizes, gross attrition rate increases again as a result of economic pressures in the market resulting in a higher number of customers going bankrupt, or having to reduce their fleet sizes at renewals dates. Additionally, an increase in the price erosion has been considered as a sensitivity, given the continuing market trend with new order prices and businesses being forced to shop around to make more economic decisions for their own profit/cash positions. This scenario was not considered likely but was included in the assessment.

After assessing the forecasts and liquidity of the business, including the 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.

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.

1 Summary of significant accounting policies (continued)

Revenue (continued)
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 20).

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

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.

Fleet telematic services(continued)
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.

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.

Contract Cost Assets
The Group incurs costs to fulfil its customer contracts, which include commission costs, equipment costs, installation costs and carriage costs amongst other costs. Costs to fulfil a customer contract are divided into:

- costs that give rise to an asset; and
- costs that are expensed as incurred.

When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those standards preclude capitalisation of a particular costs, then an asset is not recognised under IFRS 15.

If other standards are not applicable to costs to fulfil a customer contract, the Group applies the following criteria which, if met, result in capitalisation of costs that:

- directly relate to a contract;
- generate or enhance resources that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- are expected to be recovered

The Group has determined that, where the relevant criteria are met, the commission costs, equipment costs, installation costs and carriage costs qualify to be accounted for as costs to fulfil a customer contract.

1 Summary of significant accounting policies (continued)

Contract Cost Assets (continued)

The Contract Cost Assets are amortised over the expected contract period on a systematic basis that reflects the revenue stream generated by them, and this cost is included in cost of sales. The expected contract term has been calculated as an average of the population of new orders in the year, and this calculation will be reviewed annually.

At each reporting date, the Group determines whether or not the Contract Cost Assets are impaired by comparing the carrying amount of the asset with the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract.

Intangible assets

Goodwill arising on consolidation represents the excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the identifiable assets and liabilities (including intangible assets) of the acquired entity at the date of the acquisition. Goodwill is recognised as an asset and assessed for impairment annually or as triggering events occur. 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 this goodwill has been allocated to the fleet business for the impairment review. New goodwill and a software intangible asset arose in 2023 on the acquisition of Konetik Deutschland GmbH by Quartix Limited. 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

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.

1 Summary of significant accounting policies (continued)

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 business 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 intangibles 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.

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.

1 Summary of significant accounting policies (continued)

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, which for the first time in 2022 included the recognition of a deferred tax asset for the utilisation of tax losses in the US business.

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash 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 assesses impairment of trade receivables on a collective basis. Since they have similar credit risk characteristics, they are grouped based on the number of days past their due date. Refer to note 16 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.

1 Summary of significant accounting policies (continued)

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the 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.

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. Quartix SASU and Konetik have a functional currency of Euros, the Hungarian branch has a functional currency of Hungarian Forint with its results translated for inclusion in Konetik’s Euro accounts.

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

1 Summary of significant accounting policies (continued)

Foreign currencies (continued)

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

There was a change in the pension scheme that the company participates in, from the UK Government's NEST pension scheme to the Royal London pension scheme, with the first contribution being January 2023. Both schemes are defined contribution pension schemes. 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.

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 are 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 2023. 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 11 for further information about the Group's approach to research and development.

Key judgement: timing of revenue recognition

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 are 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.

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.

Key judgement: capitalisation of costs to fulfil a customer contract

Judgement is applied by the Group when determining what costs qualify to be capitalised and when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable. For example, the Group considers which type of sales commissions are incremental to the cost of obtaining specific contracts and the point in time when the costs will be capitalised.

Key judgement: fair value assessment of business combinations

Following an acquisition, management makes an assessment of the fair value of assets and liabilities acquitted, including intangible assets and goodwill. The valuation process requires a number of estimates to be made, including an estimate of an earnout cash payment which is contingent on specific performance targets being met. For details of assumptions, see note 33.

Key judgement: Carrying value of goodwill and other intangible assets

The impairment analysis of intangible assets is based on the higher of fair value less costs to sell (where reliable data is available) and future discounted cash flows. In the case the latter, several assumptions are made to estimate the future cash flows expected to arise from the cash generating unit as well as a suitable discount rate to calculate present value. Factors like anticipated sales and net cash flows and changes in discount rates could lead to impairment. For details of assumptions see note 11.

Key judgement: assessment of 4G upgrade provision

The calculation of the upgrade provision to 4G units in both US and France is based on some inputs that are verifiable, and other inputs that are based on internal management assumptions including a discount rate of 3.54% and carries deferred tax at 25% of the provision balance included in deferred tax assets at the year end. Changes in the time to complete the upgrade, the unit costs, the mix of installed units verses self-install units could change the total provision estimate. For details of assumptions see note 19.

3 Revenue

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

	2023	**2022**
	£'000	**£'000**
United Kingdom	**17,997**	17,953
France	**6,882**	5,410
Other European Territories	**1,674**	1,060
United States of America	**3,329**	3,287
	29,882	27,517

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

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

	2023	2022
	£'000	£'000
Goods and services transferred over time	**28,674**	26,505
Revenue recognised at a point in time	**1,208**	1,012
	29,882	27,517

Goods and services transferred over time represent 96.0% of total revenue (2022: 96.3%).

For 2023, revenue includes £3.5m (2022: £3.1m) included in the contract liability balance at the beginning of the period (see note 20). Changes to the Group's contract liabilities (i.e. deferred revenue) are attributable solely to the satisfaction of performance obligations.

