

## Quartix Holdings PLC

# Final Results

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Quartix Holdings PLC  
27 February 2017

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

**Final Results**

***Good progress in all three fleet markets***

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 2016.

**Financial highlights:**

- Group revenue increased by 19% to £23.3m (2015: £19.7m)
  - o Fleet revenue grew by 15% to £14.9m (2015: £13.0m)
  - o Insurance revenue increased by 25% to £8.4m (2015: £6.7m)
- Group operating profit increased by 8% to £6.5m (2015: £6.0m)
- Earnings before interest, tax, depreciation, amortisation and share based payment expense (Adjusted EBITDA) increased by 9% to £6.8m (2015: £6.2m)
- Profit before tax increased by 9% to £6.5m (2015: £6.0m)
- Diluted earnings per share increased by 21% to 12.70p (2015: 10.53p)
- Free cash flow increased by 10% to £6.0m (2015: £5.4m)
- Cash inflow before tax remained at £6.8m (2015: £6.8m)
- Net cash increased to £6.2m (2015 net cash: £3.0m)
- Final dividend payment of 9.0p per share proposed (2015: 4.0p) including 4.7p for supplementary dividend (2015: nil) giving a total dividend for the year of 11.2p per share

**Operational highlights:**

- Strong progress in the main fleet business:

- o 19% increase in subscription base to 87,889 units (2015: 73,744) with a strong H2 performance
- o 16% increase in customer base to 9,105 (2015: 7,849), again weighted to H2
- o Unit attrition fell to 10.0% (2015: 11.3%) and compares favourably with our estimate of the industry average of around 14-15 per cent
- o 3% growth in new fleet installations
- o Strong growth in France, ending the year with 1,428 customers (2015: 1,196) and 9,986 vehicles under subscription (2015: 7,910), an increase of 19% and 26% respectively
- o During its second full year of trading the USA grew its customer base to 1,075 (2015: 693), with 6,191 vehicles under subscription (2015: 3,179).
- Continued growth in the insurance telematics business:
  - o 22% growth in insurance installations to 69,300 (2015: 57,024)

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

"We are delighted with the progress made in 2016, having increased our fleet subscription base by 19% to more than 87,000 vehicles in total. This growth was strong in H2, following our decision to refocus management efforts on the fleet business after a strong H1 in the insurance division. We completed some key product initiatives and expanded our footprint in the USA, where we believe the opportunity to be more than 5 times the size of the UK market. We will be making additional investment in the year in the development of our fleet business including further development of the US market."

"The Group has made a good 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:**

**Quartix** (www.quartix.net)

01686 806 663

Andy Walters, Managing Director

David Bridge, Finance Director

**finnCap (Nominated Adviser and Broker)**

020 7200 0500

Matt Goode /Scott Mathieson (Corporate Finance)

Stephen Norcross (Corporate Broking)

**Full Financial Results Report**

The Group's Financial Statements for the year ended 31 December 2016 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 and Ireland grew by 15%, reaching £21.3m (2015: £18.4m). The Group made good progress in France, where revenue increased by 25% to €1.8m (2015: €1.4m).

2016 was our second full year of operations in the USA, having launched our product and opened an office there in 2014. We are pleased with progress and completed the year with 6,191 vehicles under subscription (2015: 3,179) across 1,075 fleet customers (2015: 693). Revenue increased from \$392,000 in 2015 to \$907,000 in 2016 and the prospects for future business development remain encouraging.

### **Results**

Group revenue for the year increased by 19% to £23.3m (2015: £19.7m).

Operating profit for the year increased by 8% to £6.5m (2015: £6.0m), at the same time as the Group made increased investments in product and market development.

Profit before tax increased by 9% to £6.5m (2015: £6.0m).

Cash conversion was good, resulting in free cash flow from operations after tax and investing activities of £6.0m (2015: £5.4m), enabling the Group to increase its net cash by £3.2m to £6.2m at 31 December 2016, following the payment of £2.9m in dividends.

### **Earnings per share**

Basic earnings per share rose by 20% to 12.87p (2015: 10.69p). Diluted earnings per share increased to 12.70p (2015: 10.53p).

### **Dividend policy**

Our ordinary dividend policy is to pay a dividend set at approximately 50% of cash flow from operating activities, which is calculated after taxation paid but before capital expenditure.

