Quartix

Quartix Holdings plc

PLACING AND ADMISSION TO AIM

Nominated Adviser & Broker

finnCap

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to immediately seek your own personal financial advice from an independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000, who specialises in advising on the acquisition of shares and other securities.

This document dated 29 October 2014 is an admission document required by the rules of AIM, a market operated by the London Stock Exchange plc (the "London Stock Exchange"). This document does not constitute an offer to the public in accordance with the provisions of Section 85 of the Financial Services and Markets Act 2000 ("FSMA") as amended by the Prospectus Regulations 2005 and is not a prospectus as defined in the AIM Rules for Companies. Accordingly, this document has not been examined or approved by the Financial Conduct Authority in accordance with such rules. Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of finnCap Ltd at 60 New Broad Street, London EC2M 1JJ for a period of one month from the date of Admission.

The Directors, whose names appear on page 10 of this document, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the entire issued and to be issued share capital of the Company to be admitted to trading on AIM. The Ordinary Shares are not dealt with on any other exchange. **AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules of Nominated Advisers. Neither the London Stock Exchange nor the Financial Conduct Authority has itself examined or approved the contents of this document. It is expected that Admission will take place, and dealings in the Ordinary Shares will commence on AIM, on 6 November 2014.**

The whole of this document should be read and, in particular, your attention is drawn to the section entitled "Risk Factors" in Part II of this document.

Quartix Holdings plc

(Incorporated and registered in England and Wales with Registered No. 6395159)

Placing of, in aggregate, 9,793,875 existing ordinary shares of £0.01 each at £1.16 per share

Admission to trading on AIM

Nominated Adviser and Broker

finnCap

Share capital immediately following Admission

	Issued and fully paid Number	*Issued and fully paid Amount*
Ordinary Shares of £0.01 each	*46,637,500*	*466,375*

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finnCap Ltd, which is authorised and regulated by the Financial Conduct Authority and is a member of the London Stock Exchange, is acting exclusively for the Company and no one else in connection with the Placing and the proposed Admission. finnCap Ltd will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of finnCap Ltd nor for providing advice in relation to the transactions and arrangements detailed in this document for which the Company and the Directors are solely responsible. The responsibilities of finnCap Ltd as the Company's nominated adviser and broker for the purposes of the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or any Director or to any other person in respect of his decision to acquire Ordinary Shares in reliance on any part of this document. finnCap Ltd is not making any representation or warranty, express or implied, as to the contents of this document and accordingly, without limiting the statutory rights of any recipient of this document, no liability is accepted by it for the accuracy of any information or opinions contained in this document or for the omission of any material information for which it is not responsible.

This document does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, Placing Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular the Placing Shares offered by this document have not been, and will not be, registered under the United States Securities Act of 1933 as amended (the "Securities Act") or qualified for sale under the laws of any state of the United States or under the applicable laws of any of other Restricted Territories and, subject to certain exceptions, may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of other Restricted Territories. Neither this document nor any copy of it may be distributed directly or indirectly to any persons with addresses in the United States of America (or any of its territories or possessions), other Restricted Territories, or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement.

The Placing is conditional, *inter alia*, on Admission taking place on or before 6 November 2014 (or such later date as the Company and finnCap may agree).The Placing Shares will, on Admission, rank in full for all dividends or other distributions hereafter declared, made or paid in the ordinary share capital of the Company and will rank *pari passu* in all other respects with all other Ordinary Shares which will be in issue on Admission.

IMPORTANT INFORMATION

Investment in the Company carries risk. There can be no assurance that the Company's strategy will be achieved and investment results may vary substantially over time. Investment in the Company is not intended to be a complete investment programme for any investor. The price of Ordinary Shares and any income from Ordinary Shares can go down as well as up and investors may not realise the value of their initial investment. Prospective Shareholders should carefully consider whether an investment in Ordinary Shares is suitable for them in light of their circumstances and financial resources and should be able and willing to withstand the loss of their entire investment (see further under "Part II: Risk Factors" of this document).

Potential investors contemplating an investment in Ordinary Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the Group. No assurance is given, express or implied, that Shareholders will receive back the amount of their investment in Ordinary Shares.

If you are in any doubt about the contents of this document you should consult your stockbroker or your financial or other professional adviser.

Investment in the Company is suitable only for financially sophisticated individuals and institutional investors who have taken appropriate professional advice, who understand and are capable of assuming the risks of an investment in the Company and who have sufficient resources to bear any losses which may result therefrom.

Potential investors should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Potential investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares that they might encounter; and (c) the income and other tax consequences that may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares. Potential investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Statements made in this document are based on the laws and practices currently in force in England and Wales, as applicable, and are subject to changes therein.

This document should be read in its entirety before making any investment in the Company.

Certain statements contained herein are forward looking statements and are based on current expectations, estimates and projections about the potential returns of the Group and industry and markets in which the Group will operate, the Directors' beliefs and assumptions made by the Directors. Words such as "expects", "anticipates", "should", "intends", "plans", "believes", "seeks", "estimates", "projects", "pipeline" and variations of such words and similar expressions are intended to identify such forward looking statements and expectations. These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. Therefore, actual outcomes and results may differ materially from what is expressed in such forward looking statements or expectations. Among the factors that could cause actual results to differ materially are: the general economic climate, competition, interest rate levels, loss of key personnel, the result of legal and commercial due diligence, the availability of financing on acceptable terms and changes in the legal or regulatory environment. The Company expressly disclaims any obligation to disseminate any updates to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by applicable law or the AIM Rules for Companies.

This document has been drawn up in accordance with the AIM Rules and it does not comprise a prospectus for the purposes of the Prospectus Regulations 2005 in the United Kingdom. It has been drawn up in accordance with the requirements of Directive 2003/71/EC (the "Prospectus Directive") only in so far as required by the AIM Rules and has not been delivered to the Registrar of Companies in England and Wales for registration.

This document has been prepared for the benefit only of a limited number of persons all of whom qualify as "qualified investors" for the purposes of the Prospectus Directive, to whom it has been addressed and delivered, and may not in any circumstances be used for any other purpose or be viewed as a document for the benefit of the public. The reproduction, distribution or transmission of this document (either in whole or in part) without the prior written consent of the Company and finnCap Ltd is prohibited.

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PLACING STATISTICS

Placing Price per Ordinary Share	116 pence
Number of Placing Shares being placed on behalf of Selling Shareholders	9,793,875
Number of Ordinary Shares in issue following Admission	46,637,500
Percentage of issued Share Capital represented by the Placing Shares	21 per cent.
Estimated expenses of Admission payable by the Company	£517,000
Market capitalisation of the Company at the Placing Price following Admission	£54.10 million
Gross proceeds receivable by the Selling Shareholders	£11.36 million
ISIN number	GB00BLZH2C83
SEDOL number	BLZH2C8
AIM "ticker"	QTX.L

EXPECTED PLACING AND ADMISSION TIMETABLE

Publication of this document	29 October 2014
Admission to AIM effective and expected commencement of dealings	8:00 am on 6 November 2014
Expected date for CREST accounts to be credited	6 November 2014
Expected date of despatch of definitive share certificates (as applicable)	14 November 2014

Notes:

1. Each of these dates is subject to change at the absolute discretion of the Company and finnCap

DEFINITIONS

"**Act**"	the Companies Act 2006 (as amended)
"**Admission**"	admission of the Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
"**AIM**"	the AIM market of the London Stock Exchange
"**AIM Rules**"	the rules of the London Stock Exchange from time to time which govern the admission to trading on and the operation of AIM
"**Articles**"	the articles of association of the Company, a summary of which is set out in paragraph 6 of Part IV of this document
"**Berg Insight Report**"	a research report produced by Berg Insight entitled "Fleet Management In Europe", Series 2013
"**Board**" or "**Directors**"	the board of directors of the Company
"**Code**"	the City Code on Takeovers and Mergers
"**Company**"	Quartix Holdings plc, incorporated and registered in England and Wales with registered number 6395159
"**CREST**"	the relevant system (as defined in the Uncertified Securities Regulations) for the paperless settlement of share transfers and the holding of shares in uncertificated form in respect of which Euroclear UK & Ireland is the operator (as defined in Uncertified Securities Regulations) in accordance with which securities may be held and transferred in uncertificated form
"**Director Shareholders**"	Andy Walters, David Bridge, Paul Boughton and David Warwick
"**DL Walters Trust**"	the settlement created by a deed dated 9 September 2014 made between Dominie Walters (as settlor) and Andy Walters, Dominie Walters and Robert Southgate as trustees
"**EMI Options**"	enterprise management incentive options granted under the EMI Scheme
"**EMI Scheme**"	a share option plan for employees of the Group relating to the grant of enterprise management incentive options which satisfy the provisions under Schedule 5 Income Tax (Earnings and Pensions) Act 2003
"**Existing Shareholders**"	the Shareholders prior to completion of the Placing
"**Euroclear UK & Ireland**" or "**Euroclear**"	Euroclear UK & Ireland Limited, the operator of CREST
"**Financial Conduct Authority**" or "**FCA**"	the UK Financial Conduct Authority
"**finnCap**"	finnCap Ltd of 60 New Broad Street, London EC2M 1JJ
"**FSMA**"	the UK Financial Services and Markets Act 2000 (as amended)

"**Group**" or "**Quartix**"	the Company and its operating subsidiaries Quartix Limited and Quartix, Inc
"**HMRC**"	HM Revenue and Customs
"**Issued Share Capital**"	the issued share capital of the Company
"**London Stock Exchange**"	London Stock Exchange plc
"**Lock-In Shareholders**"	the Director Shareholders and Ken Giles, Andrew Kirk, William Hibbert, Pauline Boughton, the DL Walters Trust and Dominie Walters
"**Memorandum**"	the memorandum of association of the Company
"**Nominated Adviser**" or "**Broker**"	finnCap
"**Nominated Adviser & Broker Agreement**"	the agreement dated 24 October 2014 between the Company and finnCap as described in paragraph 11 of Part IV of this document
"**Official List**"	the Official List of the UK Listing Authority
"**Ordinary Shares**" or "**Shares**"	ordinary shares of £0.01 each in the capital of the Company
"**Panel**"	the Panel on Takeovers and Mergers
"**Placees**"	those persons who have agreed to subscribe for the Placing Shares
"**Placing**"	the placing of the Placing Shares at the Placing Price pursuant to the Placing Agreement
"**Placing Agreement**"	the conditional agreement dated 29 October 2014 between the Company, the Directors, the Selling Shareholders and finnCap relating to the Placing, as described in paragraph 11 of Part IV of this document
"**Placing Price**"	116 pence per Placing Share
"**Placing Shares**"	9,793,875 Ordinary Shares held by the Selling Shareholders to be placed pursuant to the Placing
"**Restricted Territories**"	United States, Australia, Canada, Japan and South Africa
"**Selling Shareholders**"	Ken Giles, Andrew Kirk, Dominie Walters, Jeremy Bentham, Sean Maher, Selena Davies, Nia Williams and Ian Pawley, being those Existing Shareholders who are to sell the Placing Shares pursuant to the Placing, each of Quartix Holdings plc, Wellington House, East Road, Cambridge, CB1 1BH
"**Shareholders**"	holders of Ordinary Shares
"**Sterling**" or "**£**"	pounds sterling, the lawful currency of the United Kingdom
"UK" or "**United Kingdom**"	the United Kingdom of Great Britain and Northern Ireland
"**UK Listing Authority**"	the FCA in exercising its functions under Part VI of FSMA

"**uncertificated**" or "**in uncertificated form**"	recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"**US**" or "**United States**"	United States of America, its territories and possessions, any state of the United States and the District of Columbia
"**Warrant Instrument**"	the instrument executed as a deed poll authorising the Company to issue warrants to subscribe for Ordinary Shares, a summary of which is set out in paragraph 11 of Part IV of this document
"**Wunelli**"	Wunelli Limited

GLOSSARY OF TECHNICAL TERMS

CAGR	compound annual growth rate
FCC test compliance	manufacturers who wish to sell telecommunication products in the US must have their product tested by a Federal Communications Commission (FCC) listed or accredited lab certified by the FCC for compliance
Fleet	that business sector involving the supply of vehicle tracking systems and telematics data to owners or operators of vehicle commercial fleets, or that part of the Group's business that is directed at that sector
GPS	global positioning system
GPRS	general packet radio service
GSM	global system for mobile communications
Insurance	that business sector involving the supply of vehicle tracking systems and telematics data to providers of insurance or insurance services, or that part of the Group's business that is directed at that sector
LCV	light commercial vehicle
Mirrored Servers	mirroring decentralizes information on the internet by replicating data. It is also a type of file synchronization. A live mirror is automatically updated as soon as the original is changed, which depends on software used for synchronization, time setting, and bandwidth
PTCRB	the **PTCRB** was established in 1997 as the certification forum by North American cellular operators. Now a pseudo-acronym, it originally stood for “the Personal Communications Service Type Certification Review Board”
SMEs	small and medium-sized enterprises
SQL	structured query language, a programming language for managing and accessing data held on a database
Tri-axis Accelerometer	an electromechanical device that measure acceleration forces along three planes to provide 3D positioning

DIRECTORS, SECRETARY AND ADVISERS

Directors

Avril Palmer-Baunack (*Non-Executive Chairman*)
Andrew John Walters (*Managing Director*)
David Shaw Bridge (*Finance Director*)
Paul Victor Boughton (*Non-Executive Director*)
David James Warwick (*Non-Executive Director*)

All of whose business address is at the Company's registered and head office

Company Secretary
David Shaw Bridge

Registered Office
Wellington House, East Road,
Cambridge, CB1 1BH

Nominated Adviser and Broker
finnCap Ltd
60 New Broad Street
London, EC2M 1JJ

Legal Adviser to the Company
Hewitsons LLP
Shakespeare House, 42 Newmarket Road
Cambridge, CB5 8EP

Legal Adviser to the Nominated Adviser and Broker
CMS Cameron McKenna LLP
Mitre House
160 Aldersgate Street
London, EC1A 4DD

Auditor and Reporting Accountant
Grant Thornton UK LLP
101 Cambridge Science Park, Milton Road
Cambridge, CB4 0FY

Registrar and CREST Settlement Agent
Capita Registrars Limited
The Registry, 34 Beckenham Road
Beckenham, Kent, BR3 4TU

PART I

INFORMATION ON THE COMPANY

1. Introduction

Quartix is a leading supplier of subscription-based vehicle tracking systems, software and services in the UK, established in 2001. The Group provides an integrated tracking and telematics data analysis solution for fleets of commercial vehicles and "pay as you drive" motor insurance providers that is designed to improve productivity and lower costs by capturing, analysing and reporting vehicle and driver data.

As at 30 September 2014 the Group had over 6,000 commercial fleet customers generating over 56,000 active vehicle subscriptions. In addition to its Fleet customer base, Quartix provides the tracking systems used in the telematics-based policies operated by a number of major UK motor insurance providers representing more than 67,000 installations to date.

Quartix's vehicle tracking systems, which incorporate instrumentation to identify and transmit location, speed and acceleration data to the Group on a real-time basis, can be installed in a wide range of vehicles. The Group's proprietary software system provides business critical reporting and analysis of vehicle and driver data including timesheets and other customer KPIs to customers via any internet-enabled device. Vehicle tracking systems can either be purchased by the customer outright or rented on a monthly basis with no up-front cost and pricing is based on the level of functionality required.

As tracking technology and telematic data analysis have advanced, the functionality of vehicle tracking systems has increased making them more attractive and cost effective for end use customers. Consequently, the addressable markets in both the commercial fleet and telematics-based insurance sectors are anticipated to grow substantially over the medium term. The Berg Insight Report anticipates that the number of fleet management systems in active use will grow at an annual rate of 16 per cent. between 2012 and 2017 in Europe. The Group operates an effective, low cost remote sales model, based on direct telephone marketing and indirect sales including the use of price comparison websites and distribution networks, making it well positioned to grow both in the UK and internationally.

After a tracking system is installed in a vehicle, the replacement of the unit requires the relevant vehicle to be taken off the road. The Directors believe that this represents a significant barrier to entry for competition which contributes to the Group's relatively low percentage of customer attrition in its Fleet business. The Directors also believe that the Group's reliable, easy-to-use 'software as a service' offering and customer service will help to maintain this low attrition rate.

2. History and background

The Company was founded in 2001 by Andy Walters, Dominie Walters, Ken Giles and Andy Kirk to develop a vehicle tracking system for the commercial vehicle fleet market. The first tracking systems were installed with customers in 2002 following a direct mail marketing campaign based on providing a "£1 a day" vehicle tracking service. As at 31 December 2003, Quartix had 165 Fleet customers with 1,250 tracking systems installed. The Group has continued to focus on this core Fleet market and at 30 September 2014 had grown the Fleet customer base to over 6,000 customers with over 56,000 installations.

In 2005, Quartix launched its first data analysis and reporting products enabling customers to refine, analyse and monitor the tracking data supplied by the Group's tracking systems. The initial software tools focused on vehicle utilisation and location data. However, as the Group's databases developed it became possible to undertake the relative analysis necessary for the driving-style monitoring products.

In 2010, Quartix released the TSCV9 tracking system unit, which incorporated a tri-axis accelerometer and reserve battery, allowing the Group to make an initial entry into the Insurance telematics market where it has since made significant progress. Quartix made its first sales into the Insurance telematics market in 2010 and, as at 30 September 2014 had completed over 67,000 installations. Virtually all of Quartix's current Insurance telematics business is secured via its partner Wunelli which utilises Quartix's vehicle tracking systems for the "young driver" insurance products of a number of major insurers including Hastings Direct, the AA, Sheilas' Wheels, Sabre and the Co-operative. Wunelli is a data services company that specialises in the provision of usage-based insurance products and data analysis services to a range of insurance underwriters and brokers on contracts that are typically multi-year.

Quartix successfully launched in France in 2010 as a separate division of Quartix Limited and was profitable at the EBITDA level in the year to December 2013. The French division is focused solely on vehicle tracking system sale, rental and associated services and has 8 full time employees. In April 2014 the Group commenced pilot marketing of its product in the United States through a small office in Chicago. Quartix has gained over 40 fleet customers in the US since launch.

3. Product and technology

Quartix maintains complete ownership and control of its vehicle tracking technology, from the vehicle tracking system through to the communications servers, system databases and user applications.

Vehicle tracking system unit

Quartix's first tracking system and software, designed by Andy Walters, Dominie Walters and Ken Giles (being the founders of the Company), was launched in 2001, enabling third parties to monitor vehicle location using GPS positioning technology. Further versions of the tracking system have been developed since then, with all the intellectual property related to the design and development of each tracking system being wholly owned by the Group.

The tracking system printed circuit boards are assembled in China with key components, including ChipSIMs, modems, power supplies, GPS chips and accelerometers, sourced directly by Quartix. Final assembly and testing is completed by a specialist sub-contractor in Cambridge before the tracking systems are installed by the Group's network of independent contract installers. The current version, TCSV10, is compact and highly-integrated, incorporating a tri-axis accelerometer (which monitors acceleration in all three axes at a rate of thirty two times per second) and a quad band GPRS modem.

It is the Directors belief that focussing their product as a hard wired telematics systems (rather than an on-board diagnostics system ("OBD")) offers the customer the optimal solution with regard to; tamper proofing, durability, theft recovery, accuracy, consistency and scalability. The Directors believe that the Quartix hard wired system is able to be installed in a wider variety of vehicles than OBD devices. It is also generally accepted that it is not possible to assume that an OBD device can be installed without some form of modification to the vehicle trim – or that it might be necessary to employ an installer to fit an adapter cable.

The tracking system is not linked to the vehicle's intrinsic data system or control area network ("CAN bus"), and this allows it to be fitted quickly, and without modification, to a very broad range of cars, light commercial and heavy goods vehicles. The tracking system is typically located behind the vehicle dashboard and so concealed from view. Data is recorded and transmitted on a continuous real-time basis to the Group's mirrored servers and database systems located in Portsmouth and Maidenhead. As the vehicles would have to be taken off the road in order to replace or remove the tracking system the Directors believe that the barriers to replacement in relation to those vehicles where systems are currently installed are significant.

TCSV10 tracking system

Data analysis and reporting software

In a typical week the Group tracks and manages 96 million vehicle events, 3 million journeys (c. 6 million kilometres per day) and delivers 160,000 driver timesheets and 60,000 Microsoft Excel reports to its Fleet customers. Quartix has developed its own web-based application to enable its customers to access this tracking data for their vehicles on a real time basis remotely via any internet-enabled device. This reporting software has proven scalability, having increased from 21,000 active vehicle connections in August 2010 to 102,000 connections in August 2014. In addition to location data, the Group has developed a specialist range of analytic solutions to provide customers with vehicle, fleet and operator activity information together with performance indicators designed to enhance business reporting and processes including:

- ***Live tracking*** – displaying a vehicle's location in real-time either in map or satellite view;
- ***Route charts*** – displaying maps showing the route taken for each journey on the timesheet with colour-coding to reflect vehicle speed. This data can be used to optimise route choices, fleet deployment and driving behaviour;
- ***Timesheets*** – reporting the vehicle's location and activity over a defined period enabling customers to monitor productivity and unauthorised usage and to verify overtime payments;
- ***Crash detection*** – analysing g-force and braking at the time of an incident to provide detailed data for fault determination / criminal investigation;
- ***Driving-style monitoring*** – providing analysis of acceleration, braking and average speed data on an absolute and relative basis thereby enabling customers to identify "at risk drivers" and provide additional training which can generate fuel efficiency savings and improve safety; and
- ***Business performance indicators*** – the system can provide summarised data to allow customers to assess key performance indicators for their fleets including, *inter alia*, utilisation, idling, maintenance schedules and risk assessment.