4 (Loss)/Profit for the year before taxation

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

	2023	2022
	£'000	£'000
Research and development expenses	**1,073**	820
Replacement unit provision	**3,697**	(463)
Rentals under short term lease agreements:		
Other leases	**21**	16
Land and buildings	**24**	81
Depreciation on property, plant and equipment, owned	**76**	124
Depreciation on property, plant and equipment, right of use	**157**	133
Share-based payment expense	**78**	(1)
Foreign exchange losses	**165**	(103)
Expected credit loss charge	**92**	36
Impairment of intangible asset	**2,695**	-
Fair value gain on deferred consideration	**(312)**	-
Audit services:		
Fees paid to Company auditor for the audit of the Company and consolidated financial statements	**36**	36
The audit of the Company's subsidiary pursuant to legislation	**79**	54
Other services	**-**	-

4 (Loss)/Profit for the year before taxation (continued)

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

	2023	2022
	£'000	£'000
Operating profit	**(1,056)**	5,553
Depreciation on property, plant and equipment, owned	**76**	124
Depreciation on property, plant and equipment, right of use	**157**	133
EBITDA	**(823)**	5,810
Share-based payment expense (incl. cash-settled)	**78**	(1)
Cost of living payments	**-**	151
Impairment of intangible asset: goodwill	**2,464**	-
Impairment of intangible asset: software	**231**	-
Fair value gain on re-estimate of future earn out payments	**(312)**	-
Exceptional provision for France/USA replacement of units	**3,759**	91
Adjusted EBITDA	**5,397**	6,051

5 Employee remuneration

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

	2023	2022
	£'000	£'000
Wages and salaries	**7,637**	6,803
Social security costs	**985**	851
Contributions to defined contribution pension plan	**245**	192
Share-based payment	**78**	(1)
	8,945	7,845

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

	2023	2022
Administration	**24**	24
Operations	**17**	17
Sales	**68**	72
Customer service	**49**	47
Research and development	**29**	29
	187	189

6 Key management remuneration and Directors' remuneration

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any Directors (whether Executive or otherwise) of the entity. For 2023, the Group identified eleven such individuals: three Executive Directors, three Non-Executive Directors, and five members of Senior Management. In 2022, the Group identified nine such individuals: four Executive Directors, two Non-Executive Directors, and three members of Senior Management.

	2023 **£'000**	2022 £'000
Wages and salaries	**1,117**	1,223
Social security costs	**162**	162
Contributions to defined contribution pension plan	**26**	26
Share-based payment	**73**	(15)
Total employee benefits	**1,378**	1,396

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. There was a change in the pension scheme that the company participates in, from the UK Government's NEST pension scheme to the Royal London pension scheme, with the first contribution being in January 2023. 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:

	2023	2022
Share based payment charge: equity options (£'000)	**73**	79
Share based payment charge: cash options (£'000)	**-**	(94)
	73	(15)
Equity settled share options held	**413,187**	509,687
Equity options exercised	**-**	414
Shares held	**11,123,140**	11,082,977

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

	2023	2022
Share based payment charge: equity options (£'000)	**73**	69
Equity settled share options held	**106,000**	241,320
Shares held	**10,861,609**	10,795,789

There were no new options granted in 2023.

7 Finance income receivable

	2023 **£'000**	2022 £'000
Bank interest	**10**	8

8 Finance costs payable

	2023 **£'000**	2022 £'000
Lease interest expense	**31**	31

9 Tax expense

Analysis of tax charge in the year	2023 £'000	Restated 2022 £'000
Current tax		
UK corporation tax charge on profit for the year	**1,000**	1,086
Adjustments in respect of prior periods	**(152)**	57
Total corporation tax	**848**	1,143
Deferred tax		
Origination and reversal of temporary differences	**(1,017)**	(654)
Adjustments in respect of prior periods	**-**	(3)
Total deferred tax	**(1,017)**	(657)
Tax on profit/(loss) of ordinary activities	**(169)**	486

The relationship between the expected tax expense based on an effective tax rate of the Group of 23.50% (2022: 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:

	2023 £'000	Restated 2022 £'000
Result for the year before taxation	**(1,077)**	5,530
Tax rate (%)	**23.50**	19.00
Expected tax expense	**(253)**	1,051
Adjustments to tax charge in respect of prior periods*	**(152)**	54
Expenses not deductible for tax purposes	**17**	2
Impairment of intangibles not deductible	**601**	-
Temporary differences not recognised in computation	**(153)**	(421)
Research and development tax credit	**(231)**	(185)
Patent box credit	**-**	(29)
Remeasurement of deferred tax	**2**	22
Tax adjustment on exercise of options	**-**	(8)
Tax on profit on ordinary activities	**(169)**	486
Effective rate of tax	**15.7%**	8.8%
*Effective rate of tax ignoring adjustments in respect of prior years'	1.2%	7.8%

The Finance No. 2 Bill 2021 became substantively enacted on 24 May 2021, which includes legislation increasing the UK corporation tax rate from 19% to 25% for companies that have profits of more than £250k. This substantively enacted tax rate has been used at the balance sheet date and has been reflected in the deferred tax recognised on the balance sheet.

10 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.

	(Loss)/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 earnings per share amount in pence
Earnings per ordinary share					
Year ended 31 December 2023	**(908)**	**48,392,178**	**(1.88)**	**49,088,054**	**(1.88)**
Year ended 31 December 2022 restated	5,044	48,387,354	10.42	48,599,519	10.38
Adjusted earnings per ordinary share					
Year ended 31 December 2023	**4,294**	**48,392,178**	**8.87**	**49,088,054**	**8.75**
Year ended 31 December 2022 restated	5,287	48,387,354	10.92	48,599,519	10.88

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. There is no impact of dilution on earnings per share in 2023 since a loss has been incurred.

