

## Quartix Holdings PLC

# Final Results

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Quartix Holdings PLC  
29 February 2016

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

**Final Results**

***Excellent Growth***

Quartix Holdings plc (AIM:QTX), a leading supplier of vehicle tracking systems and services to the fleet and insurance sectors, is pleased to announce its audited results for the year ended 31 December 2015.

**Financial highlights:**

- Group revenues increased by 28% to £19.7m (2014: £15.3m)
  - Fleet revenues grew by 17% to £13.0m (2014: £11.0m)
  - Insurance revenues increased by 56% to £6.7m (2014: £4.3m)
- Operating profit increased by 24% to £6.0m (2014: £4.9m)
- Profit before tax increased by 19% to £6.0m (2014: £5.0m)
- Adjusted<sup>1</sup> profit before tax increased by 25% to £6.0m (2014: £4.8m)
- Diluted earnings per share of 10.53p (2014: 8.55p)
- Adjusted<sup>1</sup> diluted earnings per share of 10.53p (2014: 8.39p)
- Adjusted<sup>2</sup> free cash flow increased by 20% to £5.4m (2014: £4.5m)
- Adjusted<sup>2</sup> cash inflow before tax increased by 23% to £6.8m (2014: £5.5m)

- Net cash increased to £3.0m (2014 net debt: £0.2m)
- Final dividend of 4.0p per share proposed
- Commitment to distribute excess cash by way of supplementary dividends

<sup>1</sup> Adjusted to exclude exceptional gain of nil for the year ended 31 December 2015 (2014: £248,000)

<sup>2</sup> Adjusted to exclude exceptional cash inflow before tax of nil for the year ended 31 December 2015 (2014: £0.3m)

### **Operational highlights:**

- Strong progress in the main fleet business:
  - 23% increase in subscription base to 73,744 units (2014: 59,765)
  - 23% increase in customer base to 7,849 (2014: 6,342)
  - Unit attrition rose to 11.3% (2014: 9.4%), but still compares favourably with our estimate of the industry average of around 14-15 per cent
  - 32% growth in new fleet installations
  - Strong growth in France, ending the year with 1,196 customers (2014: 890) and 7,910 vehicles under subscription (2014: 5,218), an increase of 34% and 52% respectively.
  - During its first full year of trading the USA grew its customer base to 693 (2014: 120), with 3,179 vehicles under subscription (2014: 498).
- Excellent growth in the insurance telematics business:
  - 74% growth in insurance installations to 57,024 (2014: 32,842)

### **Andy Walters, Managing Director of Quartix, commented:**

"All of our business operations continued to perform at a high level in 2015. Our core fleet business, which accounted for 66% of Group revenue, delivered considerable progress in a further year of investment. Continued growth in the UK was combined with excellent progress in France and in the USA, where our first full year of trading saw us reach an installed base of 3,179 vehicles under subscription. Insurance sector installations grew by 74%. Significant investment was made in product development for both parts of the business, as well as in developing our geographic presence in the fleet sector.

"The Group has made a strong start to the year, in line with our expectations. The high levels of recurring revenues and opportunities to grow in the UK, France and the USA in fleet combined with continued progress in our insurance business underpin our confidence for the rest of the current financial period and beyond."

### **For further information, please contact:**

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## **Full Financial Results Report**

The Group's Financial Statements for the year ended 31 December 2015 will be sent to shareholders shortly and are available in the "Investors" section of our website at: [www.quartix.net/investors.php](http://www.quartix.net/investors.php)

### **About Quartix**

Founded in 2001, Quartix is a leading supplier of subscription-based vehicle tracking systems, software and services. 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.

Quartix is based in the UK and is listed on the AIM market of the London Stock Exchange (AIM:QTX).

## **Chairman's statement**

### **Introduction**

The past year has shown continued growth in demand for the Group's vehicle tracking systems, software and services in both the fleet and insurance sectors.

Sales in the UK grew by 27%, reaching £18.4m (2014: £14.5m). The Group made excellent progress in France, where revenues increased by 48% to €1.4m (2014: €956,000).

2015 was our first full year of operations in the USA, having launched our product and opened an office there in 2014. We are very pleased with progress, having completed the year with 3,179 vehicles under subscription (2014: 498) across 693 fleet customers (2014: 120). Revenues increased from \$37,000 in 2014 to \$392,000 in 2015 and the prospects for future business development remain very encouraging.

### **Results**

Group revenues for the year increased by 28% to £19.7m (2014: £15.3m).

