CH

Financial Statements
Quartix Holdings Limited

For the year ended 31 December 2013

Company No.06395159

Contents

Company information

Company registration number:	06395159
Registered office:	Wellington House East Road Cambridge Cambridgeshire CB1 1BH
Directors:	Andrew Walters Andrew Kirk William Hibbert Kenneth Giles David Bridge
Company secretary:	David Bridge
Bankers:	Barclays Bank PLC PO Box 299 Birmingham B1 3PF
Solicitors:	Hewitsons LLP Shakespeare House 42 Newmarket Road Cambridge CB5 8EP
Auditors:	Grant Thornton UK LLP 101 Cambridge Science Park Milton Road Cambridge CB4 0FY

Report of the directors

The directors present their report and the financial statements of the Company for the year ended 31 December 2013.

Principal activity

The principal activity of the Group during the year was the design, development and marketing of vehicle tracking devices and the provision of related data services.

Directors and their interests

The directors who held office at 31 December 2013 had the following beneficial interests in the Company's shares at 31 December 2013 and 1 January 2013:

	Ordinary Shares of 10p each	
	At 31 December 2013 Number	At 1 January 2013 Number
Andrew Walters	**211,188**	211,188
Andrew Kirk	**78,218**	78,218
William Hibbert	**26,630**	26,630
Kenneth Giles	**78,218**	78,218
David Bridge	**26,630**	26,630

	Preference shares of £1 each	
	At 31 December 2013 Number	At 1 January 2013 Number
Andrew Walters	-	2,223,744
Andrew Kirk	-	775,449
William Hibbert	-	220,000
Kenneth Giles	-	775,449
David Bridge	-	220,000

Directors who held office at 31 December 2013 had no interests in share options over ordinary shares of 10p each.

During the year the entire remaining preference share capital of £4,380,622 was redeemed at par.

Substantial interests

At 31 December 2013 there were no single interests of 3% or more in the issued ordinary share capital, other than those held by the directors named above.

Directors' and officers' liability insurance

The Company maintains insurance cover for the directors and key personnel against liabilities which may be incurred by them while carrying out their duties.

Corporate governance

The Board is committed to improving Corporate Governance by incorporating best practice for a group of this size.

Internal control is maintained by a system of financial controls designed to meet the particular needs of a group of this size to provide appropriate assurance against misstatement or loss. The Board does not consider it appropriate to set up an Internal Audit function given the size and nature of the business at this time.

Financial risk management policies and objectives

The Group manages its key financial risks as follows. Further details are provided in note 28.

Interest rate risk

The Group responds to interest rate risk by ensuring that it always has at least two times interest rate cover.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs.

Credit checks are undertaken on all new customers and cash flow is forecast and monitored as are working capital requirements.

Currency risk

This is managed by seeking to match currency inflows and outflows.

Directors' responsibilities for the financial statements

The directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the directors must not approve the financial statements unless they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the consolidated financial statements;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' responsibilities for the financial statements (continued)

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor are unaware; and
- the Directors have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board on 28 February 2014.

Andrew Walters

Director

Strategic report

Principal activities

Since 2001 Quartix has become one of the UK's leading suppliers of vehicle tracking systems and services. Whilst the origins of the Company's business are in the tracking of commercial vehicles in the UK in the past three years it has developed a business presence in the rapidly-growing insurance telematics market. At the same time it has set up a French branch.

Business review

Details of the Group's performance are given in the consolidated income statement on page 10. The position of the Group and the Company at the end of the year is set out in the consolidated statement of financial position on pages 11 and 35.

Research and development

The Group is committed to research and development. During 2013 significant investment was given to the research and development of the road speed database, and researching various methods and algorithms for determining the difference between the shock levels generated in a vehicle during a crash, as compared with other events which occur normally in the course of journeys. The Group also continued the enhancement of its telematics technology and software systems. The costs relating to this and other research and development all of which has been written off in the year amounted to £1,085k (2012: £863k, 2011: £511k).

Supplier payment policy

The Group undertakes to make payments to suppliers for goods and services supplied within the normal credit periods agreed with those suppliers, it does not follow a specific code, or apply a standard payment practice. The proportion of trade creditors at the year end to amounts supplied during the year gives an average payment term of 44 days (2012: 54 days, 2011: 36 days).

