

# Interim Financial Statements

## Quartix Holdings plc

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### **For the half year ended 30 June 2020**

The unaudited interim results to 30 June 2020 for Quartix Holdings plc are set out below:

#### **Statement of Directors' responsibilities**

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

As permitted, this Interim Report has been prepared in accordance with UK AIM Rules for Companies and not in accordance with IAS 34 "Interim Financial Reporting".

The comparative monetary amounts for June 2019 have been restated in line with a change in policy in the recognition of commission costs associated with contracts with customers under IFRS 15: 'Revenue from Contracts with Customers' (See Note 2: Summary of significant accounting policies).

These interim financial statements do not include all of the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2019.

By order of the Board of Directors on 27 July 2020.

**Andrew Walters**  
Managing Director

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## Highlights

### Financial highlights

- Group revenue increased by 4% to £13.1m (2019: £12.5m)
  - Fleet revenue grew by 7% to £10.8m (2019: £10.1m)
  - As expected, insurance revenue decreased by 8% to £2.3m (2019: £2.5m)
- Operating profit of £4.3m (2019 restated: £3.3m)
- Adjusted EBITDA<sup>1</sup> of £4.6m (2019 restated: £3.7m)
- Profit before tax of £4.3m (2019 restated: £3.4m)
- Diluted earnings per share of 7.48p (2019 restated: 5.95p)
- Free cash flow<sup>2</sup> of £3.2m (2019: £3.2m)
- Cash generated from operations of £3.7m (2019: £3.5m)
- Net cash increased to £10.0m (2019: £5.1m), following the cancellation of the final dividend for 2019.
- Operating cash conversion<sup>3</sup> of 86% (2019 restated: 104%)
- Interim dividend of 2.50p per share proposed (2019: 2.40p) plus a supplementary dividend of 0.87p per share (2019: nil) giving a total interim dividend of 3.37p per share.

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<sup>1</sup> Earnings before interest, tax depreciation, amortisation and share based payment expense

<sup>2</sup> Cash flow from operations after tax and investing activities

<sup>3</sup> Cash generated from operations of £3.7m divided by operating profit of £4.3m

### Operational highlights

#### Fleet

Good progress in the main fleet business

- Subscription base grew by 7% to 160,648 vehicles in 6 months (31 December 2019: 150,640)
- Annualised recurring revenue<sup>1</sup> increased by £0.6m on a constant-currency basis to £21.5m (6 months 30 June 2019: £1.2m to £20.0m)
- New fleet subscriptions fell by 14% to 19,454 (6 months 30 June 2019: 22,505)
- Customer base increased by 8% to 17,652 (31 December 2019: 16,394)
- Fleet invoiced recurring revenue increased by 9% to £10.2m (6 months 30 June 2019: £9.4m)
- Attrition<sup>2</sup> on a rolling 12-month basis was 12.2% (12 months 30 June 2019: 10.5%)
- Significant increase in marketing and sales resource spend to drive continued subscription growth

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<sup>1</sup> Annualised data services revenue for the subscription base at the period end, before deferred revenue, including revenue for units waiting to be installed for which subscription payments have started or are committed.

<sup>2</sup> Attrition is calculated as the difference between the number of new unit subscriptions and the increase in active subscriptions between 1 July 2019 and 30 June 2020, expressed as a percentage of the mean subscription base between those two points in time:  $(40,786 - 22,567) / 149,365 = 12.2\%$

**Fleet (continued)**

UK (including Ireland)

- New fleet subscriptions fell by 25% to 9,994 units (6 months June 2019: 13,360)
- 109,629 active vehicle subscriptions, up 4% (31 December 2019: 105,631)
- 10,216 customers, up 3% (31 December 2019: 9,908)

France

- New fleet subscriptions fell by 11% to 3,957 (6 months June 2019: 4,465)
- 28,015 active vehicle subscriptions, up 9% (31 December 2019: 25,643)
- 3,952 customers, up 12% (31 December 2019: 3,528)

Other European (Germany, Italy, Poland, Spain)

- New fleet subscriptions increased to 1,229 units (6 months June 2019: 315)
- 2,596 active vehicle subscriptions, up 97% (31 December 2019: 1,316)
- 623 customers, up 85% (31 December 2019: 337)

USA

- New fleet subscriptions fell by 2% to 4,274 units (6 months June 2019: 4,365)
- 20,408 active vehicle subscriptions, up 13% (31 December 2019: 18,050)
- 2,861 customers, up 9% (31 December 2019: 2,621)