4. Markets

The Group operates in two distinct markets for vehicle tracking systems, Fleet and Insurance.

	Revenue Year ended 31 December 2011 £'000	*Revenue Year ended 31 December 2012 £'000*	*Revenue Year ended 1 December 2013 £'000*	*Revenue 6 months ended 30 June 2014 £'000*
Fleet	5,129	7,261	9,186	5,323
Insurance	1,615	1,050	3,994	2,080

Fleet

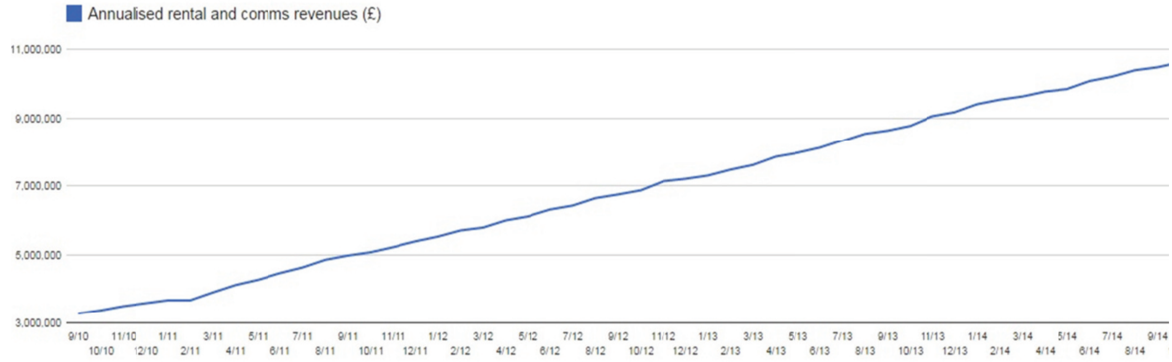
Since launch, the Fleet market has been the principal market for the Group's tracking systems and remains its key focus. Sales have grown steadily over the last few years with the annual value of the Group's subscription base reaching £10.5 million as at 31 August 2014. Subscription revenues achieved a 35 per cent. compound annual growth rate in the three year period from 31 December 2010. As at 30 September 2014, Quartix had over 6,000 Fleet customers with over 56,000 installed tracking systems. The Directors believe that the low customer attrition rates achieved by the Company (c. 10 per cent.) are due to the embedded hardware, the high levels of service and the ease of use of the Company's software. Around 75 per cent. of all Fleet subscription revenues are collected by direct debit in a highly automated invoice and collection process allowing for a predictable revenue stream at a very high margin, once the cost of the unit and installation have been recovered. Growing the Fleet subscription base remains the key business focus for the Board.

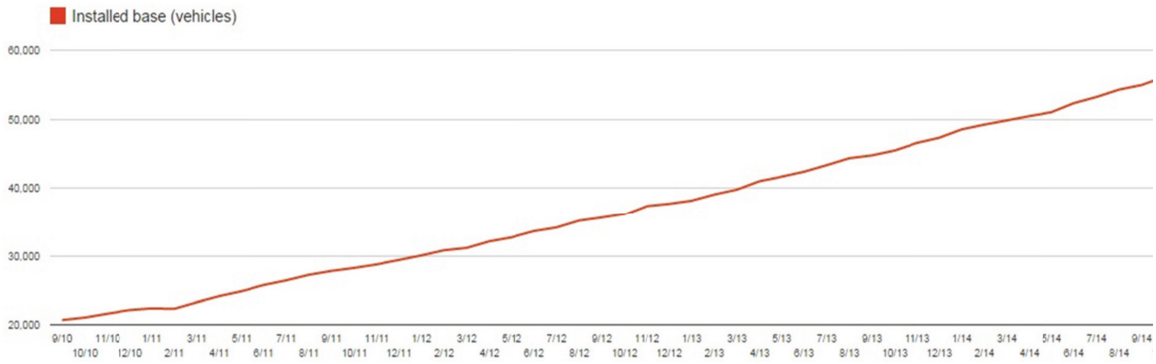
Until 2008, the Group sold or arranged the lease of its vehicle tracking systems to customers with a separate data service subscription fee charged for a term of between 36 and 60 months. Under this business model customers were required to enter into a finance agreement with a third party provider which then become responsible for collecting subscription fees. Quartix therefore received full payment, less finance charges, for the entire value of the equipment (but not the service charge) shortly after installation and provided data services for the duration of the contract.

In 2008, Quartix changed to a rental business model whereby customers would not be required to purchase the tracking system outright but rather would be charged an installation fee followed by a monthly rental fee for the vehicle tracking service. The customer was only bound to a 3 month contract, and this option proved to be extremely popular with many customers due to its potential flexibility and lower cost commitment. The monthly rental charge was variable, reflecting the level of software and reporting functionality required by each customer. The Group took further steps including offering free installations on 12 month contracts and offering the first 3 months free with the remainder at a slightly higher rate to attract new customers. The Directors believe that several of the Group's competitors in the vehicle tracking system market continue to operate in upfront payment or third party lease financing arrangements. The Directors believe that the rental model presents a far more attractive offering to potential customers as it removes a large part of the up-front cost of the tracking system and provides greater flexibility through the 12 month contract The table and chart below highlight the progression of this rental strategy from the introduction of the 12 month contract with free installation, on 31 August 2010. The increase in the average subscription price reflects the migration from a data-only subscription to the combined data and rental model.

	31 August 2010	*31 August 2014*
Subscription base (vehicles)	20,687	54,948
Subscription base value p.a.[(1)]	£3,279,000	£10,478,110
Average subscription price (per vehicle per month) £	£13.21	£15.89

[(1)] Extracted from Quartix management accounts





For the year ended 31 December 2013, of the 14,538 tracking systems installed for Fleet customers some 10,914, representing approximately 75 per cent., were sold under rental agreement. Whilst the initial contract period is for 12 months, the majority of the Group's customers continue to rent the tracking systems beyond the initial term on a rolling basis. As at 31 December 2012, the Group had an installed base of 38,137 tracking systems under contract for Fleet customers. By 31 December 2013 that base had risen to 48,501 tracking systems, a net gain of 10,364 units. Net attrition during the year was 4,174 units, representing just under 10 per cent. of the average installed base for the year. The attrition figure includes all losses as a consequence of: customer failures, fleet disposals, outsourcing and churn. The high level of renewals amongst Quartix's Fleet customers provides the Directors with a high degree of visibility over future revenues as these are predominantly supported by existing subscriptions.

The Directors believe this rapid growth has been achieved through increased distribution, the shift towards flexible 12 month contracts, investment in reporting software and a more efficient telesales and direct marketing approach, including the utilisation of price comparison sites and the Group's SQL databases which are accessed via BusinessTrack, a web-based business information platform developed in house which can be utilised by all employees, and which the Group uses to identify potential customers. The Directors believe these factors have also contributed to Quartix outperforming the wider vehicle tracking market.

The majority of the Group's customers are small and medium-sized enterprises ("SMEs") with commercial fleets of between 3-50 vehicles. Whilst Quartix can provide vehicle tracking systems and services to commercial fleets of any size, customers managing larger fleets will often require bespoke analytical software and reporting systems to meet their business requirements. The Directors believe that the SME sector contains a highly defensible customer base that requires a shorter telesales cycle due to the ability of SME's to make quick decisions. In addition SMEs are generally willing to do business on the Company's terms, are generally able to grow their Quartix unit sizes quickly and are generally more likely to give referrals. As the size of the Group's SME customers' fleets grow this allows Quartix to increase revenues from fleet customers without altering the price of its products and services.

The Group's focus on SMEs means it has a relatively low customer concentration with the top five Fleet customers accounting for just over 3 per cent. of the Fleet subscription revenue base and 2.5 per cent. of Group revenue in the year ended 31 December 2013.

Over the years Quartix has adapted its marketing strategy successfully to reflect the prevailing customer and market trends within the Fleet sector and has utilised a wide range of sales channels. Direct sales to identified target customers in the UK and France are predominantly managed by the Group's telephone sales team based in Newtown in Wales, together with a small team of sales agents operating in the USA from Chicago. The remote operational model used by the Group for overseas territories means that Quartix is able to achieve economies of scale within its accounting, installations and logistics function and is also able to penetrate new markets without incurring substantial office, overhead or other fixed costs. The Directors consider that their direct telephone sales approach optimises the use of new customer prospects data, which the business has generated over the last 12 years on its SQL databases, accessed via BusinessTrack.

The following table sets out the geographical breakdown of the Group's vehicle tracking systems installed with Fleet customers:

	Year ended 31 December 2011	*Year ended 31 December 2012*	*Year ended 31 December 2013*	*Total as at 31 December 2013*	*Total as at 30 September 2014*
	Group Fleet installations:			**Subscription base:**	
UK	9,415	10,718	13,009	44,900	51,350
France	815	1,384	1,529	3,601	4,569
US	—	—	—	—	144

As the Group's Fleet customer base has grown, Quartix has increasingly used third party distributors as a sales channel for its Fleet business. In the year ended 31 December 2013, sales via third party distributors were 3,374 units, representing approximately 23 per cent. of total Fleet installations. Distributors can either purchase vehicle tracking systems outright for onward sale or take advantage of Quartix's rental model. The Directors have identified distributor sales as an important part of their future growth strategy with a team of three dedicated distributor sales staff for the UK and a dedicated distribution manager for France appointed by the Group in November 2013. Sales by distributors in France were 128 units in 2013, and the Directors see this as a significant opportunity for growth. In a highly fragmented European market (3.6 million active units) it is the Directors' belief that Quartix holds a top-10 position.

Over the last two years the Directors have identified an increasing trend in the procurement of vehicle tracking systems via price comparison websites such as TrackCompare, ExpertMarket and ApprovedIndex. The Group continues to grow its online presence so that it can compete effectively in this market as well as through Quartix's own commercial website.

Growth opportunities

In late 2010, Quartix entered the French commercial fleet vehicle market which the Directors believe shares a number of similar features to the UK in that it has a large number of small to medium-sized companies in the service sector, predominantly associated with the building maintenance and construction industries. France has the largest LCV market in Europe with growing adoption rates for tracking systems. In 2012 only 10 per cent. of the 5 million commercial vehicles in France were estimated to have had a tracking system installed but this is expected to increase to 16 per cent. by 2017. Since 2011 Quartix's subscription base has grown from c. 1,000 vehicles to over 4,500 as at 30 September 2014.

During 2013, Quartix adapted its TCSV10 tracking systems to meet the needs of American GSM networks, and achieved FCC test compliance and PTCRB listing in February 2014. In the same month it reported its first vehicle tracking system installation for demonstration purposes to a US Fleet customer, Abscope Inc. Whilst the Group's entry into the US market is still at an early stage, the Directors believe that the Quartix vehicle tracking system offering will prove attractive to US Fleet customers, and it has developed a customer base of more than 40 fleets through its initial pilot marketing programme.

By focusing on telephone and on-line sales channels, and the use of third party distribution and installation partners, the Directors believe that the Group's business model is particularly well suited to international expansion as the up-front investment cost to establish a market presence is very low.

The market for tracking systems for commercial vehicle fleets has developed steadily in Europe and the US since the early 2000s with the increased availability and reliability of GPS data to commercial organisations. Fleet operators encounter various obstacles to the safe, efficient and cost-effective running of commercial vehicle fleets and tracking systems provide a commercially viable means of overcoming a number of these obstacles such as excessive fuel consumption, high-risk driving styles, private usage and overstated working and travel times. The benefits of vehicle tracking for these types of businesses include increased productivity, reduced fuel costs and other operating expenses, lower labour costs, improved fleet security and safety, enhanced customer service, lower environmental impact and reduced unauthorised vehicle usage.

The following table sets out the expected growth and tracking system adoption rates in the Group's key Fleet target markets:

All figures based on commercially-owned vehicles only.	*Estimated number of commercial vehicles as at Q4 2012*	*Proportion of commercial vehicles utilising a vehicle tracking system as at Q4 2012 (per cent.)*	*Estimated number of commercial vehicles as at Q4 2017*	*Proportion of commercial vehicles utilising a vehicle tracking system as at Q4 2017 (per cent.)*
UK/EI	3,450,000	28.4	3,700,000	34
France	5,000,000	10.4	5,100,000	16
North America	28,205,000	11.2	30,450,000	22

Sources: data from Berg Insight Report, and Directors' estimates.

Of the current commercial vehicle market estimated to be approximately 3.5 million (excluding individual, privately-owned commercial vehicles) in the UK and ROI, approximately 1 million employ a fleet management or vehicle tracking solution, a market adoption rate estimated to be approximately 28 per cent. Market adoption rates have risen in recent years as the cost effectiveness of vehicle tracking systems has increased with the advent of advanced analytical tools and reporting software. For SMEs and smaller fleet operators in particular, the use of tracking systems, which had previously been uneconomical, has become more financially attractive through the availability of business efficiency enhancing data analysis tools. The Directors believe that the continuing development of Quartix's vehicle tracking and service offering has positioned the Group well to achieve further market share growth within the fragmented UK Fleet market.

As at 31 December 2012, the French market was estimated to comprise approximately 5 million commercial vehicles, making it Europe's largest commercial vehicle market. The Directors believe that the penetration of tracking systems (approximately 10 per cent.) in this market is lower than in the UK which offers a significant opportunity for further growth, and Quartix has invested in its product and channels to market to maximise the potential of this market. The Directors also regard the US as a highly fragmented market for vehicle tracking systems, particularly for smaller commercial fleets. As at 31 December 2012, the North American Fleet market was estimated to comprise approximately 28 million non-privately-owned commercial fleet vehicles of which approximately 3 million employed a fleet management or vehicle tracking solution. The Directors forecast this number to rise to close to 6.7 million by the end of 2017.

Insurance

Since 2008, UK motor insurance providers have been incorporating vehicle tracking technology in their consumer "pay as you drive" offerings in order to reduce the cost and incidence of insurance claims and to enable them to quote more competitive annual insurance premiums which more accurately reflect the underlying risk profile of the individual driver.

In the UK to date, this has been focused primarily on new and young driver insurance programmes where the incidence of insurance claims and, consequently, annual premiums are highest. By analysing speed, acceleration and braking patterns relative to a population of other drivers, insurers can assign a driver with an individual score or rating. This information can be used to then determine the annual premium quote or be used by the driver to reduce the cost of his insurance cover by demonstrating an improved driving style, and so reduced risk profile, to the insurer over a defined period of time. The Directors estimate that between 200,000 and 250,000 insurance policies were sold with a requirement for a telematics terminal in 2013.

The Directors believe that insurers will increasingly mandate the use of telematics within their wider motor insurance programmes, including commercial vehicles, as functionality develops:

- ***Driving-style:*** an increase in available telematic data across different driver demographics and vehicle types will allow insurers to extend "pay as you drive" offerings across their range of motor insurance programmes, so enabling them to quote drivers more competitive annual insurance premiums; and
- ***Crash detection and reconstruction:*** software providing improved analysis of vehicle telematics data will allow insurers to identify crash incidents in real time thereby enabling them to contact their customers at the time of the crash and so potentially reduce the cost of claims handling. The ability to use vehicle telematics data to accurately reconstruct a claim incident may also enable insurers to reduce the number of fraudulent claims and better establish the respective fault of each party.

Quartix utilises the same hard wired telematics systems and technology that it uses in the Fleet sector for its Insurance business. The Insurance business is complementary to the Fleet business as the profits and cashflows derived from it enable continued investment in developing technology focused on driving style, speed and risk assessment. The additional crash detection and alerting functionalities should also help Quartix enter new fleet markets such as emergency services.

The following table sets out the Group's vehicle tracking systems installations with Insurance customers:

	Year ended 31 December 2011	*Year ended 31 December 2012*	*Year ended 31 December 2013*	*Six months ended 30 June 2014*
Group Insurance installations:	7,852	6,095	29,108	15,500

Quartix delivers its Insurance business via a partnership with Wunelli, a data services company based in Portsmouth that specialises in the provision of usage-based insurance products and data which was acquired by Lexisnexis in May 2014. Sales to Wunelli represented 99 per cent. of Insurance revenue and 30 per cent. of Group revenue in the year ended 31 December 2013, reflecting the early stage growth of the Group's Insurance business. Wunelli supplies its underlying customers, typically larger motor insurance underwriters and brokers, with a combined package of the Group's tracking system and Wunelli's own insurance specific software and data services. Under the terms of a supply agreement between Quartix Limited and Wunelli dated 23 August 2010, Wunelli purchases the tracking systems outright from the Group including 12 months of data communication charges. Quartix is responsible, through its network of third party installers, for the installation of the tracking system in the insurance companies' customers' vehicles. The data provided by these Quartix tracking systems is integrated with Wunelli's own software platform and provided to the underlying insurance customers through Wunelli's information interfaces and reporting tools. The Group has no direct contractual relationships with any of Wunelli's motor insurance customers.

In addition to supplying the tracking system and data, the Group also provides ancillary services to Wunelli and its underlying insurance customers including validation of insurance and title documentation at the point of installation together with maintaining a "branded" call centre operation for these major insurance clients regarding the installation and operation of the vehicle tracking system. The Group's revenue from Wunelli increased from £1.0 million in the year ended 31 December 2012 to £4.0 million in the year ended 31 December 2013 and £2.1 million for the six month period to 30 June 2014. The relationship with Wunelli is non-exclusive such that: (i) Wunelli is not obliged to take any of Quartix's products or services; and (ii) Quartix may supply its products and services to other customers in the Insurance sector. However the Directors believe that the Group has a strong relationship with Wunelli and any move away from using the Group as Wunelli's supplier would require Wunelli to devote significant development time and investment to the integration of the alternative solution.

5. Competition

The Directors believe that the Group has an established and respected position in the vehicle tracking market and provides an attractive, differentiated offering via a flexible business model.

The Directors believe that the principal international competitors to Quartix in the market for small to medium-sized fleets are as follows:

Competitor	*Estimated installed base (fleet-tracking units)*	*Principal Markets*
Fleetmatics	450,000	USA, UK, EI
TomTom	450,000	Throughout Europe and USA
Masternaut	300,000	France, UK and rest of Europe
Teletrac	250,000	USA, UK, Europe
Trimble	200,000	USA, Europe
Digicore	180,000	Europe, South Africa, Rest of World
Navman Wireless	175,000	UK and USA

The figures are based on the Directors' estimates of active subscriptions for fleet tracking purposes, and therefore exclude systems installed for stolen vehicle recovery or Insurance telematics purposes. They also exclude competitors whose primary strength has been in long-haul/ trucking operations.

The development of Quartix's tracking system and related software services to date has required a substantial investment in technology, services and systems. The Directors believe that the time and costs associated with developing a competing vehicle tracking system offering act as a significant barrier to entry for prospective new entrants to their markets.

6. Growth strategy

Existing markets

As set out above, both the size and adoption rate for telematics-enabled technology of the Group's Fleet and Insurance markets are expected to increase in the future and the Directors believe that the Group is well positioned to take advantage of these growth trends.

The Directors believe Quartix can capture further market share in its existing, growing markets through the following key marketing initiatives:

- **Direct Fleet sales (UK)** – the Directors believe they can continue to achieve growth in the UK through further strengthening and specialisation of the UK telephone sales team, combined with further automation in the monitoring and pursuit of sales opportunities on the Group's marketing database, which has been built with sales leads received over 12 years;
- **Distributor Fleet sales (UK)** – the Directors have identified distributor sales as an important part of their future growth strategy and have strengthened the UK distribution team to three people in late 2013 (previously one person), thus building on a successful strategy which delivered 554 units its first year in 2010 and 3,274 units in 2013;
- **Direct Fleet sales (FR)** – the Directors believe that there is substantial opportunity for growth for the Group's products in this market. Two new internal sales managers have been recruited and trained in early 2014 to lead two office-based sales teams covering the north of France, including Paris, and southern and central France;
- **Distributor Fleet sales (FR)** – distribution sales in France in 2013 amounted to 128 units, and the Directors believe that this offers a significant opportunity for growth, particularly as the Company's brand image has developed significantly there in the past two years. The Group has appointed an experienced sales person from its direct sales team to lead this strategy, and several new distributors have already been appointed in 2014;
- **Direct and Distributor Fleet sales (USA)** – the Group's market research has identified that many of the companies selling to the SME Fleet sector in the US still require customers either to make a substantial financial commitment up front or to sign a long-term contract at the point of sale.

The Directors therefore believe that Quartix's attractively-priced flexible rental contracts will have significant potential in this market. As the mobile networks that vehicle tracking utilises move from 2G to 3G this also represents a significant replacement market opportunity for Quartix from 2015 through to 2017 as all units will need to be replaced in vehicles that are currently utilising 2G tracking systems;

- **On-line Fleet sales** – the Directors view increasing use of web advertising and price-comparison websites as an important source of future sales growth in each of its three main markets;
- **Direct Insurance sales** – having secured the Group's first direct Insurance customer in 2013, the Directors believe Quartix has developed an attractive product for small and medium-sized insurers;
- **Enhanced functionality** – Quartix has made, and continues to make, significant investment into the development of its hardware and telematics data analysis tools. By enhancing the systems functionality, particularly in the areas of driving-style and crash alert monitoring, the Directors believe that the Group's offering will become more attractive to potential customers; and
- **Convergence between the Fleet and Insurance markets** – the Directors believe there are significant opportunities to combine all the functionality developed for the existing Fleet and Insurance markets into a single product for those customers offering management services to commercial fleets, such as lease finance, commercial insurance and fleet management companies. By promoting key features such as maintenance scheduling, crash alerts and exception reports to these potential customers, the Directors believe Quartix will gain access to its end-customers and so effectively develop further its own distribution network.