Key performance indicators

Key performance indicators focussed on by the Group are:

	2013	2012	2011
Fleet customer base	5,367	4,430	3,518
Fleet customer base in units	48,501	38,137	30,025
Fleet invoiced sales	£9,186k	£7,261k	£5,129k
Outstanding debtors over 60 days	£31k	£90k	£54k
Insurance unit installations	29,108	6,095	7,852

Results and dividends

Fleet units installed showed a 25% annual growth being 15,757 units compared to 12,577 in 2012. Fleet Sales were just over £9 million a rise of 26.5% compared with 2012 which was just over £7m. The main driver of growth was the recurring revenues from unit rentals.

France contributed nearly £600,000 of sales and is now profitable.

Insurance unit installations were up 378% at 29,108 units compared to 6,095 in 2012. This led to a rise in Insurance sales from £1 million to nearly £4 million. The percentage rise in value being less than the rise in units as insurance income per unit installed dropped.

Results and dividends (continued)
Gross margin dropped from 72% to 65% with unit cost saving being offset by an increase in insurance sales in the mix. Profit before tax rose from £2.8 million to £4.6 million an increase of over 64%. Operating cash flow before taxation was over £5 million.

No dividend is declared for 2013 as £4,380,622 has been used to redeem the remaining preference shares.

Risk management policies
The principal risks and uncertainties of the Group are as follows:

Attracting and retaining the right number of good quality staff
The group believes that in order to safeguard the future of the business it needs to recruit, develop and retain the next generation of management. The impact of not mitigating this risk is that the company ceases to be innovative and provide customers with the products and services they require. Considerable focus has been given to good communication with employees and on providing opportunities for promotion.

Retaining a key customer
As disclosed in note 4 during 2013 revenues of £4 million were derived from one insurance customer. Losing this key contract could have a significant negative impact on cashflow. Considerable resources are devoted to maintaining our relationship with this customer while at the same time the Group continues to build up relationships with indirect insurance customers.

Increased competition
The company is exposed to the risk of new competition entering the market place. The impact of a new entrant in the market place could put increased pressure on margins and limit the businesses ability to generate cash. To combat this, the Group is continuously investing in research to improve its offering to customers.

Technology
The industry is subject to technical change and the impact of not continuously innovating could mean that key customers look to other providers for their offering. The Group invests heavily in research and development to ensure that they are at the forefront of relevant technology for their market place.

Future developments
The Group plans to expand into the USA and further develop its existing businesses.

Approved by the Board of Directors and signed on behalf of the Board on 28 February 2014.

Andrew Walters

Director

Independent auditor's report to the members of Quartix Holdings Limited - Company number 06395159

We have audited the Group financial statements of Quartix Holdings Limited for the year ended 31 December 2013 which comprise the consolidated statement of comprehensive income the consolidated statement of financial position, the consolidated statement of changes in equity the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 4 and 5, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Quartix Holdings Limited (continued) - Company number 06395159

Matters on which we are required to report by exception

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

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent company financial statements of Quartix Holding Limited for the year ended 31 December 2013.

Grant Thornton UK LLP

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

Cambridge
28 February 2014

Consolidated statement of comprehensive income

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

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

Consolidated statement of financial position

	Notes	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Non-current assets					
Goodwill	13	**14,029**	14,029	14,029	14,029
Property, plant and equipment	14	**188**	139	51	71
Total non-current assets		**14,217**	14,168	14,080	14,100
Current assets					
Inventories	15	**220**	348	188	168
Trade and other receivables	16	**1,789**	983	1,618	753
Cash and cash equivalents	17	**779**	991	581	334
		2,788	2,322	2,387	1,255
Total assets		**17,005**	16,490	16,467	15,355
Current liabilities					
Trade and other payables	18	**3,897**	2,985	1,440	1,136
Current tax liabilities		**441**	331	275	129
		4,338	3,316	1,715	1,265
Non-current liabilities					
Borrowings and other payables	19	**1,983**	1,991	5,315	5,884
Deferred tax liabilities	20	**24**	12	17	-
		2,007	2,003	5,332	5,884
Total liabilities		**6,345**	5,319	7,047	7,149
Net assets		**10,660**	11,171	9,420	8,206
Equity					
Share capital	21	**46**	4,426	5,022	5,022
Share premium account	21	**4,296**	4,296	4,279	4,279
Capital redemption reserve		**5,079**	699	101	101
Share option reserve		**6**	-	-	-
Retained earnings		**1,233**	1,750	18	(1,196)
Total equity attributable to equity shareholders of Quartix Holdings Limited		**10,660**	11,171	9,420	8,206

These financial statements were approved by the Board of Directors and authorised for issue on 28 February 2014. They were signed on its behalf by:

Andrew Walters
Director

The accompanying accounting policies and notes form part of these financial statements.