In addition to this the Board will distribute the excess of gross cash balances over £2m on an annual basis by way of supplementary dividends, subject to a 2p per share de minimis level.

The surplus cash is calculated using the year end gross cash balance and after deduction of the proposed ordinary dividend, and is intended to be paid at the same time as the final dividend. The policy will be subject to periodic review.

### **Dividend**

In the year ended 31 December 2016, the Board paid an interim dividend of 2.2p per ordinary share. This totalled £1.04m and was paid on 15 September 2016 to shareholders on the register as at 19 August 2016.

The Board is recommending a final ordinary dividend of 4.3p per share, together with a supplementary dividend of 4.7p per share, giving a final pay out of 9.0p per share and a total dividend for the year of 11.2p per share.

The final and supplementary dividend amounts to approximately £4.3m in aggregate. Subject to the approval at the forthcoming AGM, this dividend will be paid on 5 May 2017 to shareholders on the register as at 7 April 2017.

### **Governance and the Board**

The Board is comprised of two Non-Executive Directors, myself included, and two Executive Directors, Andrew Walters and David Bridge. Andrew Walters was a co-founder of the main trading entity, Quartix Limited, and has been one of its directors since 5 July 2001.

I have over 29 years of experience in identifying, negotiating and completing acquisitions in the USA and Europe. I spent 13 years as Business Development Director for Spectris plc. From 2014 to early 2016 I was 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 was Chief Operating Officer at Abcam plc until 31 December 2016, having originally joined as Technical Director in 2001. Abcam is a global leader in the supply of innovative protein research tools. Prior to that, he worked on IT, software and web development initiatives for the telecommunications consultancy group Analysys Limited.

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 good start to the year, in line with our expectations. The high levels of recurring revenue, a focus on growth in the core fleet markets in UK, France and the USA and targeting only those insurance opportunities which offer satisfactory margins, underpin our confidence for the rest of the year and beyond.

## **AGM**

The Group's AGM will be held on 28 March 2017 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 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 revenue by increasing the number of vehicles under subscription. The related insurance business helps to provide 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 revenue based on system rental, providing the best return to the Group over the long term.

*The value of recurring subscription and rental revenue 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 month's service and data usage included. This is standard practice in the industry, as the level of attrition is relatively high.

*Whilst the value of revenue has been the key measurement of our performance in the insurance sector, we will restrict our operations to those opportunities in this sector which provide an adequate return*

## **People**

Our business performance was recognised by several independent bodies in 2016: Megabyte, the independent technology financial analysts, placed us first amongst all UK public technology companies; the London Stock Exchange Group named us as one of "1000 companies to inspire Britain"; and we were also shortlisted in the Grant Thornton Quoted Company Awards, technology category.

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 2016 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 fourth 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 2016. Although gross margins fell by 1.5 percentage points to 60.3%, this was due to an increase in unit costs with the devaluation of Sterling, an increase in the proportion of US units installed and higher distributor commissions. As a consequence, return on sales decreased by 2.7 percentage points compared to the prior year (31%). Cash conversion was strong with cash flow from operating activities after investing activities and tax (free cash flow) representing 92% of operating profit. We expense all R&D investment and tracking system and installation costs as they are incurred.

Capex investments totalled £189,000, as we invested in systems and servers, including a data centre for France, and relocation to larger USA offices in Chicago to support our growth.

Our accounts and operations teams continued to manage working capital well: trade debtors at the year-end represented just 30 days of sales, and inventory levels remained comparable despite sales growth of £3.7m in the year.

During the course of the year we increased the level of investment in key product and market developments. We believe that the Company has significant opportunity for growth in its fleet business, particularly in the USA. We ended the year with good growth in fleet installations in the USA and have taken the decision to make additional investment in business development in 2017.

## **Fleet**

Our core fleet business, which accounted for 64% 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 second full year of trading saw us reach an installed base of 6,191 (2015: 3,179) vehicles under subscription.

During the course of the year we won 2,336 new fleet customers (2015: 2,184). 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 2017, 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 15% to 71,712 during the year, and our fleet customer base reached 6,602. We won 1,345 new customers in 2016, and the gains in customer and vehicle base were broadly spread between the channels we use. UK fleet revenue was £12.8m (2015: £11.7m). We added a number of new key accounts during the year and 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 continued to add new content to it.