Geographic expansion

At present, Quartix is primarily a UK focused business with 88 per cent. of the Group's customers (representing 96 per cent. of revenues in the year to 31 December 2013) currently based in the UK. To date, the Group has concentrated resources on growing this market. However, the Directors believe the Group's fledgling French business has now established a good platform for growth and in late 2013 and early 2014 additional sales resource was employed to support further expansion into the Fleet market in France.

Quartix completed its maiden vehicle tracking installation in the US in February 2014, having successfully completed the necessary FCC and PTCRB regulatory testing. There are estimated to be approximately 28 million light commercial vehicles in North America with the majority of these used in the service, construction and small scale distribution sectors. The Directors believe the Group has a strong product offering for these potential customers and is currently evaluating how its cost-effective telephone sales model can be best applied in the US.

Since opening a small office in Chicago in April the Company has gained over 40 fleet customers and installed over 140 tracking systems.

By focusing on telephone and on-line sales channels together with the use of third party installation partners, the Directors believe that the Group's business model is particularly well suited to low cost international expansion as the required up-front investment to establish a market presence is minimal.

A significant proportion of the Group's operational functions (including invoicing, debt and direct debit collection, installer booking, stock allocation and the issuing of installer purchase orders) have been automated through SQL databases. This enables the support, installation, logistics and accounts teams based at Newtown in Wales to manage these parts of the operation in other geographies. Consequently, the cost of developing the market in a new territory is largely associated with direct sales and marketing expense, and the Company is able to achieve significant economies of scale in its other overheads.

BusinessTrack

BusinessTrack is a web-based business information platform developed in-house that can be utilised by all employees. This platform exploits the Company's SQL databases and monitors all business KPIs in a traffic light colour coded system. The Directors have identified this as a key tool for winning new business. BusinessTrack allows employees to monitor and ensure regular contact with both current and potential customers. Quartix utilises BusinessTrack to identify potential customers and to generate and manage leads.

7. Research and development

The Group continues to develop its vehicle tracking system and data analysis software to enhance the product offering to the customer. It plans its product development programme in close consultation with customers to ensure new features of the tracking system represent clear incremental value to them.

Research and development activities are carried out at three design centres in the UK: telematics hardware, firmware and communications servers are designed in Cambridge; user application software, web services and management information systems are designed in Leatherhead; and all network, database and operational systems are designed and maintained by a team of system specialists in Bishop's Waltham. The Group is currently undertaking development programmes in the areas of crash detection, road speed and driving style data analysis. It has also developed tracking system user applications for mobile devices utilising iOS, Android and Microsoft operating systems. The Directors believe that these additional features will be increasingly desirable to its customers across both the Fleet and Insurance markets.

The Group's intellectual property, proprietary rights, technology and processes are important to the Group and it protects them through a combination of copyright, trademark, confidentiality procedures and contractual provisions. The Group has confidentiality and licence agreements with such of its employees, customers, contractors, distributors and other third parties as it considers appropriate.

8. Reasons for Admission

The Directors believe the Admission will deliver a number of benefits to the Group and its employees and, given the increasing growth expected in the vehicle tracking market, the Directors consider this an appropriate time to raise the public profile of Quartix.

Whilst Quartix does not need to raise additional funds at this time to support its growth strategy, Admission will facilitate access to equity finance should the Group require it in the future to drive further growth, both organically and through selective acquisitions. Admission will also provide certain Shareholders (being the Selling Shareholders), including a retiring employee, to realise part of their investment in the Group.

As Quartix intends to expand further into new geographies, the Board feels that the AIM market, with its track record of attracting high growth, international companies, represents the most appropriate public market for the Company at this stage of its development.

Admission will also provide opportunities for the Group's employees to participate in the future success of the Group by way of the EMI Scheme and should help to incentivise, retain and attract high calibre staff. Further details of the EMI scheme are set out in paragraph 10 of Part IV.

9. Selected financial information

The following summary of the financial information of Quartix for the three financial years ended 31 December 2013 has been extracted without adjustment from the financial information on Quartix as set out in Part III of this document. Investors should read the whole of this document and should not rely solely on the key or summarised information set out below.

	Year ended 31 December 2011	*Year ended 31 December 2012*	*Year ended 31 December 2013*	*6 months ended 30 June 2014*
Revenue	6,744	8,311	13,180	7,403
Gross profit	4,273	6,013	8,590	4,832
EBITDA	1,876	2,959	4,772	2,550
Profit before taxation	1,506	2,806	4,605	2,464
Net assets	9,420	11,171	10,600	10,483
Cash from operations	1,199	3,447	4,395	3,393
Net debt	(4,672)	(1,988)	(2,197)	(2,071)

Note: EBITDA and profit before tax for the six month period to 30 June 2014 adjusted to exclude an exceptional gain of £635,000.

10. Current trading and prospects

The Group achieved sales of £7.4 million for the first six months of 2014 compared to £6.2 million during the same period last year. The core fleet-tracking business achieved a sales increase of 23 per cent. to £5.3 million and growth overall was up 19 per cent. compared with the same period last year. Profit before exceptional items and tax increased by 15.1 per cent. to £2.5 million for the period and this result was matched by operating cash-flow before exceptional items.

Quartix has continued to make very positive progress in the third quarter of 2014. New fleet installations in the quarter amounted to 4,274 units, representing 24 per cent. growth on the equivalent period in 2013. Insurance installations were 8,388, representing an increase of 18 per cent. compared with the third quarter of 2013.

As at 30 September 2014, Quartix had over 56,000 vehicles under subscription, and over 6,000 fleet customers.

Quartix continued also to make progress in the USA, with a strong increase of orders in September alone. This result marked a significant step forward for the Company in the US market, providing further evidence that the Quartix product is being well received.

11. Board of Directors

The Board comprises two executive directors and three independent non-executive directors.

The details of the Directors are set out below:

Avril Palmer-Baunack, aged 50, Non-Executive Chairman

Avril was Chief Executive Officer of Autologic Holdings plc. from October 2007 until its sale to the Stobart Group in 2013. Prior to joining Autologic, Avril was Chief Executive Officer of Universal Salvage plc. She has previously been Managing Director of FMG Support Ltd, a provider of fleet management services and has held management positions at EuropcarUK, Northgate Motor Holdings plc and the Caudwell Group. Avril is non-executive chairman at Redde Group plc and Molins PLC and was previously executive chairman of Stobart Group and a non-executive director of Alexon Group plc.

Andy Walters, aged 58, Managing Director

Andy, together with Dominie Walters, Ken Giles and Andy Kirk, founded Quartix in 2001. Prior to founding the Company, Andy held a number of senior management positions in the UK and internationally including Managing Director of Arcom Control Systems (a division of Spectris plc) with responsibility for the UK and US businesses and Marketing Director for Schlumberger's Smart Card and Payphone Division.

David Bridge, aged 56, Finance Director

David joined the Board in 2008 with responsibility for the Group's finance function. He qualified as a chartered accountant with KPMG and has held senior finance positions at Eurogate International Ltd, Unisurge International Ltd and Rubatex Group Limited.

Paul Boughton, aged 59, Non-Executive Director

Paul is qualified as a chartered accountant and is currently Head of Corporate Development at Brammer plc. He has significant corporate development experience across the software, precision engineering and distribution sectors. Prior to joining Brammer, Paul was Group Development Director at Spectris plc from 1991 to 2004. He also held positions at both Consort Medical Plc and IMI Plc.

David Warwick, aged 49, Non-Executive Director

Jim joined Abcam plc in 2001 as Technical Director and took over operational management of the UK office as Managing Director in June 2004. In 2009, Jim became Chief Operating Officer, with responsibility for overseeing the operational strategy of the group as a whole. Prior to joining Abcam, Jim worked for Analysys Limited, a Cambridge-based telecommunications consultancy, heading up its IT, software and web development initiatives.

12. Senior Management

Ken Giles, Head of Product Design

Ken is a co-founder of the Group and has over 37 years' experience in programming, software management, marketing and development. Prior to founding Quartix, Ken was principal consultant, software products at British Maritime Technology RCL where he was responsible for taking a number of major projects from concept to full commercialisation.

Andrew Kirk, Sales & Marketing Director

Andy is a co-founder of the Group and has over 37 years' experience in sales, marketing and operations within the technology and precision engineering sectors. Prior to founding Quartix, Andy was Head of Operations at Telespec plc having previously held senior operations roles at Arcom Control Systems and Shrewsbury Technology Ltd.

William Hibbert, Product Development Director

Bill joined Quartix in 2010 with responsibility for all applications and web development. He has over 30 years' experience in the information technology sector. Prior to joining the Group, Bill was a freelance web designer having previously been IT Director at Trader Media Group Limited and Guardian Media Group Limited.

Jeremy Bentham, Head of Telematics

Jeremy joined Quartix in 2010 and is responsible for the design of the Group's telematics software and system architecture. Prior to joining Quartix, Jeremy founded Iosoft ltd a consulting business focussed on embedded software design and networking. Previously he has held senior technical roles at Cellstack Systems, Io Ltd and Arcom Control Systems Ltd (a division of Spectris plc).

Peter Brown, Systems Development Director

Peter joined Quartix in 2013 with responsibility for systems and database development. Prior to joining the Group, he held senior systems administration and engineering positions at Avis Management Services and Microsoft Ltd.

Oliver Smith, Support & Development Manager

Oliver joined Quartix in 2013 with responsibility for fleet tracking applications. Prior to joining the Group, he was Senior Developer and Head of Client Services for Bluecoat Software Limited.

13. Employees

Quartix currently employs 83 staff at four locations in the UK and in one location in the USA. The Group's largest operation, with 58 staff is based in Newtown, Powys, provides sales, marketing, customer service and logistics teams supporting the Group's UK and French Fleet customers together with the Insurance customer support team and Group accounting and human resource functions.

Quartix's technical and research and development functions are located at the Group's three smaller operations as follows:

- *Cambridge, Cambridgeshire* – Group executive management together with telematics hardware, firmware and communications server design, final assembly and testing functions (10 employees);
- *Leatherhead, Surrey* – application and web design and the business systems functions (7 employees); and
- *Bishop's Waltham, Hampshire* – database, server and systems design, implementation and management (6 employees).

14. Corporate governance

The Board comprises three independent non-executive Directors and two executive Directors. The Directors recognise the importance of sound corporate governance and intend to comply with the Quoted Companies Alliance Corporate Governance Guidelines for Smaller Quoted Companies which they believe are appropriate for a company with shares traded on AIM. In particular, the Directors are responsible for overseeing the effectiveness of the internal controls of the Company designed to ensure that proper accounting records are maintained, that the financial information on which business decisions are made and which is issued for publication is reliable and that the assets of the Company are safeguarded.

The Board has established an Audit Committee with formally delegated duties and responsibilities, comprising not less than two non-executive directors. The Audit Committee will meet at least thrice a year and will be responsible for ensuring that the financial performance of the Company is properly reported on and monitored, including reviews of the annual and interim accounts, results announcements, internal control systems and procedures and accounting policies. Paul Boughton has been appointed chairman of the Audit Committee.

The Board has established a Remuneration Committee with formally delegated duties and responsibilities, comprising not less than two independent non-executive directors. The Remuneration Committee will meet at least twice a year and will be responsible for setting the remuneration policy for the executives of the Company. Jim Warwick has been appointed chairman of the Remuneration Committee.

The Board has established a Nomination Committee with formally delegated duties and responsibilities, comprising not less than two independent non-executive directors. The Nomination Committee will meet at least twice a year and will be responsible for ensuring that the skills and experience of the Board and the executives are appropriate for the Company and oversee any appointments to the Board. Avril Palmer Baunack has been appointed chairman of the Nomination Committee.

15. Dividend policy

The Directors intend to adopt an initial dividend policy based on the distribution of 50 per cent. of free cashflow to shareholders.

For this purpose, free cashflow is post-tax cashflow from operations but before financing costs and capital expenditure.

The ability of the Company to pay dividends is dependent on a number of factors and there is no assurance that the Company will pay dividends or, if a dividend is paid, what the amount of such dividend will be.

16. Taxation

Information regarding the United Kingdom taxation with regard to potential Shareholders is set out in Part IV of this document. No taxation advice is being provided to Shareholders in this document. If you are in any doubt as to your tax position, you should consult your professional adviser immediately.

17. The Placing

The Selling Shareholders propose to realise part of the investment in the Company and raise gross proceeds of £11,360,895 before their expenses by way of a placing by finnCap of 9,793,875 Placing Shares at the Placing Price to institutional and other investors. The Placing Shares will represent 21 per cent. of the Issued Share Capital (assuming no options are exercised between the date of this document and Admission) and will rank *pari passu* in all respects with the other Ordinary Shares in issue at Admission, including the right to receive dividends and other distributions thereafter declared, made or paid.

Under the Placing Agreement, which may be terminated by finnCap in certain circumstances (including *force majeure*) prior to Admission, the Company has given certain warranties and indemnities to finnCap concerning, *inter alia*, the accuracy of the information contained in this document.

The Placing is conditional, *inter alia*, on Admission taking place on or before 8.00 a.m. on 6 November 2014 (or such later time and/or date as the Company and finnCap may agree).

Further details of the Placing Agreement are set out in paragraph 11 of Part IV of this document.

18. CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the CREST Regulations.

The Articles permit the holding of Ordinary Shares under the CREST system. All of the Ordinary Shares will be in registered form and no temporary documents of title will be issued.

The Company has applied for the Ordinary Shares to be admitted to CREST on the date of Admission and it is expected that the Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

19. Lock-in and orderly market arrangements

Subject to the arrangements for the sale of the Placing Shares in the Placing, each of the Lock-In Shareholders have entered into share restriction deeds as follows:

(a) the Lock-In Shareholders have undertaken not to dispose of any interest in their Ordinary Shares for a minimum period of 12 months following Admission (the "Lock-in Period") other than in the very limited circumstances allowed by the AIM Rules or (subject to the prior consent of finnCap) to certain specified related parties. In addition Andy Walters, Dominie Walters and certain specified related parties of such persons may gift Ordinary Shares to the Master, the Fellows and the Scholars of Clare College, Cambridge (the "College") provided that the number of the Ordinary Shares received by the College from Andy Walters, Dominie Walters and certain specified related parties of such persons does not exceed 460,000 Ordinary Shares;

(b) Lock-In Shareholders have agreed not for a period of 12 months from the end of the Lock-in Period to dispose of any interest in such Ordinary Shares otherwise than through finnCap (or the the Company's broker from time to time), subject to the broker's terms being competitive to the terms being offered by other brokers and the sale price through the broker of any

Ordinary Shares proposed to be disposed of is at least equivalent to the price that can be obtained elsewhere so as to maintain an orderly market in the Ordinary Shares.

The arrangements outlined in (a) and (b) above are in respect of 33,033,711 Ordinary Shares representing 70.8 per cent. of the Issued Share Capital. Further details of the lock-in and orderly market agreements arrangement described above are set out in paragraph 11 of Part IV of this document.

20. Relationship Agreements

Following completion of the Placing, Andy Walters, together with his family (within the meaning of the AIM Rules), will, in aggregate, have an interest in 39.3 per cent. of the Issued Share Capital (falling to 38.3 per cent. following the proposed transfer to the College referred to in paragraph 19 above). Each of Andy Walters, Dominie Walters, and the DL Walters Trust (as Shareholders) has entered into separate relationship agreements with the Company and finnCap to govern the ongoing relationship between them (of the one part) and the Company (of the other part) following Admission.

A summary of such relationship agreements is set out in paragraph 11 of Part IV of this document.

21. Admission, settlement and dealings

Application has been made to the London Stock Exchange for all of the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Shares will commence on 6 November 2014.

No temporary documents of title will be issued. All documents sent by or to a Placee who elects to hold Ordinary Shares in certificated form, or at his direction, will be sent through the post at the Placee's risk. Pending the despatch of definitive share certificates, instruments of transfer will be certified against the register of members of the Company.

22. Risk factors

The Group's business is dependent on a number of factors and potential investors are advised to read the whole of this document, and in particular Part II entitled "Risk Factors".

23. Further information

The attention of investors is drawn to the information contained in Parts II, III and IV of this document which provide additional information on the Group.

PART II

RISK FACTORS

In addition to the other relevant information set out in this document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Ordinary Shares. If you are in any doubt about the contents of this document or the action you should take, you are strongly recommended to consult a professional adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

The Directors believe the following risks to be the most significant for potential investors. The risks listed, however, do not purport to comprise all those associated with an investment in the Ordinary Shares and are not intended to be presented in any assumed order of priority. In particular, the Company's performance may be affected by changes in legal, regulatory and tax requirements in any of the jurisdictions in which it or any of its subsidiary companies operates or intends to operate as well as overall global financial conditions.

This is a high risk investment and investors may lose a substantial portion or even all of the money they invest in the Company. An investment in the Company is, therefore, suitable only for financially sophisticated investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss that might result from such investment. If you are in any doubt about the contents of this document you should consult an independent financial adviser authorised under FSMA.

Investors should also take their own tax advice as to the consequences of their owning shares in the Company as well as receiving returns from it. No representation or warranty, express or implied, is given to investors as to the tax consequences of their acquiring, owning or disposing of any shares in the Company and neither the Company, the Directors nor finnCap will be responsible for any tax consequences for any such investors.

A prospective investor should consider carefully whether an investment in the Company is suitable for him/her in view of his/her personal circumstances and the financial resources available to him/her.

Business and Industry Risks

Competition risk

The Group faces competition from suppliers of similar products or services, including companies which may have substantially greater resources than those of Quartix. There can be no guarantee that the Group's competitors have not already developed and/or will not develop products and services which are competitive to those supplied by the Group and there can be no assurances that the availability of any such products and services will not adversely affect future demand for the Group's own products and services. The Group's competitors may have or develop greater financial, marketing and technological resources than the Group enabling them to develop products and services which are competitive to those of the Group and to promote them more successfully than the Group.

Failure to renew customer agreements

The Group's customers may not renew, or may reduce the scope of, their subscriptions for the Group's services and products. Renewal rates may decline or fluctuate as a result of a number of factors, including customers' level of satisfaction with the Group's products and services and their ability to continue their operations and spending levels.

Key customer dependency

The Group's only key customer/partner is Wunelli. Quartix derives approximately 30 per cent. of its revenue and less than 15 per cent. of its gross margin from Wunelli. The Group supplies its products and services to Wunelli (for onward supply by Wunelli to Wunelli's underlying Insurance customers) on a non-exclusive basis (such that Wunelli is not obliged to take any of Quartix's products or services). Quartix has no direct contractual relationship with Wunelli's Insurance customers. The loss of all or a substantial proportion of the business provided through Wunelli (for example because: (i) Wunelli experiences decreased demand from its underlying customers; and/or (ii) Wunelli switches supplies away from Quartix) could have a material adverse effect on the Group's business and failure to secure its future Insurance business either through Wunelli or otherwise would restrict the potential growth in Insurance customers.

Reliance on the continued growth of the market vehicle tracking systems

The Group derives all of its revenue from the rental and sale of its vehicle tracking systems to Fleet and Insurance customers. As a result, widespread acceptance and use of vehicle tracking systems in these sectors is critical to the Group's future growth and success. The use of vehicle tracking systems by the operators of commercial vehicle fleets is largely driven by a perceived cost/benefit assessment. In the event that vehicle tracking systems, or Quartix's vehicle tracking systems, are seen by customers as delivering a lower return on investment the Group may be forced to reduce the prices it charges for its vehicle tracking systems and may be unable to renew existing customer agreements or enter into new customer agreements at the same prices and upon the same terms that the Group has historically.

In addition, the market for vehicle tracking systems in the Insurance industry is still at a relatively early stage and the Directors cannot be certain how customer, regulatory and technological requirements, competitive dynamics, pricing levels or consumer procurement trends might evolve. It is possible that the market for vehicle tracking systems in the Insurance industry evolves in such a way that it becomes uneconomic for the Group to continue to operate in this market.

If the markets for vehicle tracking systems fail to grow, or grow more slowly than the Directors currently anticipate, or evolve, and force the Group to reduce the prices it charges for its vehicle tracking systems, this could have a material adverse effect on the Group's business, financial condition or operating results.

Reliance on GPRS and GPS networks

Two critical links in the Group's current solutions are between the vehicle tracking systems and GPS satellites and between the vehicle tracking systems and GPRS networks, which allow the Company to obtain location data and transmit it to its system. Increases in the fees charged by GPRS carriers for data transmission or changes in the GPRS networks, such as a GPRS carrier discontinuing support of the network currently used by the Company's vehicle tracking systems, could increase costs and impact the Company's profitability. In addition temporary GPRS network connectivity failure, widespread disruptions or extended failures of the GPRS networks would adversely affect its vehicle tracking system's functionality and utility and harm the Company's financial results. GPS is a satellite-based navigation and positioning system consisting of a constellation of orbiting satellites. These satellites and their ground support systems are complex electronic systems subject to electronic and mechanical failures and possible sabotage and it is not certain that the US government will remain committed to the operation and maintenance of GPS satellites over a long period. In addition, technologies that rely on GPS depend on the use of radio frequency bands and any modification of the permitted uses of these bands may adversely affect the functionality of GPS and, in turn, the Group's vehicle tracking systems and financial performance.