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 2010	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**

Consolidated statement of cash flows

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

Notes to the consolidated financial statements

1 Summary of significant accounting policies

Basis of accounting

These consolidated financial statements are for the year ended 31 December 2013. They have been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS as adopted by the European Union (EU) and are effective at 31 December 2013.

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

Statement of compliance with IFRS

Quartix Holdings' consolidated financial statements were prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) until 31 December 2012. The date of transition to IFRS was 1 January 2011. The comparative figures have been reclassified as a result of adoption of IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are presented and explained in note 2.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings. Subsidiaries 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 companies are acquired during the year, the profit or loss attributable to shareholders includes the profits or losses from the date of acquisition. Where subsidiary companies 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 financial statements.

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 financial statements. Assets are not directly attributable to any separate activity.

1 Summary of significant accounting policies (continued)

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 despatch 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 the 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% straight line
- Office Equipment 25% 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.

1 Summary of significant accounting policies (continued)

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 management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Property, plant and equipment are tested for impairment if events or changes in circumstances (assessed at each reporting date) indicate that the carrying amount may not be recoverable. 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 the profit and loss.

1 Summary of significant accounting policies (continued)

Financial assets

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

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

Financial liabilities

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

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

A financial liability is derecognised 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 also has a functional currency of sterling.

1 Summary of significant accounting policies (continued)

Employee benefits

Share based payments
The Group operates a number of employee share schemes under which it makes equity-settled share-based payments to certain employees. 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.

2 Transition to IFRS

Overall considerations
IFRS 1 First-time Adoption of International Financial Reporting Standards sets out the procedures that the Group must follow when it adopts IFRS for the first time as the basis for preparing its financial statements. The Group established its IFRS accounting policies on its transition date, 1 January 2011, and applied these to the IFRS opening balance sheet at its date of transition, 1 January 2011.

An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out below

IFRS exemptions
IFRS1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. These financial statements have been prepared on the basis of taking the following exemptions:

- Business combinations prior to 1 January 2011, the Group's date of transition to IFRS, have not been restated to comply with IFRS 3 Business Combinations; and goodwill acquired thereon remains frozen at that date.
- IFRS 2 Share based Payment has only been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2011.
- Estimates applied under IFRS are consistent with those applied under UK GAAP.

2 Transition to IFRS (continued)

Standards and interpretations currently in issue but not yet effective

The following new Standards, which are yet to become mandatory, have not been applied in the consolidated financial statements.

Standard or Interpretation	Effective for reporting periods starting on or after
IFRS 9 Financial Instruments Classification and Measurement	No mandatory effective date
IFRS 10 Consolidated Financial Statements.	1 January 2014
IFRS 11 Joint Arrangements.	1 January 2014
IFRS 12 Disclosure of Interests in Other Entities.	1 January 2014
IAS 27 (Revised), Separate Financial Statements.	1 January 2014
IAS 28 (Revised), Investments in Associates and Joint Ventures.	1 January 2014

Based on the Group's current business model and accounting policies, management does not expect material impacts on the consolidated financial statements when the Standards become effective. The Group does not intend to apply any of these pronouncements early.

Presentation of financial reports

The overall presentation of the financial statements has been changed further to comply with IAS 1 "Presentation of Financial Statements" and IAS 7 "Cash flow Statements". The changes under IAS 7 have been purely presentational.

Adjustments relating to IFRS

The financial statements for the year ended 31 December 2011 have been restated as a result of adoption of IFRS. Amortisation of £821k has been written back to goodwill. There is an accrual of £1k for holiday pay and a £8k accrual for deferred tax.

The financial statements for the year ended 31 December 2012 have been restated as a result of adoption of IFRS. Amortisation of £821k has been written back to good will. There is an accrual of £2k for holiday pay and a £13k reduction in accrual for deferred tax.
Further details are shown in the following table.