To illustrate the underlying earnings for the year, the table above includes adjusted earnings per ordinary share, which for 2022 exclude the £0.1m re-estimate of the US 3G replacement unit provision and the £0.2m cost of living payments considered to be a one off and for 2023 excludes the £3.8m France 2G replacement unit provision recognised in the year with its associated tax impact and the impairment on the goodwill and other intangibles recognised on acquisition of Konetik of £2.7m offset by the fair value gain on the re-estimate of the future earn-out payments due under the share purchase agreement for the purchase of Konetik.

Dividends

During the year ended 31 December 2023, the Group paid interim dividends of £0.7m (2022: £0.7m), equivalent to 1.50p per share (2022: 1.50p per share). There was no supplementary interim dividend (2022: nil).

Details of dividends the Board is recommending for approval at the AGM are included in the Directors' Report on page 41. As the distribution of dividends require approval at the Annual General Meeting, no liability in this respect is recognised in the 2023 consolidated financial statements.

11 Goodwill

	Goodwill on consolidation £'000
Cost and net book value	
At 1 January and 31 December 2022	**14,029**
Goodwill recognised on acquisition (note 33)	**2,464**
Impairment on goodwill	**(2,464)**
At 31 December 2023	**14,029**

11 Goodwill (continued)

Goodwill arose on the consolidation of the Group following the acquisition of Quartix Limited in 2008 and on the acquisition of Konetik Deutschland GmbH in 2023.

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).

The Group considers the fleet business of Quartix Limited to be the sole cash-generating unit (CGU) for the assessment of goodwill recognised on acquisition of Quartix Limited (see Intangible Assets policy included in note 1) and considers Konetik/EVolve to be the CGU for the assessment of goodwill recognised on acquisition of Konetik. 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 7.22% 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 the CGU. These value in use calculations, including sensitivity analysis, have not identified any requirement for impairment of the goodwill associated with the acquisition of Quartix Limited by Quartix Technologies plc. Management was not aware of any probable changes that would necessitate changes in key estimates that indicate any impairment sensitivity on the assessment of goodwill associated with the fleet business of Quartix. The goodwill recognised on the acquisition of Quartix Limited will continue to be reviewed annually for impairment.

There were however impairment indicators for the goodwill recognised on acquisition of Konetik by Quartix Limited. The indicators present at year end were:

- The value in use calculation derived from discounted management cashflow forecasts presented negative earnings for the next 4 years, and beyond;
- Some of the customers of Quartix who had purchased contracts for EVolve in 2023, had either cancelled their contracts or expressed intention not to renew by the end of 2023;
- The software as currently released requires significant manual support and is not scalable without significant new investment;
- Management shift in focus on commercial strategy to promote the core fleet tracking product to prevent distractions provided by the focus on promoting the EVolve product to customers; and
- Management had started discussions pre-year end on what the future of the Konetik business looked like, given the anticipated losses for the foreseeable future and the lack of demand observed in the market to date for the EVolve product.

As a result of the indicators present above, management considered it necessary to impair the goodwill recognised on acquisition of Konetik down to nil.

12 Subsidiaries

As at the 31 December 2023 the subsidiaries of the Group were:

Subsidiary	**Quartix Ltd**	**Quartix Inc**	**Quartix SASU**	**Konetik Deutschland GmbH**
Country of registration	England & Wales	USA	France	Germany
Registered office	New Church Street, Newtown, Powys SY16 1AF	901 2nd Street, Springfield, Sangamon IL 62704-7909	10 Rue du Colisee, 75008 Paris, France.	Akazienstr. 3A 10823, Berlin, Germany.
Class of share capital held	Ordinary shares	Common shares	Common shares	Ordinary shares
Shares held by the Company	100%	100%	100%	-
Shares held by the Group	100%	100%	100%	100%
Nature of the business	Vehicle Tracking	Vehicle Tracking	Vehicle Tracking	Software development

13 Property, plant and equipment

	Leasehold properties £'000	**Office equipment £'000**	**Motor vehicles £'000**	**Total £'000**
Cost:				
At 31 December 2021	870	1,461	76	2,407
Additions	0	70	105	175
Disposals	(26)	(677)	(16)	(719)
Foreign exchange	1	1	-	2
At 31 December 2022	845	855	165	1,865
Additions	55	17	-	72
Disposals	-	(2)	-	(2)
Foreign exchange	-	-	-	-
At 31 December 2023	**900**	**870**	**165**	**1,935**

	Leasehold properties £'000	**Office equipment £'000**	**Motor vehicles £'000**	**Total £'000**
Depreciation:				
At 31 December 2021	189	1,236	26	1,451
Charge for the year	102	123	32	257
Disposals	(22)	(651)	(17)	(690)
Foreign exchange	**-**	**2**	**-**	**2**
At 31 December 2022	**269**	**710**	**41**	**1,020**
Charge for the year	104	77	52	233
Disposals	-	-	-	-
Foreign exchange	-	-	(2)	(2)
At 31 December 2023	**373**	**787**	**91**	**1,251**

13 Property, plant and equipment (continued)

	Leasehold properties £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Net book amount:				
At 31 December 2023	**527**	**83**	**74**	**684**
At 31 December 2022	576	145	124	845
At 31 December 2021	681	225	50	956

14 Inventories

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

	2023 £'000	2022 £'000
Raw materials	**927**	1,383
Work in progress	**45**	284
Finished goods and goods for resale	**439**	322
	1,411	1,989

Included in the analysis above are impairment provisions against inventory amounting to £81k (2022: £121k). The cost of vehicle tracking units are recognised as an expense and included in "cost of sales" amounted to £3.2m (2022: £2.8m).

