

# UNAUDITED INTERIM RESULTS TO 30 JUNE 2014 FOR Quartix Holdings plc

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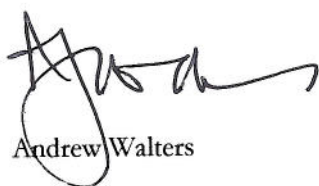
The unaudited interim results to 30 June 2014 for Quartix Holdings plc are set out below:

## Statement of directors' responsibilities

The directors are responsible for preparing the interim financial report, in accordance with applicable law and regulations.

As permitted this Interim Report has been prepared in accordance with UK AIM Rules for Companies and not in accordance with IAS 34 "Interim Financial Reporting"; it should be read in conjunction with the annual financial statements for the year to 31 December 2013. The directors confirm that to the best of their knowledge the interim financial statements have been prepared in a manner consistent with the accounting policies set out in the statutory accounts for the financial year ending 31 December 2013.

By order of the Board of Directors on 2 September 2014.



Andrew Walters

Director



**Quartix Holdings plc**  
*("Quartix" or "the Company")*

**Interim Results**

Quartix, a leading UK supplier of vehicle tracking systems and services to the fleet and insurance markets, announces its unaudited results for the 6 months ended 30 June 2014:

**Financial Highlights:**

	<b>Six months to 30 June 2014 Unaudited</b>	<b>Six months to 30 June 2013 Unaudited</b>	<b>Year to 31 December 2013 Audited</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Revenue	7,403	6,204	13,180
Gross profit	4,832	4,044	8,590
Gross profit %	65.2	65.2	65.2
Operating profit before exceptional gains	2,512	2,189	4,713
Cash generated from operations	3,393	2,158	5,014
Profit before tax	3,099	2,140	4,605

**Business Highlights:**

- Revenue growth of 19.3% compared with 2013
- Operating profit growth of 14.8%
- High-margin fleet business accounted for 83% of growth
- Fleet customer based increased by 462 to 5,830 in first six months
- Fleet units under current subscription increased by 4,698 to 53,206
- 15,500 insurance units sold
- First dividend payment of £2.78m to ordinary shareholders in June 2014, following redemption of £4.38m of preference shares in 2013.

**Operational Highlights:**

- Product approvals for USA obtained in February, sales office opened in April.
- 17 customers in the USA achieved by end of June 2014.
- Distribution and direct sales teams for the UK and France strengthened through recruitment.
- Initial settlement for interest rate hedging products taken out in 2008 and 2010.
- Further insurance launch completed in second quarter.

**Managing director's report***Sales*

Quartix achieved sales of £7.4m for the first six months of 2014 (2013: £6.2m). The core fleet-tracking business achieved a sales increase of 23% to £5.32m and growth overall was 19% compared with last year.

*Operating profit and dividend*

Despite the significant investments made in R&D, market development and recruitment, which are discussed in more detail below, operating profit increased by 14.8% to £2.5m for the period, and this result was matched by operating cash-flow before exceptional items.

A first dividend of £2.78m was paid on 30th June 2014 to ordinary shareholders on the register as at the end of May. This followed the final redemption payments made to preference shareholders in 2013, which totalled £4.38m.

*USA Launch*

The most significant milestone for the Company during the period was the launch of its fleet tracking service in the United States. This marked the culmination of several concurrent developments:

- The development and approval of the TCSV10 tracking system for use on American GSM networks (FCC approval and PTCRB listing were achieved in February).
- The enhancement of the Company's commercial, planning, marketing and reporting systems for US accounting and sales-tax requirements
- The development of a multi-time-zone application and database platform, which is now independent of the UK and French platforms to allow relocation and future growth.

A small office was established in Chicago ([www.quartix.com](http://www.quartix.com)) in April 2014 and two sales representatives were recruited the same month. The Company is maintaining a cautious approach to market testing in the short term based on the use of price comparison sites, following which it will implement the same marketing methods as it uses elsewhere. All back-office, accounting and logistics functions for the USA are handled from the office in Newtown, UK.