Prior year adjustments

These financial statements include prior year adjustments to correct revenue recognised on long term contracts. The adjustment has increased revenue in 2012 by £22k and in 2011 by £46k. In both instances there is a corresponding reduction in the accrual for deferred income. The tax impact of these adjustments has been reflected in the results for each year and has resulted in an increase to the tax charge of £7k in 2012 and £8k in 2011. A corresponding increase in the accrual has also been recognised.

Further details are shown in the following table:

Impact of restatement on retained earnings

	2011 £'000	2012 £'000	2012 cumulative £'000
Adjustments relating to IFRS:			
Amortisation written back:	821	821	1,642
Holiday pay accrual	(1)	(3)	(4)
Accrual for deferred tax re capital allowances	(8)	8	-
Total impact of adjustments relating to IFRS	812	826	1,638
Prior year adjustments			
Revenue recognition brought forward	46	22	68
Accrual for deferred tax re timing differences	(8)	10	2
Accrual for corporation tax	-	(17)	(17)
Total impact of prior year adjustments	38	15	53
Total impact of adjustments on comprehensive income and equity	850	243	1,093
Shareholders' funds(as previously presented under UK GAAP)			9,480
Total equity attributable to equity shareholders of Quartix Holdings Limited (under IFRS).			11,171

At the date of transition there were no material differences between the numbers stated under IFRS and those previously reported under UK GAAP. In addition to those adjustments listed above, these accounts also include a correction to the reserves in 2012 to show the transfer to capital redemption reserve of £598k reflecting the redemption of preference shares in 2012. There are no tax implications of this adjustment

3 Key judgements and estimates

The Group make estimates and assumptions regarding the future. Actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below.

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 management's 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 type of customer and geography is stated below:

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

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

During 2013 revenues of £4.0 million (2012: £1.0 million, 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:

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

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

There were no pension costs for the Group.
The average number of employees, including all Directors, during the year was as follows:

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

7 Key management remuneration

Key management comprise the directors of the group.

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

Highest paid director:

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

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 in the year was nil (2012: 2, 2011: nil). No directors had share options outstanding at 31 December 2013.

8 Finance income receivable

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

9 Finance costs payable

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

10 Tax expense

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

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

11 Earnings per share

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

	Profits attributable to shareholders £'000	Weighted average number of shares	Basic profit per share amount in £	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 Profit for the financial year

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own income statement in these financial statements. The profit for the financial year was £3,417k (2012: £700k, 2011: £67k).

13 Goodwill and other intangible assets

Goodwill

	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. Under UK GAAP it was being amortised over its useful economic life estimated at 20 years. The carrying value of goodwill therefore represents the net book value at the date of transition to IFRS (See note 1).

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. (See note 3)

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% which is in line with the long-term GDP forecasts. The discount rates used is 14% 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 €35k 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

	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Raw materials	**115**	115	121	114
Work in progress	**76**	91	16	38
Finished goods and goods for resale	**29**	142	51	16
	220	348	188	168

Included in the analysis above are impairment provisions against inventory amounting to £80k (2012: nil, 2011: nil, 2010 nil). The cost of inventories recognised as an expense and included in "cost of sales" amounted to £1,505k (2012 £714k, 2011 £901k).

16 Trade and other receivables

	2013 £'000	2012 £,000	2011 £'000	2010 £'000
Trade receivables	**1,723**	937	1,574	690
Other receivables	**2**	2	8	3
Prepayments and accrued income	**64**	44	36	60
	1,789	983	1,618	753

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.

	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Provision at 1 January	**20**	90	28	11
Additional provision	**(5)**	(70)	62	17
Provision at 31 December	**15**	20	90	28

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:

	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Not more than 1 month	**148**	68	65	130
More than one month but not more than 3 months	**16**	64	38	40
More than 3 months but not more than 6 months	**-**	7	-	42
	164	139	103	212

17 Cash and cash equivalents

Cash and cash equivalents include the following components:

	2013 £'000	2012 £'000	2011 £,000	2010 £,000
Cash at bank and in hand	**779**	991	581	334

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

18 Trade and other payables

Amounts falling due within one year

	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Bank loan	**993**	993	-	-
Trade payables	**802**	552	369	310
Social security and other taxes	**561**	360	268	183
Other payables	**60**	51	10	2
Accruals and deferred income	**1,481**	1,029	793	641
	3,897	2,985	1,440	1,136

19 Borrowings and other payables

Amounts falling due after more than one year

	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Bank loan	**1,983**	1,986	5,253	5,854
Other payables	-	5	62	30
	1,983	1,991	5,315	5,884

The Group 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% 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% 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 £5k accrual for unit replacement under warranty, (2011 £62k). The equivalent number in 2013 of £90k is included under current liabilities.