15 Contract cost assets

Contract cost assets represents the costs incurred at the inception of a contract, that are directly incidental to the contract. The costs are recognised on a straight line basis over the contract term, 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:

Contract asset costs are presented in the statement of financial position as follows:

	2023 £'000	2022 £'000
Current contract cost assets	**4,550**	3,536
Non-current contract cost assets	**894**	752
Total contract cost assets	**5,444**	4,288

Contract cost assets comprises the following cost categories:

	2023 £'000	2022 £'000
Equipment hardware	**2,876**	1,916
Commissions	**1,335**	1,311
Installation	**945**	850
Carriage	**288**	211
	5,444	4,288

- Equipment cost relates to the tracker unit hardware that customers need to install in their vehicles and are a prerequisite to enable Quartix to capture the data on the vehicle, in order to deliver the data services.
- Commissions incurred in winning customer contracts.

15 Contract cost assets (continued)

- Installation costs for tracker unit hardware relating to new unit subscriptions.
- Carriage costs associated with the delivery of equipment hardware for new unit subscriptions.

The amortisation of the Group's contract cost assets are attributable solely to the satisfaction of performance obligations. The increase in contract costs assets was due to both the growth in new unit subscriptions and the increase in equipment hardware costs.

	2023	2022
	£'000	£'000
Contract costs assets at 1 January	4,288	3,735
Contract costs assets amortised in the period	(5,920)	(4,976)
Contract costs capitalised in the period	7,073	5,500
Foreign exchange	3	29
Contract costs assets at 31 December	5,444	4,288

16 Trade and other receivables

	2023	2022
	£'000	£,000
Trade receivables	3,572	3,333
Other receivables	74	6
Prepayments and accrued income	540	353
	4,186	3,692

All the amounts are due within one 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.

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

	2023	2022
	£'000	£'000
Loss allowance at 1 January	204	160
Increase/(Decrease) in loss allowance	92	36
Foreign exchange	(2)	8
Loss allowance at 31 December	294	204

As explained in note 30, 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:

	2023	2022
	£'000	£'000
Not more than 1 month	548	400
More than one month but not more than 3 months	455	267
More than 3 months but not more than 6 months	-	-
	1,003	667

17 Cash and cash equivalents

Cash and cash equivalents include the following components:

	2023	2022
	£'000	£'000
Cash at bank and in hand	2,380	5,063

18 Trade and other payables

Amounts falling due within one year:

	2023	2022
	£'000	£'000
Trade payables	**1,913**	2,027
Social security and other taxes	**707**	740
Other payables	**99**	67
Deferred consideration* (see note 33)	**291**	-
Accruals	**805**	685
Lease liabilities (see note 21)	**140**	131
	3,955	3,650

*£0.2m is due to be paid in the next 12 months and the balance of £0.1m is due to be paid in 2025, this has not been split on the face of the statement of financial position due to the non-current element being immaterial.

19 Provisions

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

	Replacement	**Other**	**Total**
	£'000	**£'000**	**£'000**
Carrying amount at 1 January 2022	**823**	**130**	**953**
Amount utilised	(554)	(36)	(590)
Increase in provision on re-estimate	91	-	91
Foreign exchange	89	-	89
Carrying amount at 31 December 2022	**449**	**94**	**543**
Amount utilised	(50)	(10)	(60)
Amount charged	3,759	-	3,759
Foreign exchange	(24)	-	(24)
Carrying amount at 31 December 2023	**4,134**	**84**	**4,218**

The provision increased by £3.8m following the recognition of the provision to replace the 2G units free of charge in France. The calculation takes into account the cost of the hardware, installation, carriage and staff hired to complete the replacement programme. Based on internal calculations, £2.3m is considered to be current, and the balance considered to be non-current provision. The provision to replace the 3G units in the USA is considered to be current.

The Group makes full provision for the future cost of replacements on a discounted basis at the end of a reporting period following the Groups network provider announcement of the sunsetting of the network that the tracking units are compatible with. The provision for the replacement of the units in France, recognised in 2023, represents the present value of the replacement costs which are expected to be incurred over the next two to three years, as the expected shut down communicated by the network provider for units in France is December 2026. The provisions have been created based on the Company's internal estimates. Assumptions based on the current economic environment have been made, which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. The discount rate used to calculate the present value of the provision to replace the 2G units in France is 3.54% which is the risk free rate used by the Group in calculating its weighted cost of capital. A deferred tax asset was raised at 31 December 2023 at 25% of the provision raised for the replacement units in France.

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.

20 Contract liabilities

	2023	2022
	£'000	£'000
Deferred insurance tracking data services income	**135**	113
Deferred fleet tracking data services income	**3,544**	3,386
	3,679	3,499

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.

	2023	2022
	£'000	£'000
Contract liabilities at 1 January	**3,499**	3,160
Contract liabilities released to revenue in the period	**(3,526)**	(3,085)
Contract revenue deferred in the period	**3,706**	3,424
Contract liabilities at 31 December	**3,679**	3,499

21 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:

	2023	2022
Right-of-use asset carrying amounts	**£'000**	£'000
Property	**525**	573
Motor Vehicles	**74**	124
Total	**599**	697
Depreciation		
Property	**105**	101
Motor Vehicles	**52**	32
Total	**157**	133

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.