Operating profit for the year increased by 24% to £6.0m (2014: £4.9m), at the same time as the Group continued to make significant investments in product and market development.

There were no exceptional items in the year (2014: gain of £248,000, comprising a settlement reached for a mis-sold hedging product, less the Group's professional costs in relation to its admission to AIM in November 2014).

Profit before tax increased by 19% to £6.0m (2014: £5.0m). Adjusted profit before tax and exceptional gains increased by 25% to £6.0m (2014: £4.8m).

Cash conversion was exceptionally good, resulting in free cash flow from operations after tax and investing activities of £5.4m (2014 adjusted for exceptional items: £4.5m), enabling the Group to eliminate the net debt of £0.2m as at 31 December 2014 and resulting in a net cash of £3.0m at 31 December 2015, following the payment of £2.3m in dividends.

### **Earnings per share**

Adjusted basic earnings per share rose by 26% to 10.69p (2014: 8.52p). Basic earnings per share rose by 23% to 10.69p (2014: 8.68p). Adjusted diluted earnings per share increased to 10.53p (2014: 8.39p).

### **Dividend policy**

Our ordinary dividend policy remains unchanged with the dividend set at approximately 50% of cash flow from operating activities, which is calculated after taxation paid but before capital expenditure.

However, this policy is leading to an accumulation of cash and so in the future the Board will look to distribute the excess of gross cash balances over £2m on an annual basis by way of supplementary dividends, subject to a 2p per share de minimis level.

The surplus cash will be calculated using the year end gross cash balance and after deduction of the proposed ordinary dividend, and is intended to be paid at the same time as the final dividend. The earliest potential payment to be made will therefore be alongside the 2016 final ordinary dividend payment in 2017.

The policy will be subject to periodic review.

### **Dividend**

In the year ended 31 December 2015, the Board decided to pay an interim dividend of 2p per ordinary share. This totalled £0.9m and was paid on 24 September 2015 to shareholders on the register as at 21 August 2015.

The Board is recommending a final dividend of 4p per share, giving a total dividend for the year of 6p per share. The final dividend amounts to approximately £1.9m in aggregate. Subject to the approval at the forthcoming AGM, the final dividend will be paid on 4 April 2016 to shareholders on the register as at 11 March 2016.

### **Governance and the Board**

The Board is comprised of two Non-Executive Directors, myself included, and two Executive Directors, Andrew Walters and David Bridge.

I have over 25 years of experience in identifying, negotiating and completing acquisitions in the USA and Europe. Having spent 13 years as Business Development Director for Spectris plc, I am currently Head of Business Development at Brammer plc, leading its European acquisition programme. I also held senior positions at both Consort Medical plc and IMI plc and I am a Chartered Accountant (FCA).

Jim Warwick is Chief Operating Officer at Abcam plc, a global leader in the supply of innovative protein research tools, having originally joined as Technical Director in 2001. Prior to that, he worked on IT, software and web development initiatives for the telecommunications consultancy group Analysys Limited.

In April 2015, Avril Palmer-Baunack reluctantly decided not to seek re-election as a Director at the Company's AGM. This was in light of the required time commitment of her new role as Executive Chairman of BCA Marketplace plc. The Board thanks Avril for her significant contribution to and support for the Company.

For further details regarding Corporate Governance and the Board, please see the "Investors" section of our website ([www.quartix.net/investors.php](http://www.quartix.net/investors.php)).

### **Outlook**

The Group has made a strong start to the year, in line with our expectations. The high levels of recurring revenues and opportunities to grow in the UK, France and the USA in fleet combined with continued progress in our insurance business underpin our confidence for the rest of the year and beyond.

### **AGM**

The Group's AGM will be held on 29 March 2016 at the Group's registered office at Wellington House, East Road, Cambridge CB1 1BH.

**Paul Boughton**  
Chairman

## **Strategic Report: Operational Review**

## Principal activities

Since 2001 Quartix has become one of Europe's leading suppliers of vehicle tracking systems and services. Whilst the origins of the Group's business are in the tracking of commercial vehicles in the UK, it has developed a significant market presence in the rapidly-growing insurance telematics market. It set up a French branch in 2011 and in 2014 expanded its operations into the USA. The operations in both the USA and France are focused entirely on the fleet sector.

## Strategy and business model

The Group's main strategic objective is to grow its fleet business and develop the associated recurring revenues by increasing the number of vehicles under subscription. The related insurance business provides economies of scale in product development, supply chain, production and system installation.