Reliance on network architecture

Quartix's brand, reputation, and ability to attract, retain, and serve the Group's customers are dependent upon the reliable performance of its service and its customers' ability to access the Company's tracking system data at all times. The Company's customers rely on its tracking system data to make operating decisions related to their vehicles and fleets, as well as to measure, store and analyse valuable data regarding their businesses. The Group's tracking system data is vulnerable to interruption and its data centres are vulnerable to damage or interruption from human error, intentional bad acts, computer viruses or hackers, earthquakes, hurricanes, floods, fires, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures, and similar events, any of which could limit the Company's customers' ability to access its solutions. Prolonged delays or unforeseen difficulties in connection with adding capacity or upgrading the Company's network architecture may cause service quality to suffer. Any event that significantly disrupts service or exposes data to misuse could damage the Company's reputation and harm its business and financial performance.

Quartix hosts its vehicle tracking systems and serves all of its customers from its network servers, which are located at the Group's premises in Portsmouth and Maidenhead. Problems faced at the Group's data centre locations, with the telecommunications network providers with whom the Company or they contract, or with the systems by which its telecommunications providers allocate capacity among their customers, including the Company, could adversely affect the experience of the Group's customers. Additionally, if the Group's network architecture is unable to keep up with its growing needs for capacity, this could have an adverse effect on its business. Any errors, defects, disruptions, or other performance problems with its network infrastructure could harm the Company's reputation and may damage its data. Interruptions in services might adversely impact its financial performance and subject the Company and Directors to potential liability.

Adaptation to technological change in the industry

The industry in which the Group competes and related industries are characterised by rapid technological change, frequent introductions of new products and evolving industry standards. In addition to the Fleet and Insurance industries, Quartix is subject to changes in the automotive, mobile handset, GPS navigation device and work flow software industries. As the technology used in each of these industries evolves, the Company will face new integration and competition challenges. For example, as automobile manufacturers evolve in-vehicle technology, GPS tracking devices may become standard equipment and compete against the Company's solutions. Furthermore, major gains in fuel efficiency may lead to a relative decrease in the demonstrable return on investment of the Company's solutions perceived by its customers. If the Company is unable to adapt to rapid technological change, it could adversely affect the financial performance of the Group and Quartix's ability to remain competitive.

Technological Change

The markets for the Group's products are characterised by rapidly changing technology, and increasingly sophisticated customer requirements. Changing customer requirements and the introduction of products embodying new technology may exert downward pressures on the pricing of existing products and ultimately render the Group's existing products obsolete and unmarketable. It is critical to the success of the Group to be able to anticipate changes in technology or in industry standards and to successfully develop and introduce new, enhanced and competitive products on a timely basis. The Group cannot give assurances that it will successfully develop new products or enhance and improve its existing products, such that its new products and/or its enhanced and improved existing products will achieve market acceptance or that the introduction of new products or enhancing existing products by others, or changing customer requirements, will not render the Group's products obsolete. If the Group was not able to develop products that are competitive in technology and price and that meet customer needs there could be a material adverse effect on the Group's business, financial condition or results of operations.

Intellectual Property Rights

The commercial success of the Group depends in part on its ability to protect its intellectual property rights and to preserve the confidentiality of its own know-how. The Group relies upon various intellectual property protections, including copyright, trademarks, trade secrets and contractual provisions, to preserve its intellectual property rights. No assurance is given that the Group will be able to protect and preserve its intellectual property rights or to exclude competitors with similar technology or products.

Substantial costs may be incurred if the Group is required to defend its intellectual property rights and trade marks against third parties. Other parties may copy without authorisation the Group's intellectual property. Due to the Group's size and resources, it may not be able effectively to detect and prevent any infringement of its intellectual property rights. Policing unauthorised use of intellectual property is difficult, and some foreign laws do not protect proprietary rights to the same extent as the laws of the United Kingdom. To protect the Group's intellectual property, the Group's may become involved in litigation, which, even if successful could result in substantial expense, divert the attention of its management, cause significant delays, materially disrupt the conduct of the Group's business or adversely affect its revenue, financial condition and results of operations.

In any event, the Group's intellectual property rights may not provide meaningful commercial protection of its products. While the Directors believe that the Group's products and other intellectual property do not infringe upon the proprietary rights of third parties, there can be no assurance that the Group will not receive communications from third parties asserting that the Group's products and other intellectual property infringe, or may infringe, their proprietary rights. Any such claims, with or without merit, could be time consuming, result in costly litigation and the diversion of technical and management personnel, cause product delays or require the Group to develop non-infringing technology or enter into royalty or licensing agreements or re-brand products. Such royalty or licensing agreements, if required, may not be available on terms acceptable to the Group or at all. In the event of a successful claim of product infringement against the Group and any failure or inability of the Group to develop noninfringing products or licence the infringed or similar products, the Group's business, operating results or financial condition could be materially adversely affected.

Substantially all of the Group's core operating software has been written by employees of the Group in the course of their employment and upon terms that secure ownership of the copyright (and any other intellectual property rights in the software) for the Group.

Notwithstanding the above, the Group's copyright acts only to prevent a competitor from copying the software and not to prevent a competitor from independently developing works that perform the same functions. No assurance can be given that others will not independently develop or otherwise acquire equivalent techniques or gain access to the proprietary technologies of the Group. In addition, no assurance can be given that the scope of the Group's copyright will exclude competitors or provide competitive advantages to the Group, or that third parties will not claim rights in or ownership of the copyright claimed or held by the Group.

There is the further risk that the Group's intellectual property registrations are insufficient for international expansion as their patent and trademark registrations are UK based. The Group has though recently applied for European Community and US trademarks. No assurances can be made though that pending or future intellectual property applications will be accepted and any claims made against the Group's intellectual property could be time consuming and expensive to defend.

The Company's software may contain undetected errors or defects

Quartix must update its solutions quickly to keep pace with the rapidly changing market and the third-party software and devices with which the Group's solutions integrate. The Group's solutions could contain undetected errors or defects, especially when first introduced or when new versions are released. In general, its software may not be free from errors or defects, which could result in damage to the Company's reputation or harm to its financial performance.

Regulation and changes in applicable laws relating to data privacy

Quartix's vehicle tracking systems enable it to collect, manage and store a wide range of data related to vehicle management such as location and fuel usage, speed and mileage. A valuable component of the Group's tracking system is its ability to analyse this data to present the user with actionable business intelligence. Quartix obtains its data from a variety of sources, including its customers and third-party providers. The Directors cannot be certain that the data they require for their proprietary data sets will be available from these sources in the future or that the cost of such data will not increase. The British government, amongst other national and state governments, has adopted or proposed limitations on the collection, distribution and use of personal information. Several jurisdictions, including the United Kingdom and the European Union, have adopted legislation (including directives or regulations) that increase or change the requirements governing data collection and storage in these jurisdictions. If the Company's privacy or data security measures fail to comply, or are perceived to fail to comply, with current or future laws and regulations, the Company may be subject to litigation, regulatory investigations or other liabilities. Moreover, if future laws and regulations limit the Group's clients' ability to use and share this data or the Company's ability to store, process and share data with its clients over the Internet, demand for its solution could decrease, its costs could increase, and its results of operations and financial condition could be harmed.

International expansion

The Directors anticipate that their efforts to expand further internationally will entail the marketing and advertising of the Group's product and brand. The Directors do not have substantial experience in selling the Group's vehicle tracking systems in international markets outside of the UK and France or in conforming to the local cultures, standards, or policies necessary to successfully compete in those markets, and the Directors may be required to invest significant resources in order to do so. The Directors may not succeed in these efforts or other goals. In some international markets, customer preferences and buying behaviours may be different, and the Directors may use business or pricing models that are different from their core rental model to provide fleet management solutions to customers in those markets or they may be unsuccessful in implementing the appropriate business model. The Company's revenue from new foreign markets may not exceed the costs of establishing, marketing, and maintaining its international offerings.

In addition, conducting expanded international operations subjects the Company to new risks that it has not generally faced in its current markets. These risks include:

- localisation of its systems, including the addition of foreign languages and adaptation to new local practices and regulatory requirements;
- the cost and burden of complying with, lack of familiarity with, and unexpected changes in, foreign legal and regulatory requirements;
- potentially adverse tax consequences, including the complexities of transfer pricing, value added or other tax systems, double taxation and restrictions and/or taxes on the repatriation of earnings;
- dependence on third parties, including commercial partners with whom the Directors do not have extensive experience;
- increased financial accounting and reporting burdens and complexities;
- political, social, and economic instability, terrorist attacks, and security concerns in general; and
- reduced or varied protection for intellectual property rights in some countries.

Operating in international markets also requires significant management attention and financial resources. The investment and additional resources required to establish operations and manage growth in other countries may not produce desired levels of revenue or profitability.

Current operating results as an indication of future results

The Company's operating results may fluctuate significantly in the future due to a variety of factors, many of which are outside its control. Accordingly, investors should not rely on comparisons with the Company's results to date as an indication of future performance. Factors that may affect the Company's operating results include increased competition, an increased level of expenses, slower than expected sales and changes to the statutory and regulatory regimes in which it operates. It is possible that, in the future, the Company's operating results may fall below the expectations of market analysts or investors. If this occurs, the trading price of the Company's Ordinary Shares may decline significantly.

Reliance on key personnel

The Company's success will depend to a significant extent upon retaining the experience of a small number of key personnel whose continued service may not be guaranteed. The departure of one or more key executives or employees of the Group could have a material and adverse effect on the performance of the Group's business and prospects. The Group's ability to continue to develop its business will depend upon its ability to attract new employees and retain and motivate existing employees.

Key supplier dependency

The Group relies exclusively on Everything Everywhere Limited for the provision of network services and SIM cards, which are essential for the operation of the Group's business. The Group also relies entirely on Google for the supply of necessary maps/mapping data. Whilst the Directors consider either circumstance to be unlikely in view of the revenue generated by Quartix for these suppliers, any sudden or unexpected interruption or termination of either of these supply contracts would likely cause material disruption and cost to the business.

Litigation risks

Whilst the Group has taken, and the Company intends the Group to continue to take, such precautions as it regards appropriate to avoid or minimise the likelihood of any legal proceedings or claims, or any resulting financial loss to the Group, the Directors cannot preclude the possibility of litigation being brought against the Group. Any litigation brought in the future involving the Group could have a material adverse effect on the Group's business.

Any litigation, whether or not determined in the Group's favour or settled by the Group, may be costly and may divert the efforts and attention of the Group's management and other personnel from normal business operations.

Currency risk

A majority of the revenues and costs of the Group are in sterling but the Group is exposed to foreign currency risk due to fluctuations in exchange rates. Whilst this exposure has historically not been material, this exposure could become more significant which the Group's proposed expansion into Europe and the US. Expansion in these overseas markets may generate foreign exchange gains and losses to the extent sterling appreciates or depreciates against the relevant currency.

Potential requirement for further investment

Any future acquisitions, expansion, activity and/or business development may require additional capital, whether from equity or debt sources. There can be no guarantee that the necessary funds will be available on a timely basis, on favourable terms, or at all, or that such funds if raised, would be sufficient. If additional funds are raised by issuing equity securities, dilution to the then existing shareholdings may result. Debt funding may require assets of the Group to be secured in favour of the lender, which security may be exercised if the Group were to be unable to comply with the terms of the relevant debt facility agreement. The level and timing of future expenditure will depend on a number of factors, many of which are outside the Group's control. If the Group is not able to obtain additional capital on acceptable terms, or at all, it may be forced to curtail or abandon such planned acquisition opportunities, expansion, activity and/or business development. The above could have a material adverse effect on the Group.

Risks Relating to the Ordinary Shares

AIM

The Ordinary Shares will be admitted to AIM and it is emphasised that at this time no application is being made for admission of the Ordinary Shares to the Official List or to any other stock exchange. An investment in shares quoted on AIM may be less liquid and may carry a higher risk than an investment in shares quoted on the Official List. The rules of AIM are less demanding than those of the

Official List. Further, the London Stock Exchange has not itself examined or approved the contents of this document. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

The market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, overall market or sector sentiment, legislative changes in the Company's sector and other events and factors outside of the Company's control.

Stock markets have from time to time experienced severe price and volume fluctuations, a recurrence of which could adversely affect the market price for the Ordinary Shares.

Economic conditions and current economic weakness

Any economic downturn either globally or locally in any area in which the Group operates may have an adverse effect on the demand for the Group's products. A more prolonged economic downturn may lead to an overall decline in the volume of the Group's sales, restricting the Group's ability to realise a profit. The markets in which the Group offers its services are directly affected by many national and international factors that are beyond the Group's control.

Market risks

The Group may be affected by general market trends which are unrelated to the performance of the Group itself. The Group's success will depend on market acceptance of the telematics sector and there can be no guarantee that this acceptance will be forthcoming. Market opportunities targeted by the Group may change and this could lead to an adverse effect upon its revenue and earnings.

Taxation

Any change in the Company's or its subsidiaries' tax status or in tax legislation could affect the Company's ability to provide returns to shareholders. Statements in this document in relation to tax and concerning the taxation of investors in Ordinary Shares are based on current tax law and practice which is subject to change. The taxation of an investment in the Company depends on the specific circumstances of the relevant investor.

The nature and amount of tax which members of the Group expect to pay and the reliefs expected to be available to any member of the Group are each dependent upon a number of assumptions, any one of which may change and which would, if so changed, affect the nature and amount of tax payable and reliefs available. In particular, the nature and amount of tax payable is dependent on the availability of relief under tax treaties in a number of jurisdictions and is subject to changes to the tax laws or practice in any of the jurisdictions affecting the Group. Any limitation in the availability of relief under these treaties, any change in the terms of any such treaty or any changes in tax law, interpretation or practice could increase the amount of tax payable by the Group.

Investment risk

An investment in a share which is traded on AIM, such as the Ordinary Shares, may be difficult to realise and carries a high degree of risk. The ability of an investor to sell Ordinary Shares will depend on there being a willing buyer for them at an acceptable price. Investors may therefore realise less than, or lose all of, their investment.

Investors should be aware that, following Admission, the market price of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore be unable to recover their original investment and could even lose their entire investment. This volatility could be attributable to various facts and events, including the availability of information for determining the market value of an investment in the Company, any regulatory or economic changes affecting the Group's operations, variations in the Group's operating results, developments in the Group's business or its competitors, or changes in market sentiment towards the Ordinary Shares. In addition, the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors.

Volatility of the value of the Company's Ordinary Shares

Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover any or all of their original investment, especially as the market in Ordinary Shares on AIM may have limited liquidity.

In addition, the price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company, and others of which are extraneous. These factors could include the performance of the Company's operations, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory or taxation changes and general economic conditions. The value of the Ordinary Shares will therefore fluctuate and may not reflect their underlying asset value. Investors may realise less than the original amount invested.

Shareholder tax

Investors should take their own tax advice as to the consequences of owning shares in the Company as well as receiving returns from it. In particular investors should be aware that ownership of shares in the Company can be treated in different ways in different jurisdictions.

Dividends

The Company's initial policy is based on the distribution of 50 per cent. of free cashflow to shareholders. There can be no assurance as to the level of future dividends (if any) that may be paid by the Company. Any determination to pay dividends in the future will be a decision for the Board (and will be subject to applicable laws and generally accepted accounting principles from time to time, and other factors the Board deems relevant).

Illiquidity

There will have been no public trading market for the Ordinary Shares prior to Admission. The Ordinary Shares may therefore be illiquid in the short to medium term and, accordingly, an investor may find it difficult to sell Ordinary Shares, either at all or at an acceptable price. Further, the Group can give no assurance that an active trading market for the Ordinary Shares will develop, or if such a market develops, that it will be sustained. If an active trading market does not develop or is not maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected and investors may have difficulty selling their Ordinary Shares. The market price of the Ordinary Shares may drop below the Placing Price. Any investment in the Ordinary Shares should be viewed as a long term investment.

Significant shareholders

Following Admission, the Directors and members of their families (within the meaning of the AIM Rules) will, in aggregate, hold approximately 45.2 per cent. of the Issued Share Capital and may be able to exert significant influence over the Company in respect of its corporate affairs requiring shareholder approval.

Forward-looking statements

All statements other than statements of historical facts included in this document, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations or statements relating to expectations in relation to dividends or any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "plans", "will", "may", "anticipates", "would", "could" or similar expressions or the negative thereof, are forward looking statements. Such forward looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance, achievements of or dividends paid by, the Company to be materially different from future results, performance or achievements, or dividend payments expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the size of and expected growth in the Fleet and Insurance Markets, present and future business strategies and income flows and the environment in which the Company will operate in the future.

These forward-looking statements speak only as of the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

The foregoing factors are not exhaustive and do not purport to be a complete explanation of all the risks and significant considerations involved in investing in the Company.

PART III(a)

REPORTING ACCOUNTANT'S REPORT AND FINANCIAL INFORMATION ON THE GROUP

Section A: Reporting Accountant's Report

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29 October 2014

Dear Sirs

Quartix Holdings plc (the Company) and its subsidiary undertakings (together the Group)

We report on the financial information set out in Part III(a)(B) of the Admission Document dated 29 October 2014 of Quartix Holdings plc, for the three years ended 31 December 2011, 2012 and 2013 (the 'Financial Information'). The Financial Information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in note 3 of the Financial Information.

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

The Directors of Quartix Holdings plc are responsible for preparing the Financial Information in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS'). It is our responsibility to form an opinion on the Financial Information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Financial Information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Financial Information gives, for the purposes of the Admission Document dated 29 October 2014, a true and fair view of the state of affairs of Quartix Holdings plc and its subsidiaries as at 31 December 2011, 31 December 2012 and 31 December 2013 of its profits, cash flows, recognised gains and losses and changes in equity for the years then ended in accordance with the International Financial Reporting Standards adopted by the European Union.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP

Section B: Historical Financial Information

The financial information set out below of the Group and its subsidiary undertakings for the three years ended 31 December 2013 has been prepared by the Directors of the Group on the basis set out in note 1.

The accompanying notes represent an integral part of the financial information.

The financial information contained within this section does not constitute statutory accounts within the meaning of Section 434 of the Act.

Quartix Holdings Limited was re-registered as Quartix Holdings plc on 31 July 2014.

Consolidated Statement of Comprehensive Income

	Notes	*2011* *£'000*	*2012* *£'000*	*2013* *£'000*
Revenue	4	6,744	8,311	13,180
Cost of sales		2,471	2,298	4,590
Gross profit		4,273	6,013	8,590
Administrative expenses		2,467	3,093	3,877
Operating profit		1,806	2,920	4,713
Finance income receivable	8	2	94	12
Finance costs payable	9	(302)	(208)	(120)
Profit for the year before taxation	5	1,506	2,806	4,605
Tax expense	10	292	476	742
Net profit for the year and total comprehensive income attributable to the equity shareholders of Quartix Holdings Limited		1,214	2,330	3,863
Earnings per share (£)	11			
Basic		2.74	5.22	8.35
Diluted		2.61	5.00	8.27

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

The accompanying accounting policies and notes form part of this financial information.

Consolidated Statement of Financial Position

	Notes	*2011* *£'000*	*2012* *£'000*	*2013* *£'000*
Non-current assets				
Goodwill	13	14,029	14,029	14,029
Property, plant and equipment	14	51	139	188
Total non-current assets		14,080	14,168	14,217
Current assets				
Inventories	15	188	348	220
Trade and other receivables	16	1,618	983	1,789
Cash and cash equivalents	17	581	991	779
		2,387	2,322	2,788
Total assets		16,467	16,490	17,005
Current liabilities				
Trade and other payables	18	1,440	2,985	3,897
Current tax liabilities		275	331	441
		1,715	3,316	4,338
Non-current liabilities				
Borrowings and other payables	19	5,315	1,991	1,983
Deferred tax liabilities	20	17	12	24
		5,332	2,003	2,007
Total liabilities		7,047	5,319	6,345
Net assets		9,420	11,171	10,660
Equity				
Share capital	21	5,022	4,426	46
Share premium account	21	4,279	4,296	4,296
Capital redemption reserve		101	699	5,079
Share option reserve		—	—	6
Retained earnings		18	1,750	1,233
Total equity attributable to equity shareholders of Quartix Holdings Limited		9,420	11,171	10,660

The accompanying accounting policies and notes form part of this financial information.

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*
Balance at 1 January 2011	5,022	4,279	101	—	(1,196)	8,206
Profit for the year and total comprehensive income	—	—	—	—	1,214	1,214
Balance at 31 December 2011	5,022	4,279	101	—	18	9,420
Shares issued	2	17	—	—	—	19
Redemption of preference shares	(598)	—	598	—	(598)	(598)
Transactions with owners	4,426	4,296	699	—	(580)	8,841
Profit for the year and total comprehensive income	—	—	—	—	2,330	2,330
Balance at 31 December 2012	4,426	4,296	699	—	1,750	11,171
Redemption of preference shares	(4,380)	—	4,380	—	(4,380)	(4,380)
Increase in equity reserve in relation to options issued	—	—	—	6	—	6
Transactions with owners	46	4,296	5,079	6	(2,630)	6,797
Profit for the year and total comprehensive income	—	—	—	—	3,863	3,863
Balance at 31 December 2013	46	4,296	5,079	6	1,233	10,660

The accompanying accounting policies and notes form part of this financial information.