21 Lease liabilities (continued)

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:

	2023	2022
	£'000	£'000
Current lease liabilities (see note 18)	**140**	131
Non-current lease liabilities	**520**	617
Total lease liabilities	**660**	748

Future minimum lease payments at 31 December 2023 were as follows:

	Minimum lease payments due			
	Within 1 year	**1 to 5 years**	**After 5 years**	**Total**
31 December 2023	£000	£000	£000	£000
Lease payments	166	478	96	740
Finance charges	(26)	(52)	(2)	(80)
Net present value	140	426	94	660
31 December 2022				
Lease payments	160	598	97	855
Finance charges	(29)	(76)	(2)	(107)
Net present value	131	522	95	748

Total cash outflow for the year ended 31 December 2023 was £172,000 (2022: £151,000).

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 2023 was £45,000 (2022: £111,000). At the year end the Group was committed to short-term leases and the total commitment at that date was £5,000 (2022: £10,000).

22 Deferred tax

Deferred tax assets/(liabilities) recognised by the Group at 31 December 2023 and 31 December 2022 are as follows:

Deferred tax asset/(liability)	2023 £'000	Restated 2022 £'000
Accelerated Capital Allowances	**(20)**	(55)
Right of Use Asset (IFRS 16)	**(149)**	(174)
Lease Liability (IFRS 16)	**166**	187
Short term temporary differences	**1,147**	231
Equity settled share options	**-**	21
	1,144	210

As a result of the IAS 12: Income Taxes amendment effective for periods commencing on or after 1 January 2023, the 2022 financial statements have been restated for the recognising of the deferred tax asset and deferred tax liability associated with the IFRS 16 leases.

	2023 £'000	Restated 2022 £'000
(Credit)/charge to profit and loss		
Accelerated Capital Allowances	**(35)**	18
Short term temporary differences	**(1,003)**	(787)
Equity settled share options	**21**	112
Total (see note 9)	**(1,017)**	(657)

Included in the 2023 deferred tax balance is $222k for the provision of tax losses related to the US business (2022: $349k).

23 Equity

	Number of ordinary shares of £0.01 each	Share capital £'000	Share premium £'000
Allotted, called up and fully paid			
At 1 January and 31 December 2023	**48,392,178**	**484**	**6,332**

No shares were issued in the year to 31 December 2023.

24 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.

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

	2023		2022	
	Weighted average exercise price per share in pence	**Options number**	**Weighted average exercise price per share in pence**	**Options number**
Outstanding at 1 January	**212.6**	**805,063**	306.8	737,930
Granted	**-**	**-**	1.0	212,000
Settled	**-**	**-**	451.3	(110,783)
Lapsed	**59.7**	**(133,747)**	247.3	(21,940)
Exercised	**-**	**-**	1.0	(12,144)
Outstanding at 31 December	**243.0**	**671,316**	212.6	805,063
Exercisable at 31 December	**288.4**	**565,317**	282.4	529,982

There were no options granted in the year, the weighted average fair value of equity-settled options issued in the prior year was 275.3p.

There no options exercised in the year ended 31 December 2023, the weighted average share price at the date of exercise of options during the year ended 31 December 2022 was 335.0p.

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

2023

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	15
Starting from March 2020	31 March 2024	270.0	323,627	3
Starting from March 2020	31 March 2026	270.0	29,320	27
Starting October 2020	30 September 2025	335.0	25,000	21
Starting from May 2022	1 May 2026	291.0	111,300	28
Starting from March 2023	1 December 2025	1.0	1,104	23
Starting April 2024	20 December 2032	1.0	106,000	108
		243.0	**671,316**	**26.8**

24 Share based payments (continued)

2022

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	27
Starting from March 2020	31 March 2024	270.0	334,712	15
Starting from March 2020	31 March 2026	270.0	29,320	39
Starting October 2020	30 September 2025	335.0	25,000	33
Starting from May 2022	1 May 2026	291.0	128,100	40
Starting from March 2023	1 December 2025	1.0	966	35
Starting April 2024	20 December 2032	1.0	212,000	120
		212.6	**805,063**	**49**

The fair value of equity-settled share-based payments, without a market based performance condition, have been calculated using the Black-Scholes option pricing model. The fair value of equity-settled share-based payments, with a market based performance condition, have been calculated using the binomial 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.

The following assumptions were used in the model for equity-settled options granted during the year ended 31 December 2022:

Number granted	**212,000**
Grant date	**Dec 22**
Share price at grant date (pence)	**300.0**
Exercise price (pence)	**1.0**
Fair value per option (pence)	**275.3**
Expected life in years	**3.3**
Expected volatility (%)	**18.4**
Risk-free interest rate (%)	**3.5**
Dividend yield (%)	**2.5**

24 Share based payments (continued)

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

	2023		2022	
	Weighted average exercise price per share in pence	Options number	Weighted average exercise price per share in pence	Options number
Outstanding at 1 January	-	-	322.0	78,000
Cancelled	-	-	322.0	(39,250)
Lapsed	-	-	322.0	(38,750)
Outstanding at 31 December	-	-	-	-
Exercisable at 31 December	n/a	n/a	n/a	n/a

At 31 December 2022 and 2023 Quartix Technologies plc had no outstanding cash-settled options.