Whilst the same technology is used for both commercial fleet tracking and insurance telematics, these markets exhibit different characteristics and the Group has established proven business models for each of them.

*Fleet customers* typically use the Group's services for many years, resulting in low rates of attrition. Accordingly, the Group focuses its business model on the development of subscription revenues based on system rental, providing the best return to the Group over the long term.

*The value of recurring subscription and rental revenues is the key measure of our performance in the fleet sector*

*Insurance telematics customers* use the Group's technology to monitor the driving style and habits of higher-risk drivers, normally for a policy with a term of just 12 months. Quartix therefore treats this as an equipment sale, with the tracking system being sold, at policy inception, together with 12 months service and data usage included. This is standard practice in the industry, as the level of attrition is relatively high.

*The value of revenues is the key measurement of our performance in the insurance sector, as the market does not offer a recurring revenue or system rental opportunity.*

## People

Our business performance was recognised by several independent bodies in 2015: Megabuyte, the independent technology financial analysts, placed us second in the UK of all public and private tech companies; the London Stock Exchange Group named us as one of "1000 companies to inspire Britain"; and we were selected as Business of the Year in the Cambridge Business Excellence Awards.

Each of these awards and nominations is a reflection of the commitment, teamwork, creativity and dedication of our people. Our financial performance derives from the customer service we deliver, backed by the technology we develop. I would like to register my personal thanks to every one of our employees who made 2015 another great year for Quartix.

We are delighted to have been able to provide our employees with the ability to participate in the equity of the Company under our EMI share option scheme for the third year in a row. The Directors of Quartix Holdings plc are not included in these grants, which are intended for employees.

## Operational performance

All of our business operations continued to perform at a high level in 2015. Although gross margins fell by 3.1 percentage points to 61.8%, this was largely due to the high level of growth in insurance sales, with a consequential adverse effect on the margin mix. Gross margin from fleet subscriptions remained strong. Return on sales was 31%, which was 1 percentage point down on the prior year as a consequence. Cash conversion was extremely strong with cash flow from operating activities after investing activities (free cash flow) representing 90% of operating profit. We expense all R&D investment and tracking system installation costs as they are incurred.

Capex investments totalled £262,000, as we invested in new IP-based phone systems, systems and servers to support our growth. In the case of the phone system we expect to see a payback in under 12 months.

Our accounts and operations teams continued to manage working capital well: trade debtors at the year end represented just 35 days of sales, and inventories increased by just £0.2m despite sales growth of £4.3m in the year.

During the course of the year we made significant investments in technology and training to improve the efficiency of our sales and marketing campaigns. Initial results from this appear encouraging, in that our overall marketing cost per new fleet customer was reduced.

## **Fleet**

Our core fleet business, which accounted for 66% of Group revenue, delivered considerable progress in a further year of investment. Continued growth in the UK was combined with excellent progress in France, where our business made a positive contribution to the Group's results, and in the USA, where our first full year of trading saw us reach an installed base of 3,179 vehicles under subscription.

During the course of the year we won 2,184 new fleet customers (2014: 1,680). Sales leads continued to be generated through a broad range of media and channels. The efficiency improvements resulted largely from investments made in technology, processes and training, adding automation wherever possible and providing our sales and marketing teams with better information on the performance of each campaign. This investment will continue in 2016, and the knowledge and experience gained will be used across each of our three target markets.

### *Fleet UK*

Demand for fleet tracking systems in the UK continues to grow rapidly. We are well-placed to expand our business, given the strengths of our product, systems and support capabilities. The economies of scale derived from the size of our combined fleet and insurance business also give us a considerable competitive advantage.

Vehicles under subscription increased by 16% to 62,655 during the year, and our fleet customer base reached 5,960. We won 1,195 new customers in 2015, and the gains in customer and vehicle base were broadly spread between the channels we use. UK fleet revenues were £11.7m (2014: £10.2m). We added a number of new key accounts during the year and have increased the number of fleet clients with 50 vehicles or more.

Our UK website continued to perform well in terms of search engine placement and enquiries, and we added significant new content to it, including many video tutorials. We also made very good use of webinars as an aid to training and supporting existing customers, and this will be developed further in 2016.

We will continue to increase telephone based sales capacity to support our fleet marketing initiatives, and will look to find additional channels and partners to help us develop the market. Sales conversion percentages from enquiries received during the year from our own marketing initiatives were 39%, underpinning the confidence we have in the competitiveness of our offering.