We will continue to focus on 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.

#### *Fleet France*

The number of new installations in the French market was 7% below the previous year, but there was a 26% increase in the unit base, ending the year with 9,986 vehicles (2015: 7,910) under subscription across 1,428 fleet customers (2015: 1,196). French fleet revenue increased by 25% to €1.8m (2015: €1.4m), making a profitable contribution to the Group. We made a senior management appointment to head up the French operations in the second half of 2016, and his focus will be on delivering strong sales growth in 2017 in both our direct and distributor channels.

#### *Fleet USA*

Our second full year of trading in the USA showed good progress: we concluded 2016 with 1,075 fleet customers (2015: 693) having a total of 6,191 vehicles under subscription (2015: 3,179). As in the UK and France, our fleet revenue derives from subscription income, which builds over time. Nonetheless USA fleet revenue increased to \$0.9m from just \$0.4m in 2015, 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 9 employees in our Chicago office.

#### **Insurance**

We installed 69,300 new insurance tracking systems in 2016, an increase of 22%. Despite this growth, installations in the second half were 13% lower than in the first half. This trend was in keeping with the decision announced at the time of the Company's interim results in July 2016 to focus on its core fleet market and on only those insurance opportunities which offer satisfactory margins and which are closely aligned to its fleet business, a trend we see increasing in 2017.

In line with this strategy, the Group developed and launched an insurance platform which it believes will appeal to a range of specialist insurance brokers. The development for this ran in tandem with the new fleet capabilities on which it is based, namely the TCSV11 telematics system, the SafeSpeed Database and the display dashboards provided for fleet managers. By the end of the year this proposition had been adopted and used by one new insurance broker client, with a further client having chosen it for launch during the first half of 2017. These initial projects are relatively small in volume, but offer an opportunity for Quartix to deliver

greater value to both insurer and broker, and to establish the benefits of the SafeSpeed database.

We continue to take steps to manage our cost base in line with the strategies outlined above, particularly given continued price pressure in the insurance market.

### **Research and development**

The Group is committed to continued investment in research in order to ensure that the functionality of its fleet tracking systems and software remains competitive across each of our three fleet markets as well as in the insurance sector. The principal areas of development focus in 2016 were:

1. An enhanced version of the TCSV11 product. This product is now equipped with backup battery and fast GPS and accelerometer capabilities.
2. The TCSV12 tracking system. This product is believed to be one of the most compact on the market, allowing ease of user installation in approximately 90% of European vehicles. The initial target for this is the fleet sector in Europe, but it has also been launched in the insurance sector and will be launched in the US following product approvals.
3. Electronic logging of driver hours for the US market. This application, which involves a direct connection to the vehicle's own bus and the use of an Android tablet device by the driver, was delivered in beta version to customers during the second half of the year, and has so far received good reviews.
4. The "powered by Quartix" insurance platform. This software platform includes software tools for both insurers and brokers and allows driver scoring based on a range of factors, but most significantly it makes use of our "SafeSpeed Database", which we believe offers a significant improvement in risk assessment of young drivers.
5. Configurable real-time dashboard for fleet managers. These were fully released at the mid-year point.
6. Enhancements to our API (QWS 2.0). These were completed towards the end of the year, and were also used as the basis of further developments to our mobile apps (point 7 below).
7. Enhance mobile apps including driving style monitoring. These apps, which are available for both iOS and Android operating systems, have been adapted to make use of our own API, and to include driving style monitoring as part of the functionality available in this environment.

All of our investment in research and development was fully expensed in the year. The total cost amounted to £1.4m, which represents an increase of 31% compared to the prior year (2015: £1.1m).

### **Strategic priorities**

We believe that the Company has significant opportunity for growth in its fleet business, particularly in the USA. We ended the year with good growth in fleet installations and have taken the decision to make additional investment in business development in 2017.

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, following the strategic decision to move away from low margin insurance sales, we will seek to target those opportunities which allow us to demonstrate and deliver the levels of service quality and value for which we have become known.