**Insurance**

- Insurance installations decreased by 42% to 9,915 (6 months June 2019: 17,069)
- Insurance revenue decreased by £0.2m (8%) to £2.3m (6 months June 2019: £2.5m)

## Chairman's Statement

### Summary

It is pleasing to report that new fleet subscriptions have continued to recover through May and June from the low point of 1,500 systems reached in April. Since lockdown measures have been eased, we have achieved consecutive months of growth: new subscriptions in June reached 3,391. Overall, in the first half of the year, there was a 14% decrease in new fleet subscriptions to 19,454 units (6 months 30 June 2019: 22,505 units), although this still represents a substantial increase against 2018 (6 months 30 June 2018: 15,220). The year started strongly, but new subscriptions fell in March and April as a result of the Covid-19 pandemic, before starting their recovery in May.

We ended the period with a committed subscription base of 160,648 vehicles having an annualised value of £21.5m (30 June 2019: 138,081, with value of £20.0m on a constant currency basis), and we added 1,258 customers to the client base, since 31 December 2019, reaching 17,652 in total.

In the 6 years since 30 June 2014 (the Company's year of admission to AIM), Quartix has maintained a CAGR of between 20.0-21.0% in its subscription base (from 53,197 to 160,648 vehicles), of which the annualised value has more than doubled from £10.2m to its current level of £21.5m.

We increased investment in marketing and sales resource for our fleet operations in the period. In line with the Company's accounting policies these costs were all expensed as incurred, amounting to an increase of £0.6m compared to the same period in 2019. This investment will generate strong recurring revenues for the future, and it is pleasing to be able to report a strong set of financial results even with this investment. A more detailed breakdown of investments in customer acquisition is shown in the segmental analysis (note 3). This analysis demonstrates the increased profitability attributable to our fleet customer base and the growth in investment made to accelerate our customer acquisition activities, as detailed above.

The following paragraphs provide a summary of activity and results in each market

#### *UK (including Ireland)*

Total sales in the UK were £10.0m (2019: £10.1m). Sales to fleet customers in this market increased by 2% to £7.8m (2019: £7.7m) and the subscription base grew to 109,629 vehicles, representing an increase of 11% over the past 12 months (30 June 2019: 99,055). New subscriptions fell in the period by 25% to 9,994 vehicles (2019: 13,360). We have worked hard to improve the efficiency of the sales teams and, alongside the temporary move to home working, have established a comprehensive set of automated reports giving metrics by which the telephone sales teams are managed. Field sales and distribution sales, both of which rely heavily on face-to-face meetings, are only now starting their recovery from the April low point. We continue to identify opportunities for improvement and will continue to invest in each of our channels (field sales, direct, telesales, price comparison and distribution.,

#### *France*

The Group continued to make progress in France, where the subscription base rose by 25% over the past year to 28,015 vehicles (30 June 2019: 22,440). Revenue in France in the first half increased by 21% in local currency to €2.1m (2019: €1.7m). New subscriptions fell by 11% to 3,957 (2019: 4,465).

### *USA*

The Group continued to develop its operations successfully in the USA, taking its subscription base to 20,408 vehicles. This is 27% higher than it was 12 months ago (30 June 2019: 16,104). Revenue in the first half increased by 22% to \$1.5m (2019: \$1.2m). The efficiency of both the direct and price comparison telesales teams has been improved and, as such, new fleet subscriptions of 4,274 were similar to the results for the first half of 2019 (4,365) despite the economic landscape and, encouragingly, were ahead of the result for the second half of 2019 (3,373).

### *New European territories*

Having launched in various European markets during 2019, the Group has developed its operations successfully, taking its subscription base to 2,596 vehicles (30 June 2019: 482). Revenue increased to €0.1m in the 12 months.

Sales results in the Spanish and Italian markets have been very encouraging so far and the Company will increase investment in these, as well as in the German market.

### *R&D and systems developments*

The Group is committed to the continuous enhancement of its core software and telematics services, and we aim to offer a market-leading platform which addresses the most common needs of SME customers in the service sector of each of our target markets.

A dedicated team of systems and software developers is focused exclusively on the enhancement of the Company's internal processes, and a significant number of improvements in process efficiency were achieved in the first half, and more are planned for the rest of the year.