### *Fleet France*

We made excellent progress in the French market, increasing new installations by 51%, and ending the year with 7,910 vehicles (2014: 5,218) under subscription across 1,196 fleet customers (2014: 890). French fleet revenues increased by 48% to €1.4m (2014: €956,000), making a profitable contribution to the Group. We strengthened our French sales and support teams and will continue to do so. Our distributors also contributed strongly to growth during the year and we intend placing even greater emphasis on this channel in the future.

During 2016 we intend using many of the initiatives, media and channels which have proven to be so successful in the UK.

## *Fleet USA*

Our first full year of trading in the USA was very successful: we concluded 2015 with 693 fleet customers (2014: 120) having a total of 3,179 vehicles under subscription (2014: 498). As in the UK and France, our fleet revenues derive from subscription income, which build over time. Nonetheless USA fleet revenues increased to \$0.4m from just \$0.04m in 2014, and our subscription base value continues to increase each month.

We see significant potential for growth in the USA in the next five years, and will continue to invest in digital marketing together with sales and support resources to back this up.

At the end of the year we had a total of 6 employees in our Chicago office, which falls under the responsibility of our US business director, who joined the company in October and is based in Cambridge. A specialist digital marketing and market research team will be recruited in Cambridge in order to increase the scale of our current digital marketing programmes for the US.

## **Insurance**

Volume growth in insurance at 74% was higher than that experienced in 2014. We installed a total of 57,024 tracking systems. Revenue growth of 56% lagged volume growth, as previously agreed price reductions took effect from the start of the year. Although there continues to be some price pressure in this market, we continue to focus on the delivery of a very high level of data and service quality, and we believe that the growth achieved during the year reflects this.

The outlook for our insurance business is good, and our strategic partnership with Wunelli Limited remains of key importance to us in its development. We will continue to explore potential in the commercial vehicle insurance market, using a combination of the technology, knowledge and processes we have put in place for both parts of our business.

## **Research and development**

The Group is committed to continued investment in research. During 2015 we continued to invest in ensuring that the functionality of our fleet tracking units is maintained in the light of market developments in user interface data and mobile apps. Developments arising from research work undertaken have included: mobile tracking apps for both the French and US markets and modifications to the Group's suite of web services for 3rd party integrators and customers. Other projects continuing into 2016, include: miniaturisation of the TCSV11 tracking system, the performance dashboards for our fleet customers and the SafeSpeed database, which compiles road speed distributions for more than 1million UK roads in real time and provides a very powerful tool for driver risk assessment.

The costs relating to these developments and other research, all of which were fully expensed in the year amounted to £1.1m (2014: £1.0m).

## **Strategic priorities**

We are encouraged by the potential we see to accelerate the growth of our fleet business in each of the three geographic markets we address and we have already identified a number of initiatives to position us to deliver on that potential. In particular, during 2015 we achieved greater efficiencies in sales and marketing and we are now in a position to increase investment further. This additional investment will include both external marketing spend and additional in-house capacity.

We will continue to enhance our e-commerce platform, and to evaluate the feasibility of self-installed versions of our products, particularly in France and the USA.

By carefully coordinated management of our future growth we will strive to maintain the very high levels of customer satisfaction and financial performance for which Quartix is known.

Within the insurance sector we are pleased with the breadth of the range of companies for which we supply telematics technology through our strategic partner, Wunelli Limited. We will continue to pursue our goal of diversifying our customer base.

**Andrew Walters**

Managing Director

## **Strategic Report: Financial Review**

### **Strategy**

Quartix's primary strategic focus is on building up a long term relationship with our fleet customers in a way that gives rise to recurring subscription revenues for our telematics services.

We have a policy of continuous improvement in our telematics services and this is funded by these revenues which also fund our overheads and infrastructure; moreover these revenues provide a return to shareholders for past investment in our telematics service.

One way in which we improve our fleet service is by providing units for the insurance telematics which can lead to innovations which are then offered to our commercial vehicle customers.

### **Key performance indicators ("KPIs")**

<i>Year ended 31 December</i>	2015	2014	% change
Fleet installations (units)	21,518	16,355	31.6
Fleet subscription base (units)	73,744	59,765	23.4
Fleet customer base	7,879	6,342	22.6
Fleet attrition (annualised) <sup>1</sup> (%)	11.3	9.4	-
Fleet invoiced recurring revenue <sup>2</sup> (£'000)	11,828	9,816	20.5
Fleet revenues (£'000)	12,957	11,038	17.4
Insurance installations (units)	57,024	32,842	73.6
Insurance revenues (£'000)	6,718	4,293	56.5

<sup>1</sup> Attrition in the year is the number of units installed (excluding upgrades), less the increase in subscription base, expressed as a percentage of the mean subscription base

<sup>2</sup> Invoiced rental and communications charges before provision for deferred revenue

In 2015 we achieved a 31.6% increase in fleet installations compared to 12.5% in 2014 as we expanded our sales operations in Europe and invested in our US operations. This was achieved while putting through a midyear price increase in the UK.