By the end of June 2014 installations had been completed for a total of 17 customers, from which the largest order was for a housing association in Illinois for a total of 37 units. Initial customer reaction to the product has been positive, and some repeat orders and referrals have already been received.

The website structure, design, database and application framework put in place for the US launch have now been applied to the UK, providing a consistent approach which will also be used for France.



*UK market development*

Quartix reached a milestone of having 5,000 fleet customers in the UK by the end of the period. Prospects for further growth remain strong and the Company has continued to invest in a number of initiatives in its core channels to market, including: direct telephone sales, field sales, third-party distributors and price-comparison websites. Increasingly these functions are backed by advertising, research and marketing resources to generate new prospect data. A corporate sales function was also established during the period to target larger fleets, and this was supported by the appointment of a third-party lead-generation company.

New UK business during the period included new and repeat orders from the private, public and charity sectors.

*French market development*

The French sales team at the Newtown office was strengthened in January 2014 with the appointment of two telesales managers, who now lead the sales teams for the north and south of the country.

A distribution sales manager was also appointed for France, with responsibility for the recruitment, appointment and training of new distributors.

As a consequence of these initiatives, prospects for both direct and indirect sales in France look encouraging at the half-year point: Quartix now has over 700 fleet customers, accounting for more than 4,000 vehicles.

*Fleet base subscriber attrition*

Attrition, defined as tracking system subscriptions lost (for all reasons, including customer insolvency or liquidation) during the period divided by the mean subscription base (using the mid-point between the start and end subscription base) was 5.2%, or 10.4% on an annualised basis. We believe the industry norm to be around 14-15%.

It is difficult to achieve a precise comparison with peers as some of them dilute attrition by crediting gains through repeat orders. We believe that the measure we use is objective and can be applied consistently.

The broad customer and sector base to our fleet business, coupled with the potential for repeat orders and high gross margins, underpin the value to us of the investments in R & D and market development that we make.

*Insurance*

The Company installed 15,500 tracking systems for its insurance customers, following installations of 29,100 for the whole of 2013. We believe that this represents circa 10% of the telematics-based policies sold in the UK, and that the Company is now a leading provider of technology and services to this sector.

Our experience of this market over the past 4 years has been that attrition levels are significantly higher than those for the fleet market (given the propensity of young drivers to buy insurance based solely on price from web-based aggregators).

Insurance telematics sales are therefore considered as a hardware sale with relatively little scope for long-term service revenues. The attraction to Quartix of this market is essentially in the economies of scale it brings to the fleet business, the relationship enjoyed with key suppliers and the opportunity to develop innovative technology in the field of crash detection and driving style scoring which may then be incorporated in the fleet product offering.

*Continuing R & D programmes**Crash detection*

Following the research programme conducted last year, which resulted in the filing of two patent applications, Quartix has been working closely with its insurance clients in the application of this technology. This relates mainly to the provision of real-time crash alerts based on a sophisticated and powerful suite of filters. These filters go beyond the shape, amplitude and properties of the accelerometer crash pulse to look at behavioural and speed characteristics in the periods running up to, during and following the impact. This work has been essential in helping distinguish between the g-forces produced in false alerts (such as driving over pot-holes) and the pulse generated by a crash.

*Road speed analysis*

The Company has continued to invest in this programme, which analyses and models actual road speed distributions for the fleet vehicles it tracks over the UK road network. In this way Quartix continues to enhance the driving style reports it offers its commercial customers, particularly with regard to reducing risk and fuel costs in their businesses.

*TCSV11*

Using feedback and knowledge gained from its crash detection development programme, as well as its collaborative development with insurance clients, the next generation of Quartix's telematics device has been specified and reached the prototype stage during the period. Expected production release is during the first half of 2015.

*Mobile Apps*

Quartix released mobile tracking applications for iOS, Android and Microsoft environments in the course of the first half. The iOS app, which was the first to be launched in January, has already been downloaded more than 14,000 times – representing 2.5 downloads per customer.