### *Insurance*

We installed 9,915 new insurance tracking systems in the 6 months to 30 June 2020, a decrease of 42% on the prior period. This trend, which we expect to continue, was in keeping with the decision announced in July 2016 to focus on the core fleet market and on only those insurance opportunities which offer satisfactory margins, and which are closely aligned to the fleet business. The profitability of this segment has increased from £0.9m for the six months ended 30 June 2019 to £1.3m for the six months ended 30 June 2020. This was due to the release of £0.7m of deferred revenue (2019: £0.1m), though this was somewhat offset by the unusually low level of units for young drivers as driving tests were postponed during the lockdown period.

In the four years since the decision to focus our efforts on our fleet operations Fleet revenues have grown to represent 83% of Group revenues (£10.8m) in the six months ended 30 June 2020 from 62% (£7.2m) in the six months ended 30 June 2016. This trend is expected to continue as the Company invests in the development of each of its fleet markets.

## **Results**

Group revenue for the half year was £13.1m (2019: £12.5m). Fleet revenue grew by 7.4% to £10.8m (2019: £10.1m) and insurance revenue decreased to £2.3m (2019: £2.5m). Sales to the insurance sector as a percentage of overall revenue reduced to 17% (2019: 20%). Increased focus on our core fleet business led to the recurring element of subscriptions growing to represent 78% of Group turnover (2019: 75%). We also funded new fleet subscriptions for the period relating to 19,454 units (2019: 22,505 units).

### **Results (continued)**

The cost of all new fleet tracking systems and installations is absorbed in cost of sales. Gross profit increased by 18% to £9.6m (2019 restated: £8.1m), with insurance deferred revenue contributing £0.7m (2019: £0.1m), and gross margin to 73% (2019 restated: 65%). With the impact of investment in marketing activities, operating profit for the half year increased by 29% to £4.3m (2019 restated: £3.3m). Profit before tax for the half year increased by 29% to £4.3m (2019 restated: £3.4m).

Operating cash conversion was 86% (2019 restated: 104%), resulting in pre-tax cash generated from operations of £3.7m (2019: £3.5m). Free cash flow conversion, being free cash flow as a proportion of profit for the period, was 88% (2019 restated: 112%), resulting in free cash flow from operations after tax and investing activities of £3.2m (2019: £3.2m). The Group had net cash of £10.0m as at 30 June 2020 (£5.1m at 30 June 2019), having not paid a dividend in 2020 (£4.8m in May 2019).

### **Earnings per share**

Basic earnings per share were 7.52p (2019 restated: 5.95p). On a diluted basis earnings per share were 7.48p (2019 restated: 5.95p).

### **Dividend**

The Board has recommended an interim dividend of 2.50p (2019: 2.40p) per share, together with a supplementary dividend of 0.87p (2019: nil), amounting to 3.37p per share or £1,616,070 in aggregate. The aggregate amount is in line with the Group's stated policy on ordinary dividend payment, but higher than last year in recognition of shareholders' support of the Board's recommendation to cancel the final and supplementary dividends for 2019. This was approved by the Board on 27 July 2020. The interim and supplementary dividends will be paid on 11 September 2020 to shareholders on the register as at 14 August 2020.

### **Dividend Policy**

Subject to satisfactory performance and market conditions, the Board will consider a final dividend for the year with the aggregate of the interim and final dividend set at approximately 50% of cash flow from operating activities, which is calculated after taxation paid but before capital expenditure. The Board will also consider distributing the excess of cash balances over £2m by way of supplementary dividends. The surplus cash would be calculated by taking the year end cash balance and deducting the proposed regular dividend. The policy will be subject to review.

### **Governance and the Board**

The Board is comprised of two Non-Executive Directors: myself and Jim Warwick, and three Executive Directors: Andrew Walters, Daniel Mendis and Laura Seffino.

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

### **Outlook**

The Group has made a good start to the second half, in line with management's expectations. The high levels of recurring revenue and opportunities to grow in the UK, USA, France and the rest of Europe in fleet underpin our confidence for the rest of the year and beyond. We will continue to use the financial strength of the business to invest in our core fleet operations.