### **Andrew Walters**

Managing Director

## **Strategic Report: Financial Review**

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

<i>Year ended 31 December</i>	2016	2015	% change
Fleet installations (units)	22,224	21,518	3.3
Fleet subscription base (units)	87,889	73,744	19.2
Fleet customer base	9,105	7,879	16.0
Fleet attrition (annualised) <sup>1</sup> (%)	10.0	11.3	-
Fleet invoiced recurring revenue <sup>2</sup> (£'000)	13,646	11,828	15.4
Fleet revenues (£'000)	14,909	12,957	15.1
Insurance installations (units)	69,300	57,024	21.5
Insurance revenues (£'000)	8,430	6,718	25.5

<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

2016 was a year of good progress in our primary strategic objective of building our fleet subscription base.

We achieved over 22,000 fleet installations, an increase of 3.3% compared to 2015, helped particularly by growth in our US operations.

Our installed base grew by 19.2% to 87,889 units.

Attrition during the period fell to 10.0%.

Group invoiced recurring revenue (before adjusting for deferred revenue) grew at 15.4% to £13.6m (2015: £11.8m).

The growth in fleet revenue at 15.1% was less than the growth of our recurring revenue as our primary focus is on growing subscription revenue.

Insurance unit installations were up 21.5% at 69,300; but the second half was 13.1% lower than the first half, in keeping with the decision announced in July 2016, to focus more on our fleet market.

### **Financial Overview**

*Year ended 31 December*

<i>£'000 (except where stated)</i>	2016	2015	% change
Revenues			
Fleet	14,909	12,957	15.1
Insurance	8,430	6,718	25.5
Total	23,339	19,675	18.6
Gross profit	14,063	12,150	15.7
Gross margin	60%	62%	

Operating profit	6,543	6,045	8.2
Operating margin	28%	31%	
Adjusted EBITDA	6,808	6,248	9.0
Net profit for the year	6,087	5,014	21.4
Earnings per share	12.87	10.69	20.4
Cash generated from operations	6,812	6,781	0.5
Operating profit to operating cash conversion	104%	112%	
Free cash flow	6,005	5,440	10.4

### *Revenue*

Revenue increased by 18.6% to £23.3m (2015: £19.7m). Fleet revenue benefitting from past investment was 15.1% up at £14.9m (2015: £13.0m). Sales to insurance customers increased by 25.5% to £8.4m (2015: £6.7m).

### *Gross margin*

The fall in Sterling led to an increase in unit costs and there was also an increase in overseas installation costs, both of which contributed to the percentage gross margin falling from 62% to 60%, restricting the increase in gross profit to 15.7%.

### *Operating profit and Adjusted EBITDA*

We continued to invest in our product offering, in our sales structure and in marketing which led to an increase in overheads of 23.2%. As a result, operating profit grew at a lower rate than gross profit at 8.2% to £6.5m, adding back depreciation and share-based payment expense gives £6.8m of adjusted EBITDA.

Part of this investment was in the USA where our customer base almost doubled and revenue, as disclosed in note 2, more-than doubled to £677,000 (\$0.9m) in 2016. Losses in the USA were around £830,000 (\$1.1m).

### *Net profit for the year*

Our low effective tax rate reflects a benefit from research and development tax allowances. It fell to 7% in 2016 (2015: 16%) due to the impact of claiming patent box relief for the first time. The rate of tax for the current year is 12% but the overall charged fell due to a corporation tax refund of £0.3m for patent box claims made in 2016 in respect of prior periods.

The overall impact of the above was that profit for the year rose by 21.4% to £6.1m (2015 £5.0m).

### *Earnings per share*

Earnings per share increased by 20.4%, helped by a reduced tax charge.

### *Statement of financial position*

Cash at the year-end was £6.2m and bank debt was nil, having repaid the bank loan in full during the year, (2015: net cash £3.0m).

### *Cash flow*

Operating cash flow was impacted by the fall in Sterling as it is calculated after foreign exchange losses but ignores exchange gains on cash balances. Additionally,

the Group qualified for VAT payments on account for the first time which resulted in £0.2m of additional VAT payments in 2016.

Despite the above, cash generated from operations before tax at £6.8m was 104% of operating profit.

Tax paid in 2016 was £0.6m, net of the £0.3m refund for patent box claims in respect of prior periods, so cash flow from operating activity after taxation but before capital expenditure was £6.2m (2015: £5.7m).