25 Notes to the cash flow statement

Cash flow adjustments and changes in working capital

	Notes	2023 £'000	2022 £'000
(Loss)/profit before tax		**(1,077)**	5,530
Foreign exchange		**25**	(256)
Depreciation	4, 13	**233**	257
Loss on disposal of fixed asset		**-**	29
Interest income	7	**(10)**	(8)
Lease interest expense	8	**31**	31
Share based payment expense		**78**	92
Impairment	11	**2,695**	-
Operating cash flow before movement in working capital		**1,975**	5,675
(Increase)/decrease in trade and other receivables		**(599)**	(516)
(Increase)/decrease in contract cost assets		**(1,157)**	(524)
(Increase)/decrease in inventories		**579**	(659)
(Decrease)/Increase in trade and other payables		**3,504**	(99)
(Decrease)/Increase in contract liabilities		**163**	293
Cash generated from operations		**4,465**	4,170

26 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:

	2023	2022
	£’000	£’000
1 January	**748**	763
Non-cash: (Disposals)/addition	**84**	136
Cash-flows: Repayment	**(172)**	(151)
31 December (see note 21)	**660**	748

27 Related party transactions and controlling related party

The Group’s related parties comprise its Board of Directors and its key management (see note 6). There were no related party transactions with Directors to disclose other than dividends received based on shareholdings disclosed in the Directors’ Remuneration Report on page 36 and note 6.

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

28 Purchase commitments and contingent liabilities

Quartix Limited has signed agreements with suppliers which commit the Group to purchase inventory to the value of £0.9m (2022: £1.2m).

Short term lease commitment at year end is £5k rental on a property (2022: £10k).

There were no other financial commitments or contingent liabilities at 31 December 2023 or 31 December 2022.

29 Capital commitments

The Group had no capital commitments as at 31 December 2023 or 31 December 2022.

30 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:

	2023	2022
	£’000	£’000
Financial assets		
Trade receivables and other receivables	**3,646**	3,339
Cash and cash equivalents	**2,380**	5,063
	6,026	8,402

30 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 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 2023, the Group purchased about $1.2m, primarily to purchase components for the vehicle tracking units (2022: $2.0m).

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 £194,000 and vice versa (2022: £87,000). (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 £60,000 and vice versa (2022: £15,000).

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

	2023			2022		
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
	US$	**€**	**zl**	US$	€	zl
Cash and cash equivalents	**203**	**1,046**	**(4)**	361	996	(1)
Trade receivables	**417**	**1,053**	**-**	-	921	4
Trade payables	**(232)**	**(654)**	**-**	(433)	(675)	-
	388	**1,445**	**(4)**	(72)	1,242	3

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 strengthened by 5.9% from 31 December 2022 to 31 December 2023 (2022: fell by 10.7%). The total translation reserve movement for the year reported in the Consolidated Statement of Changes in Equity was a credit of £42,000 (2022: debit £169,000). The majority of this movement related to the retranslation of Quartix Inc's opening net liabilities as at 1 January 2023.

30 Risk management objectives and policies (continued)

Currency risk (continued)

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 loss of around £39,000 (2022: £53,000) 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 £79,000 (2022: £163,000).

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 2023, the Group's non-derivative financial liabilities that have contractual maturities of more than 12 months are lease liabilities; see note 21 for the maturity analysis of lease liabilities.

31 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:

	2023	2022
	£'000	£'000
Financial assets held at amortised cost		
Trade and other receivables	**3,646**	3,339
Cash and cash equivalents	**2,380**	5,063
	6,026	8,402

	2023	2022
	£'000	£'000
Financial liabilities measured at amortised cost		
Trade and other payables	**6,935**	3,254
Lease liabilities	**660**	748
	7,595	4,002

32 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:

	2023	2022
	£'000	£'000
Capital		
Total equity	**16,332**	20,897
Less cash and cash equivalents	**(2,380)**	(5,063)
	13,952	15,834
Overall financing		
Total equity	**16,332**	20,897
Lease liabilities	**660**	748
	16,992	21,645
Capital-to-overall financing ratio (%)	**82.1**	73.2

33 Acquisition note

On 15 September 2023, the Group acquired 100% of the share capital in Konetik Deutschland GmbH (Konetik), a company incorporated and registered in Germany, for a consideration payable in cash.

The assets and liabilities that were acquired were as follows:

		Fair Value £'000
Purchase consideration:		
Cash on completion date		**1,933**
Deferred consideration		**617**
Fair Value of total purchase consideration		**2,550**
Acquired tangible net assets		
Fixed Assets	3	
Working capital	(62)	
Net (debt)/cash	(17)	
	(76)	
Excess consideration for allocation		**2,626**
Identified intangible asset		
Technology IP	231	
Deferred tax on technology IP	(69)	
	162	
Residual goodwill		**2,464**

Konetik contributed approximately £30k of revenue and approximately £500k operating loss to the Group's loss before tax for the period between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial year, the impact on group revenues would have been £140k and loss of £370k, before any additional amortisation expense recognised on consolidation of the intangible software asset acquired.

Included in the post-acquisition period were payroll costs associated with 3 former shareholders of the business including sign-on bonuses for each staff member. These payroll costs have been included in admin expenses and account for £400k of the post-acquisition business costs of the Konetik/EVolve business.

Total acquisition related costs incurred were approximately £100k of legal fees, these have been included in admin expenses and recognised as an expense in the period in Quartix Limited and included as a Konetik cost in the financial review table in the Chairmans Statement on page 6.

The goodwill of £2.5m arising from the acquisition relates to the assembled workforce and to expected future profitability, potential synergies and growth expectations that were considered reasonable at the time of acquisition.