Our installed base grew by 23.4% to 73,744 units.

Attrition rose during the period to 11.3% but the rate of attrition still compares favourably with our estimate of the industry average of around 14-15 per cent.



Sales in France and USA, where monthly rentals are lower, grew at a higher percentage rate so our Group invoiced recurring revenues (before adjusting for deferred revenue) grew at a lower rate than our unit base by 20.5% to £11.8m (2014: £9.8m).

The growth in fleet revenues at 17.4% was less than the growth of our recurring revenues as a higher proportion of our customers chose to rent rather than buy.

Insurance unit installations were up 73.6% at 57,024 units compared to 32,842 in 2014. This led to a rise in insurance sales from £4.3m to £6.7m. The percentage rise in value being less than the rise in units as insurance income per unit installed dropped.

## Financial Overview

*Year ended 31 December*

<i>£'000 (except where stated)</i>	2015	2014	% change
Revenues			
Fleet	12,957	11,038	17.4
Insurance	6,718	4,293	56.5
Total	19,675	15,331	28.3
Gross profit	12,150	9,943	22.2
Gross margin	62%	65%	
Operating profit	6,045	4,885	23.7
Operating margin	31%	32%	
Net profit for the year	5,014	4,032	24.4
Earnings per share	10.69	8.68	23.2
Adjusted Earnings per share <sup>1</sup>	10.69	8.52	25.5
Cash generated from operations before exceptional gains <sup>1</sup>	6,781	5,523	22.8
Operating profit to operating cash conversion	112%	113%	

<sup>1</sup> Exceptional gains after tax of £nil (2014: £76,000) and exceptional cash flow of £nil (2014: £322,000) were recorded in the year and are excluded from these figures

### Revenue

Revenue increased by 28.3% to £19.7m (2014: £15.3m). Fleet revenue, benefitting from past investment, was 17.4% up at £13.0m (2014: £11.0m). Sales to insurance based customers increased by 56.5% to £6.7m (2014: £4.3m).

### Gross margin

We do not capitalise our installed units or our marketing costs and we generally provide free installation so a surge in installations can have an immediate cost impact

but is an investment in the future.

Thus the increase in units installed and the increase in the insurance proportion of the sales mix together with a drop in insurance prices, compared to last year, meant that the percentage gross margin dropped from 65% to 62%, restricting the increase in gross profit to 22.2%.

#### *Operating profit*

We continued to invest in our product offering, in our sales structure and in marketing but limited this increase in overheads to 20.7% so operating profit grew at a slightly higher rate than gross profit at 23.7%.

#### *Net profit for the year*

There were no exceptional items in the year whereas in 2014 there was a gain of £0.2m, comprising a settlement reached for a mis-sold hedging product, less the Group's professional costs in relation to its admission to AIM in November 2014.

Interest charges were lower in 2015 and the effective tax rate fell to 16% (2014: 20%) as a result of IPO costs in 2014 that were not deductible against UK corporation tax. Our low effective tax reflects a benefit from research and development tax allowances.

The overall impact of the above was that profit for the year rose by 24.4% to £5m (2014 £4.0m).

#### *Earnings per share*

Earnings per share increased by 23.2%. Excluding the 2014 exceptional item meant that adjusted earnings per share grew at a higher rate of 25.5%.

#### *Statement of financial position*

Cash at the year-end was £4.0m and bank debt in cash terms was £1.0m, resulting in net cash of £3.0m (2014: net debt £0.2m).

Inventories increased towards the end of the year as we were building our strategic reserves and developing new unit models.

#### *Cash flow*

Cash flow from operating items before tax and exceptional items was £6.8m (increased relative to operating profit largely due to £0.5m increase in provision for deferred revenue and £0.1m of share based payments). The comparable figure for 2014 is £5.5m (Exceptional items added £0.3m net to cash flow, giving operating cash flow before tax of £5.8m.)

Tax paid in 2015 was £1.1m, so cash flow from operating activity after taxation but before capital expenditure was £5.7m (2014: £4.6m before exceptional cash flow).