Free cash flow, after £0.2m of capital expenditure, was £6.0m, a 10.4% increase. (2015: £5.4m)

The translation of cash flow into dividends is covered in the Chairman's Statement

### **Risk management policies**

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

#### *Attracting and retaining the right number of good quality staff*

The Group believes that in order to safeguard the future of the business it needs to recruit, develop and retain the next generation of 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 recruitment, development and retention.

Particular attention has been given to the composition of the Operations Board. On 1 July 2016 Quartix Limited appointed Donato Quagliariello as a Director of the company responsible for operations in France. Following the year end, on 1 February 2017, Ed Ralph was appointed a Chief Operating Officer of Quartix Limited and Lynne Austin was appointed as Director of Quartix Limited with responsibility for the company's UK fleet operations.

The Group has a range of tailored incentive schemes which include the uses of share options.

#### *Reliance on M2M network*

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

#### *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.

#### *Dependence on a key customer*

As disclosed in note 2, during 2016 revenue of £8.4m was derived from one insurance customer, a specialist reseller for the insurance industry. 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. The Group has taken the strategic decision to move away from low margin insurance sales and widen its insurance customer base.

#### *Cyber security*

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>2016</b>	2015
	Notes	<b>£'000</b>	£'000
<b>Revenue</b>	2	<b>23,339</b>	19,675
Cost of sales		<b>(9,276)</b>	(7,525)
<b>Gross profit</b>		<b>14,063</b>	12,150
Administrative expenses		<b>(7,520)</b>	(6,105)
<b>Operating profit</b>		<b>6,543</b>	6,045
Finance income receivable		<b>21</b>	13
Finance costs payable		<b>(24)</b>	(69)
<b>Profit for the year before taxation</b>		<b>6,540</b>	5,989
Tax expense		<b>(453)</b>	(975)
<b>Profit for the year</b>		<b>6,087</b>	5,014
<b>Other Comprehensive income:</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations		<b>(255)</b>	(49)
Tax benefit(expense)		-	-
<b>Other comprehensive income for the year, net of tax</b>		<b>(255)</b>	(49)
<b>Total comprehensive income attributable to the equity shareholders of Quartix Holdings plc</b>		<b>5,832</b>	4,965
<b>Earnings per ordinary share (pence)</b>			
	5		
Basic		<b>12.87</b>	10.69
Diluted		<b>12.70</b>	10.53

**Consolidated Statement of Financial Position**

		<b>2016</b>	2015
	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>360</b>	317
Deferred tax assets		<b>141</b>	77
<b>Total non-current assets</b>		<b>14,530</b>	14,423
<b>Current assets</b>			
Inventories		<b>680</b>	638
Trade and other receivables		<b>2,591</b>	2,586
Cash and cash equivalents		<b>6,249</b>	4,040
<b>Total current assets</b>		<b>9,520</b>	7,264
<b>Total assets</b>		<b>24,050</b>	21,687
<b>Current liabilities</b>			
Trade and other payables		<b>2,892</b>	2,842
Borrowings		-	997
Deferred revenue		<b>2,591</b>	2,244
Current tax liabilities		<b>238</b>	407
		<b>5,721</b>	6,490
<b>Total liabilities</b>		<b>5,721</b>	6,490
<b>Net assets</b>		<b>18,329</b>	15,197
<b>Equity</b>			
Called up share capital	3	<b>474</b>	472
Share premium account	3	<b>4,702</b>	4,631
Equity reserve		<b>281</b>	177
Capital redemption reserve		<b>4,663</b>	4,663
Translation reserve		<b>(304)</b>	(49)
Retained earnings		<b>8,513</b>	5,303
<b>Total equity attributable to equity shareholders of Quartix Holdings plc</b>		<b>18,329</b>	15,197