**Paul Boughton**  
Chairman

## Consolidated Statement of Comprehensive Income

	Notes	30 June 2020 Unaudited £'000	30 June 2019 Restated Unaudited £'000	31 December 2019 Audited £'000
<b>Revenue</b>	3	<b>13,098</b>	12,552	25,621
Cost of sales		<b>(3,508)</b>	(4,449)	(8,995)
<b>Gross profit</b>		<b>9,590</b>	8,103	16,626
Administrative expenses		<b>(5,272)</b>	(4,754)	(10,188)
<b>Operating profit</b>		<b>4,318</b>	3,349	6,438
Finance income receivable		<b>13</b>	19	34
Finance costs payable		<b>(18)</b>	(11)	(21)
<b>Profit for the period before taxation</b>		<b>4,313</b>	3,357	6,451
Tax expense		<b>(708)</b>	(505)	(1,041)
<b>Profit for the period</b>		<b>3,605</b>	2,852	5,410
<b>Other Comprehensive (expense)/income:</b>				
Items that may be reclassified subsequently to profit or loss:				
Exchange difference on translating foreign operations		<b>(198)</b>	(18)	93
<b>Other comprehensive income for the year, net of tax</b>		<b>(198)</b>	(18)	93
<b>Total comprehensive income attributable to the equity shareholders of Quartix Holdings plc</b>		<b>3,407</b>	2,834	5,503
Adjusted EBITDA	4	<b>4,606</b>	3,674	7,062
<b>Earnings per ordinary share (pence)</b>	5			
Basic		<b>7.52</b>	5.95	11.29
Diluted		<b>7.48</b>	5.95	11.25



## Consolidated Statement of Financial Position

Company registration number: 06395159

		30 June 2019	31 December
	30 June 2020	Restated	2019
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
<b>Assets</b>	Notes		
<b>Non-current assets</b>			
Goodwill		14,029	14,029
Property, plant and equipment		1,417	845
Deferred tax assets		-	2
Contract cost assets		217	304
<b>Total non-current assets</b>		<b>15,663</b>	<b>15,180</b>
<b>Current assets</b>			
Inventories		836	877
Trade and other receivables		3,959	3,907
Cash and cash equivalents		9,995	6,789
<b>Total current assets</b>		<b>14,790</b>	<b>11,573</b>
<b>Total assets</b>		<b>30,453</b>	<b>26,753</b>
<b>Current liabilities</b>			
Trade and other payables		3,406	3,311
Contract liabilities		4,093	4,843
Current tax liabilities		592	377
		<b>8,091</b>	<b>8,531</b>
<b>Non-current liabilities</b>			
Lease liabilities		865	241
Deferred tax liabilities		50	-
		<b>915</b>	<b>241</b>
<b>Total liabilities</b>		<b>9,006</b>	<b>8,772</b>
<b>Net assets</b>		<b>21,447</b>	<b>17,981</b>
<b>Equity</b>			
Called up share capital	7	479	479
Share premium account	7	5,230	5,230
Equity reserve		634	616
Capital redemption reserve		4,663	4,663
Translation reserve		(366)	(168)
Retained earnings		10,807	7,161
<b>Total equity attributable to equity shareholders of Quartix Holdings plc</b>		<b>21,477</b>	<b>17,981</b>

## Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium account £,000	Capital redemption reserve £'000	Equity reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 31 December 2018</b>	478	5,196	4,663	390	(261)	6,924	<b>17,390</b>
IFRS 15 adjustment (note 8)	-	-	-	-	-	713	<b>713</b>
Restated 31 December 2018	478	5,196	4,663	390	(261)	7,637	<b>18,103</b>
Shares issued	1	34	-	-	-	-	<b>35</b>
Increase in equity reserve in relation to options issued	-	-	-	134	-	-	<b>134</b>
Adjustment for exercised options	-	-	-	(59)	-	59	<b>-</b>
Deferred tax on share options	-	-	-	(55)	-	-	<b>(55)</b>
Dividend paid	-	-	-	-	-	(4,794)	<b>(4,794)</b>
<b>Transactions with owners</b>	1	34	-	20	-	(4,735)	<b>(4,680)</b>
Foreign currency translation differences	-	-	-	-	(18)	-	<b>(18)</b>
Profit for the period restated	-	-	-	-	-	2,852	<b>2,852</b>
<b>Total comprehensive income</b>	-	-	-	-	(18)	2,852	<b>2,834</b>
<b>Balance at 30 June 2019 restated</b>	479	5,230	4,663	410	(279)	5,754	<b>16,257</b>
Increase in equity reserve in relation to options issued	-	-	-	115	-	-	<b>115</b>
Deferred tax on share options	-	-	-	91	-	-	<b>91</b>
Dividend paid	-	-	-	-	-	(1,151)	<b>(1,151)</b>
<b>Transactions with owners</b>	-	-	-	206	-	(1,151)	<b>(945)</b>
Foreign currency translation differences	-	-	-	-	111	-	<b>111</b>
Profit for the period restated	-	-	-	-	-	2,558	<b>2,558</b>
<b>Total comprehensive income</b>	-	-	-	-	111	2,558	<b>2,669</b>
<b>Balance at 31 December 2019</b>	479	5,230	4,663	616	(168)	7,161	<b>17,981</b>
Increase in equity reserve in relation to options issued	-	-	-	89	-	-	<b>89</b>
Adjustment for exercised options	-	-	-	(41)	-	41	<b>-</b>
Deferred tax on share options	-	-	-	(30)	-	-	<b>(30)</b>
<b>Transactions with owners</b>	-	-	-	18	-	41	<b>59</b>
Foreign currency translation differences	-	-	-	-	(198)	-	<b>(198)</b>
Profit for the period	-	-	-	-	-	3,605	<b>3,605</b>
<b>Total comprehensive income</b>	-	-	-	-	(198)	3,605	<b>3,407</b>
<b>Balance at 30 June 2020</b>	479	5,230	4,663	634	(366)	10,807	<b>21,447</b>