Consolidated Statement of Cash Flows

	Notes	*2011* *£'000*	*2012* *£'000*	*2013* *£'000*
Cash generated from operations				
Profit before tax		1,506	2,806	4,605
Adjustments	23	370	153	173
Net changes in working capital	23	(549)	913	236
Taxes paid		(128)	(425)	(619)
Cash inflow from operating activities		1,199	3,447	4,395
Investing activities				
Additions to property, plant and equipment		(50)	(127)	(108)
Interest received		2	94	12
Cash outflow from investing activities		(48)	(33)	(96)
Financing activities				
Proceeds from share issues		—	19	—
Redemption of preference shares		—	(597)	(4,380)
Repayment of long term borrowings		(602)	(5,774)	(1,000)
Increase in long term borrowings		—	3,500	1,000
Interest paid		(302)	(152)	(131)
Cash outflow from financing activities		(904)	(3,004)	(4,511)
Net changes in cash and cash equivalents		247	410	(212)
Cash and cash equivalents at the beginning of the year		334	581	991
Cash and cash equivalents at the end of the year		581	991	779

The accompanying accounting policies and notes form part of this financial information.

Notes to the Historical Financial Information

1 Basis of preparation and statement of compliance

The principal accounting policies applied in the preparation of this financial information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of accounting

This consolidated historic financial information is for the three years ended 31 December 2013. It has been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and is effective at 31 December 2013.

This historic financial information has been prepared under the historical cost convention.

Basis of consolidation

The Group's historic financial information consolidates that of the Company and all of its subsidiary undertakings. Subsidiary undertakings are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights. Where subsidiary undertakings are acquired during the year, the profit or loss attributable to shareholders includes the profits or losses from the date of acquisition. Where subsidiary undertakings are disposed of during the year, the profit or loss attributable to shareholders includes the profits or losses to the date of disposal.

Going concern

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to generate sufficient liquidity.

After assessing the forecasts and liquidity of the business for the next financial year 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 historic financial information.

2 Summary of significant accounting policies

Segmental reporting

The Group has concluded that it operates only one business segment as defined by IFRS 8. The information used by the Group's chief operating decision makers, who are considered to be the executive Board, to make decisions about the allocation of resources and assessing performance is presented in a format consistent with that repeated in the historic financial information. Assets are not directly attributable to any separate activity.

Revenue

Revenue is the amount receivable for goods and services, excluding VAT. It is measured at the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts. Revenue comprises the provision of telematics-based fleet and vehicle management solutions, and is recognised in line with the provision and installation of hardware, and the maintenance of software and provision of communications over the period of the customer contract. Amounts received in advance of the provision of services are included within deferred income.

Revenue from a twelve month contract is spread on a straight line basis over the life of the contract. The associated cost including installation of hardware is recognised as incurred and not spread over the life of the contract: likewise distributors' commissions are accounted for when incurred and not spread over the life of the contract.

Revenue from hardware sales is recognised upon transfer of economic benefit which is normally upon installation of the unit or dispatch of the unit if customer does their own installation. Revenue from installation is recognised upon installation.

Revenue from other services including communication charges are recognised over the period in which services are provided on a straight line basis.

Intangible assets

Goodwill arising on consolidation represents the excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the identifiable assets and liabilities (including intangible assets) of the acquired entity at the date of the acquisition. Goodwill is recognised as an asset and assessed for impairment annually or as triggering events occur. Any impairment is recognised immediately in profit and loss.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment.

Disposal of assets

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

Depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

- Tools and equipment 25 per cent. straight line
- Office equipment 25 per cent. straight line

Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. In the event that an internally generated intangible asset arises from the Group's development activities then it will be recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment testing of intangible assets and property, plant and equipment

Goodwill is tested for impairment at least annually. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget. Discount factors are determined individually for each cash-generating unit and reflect the directors' assessment of respective risk profiles, such as market and asset-specific risks factors.

Property, plant and equipment is tested for impairment if events or changes in circumstances (assessed at each reporting date) indicate that the carrying amount may not be recoverable. When an impairment test is conducted, the recoverable amount is assessed by reference to the higher of the value in use (net present value of expected future cash flows of the relevant cash-generating unit), or the fair value less cost to sell.

If a cash-generating unit is impaired, provision is made to reduce the carrying amount of the related assets to their estimated recoverable amount. Impairment losses are allocated firstly against goodwill, and secondly on a *pro rata* basis against intangible and other assets.

Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

Operating lease agreements

Payments made under operating leases are charged to the profit and loss on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in first out basis. Net realisable value is based on estimated selling price less additional cost to completion or disposal. Provision is made for obsolete, slow moving or defective items where appropriate and recognised as an expense in the period in which the write-down or loss occurs.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet 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.

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 balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in profit and loss.

Financial assets

Trade and other receivables are classified as loans and receivables, these are initially recognised at fair value. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in profit and loss.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are recorded initially at fair value and subsequently at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in profit and loss.

A financial liability is derecognised only when the obligation is extinguished.

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.

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;
- "Share option reserve" is used to reflect the expenses associated with granting share options to employees; and
- "Retained earnings" represents retained profits.

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 balance sheet 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 the income statement in the period in which they arise.

The parent company's functional currency is sterling. The French branch has a functional currency of sterling. Quartix Inc. has a functional currency of US dollars.

Employee benefits

Share based payments

The Group operates a number of employee share schemes under which it makes equity-settled share-based payments to certain employees. In accordance with the exemptions available under IFRS 1, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2011.

Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is assessed at the grant date, using the Black-Scholes method, and excludes the impact of non-market vesting conditions.

The expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

3 Key judgments 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.

Impairment testing of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated (Quartix Limited). Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in Note 13.

Provision for impairment of trade receivables

The Group assesses trade receivables for impairment which requires the directors to estimate the likelihood of payment forfeiture by customers.

Capitalisation of development costs

The point at which development costs meet the criteria for capitalisation is critically dependant on the directors' judgment of the probability and measurability of future economic benefits. There is no capitalised development as at 31 December 2013.

4 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 class type of customer and geography is stated below:

	2011	*2012*	*2013*
	£'000	*£'000*	*£'000*
By customer base			
Fleet	5,129	7,261	9,186
Insurance	1,615	1,050	3,994
	6,744	8,311	13,180

	2011	*2012*	*2013*
	£'000	*£'000*	*£'000*
Geographical analysis by destination			
United Kingdom	6,618	7,947	12,588
Rest of Europe	126	364	592
	6,744	8,311	13,180

During 2013 revenues of £4.0 million (2012: £1.0 million and 2011: £1.6 million) derived from one insurance customer.

5 Profit for the year before taxation

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

	2011	*2012*	*2013*
	£'000	*£'000*	*£'000*
Research and development expenses	511	863	1,085
Rentals under operating leases:			
– Other operating leases	6	5	6
– Land and buildings	35	43	43
Depreciation:			
– Property, plant and equipment, owned	36	39	59
Loss on disposal of tangible fixed assets	34	—	—
Impairment of domain name	32	—	—
Share based payments expense	—	—	6
Difference on foreign exchange	11	6	3
Auditors' fees – parent company	3	4	7
Auditors' fees – other group companies	113	13	15
Auditors' fees – non audit services	—	—	36

6 Employee remuneration

Employee benefits expense

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

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

	2011	*2012*	*2013*
	£'000	*£'000*	*£'000*
Wages and salaries	1,070	1,467	1,849
Social security costs	108	142	178
Share based payments	—	—	6
	1,178	1,609	2,033

There were no pension costs for the Group.

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

	2011	*2012*	*2013*
	Number	*Number*	*Number*
Administration	3	5	7
Operations	7	11	16
Sales	14	16	19
Customer service	4	5	5
Research and development	8	10	14
	36	47	61

7 Key management remuneration

Key management comprise the directors of the Group.

	2011 £'000	2012 £'000	2013 £'000
Emoluments	330	326	352
Social security costs	40	40	43
Other benefits	1	1	2
Total short-term employee benefits	371	367	397

Highest paid director

	2011 £'000	2012 £'000	2013 £'000
Emoluments	71	73	76
Social security costs	9	9	9
Other benefits	1	1	2
Total short-term employee benefits	81	83	87

No director was a member of a pension scheme or other post-employment benefit to which the Group contributed in either the current or the prior years. There were no termination payments and no bonuses for directors. The number of directors who exercised share options during 2013 was nil (2012: 2 and 2011: nil). No directors had share options outstanding at 31 December 2013.

8 Finance income receivable

	2011 £'000	2012 £'000	2013 £'000
Bank interest	2	4	12
Loan settlement discount	—	90	—
	2	94	12

9 Finance costs payable

	2011 £'000	2012 £'000	2013 £'000
Interest on bank loans and overdrafts	302	208	120

10 Tax expense

The relationship between the expected tax expense based on the effective tax rate of the Group at 23.25 per cent., (2012: 24.50 per cent. and 2011: 26.49 per cent.) and the tax expense actually recognised in the income statement can be reconciled as follows:

	2011 £'000	2012 £'000	2013 £'000
Result for the year before taxation	1,506	2,806	4,605
Tax rate	26.49 per cent.	24.50 per cent.	23.25 per cent.
Expected tax expense	399	687	1,071
Adjustments to tax charge in respect of prior periods	—	—	(96)
Expenses not deductible for tax purposes	1	1	23
Research and development tax credit	(113)	(212)	(253)
Remeasurement of deferred tax	5	—	(3)
Tax on profit on ordinary activities	292	476	742

11 Earnings per share

The calculation of the basic earnings per share is based on the profits attributable to the shareholders of Quartix Holdings plc divided by the weighted average number of shares in issue during the year. All earnings per share calculations relate to continuing operations of the Group.

	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 £*
Year ended 31 December 2013	3,863	462,475	8.35	467,128	8.27
Year ended 31 December 2012	2,330	446,378	5.22	466,013	5.00
Year ended 31 December 2011	1,214	443,823	2.74	466,013	2.61

12 Subsidiaries

As at the 31 December 2013 the subsidiaries of the Group were:

Subsidiary	*Country of registration*	*Class of share capital held*	*Proportion held by the Company*	*Nature of business*
Quartix Limited	England & Wales	Ordinary shares	100 per cent.	Vehicle Tracking
Quartix Inc.	USA	Common shares	100 per cent.	Vehicle Tracking

13 Goodwill and other intangible assets

	Goodwill on consolidation £'000
Cost and net book value	
At 1 January and 31 December 2011, 2012 and 2013	14,029

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

Goodwill is recognised as an asset and assessed for impairment annually or as triggering events occur. Any impairment is recognised immediately in the income statement.

The Group considers its subsidiary Quartix Limited to be the sole cash-generating unit (CGU) and as such, it is reviewed annually for impairment. The Group has determined its recoverable amount based on value in use calculations. The value in use was derived from discounted management cash flow forecasts for the businesses, 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 to three were based on detailed management expectations. The growth rate used for the fourth year is 2 per cent. which is in line with the long-term GDP forecasts. The discount rate used is 14 per cent. 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.

These value in use calculations have not identified any requirement for impairment of the Goodwill stated above.

Other intangible assets

The domain name Quartix.com was purchased for €35,000 in 2011 and has been written down to zero as it does not generate a separate income stream.

14 Property, plant and equipment

	Tools and equipment £'000	*Office equipment £'000*	*Rental equipment £'000*	*Total £'000*
Cost:				
At 1 January 2011	12	53	102	167
Additions	—	50	—	50
Disposals	—	—	(102)	(102)
At 31 December 2011	12	103	—	115
Additions	—	127	—	127
Disposals	—	(7)	—	(7)
At 31 December 2012	12	223	—	235
Additions	—	108	—	108
At 31 December 2013	12	331	—	343
Depreciation:				
At 1 January 2011	10	43	43	96
Provided in the year	2	9	25	36
On disposals	—	—	(68)	(68)
At 31 December 2011	12	52	—	64
Provided in the year	—	39	—	39
On disposals	—	(7)	—	(7)
At 31 December 2012	12	84	—	96
Provided in the year	—	59	—	59
At 31 December 2013	12	143	—	155
Net book amount:				
At 31 December 2013	—	188	—	188
At 31 December 2012	—	139	—	139
At 31 December 2011	—	51	—	51

15 Inventories

	2011 £'000	2012 £'000	2013 £'000
Raw materials	121	115	115
Work in progress	16	91	76
Finished goods and goods for resale	51	142	29
	188	348	220

Included in the analysis above are impairment provisions against inventory amounting to £80,000 (2012: nil and 2011: nil). The cost of inventories recognised as an expense and included in "cost of sales" amounted to £1,505,000 (2012: £714,000 and 2011: £901,000).

16 Trade and other receivables

	2011 £'000	2012 £'000	2013 £'000
Trade receivables	1,574	937	1,723
Other receivables	8	2	2
Prepayments and accrued income	36	44	64
	1,618	983	1,789

The carrying value of trade receivables is considered a reasonable approximation of fair value. All of the receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and a provisions for doubtful debts have been recorded as follows:

	2011 £'000	2012 £'000	2013 £'000
Provision at 1 January	28	90	20
Movement in provision	62	(70)	(5)
Provision at 31 December	90	20	15

In addition, some of the unimpaired trade receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

	2011 £'000	2012 £'000	2013 £'000
Not more than 1 month	65	68	148
More than one month but not more than 3 months	38	64	16
More than 3 months but not more than 6 months	—	7	—
	103	139	164

17 Cash and cash equivalents

Cash and cash equivalents include the following components:

	2011 £'000	2012 £'000	2013 £'000
Cash at bank and in hand	581	991	779

Quartix Limited uses Barclay's Money Transmission Plus to aggregate sterling instant access balances and earn a competitive rate of interest, currently 1.25 per cent.

18 Trade and other payables

Amounts falling due within one year

	2011 £'000	2012 £'000	2013 £'000
Bank loan	—	993	993
Trade payables	369	552	802
Social security and other taxes	268	360	561
Other payables	10	51	60
Accruals and deferred income	793	1,029	1,481
	1,440	2,985	3,897

19 Borrowings and other payables

Amounts falling due after more than one year

	2011 £'000	2012 £'000	2013 £'000
Bank loan	5,253	1,986	1,983
Other payables	62	5	—
	5,315	1,991	1,983

The Group's bank loans are secured by way of a standard debenture. The loans consist of a £2 million standard term loan borrowed at an effective interest rate of 3.56 per cent. over LIBOR. This is repayable at a rate of £250,000 a quarter until November 2015. In addition, the Group has access to further borrowings of £1 million at an effective interest rate of 3.88 per cent. over LIBOR. For this repayments of £250,000 a quarter start in February 2016.

The 2011 loan was a term loan from Lloyds Banking Group which was repaid early in full.

Other creditors in 2012 include a £5,000 accrual for unit replacement under warranty (2011: £62,000). The equivalent number in 2013 of £90,000 is included under current liabilities.

20 Deferred tax

Deferred tax liabilities recognised by the Group at 31 December 2013, 31 December 2012 and 31 December 2011 are as follows:

	2011 £'000	2012 £'000	2013 £'000
Provision for deferred tax			
Accelerated Capital Allowances	8	13	25
Short term timing differences	9	(1)	(1)
	17	12	24

	2011 £'000	2012 £'000	2013 £'000
Charge/(credit) to profit and loss			
Accelerated Capital Allowances	8	5	12
Short term timing differences	9	(10)	—
	17	(5)	12

21 Equity

Share capital and premium

	Number of preference shares of £1 each	*Number of ordinary shares of £0.10 each*	*Share capital £'000*	*Share premium £'000*
Allotted, called up and fully paid				
At 1 January 2011 and at 31 December 2011	4,977,980	443,823	5,022	4,279
Shares redeemed at £1 for cash	(597,358)	—	(598)	—
Shares issued at £1 for cash	—	18,652	2	17
At 31 December 2012	4,380,622	462,475	4,426	4,296
Shares redeemed at £1 for cash	(4,380,622)	—	(4,380)	—
At 31 December 2013	—	462,475	46	4,296

The preferential shares carried no preferential right to dividend but could be redeemed at par at the discretion of the Company. All preference shares have been redeemed by the Company out of distributable reserves as at 31 December 2013.

22 Share based payments

The Company has share option schemes for certain employees. Share options are exercisable at prices determined at the date of grant. The vesting periods for the share options range between vesting on issue and vesting after 14 months. Options are forfeited if the employee leaves the Company before the options vest. Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2011 Weighted average exercise price per share in £	*Options number*	*2012 Weighted average exercise price per share in £*	*Options number*	*2013 Weighted average exercise price per share in £*	*Options number*
Outstanding at 1 January	1.00	22,190	1.00	22,190	1.00	3,538
Granted	—	—	—	—	38.87	7,360
Lapsed	—	—	—	—	—	—
Exercised	—	—	—	(18,652)	—	—
Outstanding at 31 December 3 December	1.00	22,190	1.00	3,538	26.58	10,898
Exercisable at 31 December	1.00	18,652	1.00	900	1.00	1,800

The weighted average fair value of options issued during the year ended 31 December 2013 was £24.60. At 31 December Quartix Holdings plc had the following outstanding options and exercise prices:

		2011		
Period when exercisable	*Expiry dates*	*Average exercise price per share in £*	*Options number*	*Weighted average remaining contractual life in months*
2 years from June 2010	25 June 2013	1.00	17,752	18
5 years from June 2011	25 June 2016	1.00	4,438	54
		1.00	22,190	25

		2012		
Period when exercisable	*Expiry dates*	*Average exercise price per share in £*	*Options number*	*Weighted average remaining contractual life in months*
5 years from June 2011	25 June 2016	1.00	3,538	42

		2013		
Period when exercisable	*Expiry dates*	*Average exercise price per share in £*	*Options number*	*Weighted average remaining contractual life in months*
5 years from June 2011	25 June 2016	1.00	3,538	30
5 years from November 2014	1 November 2019	44.00	6,500	71
July 2015 to December 2018	19 December 2018	0.10	860	60
		26.58	10,898	57

The fair value of share based payments have been calculated using the Black-Scholes option pricing model. Expected volatility was determined based on the historic volatility of comparable companies. The expected life is the expected period from grant to exercise based on the directors' best estimate. The risk free return is the rate offered for building society deposits at the time of the grant.

The following assumptions were used in the model for options granted during the year ended 31 December 2013.

Number granted	22,190	6,500	860
Grant date	1 September 2010	1 November 2013	19 December 2013
Share price at grant date	1.00	44.00	44.00
Exercise Price	1.00	44.00	0.10
Fair Value per option	0.50	22.00	43.90
Expected life in years	5	5	2
Expected Volatility per cent.	62.00 per cent.	62.00 per cent.	62.00 per cent.
Risk-free interest rate	0.50 per cent.	0.50 per cent.	0.50 per cent.

23 Notes to the cash flow statement

Cash flow adjustments and changes in working capital

	Note	2011 £'000	2012 £'000	2013 £'000
Adjustments:				
Depreciation	14	36	39	59
Loss on disposal of tangible fixed assets	5	34	—	—
Share based payments charge		—	—	6
Interest income		(2)	(94)	(12)
Interest expense		302	208	120
		370	153	173

	2011 £'000	2012 £'000	2013 £'000
Net changes in working capital:			
(Increase)/decrease in trade and other receivables	(865)	635	(806)
Decrease/(increase) in inventories	(20)	(160)	128
Increase in trade and other payables	336	438	914
	(549)	913	236

24 Leases

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

	Land and buildings			*Other*		
	2011 £'000	*2012 £'000*	*2013 £'000*	*2011 £'000*	*2012 £'000*	*2013 £'000*
No later than one year	38	38	39	6	2	6
Later than one year and no later than four years	117	102	73	8	—	17
Later than five years	15	—	—	—	—	—

Lease payments recognised as an expense during the year amount to £49,000, (2012:£48,000 and 2011:£41,000).

25 Related party transactions and controlling related party

The Group's related parties comprise its Board of Directors. There were no related party transactions with directors to disclose.

The directors consider the board and shareholding structure mean there is no directly identifiable controlling party.

26 Contingent liabilities

Quartix Limited has signed agreements with suppliers which commits the Group to purchase inventory to the value of £209,000 (2012: £10,000, 2011: £10,000). There were no other contingent liabilities as at 31 December 2013, 31 December 2012 or 31 December 2011.

27 Capital commitments

The Group had no capital commitments at 31 December 2013, 31 December 2012 or 31 December 2011.

28 Risk management objectives and policies

Financial instruments

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

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to market risk for the changes in interest rates relates primarily to the Group's bank loans. The exposure to interest rate fluctuations on its loans has been managed by past loan repayments which mean that these loans are now low relative to the Group's cash flow. As at the 31 December 2013 each 1 per cent. increase in interest rates would add £30,000 to interest charges on an annual basis.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. The Group maintains cash to meet its liquidity most of which earn interest via Barclay's Money Transmission Plus. Liquidity needs are monitored on a weekly and monthly basis. The Group has no un-drawn committed overdraft facilities. Trade and other payables of £3,897,000 at 31 December 2013 will be settled through cash generated by the Group in its normal course of business, both through the collection of receivables and from cash generated from post year end sales.

As at 31 December the Group's financial liabilities all have contractual maturities within six months as summarised below:

	2011	*2012*	*2013*
	£'000	*£'000*	*£'000*
Trade and other payables			
Within six months	468	733	1,293
	468	733	1,293
Bank loans			
Within six months	106	566	566
Six to twelve months	106	554	554
One to five years	5,512	2,102	2,102
	5,724	3,222	3,222

Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	2011	*2012*	*2013*
	£'000	*£'000*	*£'000*
Loans and receivables			
Cash and cash equivalents	581	991	779
Trade and other receivables	1,582	939	1,725
	2,163	1,930	2,504

The Group's management considers that all the above financial assets that are not impaired for each of the balance sheet dates under review are of good credit quality, including those that are past due. See note 16 for additional information on trade receivables that are past due.