#### *Dividend*

The Board is recommending a final dividend of 4.0p per share, amounting to approximately £1.9m in aggregate. Subject to approval at the forthcoming AGM, the final dividend will be paid on 4 April 2016 to shareholders on the register as at 11 March 2016.

### **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 Group 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.

*Reliance on M2M network*

The Group's service delivery is dependent on a functioning M2M network covering both the internet and mobile phones. The impact of not mitigating this risk is that the Group is exposed to an M2M outage. Quartix has dual site redundancy to cover a localised internet problem and we are constantly working on improving the reliability of our systems architecture.

*Business disruption*

Like any business the Group is subject to business disruption. This includes communications, physical disruption to our sites and problems with our key suppliers. The impact of not mitigating this risk is that the Group may not be able to service its customers. Quartix has a Business Continuity plan which is frequently updated and reviewed.

*Retaining a key customer*

As disclosed in note 3 during 2015 revenues of £6.7m were derived from one insurance customer. Losing this key contract could have a significant negative impact on cash flow in the short term as we have a high level of fixed overheads. Considerable resources are devoted to maintaining our relationship with this customer while at the same time the Group continues to build a reputation for excellent service with insurance customers.

*Cyber Attack*

The Group needs to make sure its data is kept safe and that there is security of supply. The reputational and commercial impact of a security breach would be immense. To combat this, the Group has a security policy and prepares a monthly security report which is reviewed by the Operations Board. This process includes the use of outside consultants for penetration testing and security review.

*Technology*

Technology risks are perceived to arise from possible substitutes for the current Quartix product. Risks cited include everything from smart mobile phones to driverless cars.

The Group strategy is to review all new technical developments with the aim of adopting any which will provide a better channel for the information services which Quartix provides.

**David Bridge FCA**  
Finance Director

**Consolidated Statement of Comprehensive Income**

<b>Year ended 31 December</b>		<b>2015</b>	2014
	Notes	<b>£'000</b>	£'000
<b>Revenue</b>	2	<b>19,675</b>	15,331
Cost of sales		<b>(7,525)</b>	(5,388)

<b>Gross profit</b>		<b>12,150</b>	9,943
Administrative expenses		<b>(6,105)</b>	(5,058)
<b>Operating profit</b>		<b>6,045</b>	4,885
Exceptional items	3	-	248
Finance income receivable		<b>13</b>	14
Finance costs payable		<b>(69)</b>	(104)
<b>Profit for the year before taxation</b>		<b>5,989</b>	5,043
Tax expense		<b>(975)</b>	(1,011)
<b>Profit for the year</b>		<b>5,014</b>	4,032
<b>Other Comprehensive income:</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations		<b>(49)</b>	-
Tax benefit(expense)		-	-
<b>Other comprehensive income for the year, net of tax</b>		<b>(49)</b>	-
<b>Total comprehensive income attributable to the equity shareholders of Quartix Holdings plc</b>		<b>4,965</b>	4,032
<b>Earnings per ordinary share (pence)</b>			
	6		
Basic		<b>10.69</b>	8.68
Diluted		<b>10.53</b>	8.55
<b>Adjusted earnings per ordinary share (pence)</b>			
	6		
Basic		<b>10.69</b>	8.52
Diluted		<b>10.53</b>	8.39

**Consolidated Statement of Financial Position**

		<b>2015</b>	2014
	Notes	<b>£'000</b>	£'000
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill		<b>14,029</b>	14,029
Property, plant and equipment		<b>317</b>	187
Deferred tax assets		<b>77</b>	-
<b>Total non-current assets</b>		<b>14,423</b>	14,216

**Current assets**

Inventories	<b>638</b>	436
Trade and other receivables	<b>2,586</b>	1,933
Cash and cash equivalents	<b>4,040</b>	1,812
<b>Total current assets</b>	<b>7,264</b>	4,181

**Total assets**

<b>21,687</b>	18,397
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**Current liabilities**

Trade and other payables	<b>2,842</b>	2,008
Borrowings	<b>997</b>	993
Deferred revenue	<b>2,244</b>	1,704
Current tax liabilities	<b>407</b>	541
	<b>6,490</b>	5,246

**Non-current liabilities**

Borrowings	-	993
Deferred tax liabilities	-	4
	-	997

**Total liabilities**

<b>6,490</b>	6,243
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**Net assets**

<b>15,197</b>	12,154
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**Equity**