20 Deferred tax

Deferred tax liabilities recognised by the Group at 31 December 2013, 31 December 2012, 31 December 2011 and 31 December 2010 are as follows

Provision for deferred tax	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Accelerated Capital Allowances	**25**	13	8	-
Short term timing differences	**(1)**	(1)	9	-
	24	12	17	-

Charge/(credit) to profit and loss	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Accelerated Capital Allowances	**12**	5	8	-
Short term timing differences	**-**	(10)	9	-
	12	(5)	17	-

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:

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

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

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**

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

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

22 Share based payments (continued)

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 management's best estimate. The risk free return is the rate offered for building society deposits at the time of the grant.

The following assumptions were used in the model for options granted during the year ended 31 December 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 %	62.00%	62.00%	62.00%
Risk-free interest rate	0.50%	0.50%	0.50%

23 Notes to the cash flow statement

Cash flow adjustments and changes in working capital

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

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

24 Leases

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

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

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

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 £209k (2012:£10k, 2011:£10k). 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% increase in interest rates would add £30k 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 £3,897k 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 have contractual maturities as summarised below:

	2013	2012	2011
	£'000	£'000	£'000
Trade and other payables			
Within six months	**1,293**	733	468
	1293	733	468
Bank loans			
Within six months	**566**	566	106
Six to twelve months	**554**	554	106
One to five years	**2,102**	2,102	5,512
	3,221	3,221	5,724

28 Risk management objectives and policies (continued)

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:

	2013	2012	2011
Loans and receivables	**£'000**	£'000	£'000
Cash and cash equivalents	**779**	991	581
Trade and other receivables	**1,725**	939	1,582
	2,504	1,930	2163

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 90%) pay by direct debit. The Group has one large customer whose debts can at times exceed £500k 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 £73k (2012:£68k, 2011:£25k) denominated in Euros. As at 31 December 2013, cash at bank and in hand included £44k (2012:£1k, 2011:£35k) denominated in US Dollars, and £30k. (2012 £52k, 2011:£64k) denominated in Euros.

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

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

It is estimated that a 5% strengthening of Pound Sterling to the Euro would have reduced net profit by £30k 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 date of the years under review may also be categorised as follows:

	2013 £'000	2012 £'000	2011 £'000
Loans and receivables			
Trade and other receivables, loans and receivables	**1,725**	939	1,583
Cash and cash equivalents	**779**	991	581
	2,504	1,930	2,164
Financial liabilities measured at amortised cost			
Trade and other payables	**1,293**	733	468
Bank Borrowings	**2,976**	2,979	5,253
	4,269	3,712	5,721

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 under review is summarised as follows:

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

31 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 Ltd.	England & Wales	Ordinary shares	100%	Vehicle Tracking
Quartix Inc.	USA	Common shares	100%	Vehicle Tracking

Independent auditor's report to the members of Quartix Holdings Limited - Company number 06395159

We have audited the parent company financial statements of Quartix Holdings Limited for the year ended 31 December 2013 which comprise the parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 4 and 5 the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the directors and Strategic Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Independent auditor's report to the members of Quartix Holdings Limited (continued) - Company number 06395159

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Quartix Holding Limited for the year ended 31 December 2013.

Grant Thornton UK LLP.

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

Cambridge
28 February 2014

Company balance sheet

	Notes	2013 £'000	2012 £'000 *(restated)*
Fixed assets			
Investments	4	**18,468**	18,461
		18,468	18,461
Current assets			
Debtors	5	**19**	-
Cash at bank and in hand		**45**	2
		64	2
Creditors: amount falling due within one year		**(6,802)**	(5,772)
Net current liabilities	6	**(6,802)**	(5,770)
Total assets less current liabilities		**11,730**	12,691
Creditors: amount falling due after more than one year	7	**(1,983)**	(1,986)
Net assets		**9,747**	10,705
Capital and reserves			
Called up share capital	8	**46**	4,427
Share premium account	9	**4,296**	4,296
Share options reserve	9	**6**	-
Capital redemption reserve	9	**5,078**	698
Profit and loss account	9	**321**	1,284
Shareholders' funds		**9,747**	10,705

These financial statements were approved by the Board of Directors and authorised for issue on 28 February 2014. They were signed on its behalf by:

Andrew Walters

Director

Notes to the Company financial statements

1 Summary of significant accounting policies

Accounting policies
The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention
The financial statements are prepared under the historical cost convention.