The Group's principal financial assets are cash deposits and trade receivables. Risks associated with cash deposits are limited as the banks used have high credit ratings assigned by international credit rating agencies.

The principal credit risk lies with trade receivables. In order to manage credit risk, the directors require third party credit clearance from all customers and most customers (over 90per cent.) pay by direct debit. The Group has one large customer whose debts can at times exceed £500,000 and the credit risk on this balance is carefully monitored.

Currency risk

The Group is exposed to transaction foreign exchange risk. The risk with the Euro has been mitigated by trading in France which generates marginally more Euros than the Group currently need. The Group plans to adopt a similar solution to the US $ by trading in the USA. Currently it purchases about $1.8 million a year.

Transaction exposures, including those associated with forecast transactions, are managed through the use of bank accounts held in foreign currencies. The Group's trade receivables as at 31 December 2013, include an amount of £73,000 (2012:£68,000 and 2011: £25,000) denominated in Euros. As at 31 December 2013, cash at bank and in hand included £44,000 (2012: £1,000 and 2011: £35,000) denominated in US Dollars, and £30,000 (2012: £52,000 and 2011: £64,000) denominated in Euros.

The Group's trade payables as at 31 December 2013, include an amount of £33,000 (2012: £37,000 and 2011: £66,000) denominated in Euros and an amount of £77,000 (2012: £115,000 and 2011: £31,000) denominated in US Dollars.

It is estimated that a 5 per cent. strengthening of Pound Sterling to the US dollar would have increased net profit by £50,000 and vice versa. (This is assuming that dollar denominated prices do not adjust for currency movements).

It is estimated that a 5 per cent. strengthening of Pound Sterling to the Euro would have reduced net profit by £30,000 and vice versa.

29 Summary of financial assets and liabilities by category

The carrying amounts of the assets and liabilities as recognised at the balance sheet dates may also be categorised as follows:

	2011	*2012*	*2013*
	£'000	*£'000*	*£'000*
Loans and receivables			
Trade and other receivables, loans and receivables	1,582	939	1,725
Cash and cash equivalents	581	991	779
	2,163	1,930	2,504
Financial liabilities measured at amortised cost			
Trade and other payables	468	733	1,293
Bank borrowings	5,253	2,979	2,976
	5,721	3,712	4,269

30 Capital management policies and procedures

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders by balancing its trading performance with continuing investment in research and development.

The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the balance sheet.

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 is summarised as follows:

	2011	*2012*	*2013*
	£'000	*£'000*	*£'000*
Capital			
Total equity	9,420	11,171	10,660
Less cash and cash equivalents	581	991	779
	8,839	10,180	9,881
Overall financing			
Total equity	9,420	11,171	10,660
Plus borrowings	5,253	2,979	2,976
	14,673	14,150	13,636
Capital-to-overall financing ratio	60 per cent.	72 per cent.	72 per cent.

PART III(b)

UNAUDITED INTERIM RESULTS OF THE COMPANY FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2014

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.

Andy Walters
Director

Financial Highlights:

	Six months to 30 June 2014 Unaudited £'000	*Six months to 30 June 2013 Unaudited £'000*	*Year to 31 December 2013 Audited £'000*
Revenue	**7,403**	6,204	13,180
Gross profit	**4,832**	4,044	8,590
Gross profit per cent.	**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 per cent. compared with 2013
- Operating profit growth of 14.8 per cent.
- High-margin fleet business accounted for 83 per cent. 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 £2.78 million to ordinary shareholders in June 2014, following redemption of £4.38 million 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 £7.4 million for the first six months of 2014 (2013: £6.2 million). The core fleet-tracking business achieved a sales increase of 23 per cent. to £5.32 million and growth overall was 19 per cent. 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 per cent. to £2.5 million for the period, and this result was matched by operating cash-flow before exceptional items.

A first dividend of £2.78 million was paid on 30 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 £4.38 million.

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) 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 per cent., or 10.4 per cent. on an annualised basis. We believe the industry norm to be around 14-15 per cent.

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 per cent. 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.

Consolidated statement of comprehensive income

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

	Notes	***30 June 2014 Unaudited £'000***	*30 June 2013 Unaudited £'000*	*31 December 2013 Audited £'000*
Non-current assets				
Goodwill		**14,029**	14,029	14,029
Property, plant and equipment		**194**	157	188
Total non-current assets		**14,223**	14,186	14,217
Current assets				
Inventories		**273**	475	220
Trade and other receivables		**1,900**	1,633	1,789
Cash and cash equivalents		**409**	849	779
		2,582	2,957	2,788
Total assets		**16,805**	17,143	17,005
Current liabilities				
Trade and other payables		**4,209**	3,730	3,897
Current tax liabilities		**595**	375	441
		4,804	4,105	4,338
Non-current liabilities				
Borrowings and other payables		**1,489**	2,479	1,983
Deferred tax liabilities		**29**	19	24
		1,518	2,498	2,007
Total liabilities		**6,322**	6,603	6,345
Net assets		**10,483**	10,540	10,660
Equity				
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
Total equity attributable to equity shareholders of Quartix Holdings plc		**10,483**	10,540	10,660

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

Consolidated statement of cash flows

	Notes	***Six months to 30 June 2014 Unaudited £'000***	*Six months to 30 June 2013 Unaudited £'000*	*Year to 31 December 2013 Audited £'000*
Cash generated from operations	6	**3,393**	2,158	5,014
Taxes paid		**(441)**	(315)	(619)
Cash inflow from operating activities		**2,952**	1,843	4,395
Investing activities				
Additions to property, plant and equipment		**(44)**	(44)	(108)
Interest received		**8**	5	12
Cash outflow from investing activities		**(36)**	(39)	(96)
Financing activities				
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)
Cash outflow from financing activities		**(3,286)**	(1,946)	(4,511)
Net changes in cash and cash equivalents		**(370)**	(142)	(212)
Cash and cash equivalents, beginning of period		**779**	991	991
Cash and cash equivalents, end of period		**409**	849	779

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*
By customer base			
Fleet	**5,323**	4,339	9,186
Insurance	**2,080**	1,865	3,994
	7,403	6,204	13,180
Geographical analysis by destination			
United Kingdom	**7,032**	5,938	12,588
Rest of Europe	**369**	266	592
USA	**2**	—	—
	7,403	6,204	13,180

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 £'000	*Weighted average number of shares*	*Basic profit per share amount in £*	*Fully diluted weighted average number of shares*	*Diluted profit per share amount in £*
Period ended 30 June 2014	**2,500**	**462,899**	**5.40**	**474,863**	**5.26**
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:					
Period ended 30 June 2014	**2,029**	**462,899**	**4.38**	**474,863**	**4.27**
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*
Net profit before taxation	**3,099**	**2,140**	**4,605**
Adjustments for:			
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
Net changes in working capital:			
(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*
Allotted, called up and fully paid				
At I 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
At 30 June 2014	—	464,350	46	4,354

PART IV

ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Company and the Directors, whose names and functions are set out on page 10 of this document, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. THE COMPANY

(A) The Company was incorporated and registered in England under the Companies Act 1985 on 10 October 2007 as a private company limited by shares with the name of Dunwilco (1500) Limited and with number 6395159.

(B) On 31 July 2014, the Company was re-registered as a public limited company and its name was changed to Quartix Holdings Plc.

(C) The Company is a public limited company and accordingly the liability of its members is limited to the amount paid up or to be paid up on the shares. The Company and its activities and operations are principally regulated by the Act and the regulations made thereunder.

(D) The Company's principal business activity is that of a holding company. The Group's activities and operations will principally be carried on by Quartix Limited, a wholly owned subsidiary of the Company.

(E) The registered office of the Company is Wellington House, East Road, Cambridge, England CB1 1BH. The Company's principal place of business is Chapel Offices, Park Street, Newtown, Powys, SY16 1EE (telephone number 0870 013 6663).

(F) The Company's websites are: Quartix.co.uk; Quartix.com; Quartix.net; Quartix.eu; and Quartix.fr.

(G) The business address of each of the Directors is the Company's registered office.

3. ORGANISATIONAL STRUCTURE

The Company is currently the parent company for two subsidiary companies:

Name	*Entity*	*Principal activity*	*Country of Incorporation*	*Per cent. of ownership interest*
Quartix Limited	Subsidiary	The sale and rental of vehicle tracking systems	United Kingdom	100 per cent.
Quartix Inc.	Subsidiary	The sale and rental of vehicle tracking systems	United States of America	100 per cent.

Quartix Limited also operates a branch in France.

4. SHARE CAPITAL OF THE COMPANY

(A) The history of the Company's share capital since incorporation is as follows:

(1) On incorporation, the authorised share capital of the Company was £1,000 divided into 1,000 ordinary shares of £1.00 each. One ordinary share of £1.00 each was allotted, fully paid to the subscriber to the Memorandum.

(2) On 29 January 2008, as part of a financing package, the Company:

- re-designated its one issued ordinary share as one A ordinary share of £1.00 in the capital of the Company;
- re-designated its remaining 999 authorised but unissued ordinary shares of £1.00 each as 999 A ordinary shares of £1.00 each;
- increased its authorised share capital from £1,000 to £139,999 by the creation of an additional 400,000 ordinary shares of £0.10 each and 98,999 A ordinary shares of £1.00 each; and
- issued 99,998 A ordinary shares of £1.00 each and 400,000 ordinary shares of £0.10 each.

(3) On 20 May 2010 the Company entered into a share buyback agreement pursuant to which it acquired and subsequently cancelled 99,999 A ordinary shares of £1.00 each and 5,000 ordinary shares of £0.10 each.

(4) Between 14 and 15 June 2010, in connection with a debt conversion, the Company:

- adopted new articles of association which *inter alia* abolished the Company's authorised share capital and created a new class of preference shares of £1.00 each in the capital of the Company;
- issued 4,977,980 redeemable preference shares of £1.00 each and 48,823 ordinary shares of £1.00 each.

(5) On 20 July 2012 the Company redeemed 597,358 preference shares of £1.00 each at par.

(6) On 8 November 2012, in connection with the exercise of employee share options, the Company issued 18,652 ordinary shares of £0.10 each.

(7) On 5 March 2013 the Company redeemed 896,036 preference shares of £1.00 each at par.

(8) On 30 December 2013 the Company redeemed 3,484,586 preference shares of £1.00 each at par, being all outstanding preference shares of £1.00 each in the capital of the Company.

(9) On 11 March 2014, in connection with the exercise of employee share options, the Company issued 675 ordinary shares of £0.10 each.

(10) On 30 June 2014 the Company issued 1200 ordinary shares of £0.10 each.

(11) On 22 July 2014, in connection with the exercise of employee share options, the Company issued 2,025 ordinary shares of £0.10 each.

(12) On 31 July 2014 the Company issued 5,000 redeemable preference shares of £1.00 each.

(13) On 30 September 2014, the Company:

- sub-divided each ordinary share of £0.10 each into ten Ordinary Shares of £0.01 each;
- capitalised £419,737.50 standing to the credit of the Company's capital redemption reserves and applied such sum in paying up in full 41,973,750 Ordinary Shares of £0.01 each which were then allotted (credited as fully paid) to and amongst the existing holders of the Ordinary Shares in the Company at the rate of nine such new Ordinary Shares for every existing one Ordinary Share held by them;
- was authorised, in connection with share options previously granted by the Company over ordinary shares of £0.10 each at an exercise price of less than £1.00 per share, to capitalise a further maximum sum of £1,000 to be applied in paying up any amounts by which the aggregate nominal value of Ordinary Shares of £0.01

each to be issued pursuant to the exercise of share options exceeds the aggregate exercise price payable in respect of such options each as originally stated in the relevant share option agreements;

- redeemed at par the 5,000 preference shares of £1.00 each issued on 31 July 2014.

(14) The Company's issued and fully paid share capital is (and on Admission will be) £466,375 divided into 46,637,500 Ordinary Shares of £0.01 each.

(B) The Placing Shares are all Ordinary Shares and will rank *pari passu* in all respects with all other Ordinary Shares including in relation to voting rights and the right to receive all dividends or other distributions declared, paid or made after Admission.

(C) Save as disclosed in this document, no person has any rights to purchase the unissued capital of the Company and no person has been given an undertaking by the Company to increase its issued capital.

(D) By resolutions of shareholders passed on 30 September 2014, conditional on Admission, the Directors were:

(1) generally and unconditionally authorised for the purposes of section 551 of the Act to exercise all powers of the Company to allot equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount of £155,000, provided that this authority would expire at the conclusion of the next Annual General Meeting of the Company or 30 June 2015, whichever is the earlier, save that the Company would be entitled to make, prior to the expiry of such authority, any offer or agreement which would or might require equity securities to be allotted after the expiry of such authority, and the Directors may allot any such securities pursuant to such offer or agreement as if such authority had not expired; and all prior authorities to allot securities (to the extent unutilised) were revoked, but without prejudice to the allotment of any shares or securities already made or to be made pursuant to such prior authorities;

(2) granted power pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the general authority conferred on them and or by way of the sale of treasury shares for cash in each case as if section 561 of the Act did not apply to any such allotment provided that this power was limited to:

(i) the allotment of equity securities in favour of the holders of ordinary shares in the Company in proportion (as nearly as practicable) to their respective holdings and to other persons entitled to participate therein, subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient to deal with fractional entitlements, treasury shares, record dates, or legal or practical problems arising under the laws of any overseas territory or the requirements of any other regulatory body or stock exchange or by virtue of other matter whatever;

(ii) the allotment to finnCap of warrants to subscribe for 153,904 Ordinary Shares (further details in respect of which are set out in paragraph 12 of this Part IV of the document); and

(iii) the allotment (otherwise than pursuant to sub-paragraphs (i) and (ii) above) to any person or persons of equity securities up to an aggregate nominal amount of £23,500.

This power set out in this paragraph 4(D) will expire at the conclusion of the next Annual General Meeting of the Company or 30 June 2015, 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 unexercised powers granted under section 570 of the Act were revoked provided that such revocation shall not have retrospective effect.

(E) The provisions of section 561(1) of the Act which, to the extent not disapplied pursuant to section 570 of the Act, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash, apply to the unissued share capital of the Company, except to the extent disapplied by the resolutions referred to in paragraph D above.

(F) Application for Admission has been made today.

5. MAJOR SHAREHOLDERS AND SELLING SHAREHOLDERS

(A) So far as is known to the Company, (and other than in respect of the interests of the Directors disclosed in paragraph 7 of this Part IV), the persons who hold or who are deemed to hold 3 per cent. or more of the voting rights in respect of the Ordinary Shares in issue (whether directly or indirectly or through direct or indirect holdings of financial instruments or through a combination of such holdings) as at the date of this document and immediately following the Placing and Admission are as follows:

	At the date of this document		*Immediately following Admission*	
Name	*Number of Ordinary Shares*	*Percentage of Ordinary Shares*	*Number of Ordinary Shares*	*Percentage of Ordinary Shares*
Andrew Kirk	7,821,800	16.77	5,489,925	11.77
Ken Giles	7,821,800	16.77	3,821,800	8.19
William Hibbert	2,663,000	5.71	2,663,000	5.71
Miton Asset Management Ltd	—	—	4,310,345	9.24
Ennismore Fund Management Ltd	—	—	1,810,345	3.88
BlackRock Investment Management (UK) Ltd	—	—	1,734,138	3.70

(B) The following persons who hold Ordinary Shares will sell such number of Ordinary Shares in the Placing as detailed below:

	At the date of this document		*Ordinary Shares sold pursuant to the Placing*		*Immediately following Admission*	
Name	*Number of Ordinary Shares*	*Percentage of Ordinary Shares*	*Number of Ordinary Shares*	*Percentage of Ordinary Shares*	*Number of Ordinary Shares*	*Percentage of Ordinary Shares*
Dominie Walters	20,904,011	44.82	2,588,025	5.55	18,315,986	39.27
Andrew Kirk	7,821,800	16.77	2,331,875	5.00	5,489,925	11.77
Ken Giles	7,821,800	16.77	4,000,000	8.58	3,821,800	8.19
Jeremy Bentham	1,331,500	2.85	460,000	0.99	871,500	1.87
Nia Williams	195,500	0.42	87,975	0.19	107,525	0.23
Ian Pawley	195,500	0.42	100,000	0.21	95,500	0.20
Selena Davies	180,000	0.39	100,000	0.21	80,000	0.17
Sean Maher	180,000	0.39	126,000	0.27	54,000	0.12

Andrew Kirk and William Hibbert are directors and employees of Quartix Limited.

Of the 20,904,011 Ordinary Shares in which Dominie Walters is interested as at the date of this document:

(1) 4,944,611 Ordinary Shares are legally and beneficially owned by Dominie Walters of which 2,588,025 are to be sold pursuant to the Placing;

(2) 5,400,000 are held by Dominie Walters, Andy Walters and Robert Southgate as trustees of the DL Walters Trust, a discretionary trust established by Dominie Walters, the beneficiaries of which include Andy Walters and members of his family, none of which are to be sold pursuant to the Placing; and

(3) the remaining 10,559,400 Ordinary Shares are held by her husband and Managing Director of the Group, Andy Walters, of which none are to be sold pursuant to the Placing.

(C) On Admission, the Company's major shareholders will not have any different voting rights. All shareholders have and will have the same voting rights in respect of the Ordinary Shares held by them.

(D) So far as the Company is aware, the Company is not owned or controlled directly or indirectly by any entity.

(E) So far as the Company is aware, there are no arrangements in place, the operation of which may at a subsequent date result in a change of control of the Company.

6. ARTICLES OF ASSOCIATION

(A) The Company approved the adoption of the Articles, conditional upon Admission, by special resolution on 30 September 2014. The Articles contain provisions *inter alia* to the following effect:

(1) *Voting*

(a) At any general meeting a resolution put to a vote of the meeting shall be decided on a show of hands unless (before or immediately after the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded.

(b) On a vote on a resolution on a show of hands, where a proxy is appointed by more than one member (provided that, where some only of those members by whom the proxy is appointed instruct the proxy to vote in a particular way, those members all instruct such proxy to vote in the same way on a resolution (either "for" or "against")) such proxy shall be entitled to cast a second vote the other way in relation to any discretionary vote(s) given to him by other members by whom such proxy is appointed.

(c) If any member or any other person appearing to be interested in shares held by that member shall be in default in supplying to the Company any information required by any notice given pursuant to section 793 of the Act, or, in purported compliance with such notice, has made a statement which is false or inadequate in a material particular, then the board may, at least 14 days after service of the section 793 notice, serve on the holder of such default shares a notice (a "disenfranchisement notice"). Thereupon the member shall not with effect from the service of the disenfranchisement notice be entitled in respect of the default shares to be present or to vote (either in person or proxy) at any general meeting of the Company or at any separate meeting of the holders of any class of shares of the Company or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll.

(d) No member shall be entitled to be present and vote at any general meeting either personally or (save as proxy for another member) by proxy, or be reckoned in a quorum or to exercise any other privilege as a member unless and until he shall have paid all calls for the time being due and payable on every share held by him, whether alone or jointly with any other person, together with interest and expenses (if any).

(2) *Dividends, distributions and return of capital*

(a) Dividends may be declared by ordinary resolution but shall in no event exceed the amount recommended by the Directors and no amount shall be payable to the Company itself in respect of any shares held as treasury shares.

(b) The Directors may from time to time declare and pay to the holders of any class of shares such interim dividends as appear to the Directors to be justified by those profits.

(c) The Directors acting in good faith shall not incur any liability to the holders of shares conferring preferential rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferential rights provided that at the time of the declaration no preferential dividend is in arrears.

(d) Subject to the rights of persons (if any) entitled to shares with special dividend rights, all dividends will be paid according to the amounts paid up (other than amounts paid up in advance) on the shares in respect of which the dividend is paid *pro rata* to the period in which the amounts were paid up on shares in respect of the period of which the dividend is paid.

(e) The Directors may deduct from any dividend or any moneys payable to any member on or in respect of a share all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in relation to shares of the Company.

(f) All dividends and interest shall belong and be paid (subject to any lien of the Company) to those members whose names shall be on the Register at the date fixed by the Directors from time to time for the purposes of issuing a dividend, distribution, allotment, issue, notice, information, document or circular despite any subsequent transfer or transmission of shares.

(g) The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares contained in the Articles entitled to become a member, or which any person is under those provisions entitled to transfer, until that person shall become a member in respect of those shares or shall transfer them.

(h) The Directors may retain any dividends or other moneys payable on or in respect of a share on which the Company has a lien, and may apply them in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

(i) If any member or any other person appearing to be interested in shares held by that member representing 0.25 per cent. or more of the class of shares concerned shall be in default in supplying to the Company any information required by any notice given pursuant to section 793 of the Act, the Directors may by notice to such member direct that any dividend (or any part thereof) or other monies payable on such shares shall be retained by the Company and that any right to receive any additional shares in the Company in lieu of any dividends in accordance with the Articles shall be of no effect.

(j) No dividend or other moneys payable in respect of a share shall bear interest against the Company.

(k) Dividends may be paid, on the recommendation of the Directors and by authorisation and at the direction of the Company by ordinary resolution, wholly or partly by the distribution of specific assets, i.e. not in cash.

(l) If approved by ordinary resolution at a general meeting of the Company, dividends may be satisfied by way of the issue of Ordinary Shares, credited as fully paid up.