33 Acquisition note (continued)

A third-party expert performed a detailed review of the acquired intangible assets and acquired customer relationships. The customer relationships intangible asset was considered to be negligible given the negative margins associated with the customer relationships as the business is loss making and is considered to be for the foreseeable future. The key assumptions in the valuation of the intangible assets acquired and the workforce are the growth rate which was 10% following the financial year 2025 and a discount rate of 13.2%. Both considered to be reasonable assumptions.

The deferred tax liability recognised on consolidation as a result of the software asset acquired has been calculated using the current applicable tax rate of 25%. However referring to note 11, following internal reviews conducted in 2023 there were impairment indicators on the valuation of both the goodwill recognised on consolidation and the software asset, as a result these have both been written down in full and the related deferred tax liability recognised on consolidation has been charged to the profit and loss in the year.

Deferred Consideration
The deferred consideration is made up of two elements, a hold back amount of £0.2m which is due and payable twelve months after the acquisition date. And 4 earn out payments totalling £0.4m paid in six month intervals to the three staff members, who were former shareholders of the business. This is considered to be additional consideration as staying in the employ of the business is not a condition for payment of the earn out. The earn out payments are calculated as 100 EUR for all EVolve licences sold by Quartix in a six month period, and this total amount is then split proportionally between the three former shareholders.

At acquisition date the fair value of the earn out payments were considered to be approximately £428k however prior to the year end, after the shift in focus in the sales team and the poorer performance than expected with EVolve sales, the fair value of the future earn out payments were re-estimated, resulting in a fair value gain of £312k. Total deferred consideration measured at the end of the year is therefore a holdback amount of £0.2m and the fair value of the earn out payments £0.1m, totalling £0.3m of which £0.2m is due to be paid in the next 12 months and the balance of £0.1m is due to be paid in 2025 (note 18).

The financial year for Konetik coincides with the financial year of the Group, therefore the current financial year for Konetik's own 2023 financial statements will also be from 1 January 2023 to 31 December 2023.

34 Post Balance Sheet Events

During 2023 the Group incorporated a new company in France called Quartix SASU. As at 1 January 2024 the net assets of the French branch business which has been included as part of the Quartix Limited statutory results, was contributed to Quartix SASU.

As stated in the Chairman Statement, after the year end the senior management team reviewed the future of Konetik, and considered that the most financially viable option for the Group was to begin proceedings to wind down Konetik. The costs anticipated to be incurred in 2024 for remaining operating costs, remaining capital payments and closure costs is considered to be approximately €700k.

Parent Company Statement of Financial Position

Company registration number 06395159

	Notes	2023 £'000	2022 £'000
Fixed assets			
Investments	4	**20,334**	20,256
Current assets			
Debtors	5	**104**	363
Current tax asset		**40**	54
Cash at bank and in hand		**134**	100
Total current assets		**278**	517
Creditors – amounts falling due within one year	6	**(3,954)**	(115)
Net current (liabilities)/assets		**(3,676)**	402
Total assets less current liabilities		**16,658**	20,658
Net assets		**16,658**	20,658
Capital and reserves			
Share capital	7	**484**	484
Share premium account	7	**6,332**	6,332
Equity reserve		**392**	342
Capital redemption reserve		**4,663**	4,663
Retained earnings		**4,787**	8,837
Total equity attributable to equity shareholders of Quartix Technologies plc		**16,658**	20,658

No Statement of profit and loss is presented for Quartix Technologies plc as provided by section 408 of the Companies Act 2006. Profit/(loss) for the year and total comprehensive income attributable to the equity shareholders of Quartix Technologies plc was (£303,000) (2022: profit of £4,821,000).

Approved by the Board of Directors, authorised for issue and signed on behalf of the Board on 1 March 2024.

Emily Rees
Chief Financial 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 2021	**484**	**6,332**	**4,663**	**379**	**7,998**	**19,856**
Shares issued	**-**	**-**	**-**	**-**	**-**	**-**
Increase in equity reserve in relation to options issued	-	-	-	93	-	93
Adjustment for settled options	-	-	-	(85)	85	-
Recycle of equity reserve to P&L reserve	-	-	-	(45)	45	-
Dividend paid	-	-	-	-	(4,112)	(4,112)
Transactions with owners	**-**	**-**	**-**	**(37)**	**(3,982)**	**(4,019)**
Profit for the year and total comprehensive income	-	-	-	-	4,821	4,821
Balance at 31 December 2022	**484**	**6,332**	**4,663**	**342**	**8,837**	**20,658**
Shares issued	**-**	**-**	**-**	**-**	**-**	**-**
Increase in equity reserve in relation to options issued	-	-	-	78	-	78
Recycle of equity reserve to P&L reserve	-	-	-	(28)	28	-
Dividend paid	-	-	-	-	(3,775)	(3,775)
Transactions with owners	**-**	**-**	**-**	**50**	**(3,747)**	**(3,697)**
Loss for the year and total comprehensive income	-	-	-	-	(303)	(303)
Balance at 31 December 2023	**484**	**6,332**	**4,663**	**392**	**4,787**	**16,658**

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 2023 and the year ended 31 December 2022. 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 which starts on pages 56~57.

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 option pricing model where there is no market based performance condition, whilst the binomial option pricing model is used to account assess the fair value for options with a market-based performance 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:

	2023	2022
	£'000	£'000
Audit fees – statutory audit	**36**	36

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

3 Directors and employees

Staff costs, including Directors, comprised the following:

	2023	2022
	£'000	£'000
Wages and salaries	**196**	154
Social security costs	**19**	19
	215	173

The average number of employees for the company, being the Non-Executive Directors only, during the year was 3 (2022: 3).