*Application development*

Application development continues to be focused on the business needs of our customers in the areas of cost and risk reduction and in providing information for the systems that they use in processing payroll, and in reporting on employee and corporate taxation.



# Independent review report to the directors of Quartix Holdings plc - Company number 06395159

## Introduction

We have been engaged by the Company to review the financial information in the half-yearly financial report for the six months ended 30 June 2014 which comprises the interim consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes. We have read the other information contained in the half yearly financial report which comprises the Statement of Directors' Responsibilities, Interim Results, Business and Operational Highlights and Managing Directors Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements. This report is made solely to the Company in accordance with guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in a review 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, for our review work, for this report, or for the conclusion we have formed.

## Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The AIM rules of the London Stock Exchange require that the accounting policies and presentation applied to the financial information in the half-yearly financial report are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts.

As disclosed in Note 2, the annual financial statements of the Quartix Holdings Limited are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The financial information in the half-yearly financial report has been prepared in accordance with the basis of preparation in Note 2.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the financial information in the half-yearly financial report based on our review.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with the basis of accounting described in Note 2.

*Grant Thornton UK LLP*

Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants

Cambridge

2 September 2014

## Consolidated statement of comprehensive income

		Six months to 30 June 2014 Unaudited	Six months to 30 June 2013 Unaudited	Year to 31 December 2013 Audited
	Notes	£'000	£'000	£'000
<b>Revenue</b>	3	<b>7,403</b>	6,204	13,180
Cost of sales		(2,571)	(2,160)	(4,590)
<b>Gross profit</b>		<b>4,832</b>	4,044	8,590
Administrative expenses		(2,320)	(1,855)	(3,877)
<b>Operating profit</b>		<b>2,512</b>	2,189	4,713
Exceptional items	4	635	-	-
Finance income receivable		8	5	12
Finance costs payable		(56)	(54)	(120)
<b>Profit for the period before taxation</b>		<b>3,099</b>	2,140	4,605
Tax expense		599	382	742
<b>Net profit for the period and total comprehensive income attributable to the equity shareholders of Quartix Holdings plc</b>		<b>2,500</b>	1,758	3,863
<b>Earnings per share (£)</b>	5			
Basic		5.40	3.80	8.35
Diluted		5.26	3.77	8.27
<b>Earnings per share (£) before exceptional items</b>	5			
Basic		4.38	3.80	8.35
Diluted		4.27	3.77	8.27

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

## Consolidated statement of financial position

	30 June 2014 Unaudited £'000	30 June 2013 Unaudited £'000	31 December 2013 Audited £'000
<b>Non-current assets</b>			
Goodwill	14,029	14,029	14,029
Property, plant and equipment	194	157	188
<b>Total non-current assets</b>	<b>14,223</b>	<b>14,186</b>	<b>14,217</b>
<b>Current assets</b>			
Inventories	273	475	220
Trade and other receivables	1,900	1,633	1,789
Cash and cash equivalents	409	849	779
	<b>2,582</b>	<b>2,957</b>	<b>2,788</b>
<b>Total assets</b>	<b>16,805</b>	<b>17,143</b>	<b>17,005</b>
<b>Current liabilities</b>			
Trade and other payables	4,209	3,730	3,897
Current tax liabilities	595	375	441
	<b>4,804</b>	<b>4,105</b>	<b>4,338</b>
<b>Non-current liabilities</b>			
Borrowings and other payables	1,489	2,479	1,983
Deferred tax liabilities	29	19	24
	<b>1,518</b>	<b>2,498</b>	<b>2,007</b>
<b>Total liabilities</b>	<b>6,322</b>	<b>6,603</b>	<b>6,345</b>
<b>Net assets</b>	<b>10,483</b>	<b>10,540</b>	<b>10,660</b>
<b>Equity</b>			
Share capital	7 46	2,037	46
Share premium account	7 4,354	4,296	4,296
Capital redemption reserve	5,079	3,088	5,079
Share option reserve	50	-	6
Retained earnings	954	1,119	1,233
<b>Total equity attributable to equity shareholders of Quartix Holdings plc</b>	<b>10,483</b>	<b>10,540</b>	<b>10,660</b>