(m) If the Company is wound up, the surplus assets remaining after payment of all creditors are to be divided among the members in proportion to the capital which at the commencement of the winding up is paid up on the shares held by them respectively and, if such surplus assets are insufficient to repay the whole of the paid up capital, they are to be distributed so that as nearly as may be the losses are borne by the members in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. If the Company is wound up the liquidator may, with the sanction of a special resolution of the Company, divide among the members in specie the whole or any part of the assets of the Company and may for that purpose value any assets and determine how the division shall be carried out as between the members or different classes of members.

(3) *Unclaimed dividends*

Any dividends unclaimed may be used for the benefit of the Company until claimed. Any dividend which is still unclaimed twelve years after having become due for payment shall be forfeited and shall revert to the Company.

(4) *Uncashed dividends*

The Company may cease to send dividends to an address or stop the transfer by any other means if for the amount paid in respect of two consecutive dividends have been returned undelivered or remain uncashed or the transfer has failed. If the holder of such shares claims the arrears then the payment of dividends together with the arrears shall recommence.

(5) *Untraced shareholders*

The Company may sell any shares in the Company any share of a member or any share to which a person is entitled by transmission if and provided that:

(a) during a period of twelve years no cheque order or warrant addressed to the member or the person entitled to such shares by transmission has been cashed;

(b) no communication has been received from such member or any person entitled to the shares by transmission;

(c) the Company gives notice and in both a national newspaper and a newspaper circulating in the area where the member's last known address is located of its intention to sell;

(d) the Company has not during the further period of three months after the date of the advertisement and prior to the date of sale received any communication from the member or person entitled by transmission; and

(e) if such a share is listed or dealt on any stock exchange the Company has first given notice in writing to that exchange of its intention to sell such share.

(6) *Variation of rights*

Whenever the capital of the Company is divided into different classes of shares, the rights or privileges attached to any class of share may be varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up, either with the consent in writing of the holders of three-quarters of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class.

(7) *Fractional entitlements*

The Directors may deal with fractional entitlements arising as a result of any alteration to the Company's share capital as they see fit including:

(a) selling the aggregate of such fractions to any person for the best price reasonably obtainable and to distribute the proceeds amongst the members entitled to such shares in due proportions; or

(b) issuing the minimum number of shares to round up the shareholders' holding to a whole number, credited as fully paid up, with the amount required to pay up such shares appropriated out of the sums standing to the credit of the Company's reserve account.

(8) *Transfer of shares*

(a) All transfers of shares shall be effected by instrument in writing, in any usual or common form or in any other form acceptable to the Directors permitted by the AIM Rules and the rules of the London Stock Exchange. Every written instrument of transfer shall be executed by or on behalf of the transferor and (in the case of a partly paid share) by or on behalf of the transferee. The transferor of any share shall remain the holder of the share concerned until the name of the transferee is entered in the Register in respect of that share.

(b) The Directors may, in their absolute discretion and without assigning any reason therefore, decline to register any transfer of a share which is not fully paid or on which the Company has a lien provided that, where any such share is listed on the London Stock Exchange, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis.

(c) The Articles contain no restrictions on the free transferability of fully paid shares provided that the instrument of transfer is in respect of only one class of share and in favour of not more than four transferees, is duly stamped (if so required), and lodged at the Company's registered office accompanied by the certificate for the share to which it relates and such other evidence as the Directors reasonably may require to show the right of the transferor to make the transfer.

(9) *Meetings of shareholders*

(a) The Directors may call a general meeting of the Company and must do so if required under the Act.

(b) Annual general meetings must be called on at least 21 days' notice, all other general meetings must be called on at least 14 days' notice, subject in each case to the Act.

(c) Notice of every general meeting shall, subject to the provisions of these Articles, be given in any manner authorised in these Articles to:

(i) every member entitled to notice, joint holders or members resident abroad who has consented to receive notice by electronic means;

(ii) all persons entitled to a share in consequence of death or bankruptcy of a member, if the Company has been provided with such evidence as it reasonably may require and any address for the supplying of notices has been provided to the Company;

(iii) the Auditors for the time being of the Company; and

(iv) the Directors and alternate Directors of the Company.

No other person shall be entitled to receive notices of general meetings.

(d) Notice of the meetings must:

   (i) specify the time, date and place of the meeting;

   (ii) state that the member may appoint:

      1) a proxy to exercise all or any of the member's rights to attend, speak and vote at the meeting; and

      2) more than one proxy in relation to the meeting if each proxy is appointed to exercise the rights attached to a different share or shares held by the member;

   (iii) in the case of an annual general meeting, specify the meeting as such;

   (iv) in the case of any general meeting at which business other than routine business is to be transacted, specify the general nature of such business;

   (v) if the meeting is called to consider a special resolution, include the text of the resolution and the intention to propose the resolution as a special resolution; and

   (vi) in the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll was demanded shall not be entitled to a second or casting vote in addition to any other vote that he may have.

(10) *Directors*

(a) Each of the Directors is entitled to receive by way of ordinary remuneration for his services in each year such sum as the Board may determine provided that such fees shall not exceed in aggregate per annum 250,000 exclusive of value added tax or such larger amount as the Company may in a general meeting from time to time agree. Additional remuneration is payable to the Directors if they go or reside abroad for any purposes of the Company or who otherwise perform services outside of the scope of his ordinary duties (in the opinion of the Directors). The Directors are also entitled to be repaid all reasonable travelling and hotel expenses incurred by them in or about the performance of their duties as Directors.

(b) A director shall not be disqualified from his office by contracting with the Company, nor is any contract or arrangement entered into on behalf of the Company in which any director is any way interested liable to be avoided, nor is any director so contracting or being so interested liable to account to the Company for the profit realised thereby, but the nature of his interest must be declared by the director at a meeting of the Board.

(c) Save as provided below, a director may not vote in respect of any contract or arrangement or any other proposal in which he has to his knowledge any material interest otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A director will not be counted in the quorum for a meeting in relation to any resolution on which he is debarred from voting.

(d) A director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in a quorum) in respect of any resolution concerning any of the following matters:

- the giving of any guarantee, security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;

- the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- any proposal concerning an offer of shares or debentures or other securities in or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- any proposal concerning any other company in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise howsoever provided that he (together with persons connected with him) is not to his knowledge the holder of an interest in shares (as used in sections 820 and 825 of the Act) representing 1 per cent. or more of any class of the issued shares of any class of the equity share capital of such company or of the voting rights available to the members of the relevant company;
- any proposal concerning the adoption, modification or operation of a pension, superannuation or similar scheme or retirement, death or disability benefits scheme or an employee's share scheme under which he may benefit and which relates both to employees and Directors and does not accord to such Director any privilege or benefit not generally accorded to the employees to whom such scheme relates;
- any proposal under which he may benefit concerning the granting of indemnities to Directors or other officers of the Company;
- any proposal under which he may benefit concerning the purchase, funding and/or maintenance of insurance for any Director or other officer of the Company; or
- any proposal concerning the provision to Directors of funds to meet an expenditure incurred or to be incurred by them in defending proceedings or in connection with any application for relief in the case of an acquisition of shares by an innocent nominee or in the case of honest and reasonable conduct or otherwise enabling any such person to avoid incurring that expenditure.

(e) Each of the directors shall retire at each annual general meeting of the Company.

(f) There is no requirement for Directors to hold qualification shares.

(g) The Articles do not specify any age limit for Directors, who may remain in office when they are over 70.

(11) *Directors' Interests*

(a) The Board may, in accordance with the Articles, authorise a matter proposed to it which would, if not authorised, involve a breach by a Director of his duty under section 175 of the Act to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests.

(b) A matter is proposed to the Board by its being submitted in writing for consideration at a meeting of the Board, and in accordance with the Board's normal procedures or in such other manner as the Board may approve.

(c) A reference in these Articles to a conflict of interest includes a conflict of interest and duty and a conflict of duties.

(d) An authorisation is effective only if it is given in accordance with the requirements of the Act, any requirement as to quorum at the meeting at which the matter is considered is met without counting the Director in question or any other Director who has a direct or indirect interest in the matter being authorised (each such other Director being an "Interested Director"), and the matter has been agreed to without the Director in question or any Interested Director voting or would have been agreed to if their votes had not been counted.

(e) The Board may authorise a matter on such terms and for such duration, or impose such limits or conditions on it, as it may decide, and vary the terms or duration of such an authorisation (including any limits or conditions imposed on it) or revoke it.

(f) Any terms, limits or conditions imposed by the Board in respect of its authorisation of a Director's conflict of interest or possible conflict of interest, including (without limitation) an authorisation given pursuant to the Articles, may provide (without limitation) that:

  (i) if the relevant Director has (other than through his position as Director) information in relation to the relevant matter in respect of which he owes a duty of confidentiality to another person, he is not obliged to disclose that information to the Company or to use or apply it in performing his duties as a Director;

  (ii) the Director is to be excluded from discussions in relation to the relevant matter whether at a meeting of the Board or any committee or sub-committee of the Board or otherwise;

  (iii) the Director is not to be given any documents or other information in relation to the relevant matter, and the Director may or may not vote (or may or may not be counted in the quorum) at a meeting of the Board or any committee or sub-committee of the Board in relation to any resolution relating to the relevant matter.

(g) A Director does not infringe any duty he owes to the Company by virtue of sections 171 to 177 of the Act if he acts in accordance with such terms, limits and conditions (if any) as the Board imposes in respect of its authorisation of the Director's conflict of interest or possible conflict of interest, including (without limitation) an authorisation given pursuant to the Articles.

(h) A Director is not required, by reason of being a Director (or because of the fiduciary relationship established by reason of being a Director), to account to the Company for any remuneration or other benefit which he derives from or in connection with a relationship involving a conflict of interest or possible conflict of interest which has been authorised by the Board, including (without limitation) pursuant to the Articles, or by the Company in general meeting (subject in each case to any terms, limits or conditions attaching to that authorisation).

(i) If he has disclosed to the Board the nature and extent of his interest to the extent required by the Act, a Director is not required, by reason of being a Director (or because of the fiduciary relationship established by reason of being a Director), to account to the Company for any remuneration or other benefit which he derives from or in connection with:

  (i) being a party to, or otherwise interested in any transaction or arrangement with;

    - the Company or in which the Company is interested; or

- a body corporate promoted by the Company or in which the Company is otherwise interested;

(ii) acting (otherwise than as auditor) alone or through the organisation in a professional capacity for the Company (and he or that organisation is entitled to remuneration for professional services as if he were not a Director); or

(iii) being a director or other officer of, or employed by, or otherwise interested in, a body corporate promoted by the Company or in which the Company is otherwise interested.

(j) A Director's receipt of any remuneration or other benefit referred to in the Articles does not constitute an infringement of his duty under section 176 of the Act.

(12) *Borrowing powers*

The Directors may exercise all the powers of the Company. The borrowing powers of the Company as exercisable by the Directors are restricted to a sum equal to three times the Adjusted Capital and Reserves (as defined in the Articles).

7. DIRECTORS' INTERESTS

(A) The interests in the share capital of the Company (all of which are beneficial unless otherwise stated) of the Directors and their families within the meaning of the AIM Rules, the existence of which is known to or could with reasonable diligence be ascertained by that Director, whether or not held through another party, as at the date of this document, and as they are expected to be immediately following the Placing and Admission, are as follows:

	At the date of this document		*Immediately following Admission*	
Director	*Number of Ordinary Shares*	*Percentage of Ordinary Shares*	*Number of Ordinary Shares*	*Percentage of Ordinary Shares*
Andy Walters	20,904,011	44.82	18,315,986	39.27
David Bridge	2,663,000	5.71	2,663,000	5.71
Avril Palmer-Baunack	—	—	—	—
Paul Boughton	40,000	0.09	40,000	0.09
David James Warwick	40,000	0.09	40,000	0.09

Of the 20,904,011 Ordinary Shares in which Andy Walters is interested as at the date of this document:

(1) 4,944,611 Ordinary Shares are held by his wife Dominie Walters of which 2,588,025 are to be sold pursuant to the Placing;

(2) 5,400,000 are held by Dominie Walters, Andy Walters and Robert Southgate as trustees of the DL Walters Trust, a discretionary trust established by Dominie Walters, the beneficiaries of which include Andy Walters and members of his family none of which are to be sold pursuant to the Placing;

(3) the remaining 10,559,400 are legally and beneficially owned by Andy Walters none of which are to be sold pursuant to the Placing;

(4) following Admission Andy Walters and Dominie Walters between then intend to gift a maximum in aggregate of 460,000 Ordinary Shares to Clare College, Cambridge as referred to in paragraph 19 of Part I of this document.

Of the 40,000 Ordinary Shares in which Paul Boughton is interested, 20,000 Ordinary Shares are held by his wife.

Save as disclosed in this Part IV, none of the Directors nor their families within the meaning of the AIM Rules has any interest whether beneficial or non-beneficial in any share capital of the Company.

(B) Save as set out below, or as disclosed elsewhere in this document, no directorships of any company, other than the Company, have been held or occupied over the previous five years by any of the Directors, nor over that period has any of the Directors been a partner in a partnership:

Director	*Current Directorships/ Partnerships*	*Former Directorships/ Partnerships*
Andy Walters	Gwendrock Limited (Company No 04615624)	None
David Bridge	Cybercard Limited (Company No. 03062057)	None
Avril Palmer-Baunack	Molins Plc (Company No. 00124855) Redde Plc (Company No. 03120010) Haversham Holdings Plc (Company No: 09019615)	Autologic Holdings Limited (Company No. 03252504) Acumen Distribution Services Holdings Ltd (Company No. 03424393) Acumen Distribution Services Ltd (Company No. 00460836) Ansa Logistics Ltd (Company No. 03715126) Autobintelligent Ltd (Company No. 04592526) Autocar & Transporters Ltd (Company No. 00148884) Autocar Logistics Ltd (Company No. 03712214) Autolink Ltd (Company No. 03018901) Autologic Central Staff Ltd (Company No. 00589771) Autologic Investments Ltd (Company No. 03281916) Autologic Services Ltd (Company No. 04241079) Autoriskmanagement Ltd (Company No. 04691661) Autoteq Ltd (Company No. 01434750) Autotrax Ltd (Company No. 02989600) Axial Holdings Ltd (Company No. 02413729) Axial Logistics Ltd (Company No. 03485319) Axial Technical Services Ltd (Company No. 03485142) Axial UK Ltd (Company No. 01811524) Banister Land Ltd (Company No. 03012495) Bride Parks (Luton) Ltd (Company No. 02747911) Car Transport Processing U.K. Ltd (Company No. 02072622)

Director	*Current Directorships/ Partnerships*	*Former Directorships/ Partnerships*
Avril Palmer-Baunack *(continued)*		Cars Cars Cars Ltd (Company No. 06237060) Corkdean Ltd (Company No. 04050658) Enable Cars Ltd (Company No. 02552880) Enable Vans Ltd (Company No. 01548821) First Fleet Ltd (Company No. 05078591) Paragon Vehicle Services Ltd (Company No. 04031608) Sensible Automotive Ltd (Company No. 02884164) Stobart Automotive Ltd (Company No. 02431297) Trans Auto Movements Ltd (Company No. 03459910) Walon Automotive Services Ltd (Company No. 01683198) Walon Ltd (Company No. 01398125) Alexon Group Plc (Company No. 00431265)

Director	*Current Directorships/ Partnerships*	*Former Directorships/ Partnerships*
Paul Boughton	Shooting Star Chase (Company No. 02927688) Chase Hospice Projects Limited (Company No. 04034565) Tuckwell Chase Lottery Limited (Company No. 03508815)	Consort Medical Plc (Company No. 00406711) Gom Marine Services Limited (Company No. 05838405)
David James Warwick	Abcam Plc (Company No. 03509322) Chesterton Community College (Company No. 07665396) Chesterton Sports Centre Limited (Company No. 07717287) Ascent Scientific Ltd (Company No. 05366774) Abcam (US) Ltd (Company No. 08151375) Stanley Dock (All Suite) Regeneration LLP (LLP No. OC372514) Future Fuels No.1 LLP (LLP No. OC334323)	None

(C) Save as disclosed in this document, there are no actual or potential conflicts of interest between any duties to the Company of the Directors and their respective private interests and other duties.

(D) There are no outstanding loans granted by the Company to any of the Directors or granted by any Director to the Company nor has any guarantee been provided by the Company for their benefit.

(E) Save as disclosed below, none of the Directors has:

(1) any unspent convictions in relation to indictable offences;

(2) had any bankruptcy order made against him or entered into any individual voluntary arrangements;

(3) been a director of a company which has been placed into receivership, compulsory liquidation or creditors' voluntary liquidation, or administration, or which has entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, nor have they been a director of any company within the 12 months preceding such events;

(4) been a partner of any partnership which has been put into compulsory liquidation or administration or entered into partnership voluntary arrangements, nor have they been a partner within the 12 months preceding such events;

(5) had a receivership of any asset of such director or of a partnership where he was a partner at the time of or within the 12 months preceding such events;

(6) been publicly criticised by statutory or regulatory authorities (including recognised professional bodies), nor has any Director ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

David Bridge became the finance director of Platignum Plc (now known as Mentmore Limited, Company Number 00307397) on 30 November 1991. In March 1993 Platignum Plc acquired a 79 per cent. stake in a new company which acquired the assets of Olives Paper Mill from a receiver as part of a joint venture with the management team. David Bridge was appointed a director of what became Olives Paper Mill Limited (Company No. 2788721) on 26 February 1993.

An administrative receiver was appointed to Olives Paper Mill Limited on 16 November 1994 and the company was liquidated on 16 April 1998. Mr Bridge resigned as a director of Olives Paper Mill Limited on 18 January 1995 and as a director of Platignum Plc on 8 August 1995.

(F) No Director, nor any member of his immediate family, nor any person connected with him (within the meaning of section 252 of the Act) has a Related Financial Product (as defined in the AIM Rules) referenced to Ordinary Shares.

8. DIRECTORS' TERMS OF APPOINTMENT

(A) The Directors and each of their respective functions are set out on page 10 of this document.

(B) **Executive Directors**

Andy Walters and David Bridge were appointed as Directors on 29 January 2008 and 26 February 2008 respectively. A summary of their service agreements is outlined below:

Annual Salary:	£78,600
Notice Period:	Each service agreement is terminable on twelve months' notice from either party. The agreements also contain provisions for early termination, *inter alia*, in the event of a serious breach by the relevant Executive Director. Other than payment of salary and benefits in lien of notice, there is no provision for benefits upon termination by the Company.
Bonus:	There is no contractual entitlement to a bonus.
Other Benefits:	None.

Restrictive Covenants:	Each service agreement contains common restrictive covenants applicable on termination of employment preventing the individual from competing with the business or soliciting customers or senior employees of the Group for twelve months after termination.
Intellectual Property:	Each service agreement contains provisions which protect the Group's intellectual property, trade secrets and confidential information.

(C) **Non-Executive Directors**

Avril Palmer-Baunack was appointed as a Director of the Company on 27 March 2014. Paul Boughton and David James Warwick were both appointed as Directors on 1 May 2014. A summary of each of their letters of appointment is outlined below:

Annual Fees:	Avril Palmer-Baunack: £50,000 per annum, plus reasonable expenses; Paul Boughton: £40,000 per annum, plus reasonable expenses; and David Warwick: £35,000 per annum, plus reasonable expenses.
Notice Period:	Each appointment is for an initial three year term, but terminable on one months' notice from either party. The letters of appointment also contain provisions for early termination, *inter alia*, in the event of a serious breach by the relevant Non-Executive Director.
Time Commitment:	Avril Palmer-Baunack will her provide her services to the Company for a minimum of two days a month. Paul Boughton and David James Warwick are required to provide their services to the Company for a minimum of one day a month.
Restrictive Covenants:	Each letter of appointment contains common restrictive covenants applicable on termination of employment preventing the individual from competing with the business of the Group for six months after termination. Each letter of appointment contains obligations of confidentiality which have effect during and following termination of the appointment.

(D) Other than as described above, there are no service agreements or agreement for the provision of services existing or proposed between the Directors and the Company or the Group.

9. EMPLOYEES

(A) The table below sets out the number of persons employed by the Company and its subsidiaries as of 30 September 2014:

Name	*Number of persons employed*	*Operational Staff*	*Management Staff*	*Administration Staff*
Quartix Holdings Plc	2	0	2	0
Quartix Limited	79	52	16	11
Quartix Inc	2	2	0	0

10. SHARE OPTIONS

(A) The Company has granted EMI Options to employees of the Group pursuant to the EMI Scheme:

EMI Options remain outstanding to employees over a total of 965,300 Ordinary Shares as set out below. None of these options are current exercisable, and none will become exercisable on Admission.

Date Granted	*Date Lapse*	*Number*	*Exercise Price*	*Vesting Status*
01/09/10	25/06/16	83,800	£0.01	Note 1
01/11/13	01/11/19	650,000	£0.44	Note 2
19/12/13	19/12/18	81,500	£0.01	Note 3
03/01/14	03/01/20	150,000	£0.44	Note 4

Note 1: vest on 25 June 2015.

Note 2: vest on 1 November 2014.

Note 3: vest on the earlier of (a) the date upon which the audited accounts of the Company for the period to 31 December 2014 are approved and published; and (b) July 2015.

Note 4: 100,000 option shares vest on the earlier of (a) the date upon which the audited accounts of the Company for the period to 31 December 2014 are approved and published; and (b) 1 July 2015. The remaining 50,000 options vest on the earlier of (a) the date upon which the audited accounts of the Company for the period to 31 December 2015 are approved and published; and (b) 1 July 2016.