Investments
Investments are stated at cost less provision for any impairment.

Taxation
Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign currencies
Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences arising are dealt with in the profit and loss account.

Financial instruments
The company does not enter into derivative contracts for hedging or speculative purposes.

Share-based compensation
The Company issues share options to employees of its trading subsidiary. The fair value of such options granted is calculated using the Black-Scholes option pricing model. The fair value is spread over the period from the date of grant to the date the options vest and are exercisable, based on the best estimate of the number of shares that will eventually vest and recognised as an additional cost of investment in the subsidiary.

Upon exercise of the share options the proceeds received are allocated to share capital and share premium.

2 **Profit and loss account**

No profit and loss account is presented for Quartix Holdings Limited as provided by section 408 of the Companies Act 2006. The Company's profit for the financial year was £3,417k (2012: £700k.)

Auditors' remuneration attributable to the Company is as follows:

	2013 £'000	2012 £'000
Audit fees - statutory audit	7	4
Other services	36	-

Details of directors' emoluments are set out on page 23.

3 **Prior year adjustment**

These accounts include a correction to the reserves in 2012 to show the transfer to capital redemption reserve of £597,358 reflecting the redemption of preference shares in 2012. There are no tax implications.

4 **Investments**

The amounts recognised in the Company's balance sheet relate to the following:

	Subsidiary undertakings £'000
Cost:	
At 1 January 2013	18,461
Increase due to granting of share options to subsidiary employees:	6
New investments	1
Net book amount at 31 December 2013	18,468

During the year the Group set up a new subsidiary in USA. The company has yet to start trading.

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

5 **Debtors**

	2013 £'000	2012 £'000
VAT	12	-
Amounts owed by subsidiary undertakings	7	-
	19	-

All debtors fall due within one year of the balance sheet date.

6 Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Bank loans and overdrafts	**993**	993
Amounts owed to subsidiary undertakings	**5,657**	4,719
Trade creditors	**69**	-
Accruals and deferred income	**83**	60
	6,802	5,772

7 Creditors: amounts falling after more than one year

	2013 £'000	2012 £'000
Bank loans	**1,983**	1,986

Included within the above are amounts falling due as follows:

	2013 £'000	2012 £'000
Between one and two years		
Bank loans	**993**	993
Between two and five years		
Bank loans	**990**	993

The Group 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% 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% over LIBOR. For this repayments of £250,000 a quarter start in February 2016.

8 Called up share capital

	2013 £'000	2012 £'000
Authorised		
Maximum amount of shares that can be allotted	**5,250**	5,250
Allotted, called up and fully paid		
462,475(2012:462,475) ordinary shares of £0.10 each	**46**	46
Nil (2012:4,380,622) preference shares of £1 each	**-**	4,381
	46	4,427

Share options outstanding at 31 December 2013 were:

Number of shares under option	Exercise price	Exercise period
3,538	£1.00	Five years from June 2011to 25 June 2016
6,500	£44.00	Five years from November 2014 to 1 November 2019
860	£0.10	Five years from July 20115to 19 December 2018
10,898		

9 Reserves

	Share premium account £'000	Employee share schemes reserves £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 January 2013	4,296	-	698	1,284
Profit for the year	-	-	-	3,417
FRS 20 Employee Share Schemes	-	6		
Redemption of shares	-	-	4,380	(4,380)
At 31 December 2013	4,296	6	5,078	321

10 Related party transactions and ultimate controlling party

The Company has taken advantage of the exemption not to disclose transactions with other group companies.

The Directors are the Company's controlling and ultimate controlling related parties by virtue of their shareholding and directorships.

11 Contingent liabilities

There are no material contingent liabilities subsisting at 31 December 2013 or 31 December 2012.

12 Financial commitments

The Company had no financial commitments at 31 December 2013 or 31 December 2012.