**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 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>
Shares issued	2	71	-	-	-	-	73
Increase in equity reserve in relation to options issued	-	-	-	113	-	-	113
Adjustment for exercised options	-	-	-	(56)	-	56	-
Deferred tax on share Options	-	-	-	47	-	-	47
Dividend paid	-	-	-	-	-	(2,933)	(2,933)
<b>Transactions with owners</b>	<b>2</b>	<b>71</b>	<b>-</b>	<b>104</b>	<b>-</b>	<b>(2,877)</b>	<b>(2,700)</b>
Foreign currency translation differences	-	-	-	-	(255)	-	(255)
Profit for the year	-	-	-	-	-	6,087	6,087
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(255)</b>	<b>6,087</b>	<b>5,832</b>
<b>Balance at 31 December 2016</b>	<b>474</b>	<b>4,702</b>	<b>4,663</b>	<b>281</b>	<b>(304)</b>	<b>8,513</b>	<b>18,329</b>

**Consolidated Statement of Cash Flows**

	2016	2015
	£'000	£'000
<b>Cash generated from operations</b>	<b>6,812</b>	6,781
Taxes paid	(639)	(1,092)
Cash flow from operating activities	<b>6,173</b>	5,689
<b>Investing activities</b>		
Additions to property, plant and equipment	(189)	(262)
Interest received	21	13
Cash flow from investing activities	<b>(168)</b>	(249)
Cash flow from operating activities after investing activities (free cash flow)	<b>6,005</b>	5,440
<b>Financing activities</b>		
Repayment of long term borrowings	(1,000)	(1,000)
Interest paid	(29)	(75)
Proceeds from share issues	73	257
Dividend paid	(2,933)	(2,348)
Cash flow from financing activities	<b>(3,889)</b>	(3,166)
Net changes in cash and cash equivalents	<b>2,116</b>	2,274
Cash and cash equivalents, beginning of year	<b>4,040</b>	1,812
Exchange differences on cash and cash equivalents	93	(46)
Cash and cash equivalents, end of year	<b>6,249</b>	4,040

**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 2016 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 revenue, 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>2016</b>	2015
<b>By customer base</b>	<b>£'000</b>	£'000
Fleet	<b>14,909</b>	12,957
Insurance	<b>8,430</b>	6,718
	<b>23,339</b>	19,675

	<b>2016</b>	2015
<b>Geographical analysis by destination</b>	<b>£'000</b>	£'000
United Kingdom	<b>21,249</b>	18,390
France	<b>1,408</b>	1,025
Republic of Ireland	<b>5</b>	4
United States of America	<b>677</b>	256
	<b>23,339</b>	19,675

During 2016 revenue of £8.4m (2015: £6.7m) was derived from one insurance customer.

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

## 3. Equity

	Number of ordinary shares of £0.01 each	Share capital £'000	Share premium £'000
<b>Allotted, called up and fully paid</b>			
At 1 January 2016	47,175,704	472	4,631
Shares issued	170,250	2	71
<b>At 31 December 2016</b>	<b>47,345,954</b>	<b>474</b>	<b>4,702</b>

All the shares issued in the year to 31 December 2016 related to the exercise of share options.

#### 4. 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.

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

	2016	2015		
	Weighted average exercise price per share in pence	Options number	Weighted average exercise price per share in pence	Options number
Outstanding at 1 January	76.5	757,900	47.1	1,076,954
Granted	316.6	332,612	192.9	170,400
Lapsed	1.0	(3,450)	0.7	(5,750)
Exercised	42.7	(170,250)	53.1	(483,704)
Outstanding at 31 December	55.3	916,812	76.5	757,900
Exercisable at 31 December	110.6	207,000	43.5	131,500

The weighted average fair value of options issued during the year ended 31 December 2016 was 78.73p (2015: 87.73p). Included in the options granted in 2016, 3,662, were granted to a senior manager with performance conditions relating to the Group for the year ended 31 December 2016 and subsequent service conditions. The remaining options granted during the year have only service conditions.

The weighted average share price at the date of exercise of options during the year ended 31 December 2016 was 371.84p (2015: 197.6p).

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).

#### 5. Earnings per share

The calculation of the basic earnings per share is based on the profits attributable to the shareholders of Quartix Holdings plc divided by the weighted average number of shares in issue during the year. 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 pence	Fully diluted weighted average number of shares	Diluted profit per share amount in pence
<b>Earnings per ordinary share</b>					
Year ended 31	6,087	47,292,755	12.87	47,929,813	12.70

December 2016

Year ended 31

December 2015	5,014	46,912,132	10.69	47,595,383	10.53
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For diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume the conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares are those share options where the exercise price is less than the average market price of the Company's ordinary shares during that year.

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