## Consolidated Statement of Cash Flows

		30 June 2019	31 December
	30 June 2020	Restated	2019
	Unaudited	Unaudited	Audited
Notes	£'000	£'000	£'000
<b>Cash generated from operations</b>	6	3,698	7,263
Taxes paid		(471)	(880)
<b>Cash flow from operating activities</b>		<b>3,227</b>	<b>6,383</b>
<b>Investing activities</b>			
Additions to property, plant and equipment		(60)	(194)
Interest received		13	34
<b>Cash flow from investing activities</b>		<b>(47)</b>	<b>(160)</b>
Cash flow from operating activities after investing activities (free cash flow)		<b>3,180</b>	<b>6,223</b>
<b>Financing activities</b>			
Lease interest paid		(18)	(21)
Repayment of lease liabilities		(72)	(236)
Proceeds from share issues	7	-	35
Dividend paid		-	(5,944)
<b>Cash flow from financing activities</b>		<b>(90)</b>	<b>(6,166)</b>
Net changes in cash and cash equivalents		<b>3,090</b>	<b>57</b>
Cash and cash equivalents, beginning of period		<b>6,789</b>	<b>6,779</b>
Exchange differences on cash & cash equivalents		<b>116</b>	<b>(47)</b>
Cash and cash equivalents, end of period		<b>9,995</b>	<b>6,789</b>

## Notes to the Financial Statements (unaudited)

### **1 General information**

Quartix Holdings plc (“the Company”) and its subsidiaries (“the Group”) specialises in the design, development and marketing of vehicle telematics services.

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

### **2 Significant accounting policies**

#### **Basis of preparation**

The financial information has been prepared in accordance with recognition and measurement principles of International Financial Reporting Standards (“IFRS”) and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations that had been published by 30 June 2020 as endorsed by the European Union (“EU”). The accounting policies adopted are consistent with those of the financial statements for the year ended 31 December 2019, as described in those financial statements. In preparing these interim financial statements, the Board has not sought to adopt IAS 34 “Interim financial reporting”.

The figures for the six-month periods ended 30 June 2020 and 30 June 2019 have not been audited. The monetary amounts for the six-months ended 30 June 2019 have been restated in line with a change in policy in the recognition of commission costs associated with contracts with customers under IFRS 15: ‘Revenue from Contracts with Customers’ (see note 8).

The figures for the year ended 31 December 2019 have been extracted from, but do not constitute, the consolidated financial statements of Quartix Holdings plc for that year. The original financial statements for the year ended 31 December 2019 have been delivered to the Registrar of Companies and included an Auditors’ Report, which was unqualified and did not contain a statement under section 498(2) or section 498(3) of the Companies Act 2006.

#### **Going concern**

The Directors have reviewed the current financial performance, liquidity and forecasts considering Covid-19, and have assessed that the Group should continue to adopt the going concern basis. The Group enjoys a strong income stream from its fleet subscription base while current liabilities include a substantial provision for deferred income which is a non-cash item.

The impact of the UK leaving the EU is unknown pending the outcome of the final trading arrangements and the impact of the wider economic landscape however, we don’t anticipate this would significantly impact the viability of the Group given its financial strength. This financial strength comes from the recurring revenue base and the Directors ability to manage overheads in order to mitigate any significant change in the Group’s financial position.

The Directors report that, after assessing the forecasts and liquidity of the business for the next eighteen months and the longer-term strategic plans, they have a reasonable expectation that the Group has adequate resources to continue its operations for the foreseeable future.