## Consolidated statement of changes in equity

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share options reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 31 December 2012</b>	4,426	4,296	699	-	1,750	<b>11,171</b>
Redemption of preference shares	(2,389)	-	2,389	-	(2,389)	<b>(2,389)</b>
Transactions with owners	2,037	4,296	3,088	-	(639)	<b>8,782</b>
Profit for the period and total comprehensive income	-	-	-	-	1,758	<b>1,758</b>
<b>Balance at 30 June 2013</b>	2,037	4,296	3,088	-	1,119	<b>10,540</b>
Redemption of preference shares	(1,991)	-	1,991	-	(1,991)	<b>(1,991)</b>
Increase in equity reserve in relation to options issued	-	-	-	6	-	<b>6</b>
Transactions with owners	46	4,296	5,079	6	(872)	<b>8,555</b>
Profit for the period and total comprehensive income	-	-	-	-	2,105	<b>2,105</b>
<b>Balance at 31 December 2013</b>	46	4,296	5,079	6	1,233	<b>10,660</b>
Shares issued	-	58	-	-	-	<b>58</b>
Increase in equity reserve in relation to options issued	-	-	-	44	-	<b>44</b>
Dividends to equity holders of the company	-	-	-	-	(2,779)	<b>(2,779)</b>
Transactions with owners	46	4,354	5,079	50	(1,546)	<b>7,983</b>
Profit for the period and total comprehensive income	-	-	-	-	2,500	<b>2,500</b>
<b>Balance at 30 June 2014</b>	46	4,354	5,079	50	954	<b>10,483</b>

## Consolidated statement of cash flows

		Six months to 30 June 2014 Unaudited £'000	Six months to 30 June 2013 Unaudited £'000	Year to 31 December 2013 Audited £'000
	Note			
<b>Cash generated from operations</b>	6	3,393	2,158	5,014
Taxes paid		(441)	(315)	(619)
<b>Cash inflow from operating activities</b>		<b>2,952</b>	<b>1,843</b>	<b>4,395</b>
<b>Investing activities</b>				
Additions to property, plant and equipment		(44)	(44)	(108)
Interest received		8	5	12
<b>Cash outflow from investing activities</b>		<b>(36)</b>	<b>(39)</b>	<b>(96)</b>
<b>Financing activities</b>				
Proceeds from share issues	7	58	-	-
Redemption of preference shares		-	(2,389)	(4,380)
Dividends paid to Company's shareholders		(2,779)		
Repayment of long term borrowings		(500)	(500)	(1,000)
Increase in long term borrowings		-	1,000	1,000
Interest paid		(65)	(57)	(131)
<b>Cash outflow from financing activities</b>		<b>(3,286)</b>	<b>(1,946)</b>	<b>(4,511)</b>
Net changes in cash and cash equivalents		<b>(370)</b>	<b>(142)</b>	<b>(212)</b>
Cash and cash equivalents, beginning of period		779	991	991
<b>Cash and cash equivalents, end of period</b>		<b>409</b>	<b>849</b>	<b>779</b>

# Notes to the financial information (unaudited)

## 1 General information

Quartix Holdings plc (‘the Company’) and its subsidiaries (together ‘the Group’) specialises in the design, development and marketing of vehicle tracking devices and the provision of related data services.

The Company was re-registered as a public company on 31 July 2014 and is incorporated and domiciled in the UK.

## 2 Basis of preparation

The financial information has been prepared in accordance with recognition and measurement principles of International Financial Reporting Standards (“IFRS”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations that had been published by 30 June 2014 as endorsed by the European Union (EU). The accounting policies adopted are consistent with those of the financial statements for the year ended 31 December 2013, as described in those financial statements. In preparing these interim financial statements the Board has not sought to adopt IAS 34 “Interim financial reporting”.