11. MATERIAL CONTRACTS

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group (i) in the two years immediately preceding the date of this document and which may be or are material or (ii) which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document:

(a) *Placing Agreement*

Under the Placing Agreement, finnCap has agreed to use its reasonable endeavours to procure purchasers for up to 9,793,875 Ordinary Shares at the Placing Price.

The obligations of finnCap and completion of the Placing are subject to the Placing Agreement becoming unconditional and not being terminated in accordance with its terms. Such conditions include, *inter alia*, admission occurring by not later than 8.00 a.m. on 6 November 2014 or such later date as finnCap may agree with the Company (being not later than 3.00 p.m. on 28 November 2014).

The fees payable to finnCap for acting as broker and nominated adviser are described in the finnCap Transaction Engagement Letter and the finCapp Nominated Adviser and Broker Engagement Letter (each of which are described below). In addition, the Company has agreed to pay or bear all costs, charges and expenses properly and reasonably incurred and arising out of, or incidental to, the Placing, Admission and the arrangements referred to or contemplated in the Placing Agreement, including the costs and expenses of the registrar.

The Placing agreement contains (1) certain customary warranties and undertakings given by the Company and the directors to finnCap as to the accuracy of the information contained in this document and other matters relating to the Group and its business; (2) certain customary indemnities from the Company in favour of finnCap; and (3) certain undertakings from the Company to, *inter-alia*, consult with, or obtain the consent of, finnCap.

finnCap may terminate the Placing Agreement in certain circumstances prior to Admission. These include, *inter alia*, if any statement contained in this document was untrue, incorrect or misleading in any material respect or if any of the warranties given in the Placing Agreement was not true and accurate, or if there is a material adverse change in the condition of the Group as a whole or a material adverse change in the financial markets.

(b) *Lock-in Agreement*

The Company (1), finnCap (2), and the Lock-In Shareholders (3) entered in agreements on 29 October 2014 (the "Lock-in Agreements") under which the Lock-In Shareholders have agreed not to dispose of any interest in their Ordinary Shares (except in limited circumstances) for a period of twelve months from the date of Admission. Following the end of the restriction on disposals of Ordinary Shares within the initial period, the Lock-In Shareholders have agreed that for a further period of twelve months any sales of Ordinary Shares should be made only through finnCap (or the the Company's broker from time to time) subject to customary exceptions so as to ensure an orderly market in the Ordinary Shares.

The restrictions do not apply to the proposed transfer by way of gift up to 460,000 Ordinary Shares to the College by Andy Walters and/or Dominie Walters.

(c) *Nominated Adviser and Broker Engagement Letter*

The Company and finnCap entered into an agreement on 24 October 2014 whereby the Company appointed finnCap to act as nominated adviser to the Company for the purposes of the AIM Rules, to act as broker to the Company and provide certain other specified services on an on-going basis (the "FinnCap Nominated Adviser and Broker Engagement Letter"). In consideration for the provision of these services, the Company shall pay finnCap a fee of £60,000 per annum, such fee to increase annually by a percentage amount equal to the percentage change in the UK retail price index.

If the Company undertakes an offering to investors of the Company's securities during the term of engagement, the Company agrees to offer the right of first refusal to act as broker to such offering on terms which both parties will seek to agree in good faith. Similarly, if the Company is approached by a third party to acquire the entire Company during the term of engagement, finnCap will be offered the right of first refusal to act as financial adviser in connection with the potential acquisition on terms to be agreed in good faith.

The engagement letter may be terminated by either party on three months' notice (such notice not to expire before the first anniversary of the agreement), and in certain other specified circumstances.

(d) *finnCap Transaction Engagement Letter*

The Company and finnCap entered into an agreement on 16 July 2014 whereby the Company appointed finnCap to act as nominated adviser, financial adviser and broker in relation to the Admission and the Placing (the "**FinnCap Transaction Engagement Letter**"). finnCap is entitled to the following fees: (i) a corporate finance fee payable upon completion of the Placing, and (ii) a commission calculated by reference to the value of the Placing Shares of the aggregate gross proceeds of the Placing. In addition, finnCap is entitled to the warrants as more fully described in paragraph (f) below subject to completion of the Placing.

The finnCap Transaction Engagement Letter contains certain customary indemnities from the Company.

(e) *Relationship Agreement*

Following completion of the Placing, Andy Walters, together with his family (within the meaning of the AIM Rules), will, in aggregate, have an interest in 39.27 per cent. of the Issued Share Capital.

Each of Andy Walters, Dominie Walters, and the DL Walters Trust (the "Relationship Agreement Shareholders") has entered into separate relationship agreements with the Company and finnCap on 29 October 2014 (each a "Relationship Agreement"). Pursuant to the Relationship Agreements, each Relationship Agreement Shareholder has agreed to exercise his rights as a Shareholder at all times, and to procure (so far as properly able to do so) that the Relationship Agreement Shareholder's group, exercise their rights as Shareholders at all times, so as to ensure that the Company is capable of carrying on its business independently of him or any control which he or his group may otherwise be able to exercise on the Company as Shareholders. In particular, each Relationship Agreement Shareholder has agreed to exercise his rights as a Shareholder at all times, and to procure (so far as properly able to do so) that the Relationship Agreement Shareholder's group, exercise their rights as Shareholders at all times, to ensure that all transactions, relationships and agreements entered into between the him or his group and the Company or any of its subsidiaries following Admission are on arms' length terms and on a normal commercial basis.

Each Relationship Agreement terminates if, amongst other things, the Relationship Agreement Shareholder, individually or together with the members of his group, is no longer interested in voting rights representing 20 per cent. or more of the rights to vote on a poll at a general meeting of the Company attaching to Ordinary Shares.

(f) *Warrant Instrument*

The Warrant Instrument dated on or about the date of this document and executed by the Company as a deed poll, pursuant to which the Company is entitled to issue warrants to subscribe for shares in the Company on the terms set out in the Warrant Instrument. The Warrant Instrument sets out the rights and obligations of the Company and any holders of the warrants in relation to any such warrants issued. It includes, *inter alia*, provisions relating to the registration of warrant-holders, the transfer and transmission of the warrants, anti-dilution, the exercise of the warrants and meetings of warrant holders.

In consideration for the performance by finnCap of its obligations under the Placing Agreement (as more fully described in paragraph (a) above), the Company proposes to issue 153,904 warrants to finnCap, each warrant comprising the right to subscribe for one Ordinary Share at the Placing Price. The Warrant Instrument also contains provisions relating to the cashless exercise of such warrants. The warrants may be exercised at any point up to the date that is 36 months after the date of Admission save that they are not exercisable before the date that is 12 months after the date of Admission except pursuant to certain acceleration rights, for example in the event that the admission to trading on AIM of the Ordinary Shares is cancelled or upon a takeover of the Company.

It is intended that all warrants created by the Company pursuant to the Warrant Instrument shall be issued to finnCap.

12. LITIGATION

There are no, and have been no, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened against it of which the Company is aware) during the period of 12 months prior to the date of this document which may have, or may have had in the recent past a significant effect on the Group's financial position or profitability.

13. RELATED PARTY TRANSACTIONS

As set out in note 25 to the historical financial information on the Group in Part III (a) of this document, there have been and are currently no agreements or other arrangements between the Company and individuals or entities that may be deemed to be related parties, for the period of five years prior to the date of this document.

14. INFORMATION ON HOLDINGS

The Company does not hold a proportion of capital in any undertakings outside of the Group which are likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.

15. PATENTS AND LICENCES

(A) Save as disclosed in this document, the Company is not dependent on patents or licences or any particular industrial or new manufacturing processes which are material to the Company's business or profitability.

(B) Details of the Group's patent portfolio are set out below:

Country	*Application No.*	*Title*	*Applicant*	*Filing Date*	*Granted*
GB	GB0204688.6	Method and apparatus for monitoring movement	Quartix Limited	28/02/02	30/11/04 – GB2375270
GB	GB1317257.2	Low impact crash detection system	Quartix Limited	28/09/13	Pending
GB	GB1317256.4	Telematics system and associated method	Quartix Limited	28/09/13	Pending

16. ENVIRONMENTAL ISSUES

The Company is not aware of any material environmental issues or risks affecting the utilisation of the Group's tangible fixed assets or its operations.

17. SIGNIFICANT CHANGE

Save as disclosed in this document, there has been no significant change in the trading or financial position of the Group since 30 June 2014, being the latest date to which published financial information has been prepared for the Group.

18. WORKING CAPITAL

The Directors are of the opinion, having made due and careful enquiry, that the Group will have sufficient working capital for its present requirements, that is for at least 12 months from the date of Admission.

19. UNITED KINGDOM TAXATION

(A) The following paragraphs are intended as a general guide only and are based on current United Kingdom legislation and HMRC practice (including, without limitation, rates of tax) as at the date of this document (both of which are subject to change at any time, possibly with retrospective effect). Except where the position of non-United Kingdom resident shareholders is expressly referred to, these comments deal only with the position of shareholders who are resident, and in the case of individuals, ordinarily resident (to the extent this concept remains relevant) and domiciled, in the United Kingdom for tax purposes, who are the beneficial owners of their Ordinary Shares and who hold their Ordinary Shares as an investment. They do not deal with the position of certain classes of shareholders, such as dealers in securities, financial institutions, tax exempt organisations, holders that hold (either directly or indirectly) 10per cent. or more of the shares in the Company and UK resident but non-domiciled individual shareholders claiming the remittance basis of taxation. The following paragraphs are not exhaustive and are intended as a general guide only.

(B) All shareholders are strongly recommended to consult their professional tax adviser to determine their precise tax position.

(C) **Taxation of Chargeable Gains**

For the purpose of UK tax on chargeable gains, the purchase of Ordinary Shares on a placing will be regarded as an acquisition of a new holding in the share capital of the Company. To the extent that a shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so acquired will, for the purpose of tax on chargeable gains, be treated as acquired on the date of the purchase becoming unconditional.

The amount paid for the Ordinary Shares will constitute the base cost of a Shareholder's holding.

A disposal of all or any of the Ordinary Shares may, depending on the circumstances of the relevant shareholder give rise to a liability to UK taxation on chargeable gains.

Individuals

Where an individual Shareholder disposes of Ordinary Shares at a gain, capital gains tax will be levied to the extent that the gain exceeds the annual exemption (£11,000, for 2014/15) and after taking account of any exemptions and reliefs available to the individual.

For individuals, capital gains tax will be charged at 18 per cent. where the individual's taxable income and gains are up to the upper limit of the income tax basic rate band (currently £31,865, after set off of the personal allowance of £10,000). To the extent that any chargeable gains, or part of any chargeable gain, aggregated with income arising in a tax year exceed the upper limit of the income tax basic rate band, capital gains tax will be charged at 28 per cent.

For trustees and personal representatives of deceased persons, capital gains tax on gains in excess of the current annual exempt amount (for 2014/15, £11,000 for personal representatives of deceased persons and trustees for disabled persons and £5,500 for other trustees) will be charged at a flat rate of 28 per cent.

Where a Shareholder disposes of the Ordinary Shares at a loss, the loss may be available to offset against other current year gains or carried forward to offset against future gains.

Companies

Where a Shareholder is within the charge to corporation tax, a disposal of Ordinary Shares may give rise to corporation tax on a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Corporation tax is charged on chargeable gains at the rate applicable to that company (21 per cent. for the financial year 1 April 2014 to 31 March 2015, reducing to 20 per cent. for the financial year 1 April 2015 to 31 March 2016). Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

(D) **Taxation of Dividends**

No tax is required to be withheld from dividend payments made by the Company.

Individuals

An individual Shareholder receiving a dividend from the Company also receives a notional tax credit in respect of the dividend of an amount equal to one-ninth of the amount of the net dividend (which is 10 per cent. of the sum of the dividend and the tax credit). The liability to United Kingdom income tax is calculated on the gross dividend income (i.e. the net dividend received plus the notional 10 per cent. tax credit) which will be regarded as the top slice of the individual's income.

Individual Shareholders whose income is within the basic rate tax band (currently £31,865 after set off of the personal allowance) will be subject to dividend income tax at the rate of 10 per cent., so that (after taking into account the notional 10 per cent. credit) such Shareholders will have no further liability to income tax on that dividend income.

Individual Shareholders who are subject to the higher rate of income tax (broadly, where income falls between £31,865 and £150,000, after set off of the personal allowance) will be subject to income tax on the gross dividend at 32.5 per cent., but will be able to set the tax credit off against part of this liability.

Individual Shareholders who are subject to the additional rate of income tax (broadly, where taxable income exceeds £150,000) will be subject to dividend income tax at 37.5 per cent., but will be able to set the tax credit off against part of this liability.

Dividends payable to trustees and personal representatives of deceased persons will be subject to dividend income tax at 37.5 per cent.

Shareholders who are not liable to income tax on the dividend income (or any part of it) may not claim payment of the tax credit (or any part of it).

Companies

Shareholders within the charge to UK corporation tax will not be subject to tax on dividends (including dividends from the Company) so long as the dividends fall within an exempt class and certain conditions are met. In general, dividends paid on shares that are “ordinary share capital” for UK tax purposes and are not redeemable, and dividends paid to a person holding less than 10per cent. of the issued share capital of the payer (or any class of that share capital) are examples of dividends that fall within an exempt class. United Kingdom resident shareholders (including authorised unit trusts and open ended investment companies) and pension funds are not entitled to claim payment of the tax credit (or any part of it).

(E) **Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)**

No stamp duty or SDRT will be levied on the issue of Ordinary Shares.

From 28 April 2014 there is an exemption from stamp taxes on securities that are admitted to trading on a recognised growth market. Eligible securities will qualify for the exemption wherever they are traded and will be designated as exempt from stamp duty reserve tax in CREST. A company is required to provide self-certification that its securities admitted to the recognised growth market are not listed on a recognised stock exchange. A recognised growth market is specifically defined by HMRC and AIM currently falls within this definition. Should the definition of a recognised growth market change over time, such that AIM is no longer classified as such, then the following paragraphs become relevant.

A sale of shares will generally be subject to ad valorem stamp duty at the rate of 0.5 per cent. rounded up to the nearest multiple of £5 on the amount or value of the consideration paid by the purchaser. If an unconditional agreement for the transfer of such Ordinary Shares is not completed by a duly stamped transfer to the transferee by the seventh day of the month following the month in which the agreement becomes unconditional, SDRT will be payable on the agreement at the rate of 0.5 per cent. of the amount or value of consideration paid. Liability to SDRT is generally that of the transferee. Where a purchase or transfer is effected through a member of the London Stock Exchange or a qualified dealer, the said member or dealer will normally account for the SDRT.

When Ordinary Shares are transferred to a CREST member who holds those shares in uncertificated form as a nominee for the transferor, no stamp duty or SDRT will generally be payable.

When Ordinary Shares are transferred by a CREST member to the beneficial owner (on whose behalf it has held them as nominee) no stamp duty or SDRT will generally be payable.

Where a change in beneficial ownership of Ordinary Shares held in uncertificated form occurs and such change is for consideration in money or money’s worth (whether the transferee will hold those shares in certificated or uncertificated form) a liability to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration will arise. This will generally be met by the new beneficial owner.

(F) **Inheritance Tax**

Individual and trustee investors domiciled or deemed to be domiciled in any part of the UK may, in the event of a transfer, be liable to inheritance tax (“IHT”) on the value of any ordinary shares held by them. IHT may also apply to individual shareholders who are not domiciled in the UK although relief under a double tax convention may apply to those in this position.

Under current law, the key occasions on which IHT is charged are on the death of the Shareholder, on gifts made during the seven years prior to the death of the Shareholder, and on certain lifetime transfers, including transfers to trusts or appointments out of trusts to beneficiaries, save in very limited and exceptional circumstances.

A relief from IHT known as business property relief ("BPR") may apply to Ordinary Shares in unquoted trading companies once these have been held for two years. This relief applies notwithstanding that the Company's shares will be admitted to trading on AIM (although it does not apply to companies whose shares are listed on the Official List). BPR operates by reducing the value of shares by 100 per cent. for IHT purposes where the requisite conditions are fulfilled.

(G) **Tax reliefs**

Entrepreneurs' Relief may be available to apply a lower rate of capital gains tax (10 per cent.) on a disposal of Ordinary Shares by a shareholder who is an officer or employee of the Company and who meets certain other conditions, including holding at least 5 per cent. of the ordinary share capital and voting power of the Company. A holding in the shares of the Company may qualify for other reliefs such as capital gains tax gift relief and inheritance tax business property relief. However, individuals should seek confirmation as to whether any relief is available in their own particular circumstances at the relevant time. Subject to satisfying certain qualifying criteria, including period of ownership and percentage shareholding, the shareholdings of corporate shareholders within the charge to UK tax may qualify for the Substantial Shareholdings Exemption ("SSE"). Where applicable, the SSE exempts any gain arising on the disposal of qualifying shares and, conversely, no capital loss will crystallise on disposal.

Persons who are not resident in the United Kingdom should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident. These comments are intended only as a general guide to the current tax position in the United Kingdom as at the date of this document. The comments assume that Ordinary Shares are held as an investment and not as an asset of a financial trade and that any dividends paid are not foreign income dividends. If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser.

20. TAKEOVER BIDS, SQUEEZE OUT AND SELL OUT RULES

(A) The Company will be subject to the provisions of the Code, including the rules regarding mandatory takeover bids. Under Rule 9 of the Code, when:

(1) a person acquires interests in shares which, when taken together with interests in shares already held by him or persons acting in concert with him (as defined in the Code), carry 30 per cent. or more of the voting rights of the Company; or

(2) a person who, together with persons acting in concert with him, is interested in shares equal to not less than 30 per cent. of the voting rights of the Company (but does not hold shares carrying more than 50 per cent. of such voting rights), and such person, or any person acting in concert with him, acquires additional interests in shares which increase the percentage of shares carrying voting rights in which he is interested,

then that person is normally required to make a general offer in cash, at the highest price paid by him or any person acting in concert with him for shares in the Company within the preceding 12 months, for all the remaining equity share capital (and any other class of transferable securities carrying voting rights) in the Company.

(B) If a "takeover offer" (as defined in section 974 of the Act) is made and the offeror, by virtue of acceptances of such offer, acquires or contracts to acquire not less than nine tenths in value of the Ordinary Shares to which the takeover offer relates, then the offeror has the right to acquire compulsorily the remaining Ordinary Shares of the minority Shareholders for the offer price within a fixed period. In certain circumstances, the minority Shareholders also have the right to require the offeror to buy their Ordinary Shares at the offer price within a fixed period.

(C) No takeover offers have been made in respect of the Group either in the last financial year (being the year ended 31 December 2013) or the current financial year of the Group.

21. GENERAL

(A) The Placing Shares are being offered pursuant to the Placing at the Placing Price. The ISIN (International Security Identification Number) for the Ordinary Shares is GB00BLZH2C83.

(B) The Ordinary Shares (including the Placing Shares) will in registered form and will be capable of being held in either certificated or uncertificated form. They are denominated in sterling and are created under the Act and the Laws of England and Wales. In respect of the Placing Shares, CREST accounts will be credited on Admission. Definitive share certificates are expected to be dispatched by 14 November 2014.

(C) CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Company has applied for the Placing Shares to be admitted to CREST with effect from Admission and CREST has agreed to such arrangements. Accordingly, settlements of Ordinary Shares following Admission may take place within the CREST system if individual shareholders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

(D) The holders of the Placing Shares will participate proportionately to such shareholdings in all distributions of capital or income by the Company or any surplus arising on liquidation of the Company. There are no fixed dates for dividend payments on the Ordinary Shares. Each Ordinary Share affords the holder of such share the right to one vote. There are no restrictions on the transferability of the Ordinary Shares.

(E) Grant Thornton UK LLP, as reporting accountants, have given and have not withdrawn written consent to the inclusion in this document of its report set out in Part III of this document in the form and context in which it appears.

(F) finnCap has given and not withdrawn its written consent to the issue of this document with the inclusion in it of its name in the form and context in which it appears.

(G) Save as disclosed in this document, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, from the Company within the 12 months preceding the date of application for Admission or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the of the following:

(1) fees totalling £10,000 or more;

(2) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or

(3) any other benefit with a value of £10,000 or more at the date of Admission.

(H) Where information in this document has been sourced from a third party it has been accurately reproduced and, as far the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where third party sources have been used they have been referenced accordingly in this document.

(I) The total expenses of the Placing payable by the Company are estimated to be £517,000.

(J) The Group's auditors for the three year period to 31 December 2013 were Grant Thornton UK LLP of 101 Cambridge Science Park, Milton Road, Cambridge, CB4 0FY, who are a member firm of the Institute of Chartered Accountants in England and Wales.

(K) Except as disclosed in this document, there are no exceptional factors which have influenced the Company's activities in any material respect.

(L) The Directors are not aware of any significant recent trends in production, sales and inventory and costs and selling prices. There are no known uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for the current financial year.

(M) Nothing in this document is intended to be or should be taken as a profit forecast, estimate or projection.

(N) The financial information set out in Part III of this document relating to the Company does not constitute statutory accounts within the meaning of section 434 of the Act. Statutory audited accounts for the Company have been delivered to the Registrar of Companies for each of the years ended 31 December 2011, 31 December 2012 and 31 December 2013.

(O) Save as disclosed in this document, there are no investments in progress, and there are no future investments on which the Directors have already made firm commitments which are significant to the Group.

22. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of this document will be available, free of charge, during normal business hours on any week day (Saturdays, Sundays and public holidays excepted) at the offices of finnCap at 60 New Broad Street, London EC2M 1JJ, from the date of this document for a period of one month from the date of Admission.

Dated: 29 October 2014

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