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 2022	**20,256**
Increase due to granting of share options to subsidiary employees:	
New investments	-
At 1 January 2023	**20,256**
Increase:	
Due to share options held by subsidiary employees	**78**
Investment in subsidiary	
Decrease:	
Impairment of investment	**-**
Net book amount at 31 December 2023	**20,334**

4 Investments – non-current

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
Quartix SASU	France	Ordinary shares	100%	Vehicle Tracking

See note 12 of the consolidated financial statements for details of the registered offices for the above subsidiaries.

5 Debtors

	2023 £'000	2022 £'000
Social security and other taxes	**24**	5
Prepayments	**15**	17
Amounts owed by subsidiary undertakings	**65**	341
	104	363

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 £0.1m (2022: £0.3m) which is repayable on or before 31 December 2023 but can be extended by mutual agreement. Interest was charged quarterly at 1.7% per quarter on the quarter end balance.

6 Creditors: amounts falling due within one year

	2023	2022
	£'000	£'000
Social security and other taxes	**4**	-
Accruals and deferred income	**54**	90
Amounts owed to subsidiary undertakings	**3,896**	25
	3,954	115

The amount owed to subsidiary undertakings relates to the current account with Quartix Limited. The movement in the year reflects no dividend declaration in the year 2023 (2022: £5.1m).

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 and 31 December 2023	**48,392,178**	**484**	**6,332**

Details of movements in share options and those outstanding at 31 December 2023 are disclosed in note 24 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 35~36) and key management remuneration in note 6 of the Group accounts.

9 Contingent liabilities

There are no material contingent liabilities subsisting at 31 December 2023 or 31 December 2022.

10 Financial commitments

The Company had no financial commitments at 31 December 2023 or 31 December 2022.

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:

	2023	2022
	£'000	£'000
Financial Assets		
Cash and cash equivalents	**134**	100
Amounts owed by subsidiary undertakings	**65**	341
	199	441

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 £0.1m (2022: £0.3m) which is repayable on or before 31 December 2023 but can be extended by mutual agreement. Interest was charged quarterly at 1.7% 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:

	2023	2022
	£'000	£'000
Financial assets		
Cash at bank	**45**	17
Amounts owed by subsidiary undertakings	**65**	341
	110	358

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

Notice of Annual General Meeting

Notice is hereby given that the tenth Annual General Meeting (the "Meeting") of Quartix Technologies plc will be held on **Wednesday 27 March 2024** at **11.30 am** at the Company's registered offices No.9 Journey Campus, 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 2023.
2. To approve and declare a final dividend for the year ended 31 December 2023 of 1.50p per ordinary share and no supplementary dividend, a total final dividend of 1.50p per share. This will be paid on 29 April 2024 to shareholders on the register as at the close of business on 2 April 2024.
3. To re-elect Emily Rees as a Director who, in accordance with the Company's Articles of Association, retires as a Director and is eligible for re-election.
4. To elect Andrew Walters 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 elect Alison Seekings 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
6. To elect Ian Spence 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
7. To re-appoint PKF Littlejohn LLP as the auditors of the Company until the end of the next Annual General Meeting.
8. To authorise the Directors to determine the remuneration of the auditors.
9. To give the Directors general and unconditional authorisation for the purposes of section 551 and 573 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 £161,241 (representing approximately 33% of the issued share capital of the Company as at 1 March 2024) 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 2024, whichever is earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities (as defined in section 560 of the Act) to be allotted after such expiry and the Directors may allot such securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired; and all prior authorities to allot securities (to the extent unutilised) be revoked, but without prejudice to the allotment of any shares or securities already made or to be made pursuant to such prior authorisation.

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

10. That the Directors be and are empowered, pursuant to section 570 of the Companies Act 2006 (the "Act"), to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred upon them by resolution 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 £24,186, representing approximately 5% of the ordinary share capital in issue as at 1 March 2024.

This power shall expire at the conclusion of the next Annual General Meeting of the Company or 30 June 2024, whichever is the earlier, unless previously varied, revoked or renewed by the Company in general meeting provided that the Company may, before such expiry, make any offer or agreement which would or might require securities to be allotted, or treasury shares sold, after such expiry and the Directors may allot securities or sell treasury shares pursuant to any such offer or agreement as if the power conferred had not expired; and all prior powers granted under section 570 of the Act shall be revoked provided that such revocation shall not have retrospective effect.

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

a. The maximum aggregate number of ordinary shares which may be purchased is 2,418,609 (representing approximately 5% of the ordinary share capital in issue as at 1 March 2024);
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 2024, 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 1 March 2024.

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 attend and 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 6.00pm on 25 March 2024. 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 11.30 am (UK time) on 27 March 2024 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 11.30 am on 25 March 2024;
- by completing and returning a hard copy proxy form to Link Group at PXS1, Central Square, 29 Wellington Street, Leeds LS1 4DL to be received by 11.30 am on 25 March 2024;
- 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 11.30 am on 25 March 2024; or
- If you are an institutional investor by using the Proxymity platform as described in Note 12 below.

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. 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 & International 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 11.30 am on 25 March 2024. 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 & International 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 Appointment of Proxies via Proxymity: If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 11.30 am on 25 March 2024 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.

13 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.

14 As at 1 March 2024 (being the latest practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 48,392,178 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 1 March 2024 are 48,392,178.

15 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

16 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 11:15 am on the day of the Meeting until the conclusion of the Meeting:

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

17 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, No.9 Journey Campus, Castle Park, Cambridge CB3 0AX or investors@quartix.net

Quartix

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