The figures for the six-month periods ended 30 June 2014 and 30 June 2013 have not been audited. The figures for the year ended 31 December 2013 have been extracted from, but do not constitute, the consolidated financial statements of Quartix Holdings plc for that year. Those financial statements have been delivered to the Registrar of Companies and included an auditors’ report, which was unqualified and did not contain a statement under Section 498(2) or Section 498(3) Companies Act 2006.

## 3 Segmental analysis

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

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

	Six months to 30 June 2014 Unaudited £’000	Six months to 30 June 2013 Unaudited £’000	Year to 31 December 2013 Audited £’000
<b>By customer base</b>			
Fleet	5,323	4,339	9,186
Insurance	2,080	1,865	3,994
	<b>7,403</b>	<b>6,204</b>	<b>13,180</b>
<b>Geographical analysis by destination</b>			
United Kingdom	7,032	5,938	12,588
Rest of Europe	369	266	592
USA	2	-	-
	<b>7,403</b>	<b>6,204</b>	<b>13,180</b>



**4 Exceptional items**

	Six months to June 2014 Unaudited £'000
Compensation for mis-sold hedging contracts	(763)
Professional fees relating to proposed Initial Public Offering	128
Exceptional items before taxation	(635)
Taxation on the above	164
Exceptional items post taxation	(471)

**5 Earnings per share**

The calculation of the basic earnings per share is based on the profits attributable to the shareholders of Quartix Holdings Plc divided by the weighted average number of shares in issue during the year. The fully diluted earnings per share is calculated in order to disclose the effect of outstanding share options in issue. All earnings per share calculations relate to continuing operations of the Group. Due to the size and nature of the exceptional items highlighted in note 4, earnings per share has been disclosed before Exceptional Items.

	Profits attributable to shareholders	Weighted average number of shares	Basic profit per share amount in £	Fully diluted weighted average number of shares	Diluted profit per share amount in £
	£'000				
<b>Period ended 30 June 2014</b>	<b>2,500</b>	<b>462,899</b>	<b>5.40</b>	<b>474,863</b>	<b>5.26</b>
Period ended 30 June 2013	1,758	462,475	3.80	466,013	3.77
Year ended 31 December 2013	3,863	462,475	8.35	467,128	8.27
Before exceptional items:					
<b>Period ended 30 June 2014</b>	<b>2,029</b>	<b>462,899</b>	<b>4.38</b>	<b>474,863</b>	<b>4.27</b>
Period ended 30 June 2013	1,758	462,475	3.80	466,013	3.77
Year ended 31 December 2013	3,863	462,475	8.35	467,128	8.27

**6 Reconciliation of cash generated from operations**

	Six months to 30 June 2014 Unaudited £'000	Six months to 30 June 2013 Unaudited £'000	Year to 31 December 2013 Audited £'000
<b>Net profit before taxation</b>	<b>3,099</b>	<b>2,140</b>	<b>4,605</b>
<b>Adjustments for:</b>			
Depreciation	38	26	59
Share based payments charge	44	-	6
Interest income	(8)	(5)	(12)
Interest expense	56	54	120
Operating Cash flows before movements in working capital	3,229	2,215	4,778
<b>Net changes in working capital:</b>			
(Increase)/decrease in inventories	(53)	(127)	128
(Increase) in trade and other receivables	(111)	(650)	(806)
Increase in trade and other payables	328	720	914
Cash generated from operations	3,393	2,158	5,014

**7 Share capital and share premium**

	Number of Preference shares of £1 each	Number of Ordinary shares of £1 each	Share Capital £'000	Share Premium £'000
<b>Allotted, called up and fully paid</b>				
At 1 January 2013	4,380,622	462,475	4,426	4,296
Shares redeemed at £1 for cash	(2,389,430)	-	(2,389)	-
At 30 June 2013	1,991,192	462,475	2,037	4,296
Shares redeemed at £1 for cash	(1,991,192)	-	(1,991)	-
At 31 December 2013	-	462,475	46	4,296
Shares issued	-	1,875	-	58
<b>At 30 June 2014</b>	-	464,350	46	4,354