Called up share capital	4	<b>472</b>	467
Share premium account	4	<b>4,631</b>	4,379
Equity reserve		<b>177</b>	151
Capital redemption reserve		<b>4,663</b>	4,664
Translation reserve		<b>(49)</b>	-
Retained earnings		<b>5,303</b>	2,493
<b>Total equity attributable to equity shareholders of Quartix Holdings plc</b>		<b>15,197</b>	12,154

**Consolidated Statement of Changes in Equity**

	Share capital	Share premium account	Capital redemption reserve	Equity reserve	Translation reserve	Retained earnings	Total equity
	£'000	£,000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 December 2013</b>	<b>46</b>	<b>4,296</b>	<b>5,079</b>	<b>6</b>	<b>-</b>	<b>1,233</b>	<b>10,660</b>
Shares issued	6	83	-	-	-	-	89

Bonus shares issued	420	-	(420)	-	-	-	-
Redemption of preference shares	(5)	-	5	-	-	(5)	(5)
Increase in equity reserve in relation to options issued	-	-	-	83	-	-	83
Adjustment for exercised options	-	-	-	(12)	-	12	-
Warrants issued	-	-	-	74	-	-	74
Dividend paid	-	-	-	-	-	(2,779)	(2,779)
<b>Transactions with owners</b>	<b>421</b>	<b>83</b>	<b>(415)</b>	<b>145</b>	<b>-</b>	<b>(2,772)</b>	<b>(2,538)</b>
<b>Profit for the year and total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,032</b>	<b>4,032</b>
<b>Balance at 31 December 2014</b>	<b>467</b>	<b>4,379</b>	<b>4,664</b>	<b>151</b>	<b>-</b>	<b>2,493</b>	<b>12,154</b>
Shares issued	5	252	-	-	-	-	257
Increase in equity reserve in relation to options issued	-	-	-	71	-	-	71
Adjustment for exercised options	-	-	(1)	(144)	-	144	(1)
Deferred tax on share Options	-	-	-	99	-	-	99
Dividend paid	-	-	-	-	-	(2,348)	(2,348)
<b>Transactions with owners</b>	<b>5</b>	<b>252</b>	<b>(1)</b>	<b>26</b>	<b>-</b>	<b>(2,204)</b>	<b>(1,922)</b>
Foreign currency translation differences	-	-	-	-	(49)	-	(49)
Profit for the year	-	-	-	-	-	5,014	5,014
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(49)</b>	<b>5,014</b>	<b>4,965</b>
<b>Balance at 31 December 2015</b>	<b>472</b>	<b>4,631</b>	<b>4,663</b>	<b>177</b>	<b>(49)</b>	<b>5,303</b>	<b>15,197</b>

### Consolidated Statement of Cash Flows

		2015	2014
	Notes	£'000	£'000
<b>Cash generated from operations</b>		<b>6,781</b>	5,845
Taxes paid		(1,092)	(930)

Cash flow from operating activities	<b>5,689</b>	4,915
<b>Investing activities</b>		
Additions to property, plant and equipment	<b>(262)</b>	(82)
Interest received	<b>13</b>	14
Cash flow from investing activities	<b>(249)</b>	(68)
Cash flow from operating activities after investing activities (free cash flow)	5,440	4,847
<b>Financing activities</b>		
Repayment of long term borrowings	<b>(1,000)</b>	(1,000)
Interest paid	<b>(75)</b>	(119)
Redemption of preference shares	-	(5)
Proceeds from share issues	<b>257</b>	89
Dividend paid	<b>(2,348)</b>	(2,779)
Cash flow from financing activities	<b>(3,166)</b>	(3,814)
Net changes in cash and cash equivalents	<b>2,274</b>	1,033
Cash and cash equivalents, beginning of year	<b>1,812</b>	779
Exchange differences on cash and cash equivalents	<b>(46)</b>	-
Cash and cash equivalents, end of year	<b>4,040</b>	1,812

## **Notes to the Accounts**

### **1. Basis of preparation**

The basis of preparation and summary of significant accounting policies applicable to the consolidated financial statements of Quartix Holdings plc can be found in note 1 of the Annual Report and Financial Statements, available from the Group's website. The consolidated financial statements of Quartix Holdings plc have been prepared in accordance with IFRS as adopted by the European Union (EU) ('IFRS') and in accordance with those parts of the Companies Act 2006 that are relevant to companies which report under IFRS.

The information in this news release does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 ('the Act'). The statutory accounts for the year ended 31 December 2015 will be delivered to the Registrar of Companies in England and Wales in accordance with Section 441 of the Act. The auditor has reported on those accounts. Its report was unqualified and did not contain a statement under Section 498(2) or (3) of the Act.

### **2. Segmental analysis**

The Group has concluded that it operates only one operating segment as defined by IFRS 8, being the design, development and marketing of vehicle tracking devices and the provision of related data services. 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. All revenues,

costs, assets and liabilities relate to the single activity; and accordingly no segmental analysis is presented.

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

	<b>2015</b>	2014
<b>By customer base</b>	<b>£'000</b>	£'000
Fleet	<b>12,957</b>	11,038
Insurance	<b>6,718</b>	4,293
	<b>19,675</b>	15,331

	<b>2015</b>	2014
<b>Geographical analysis by destination</b>	<b>£'000</b>	£'000
United Kingdom	<b>18,390</b>	14,534
France	<b>1,025</b>	771
Republic of Ireland	<b>4</b>	3
United States of America	<b>256</b>	23
	<b>19,675</b>	15,331

During 2015 revenues of £6.7m (2014: £4.3m) derived from one insurance customer.

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

### 3. Exceptional items

	<b>2015</b>	2014
	<b>£'000</b>	£'000
Compensation for mis-sold hedging contracts	-	(763)
Professional fees relating to the IPO	-	515
Exceptional items before taxation	-	(248)
Taxation on the above	-	172
Exceptional items after taxation	-	(76)
Exceptional items before tax as above	-	(248)
Add back warrants issued	-	(74)
Net exceptional operating cash flow	-	(322)

### 4. Equity

Number of ordinary shares of £0.01 each	Share capital £'000	Share premium £'000
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**Allotted, called up and fully paid**

At 1 January 2015	46,692,000	467	4,379
Shares issued	483,704	5	252
<b>At 31 December 2015</b>	<b>47,175,704</b>	<b>472</b>	<b>4,631</b>

All the shares issued in the year to 31 December 2015 related to the exercise of share options.

**5. 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 starting to vest after 14 months. Options are forfeited if the employee leaves the Company before the options vest.

In consideration for the performance by finnCap of its obligations under the IPO placing agreement the Company issued 153,904 warrants to finnCap, on 6 November 2014 each warrant comprising the right to subscribe for one ordinary share at the Placing Price (£1.16). The warrants were exercisable at any point up to the date that was 36 months after the date of Admission (6 November 2014) save that they were not exercisable before the date that was 12 months after the date of Admission except pursuant to certain acceleration rights. The warrants were exercised in December 2015.

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

	2015		2014	
	Weighted average exercise price per share in pence	Options number	Weighted average exercise price per share in pence	Options number
Outstanding at 1 January	47.1	1,076,954	26.6	1,089,800
Granted	192.9	170,400	75.6	323,654
Lapsed	0.7	(5,750)	0.1	(12,000)
Exercised	53.1	(483,704)	8.2	(324,500)
Outstanding at 31 December	76.5	757,900	47.1	1,076,954
Exercisable at 31 December	43.5	131,500	44.0	75,500

The weighted average fair value of options and warrants issued during the year ended 31 December 2015 was 87.73p (2014: 41.26p).

The weighted average share price at the date of exercise of options and warrants issued during the year ended 31 December 2015 was 197.6p (2014: 47.8p).

Further details of share-based payments are given in the Group's audited accounts, which are available at [www.quartix.net/investors.php](http://www.quartix.net/investors.php).

**6. 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 calculation of the adjusted earnings per share is the same as that for the basic earnings per share, except for the subtraction of exceptional items from the profits attributable to the shareholders (see note 3 above). All earnings per share calculations relate to continuing operations of the Group.

	<b>Profits attributable to shareholders £'000</b>	<b>Weighted average number of shares</b>	<b>Basic profit per share amount in pence</b>	<b>Fully diluted weighted average number of shares</b>	<b>Diluted profit per share amount in pence</b>
<b>Earnings per ordinary share</b>					
Year ended 31 December 2015	<b>5,014</b>	<b>46,912,132</b>	<b>10.69</b>	<b>47,595,383</b>	<b>10.53</b>
Year ended 31 December 2014	4,032	46,459,018	8.68	47,171,899	8.55
<b>Adjusted earnings per ordinary share</b>					
Year ended 31 December 2015	<b>5,014</b>	<b>46,912,132</b>	<b>10.69</b>	<b>47,595,383</b>	<b>10.53</b>
Year ended 31 December 2014	3,956	46,459,018	8.52	47,171,899	8.39

For diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume the conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares are those share options and warrants where the exercise price is less than the average market price of the Company's ordinary shares during that year.

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