#### **Segmental reporting**

The Directors have included segmental financial information for its insurance and fleet operations. These two segments have been identified as they are managed separately, with different marketing approaches for the discrete market sectors and for which the Group has different strategies. Their reported revenue each meet the quantitative thresholds of IFRS 8.

## **2 Significant accounting policies (continued)**

### **Segmental reporting (continued)**

The Group has aggregated fleet operations for all geographical markets in the Fleet Segment. To increase transparency, the Directors have chosen to include an additional voluntary disclosure analysing the Fleet Segment by two sub-categories in order to highlight the different costs structures within the business: Detailed segmental information, including a reconciliation to the financial statements, are included in note 3.

### **Incremental costs of obtaining a contract**

The Group changed its accounting policy in the 31 December 2019 financial statements in relation to costs in obtaining customers contracts. Previously under IFRS 15 the Group adopted the practical expedient option to expense incremental costs in obtaining customer contracts for contracts with a duration of 12 months or less. The Group no longer applies this expedient. As a consequence of this policy change, the comparative figures for the 6 months ended 30 June 2019 have been restated. Further information on the impact of the change in policy is disclosed in note 8.

## **3 Segmental analysis**

As highlighted in note 2, Significant accounting policies (Segmental reporting), the Group has identified two operating segments (see below) which now monitored by the Group's chief operating decision maker and strategic decisions are made on the basis of adjusted segment operating results. The main sources of revenue for all segments is from the provision of vehicle telematics services.

The information used by the Group's chief operating decision maker with regard to the Group's assets and liabilities is presented on a consolidated Group basis and accordingly no segmental analysis is presented for these.

The Group has two reportable segments: Total Fleet and Insurance. The Total Fleet segment has been sub-divided into two further categories. This has been done to give clarity as to the level of upfront investment the Group is making in acquiring new customers, as well as the associated impact on recurring revenue. The two categories are:

- **Customer Acquisition:** This is the sales and marketing cost of acquiring new fleet customers and the cost associated with units installed for those customers. Recurring subscription revenue is not recognised in this segment, although upfront receipts are recognised (for example where the Group makes a sale of a unit to a new customer for an upfront fee).
- **Fleet Telematics Services:** This is the recurring revenue associated with the Group's active subscription base and the cost of servicing that subscription base. The costs in this category include the cost of installing additional units for existing customers, as well as the associated marketing costs.

These two elements, together with central fleet costs, make up the Total Fleet segment.

Estimated allocations of cost have been made between the segments and within the Total Fleet segment, particularly in relation to equipment and installations. These allocations have been performed by reviewing the products sold to each segment, their associated cost of manufacture or installation and whether those products were installed by the customer. These costs are then applied to each segment as appropriate.

**3 Segmental analysis (continued)**

Segmental analysis 6ms to 30 June 2020 Unaudited	Customer	Fleet Telematics Services	Total Fleet £'000	Insurance £'000	Total Business £'000
	Acquisition £'000	£'000			
Recurring revenue	-	10,200	<b>10,200</b>	-	<b>10,200</b>
Other sales	119	522	<b>641</b>	2,257	<b>2,898</b>
Total revenue	119	10,722	<b>10,841</b>	2,257	<b>13,098</b>
Sales & marketing	(2,610)	(425)	<b>(3,035)</b>	-	<b>(3,035)</b>
Equipment, installations, carriage	(757)	(499)	<b>(1,256)</b>	(791)	<b>(2,047)</b>
Costs of Service	-	(1,090)	<b>(1,090)</b>	(161)	<b>(1,251)</b>
Profit before central fleet costs	<b>(3,248)</b>	<b>8,708</b>	<b>5,460</b>	<b>1,305</b>	<b>6,765</b>
Central fleet costs			<b>(395)</b>	-	<b>(395)</b>
Segmental profit			<b>5,065</b>	<b>1,305</b>	<b>6,370</b>
Central costs					<b>(1,764)</b>
Adjusted EBITDA (see note 4)					<b>4,606</b>

Segmental analysis 6ms to 30 June 2019 Restated and unaudited	Customer	Fleet Telematics Services	Total Fleet £'000	Insurance £'000	Total Business £'000
	Acquisition £'000	£'000			
Recurring revenue	-	9,389	9,389	-	9,389
Other sales	175	527	702	2,461	3,163
Total revenue	175	9,916	10,091	2,461	12,552
Sales & marketing	(1,961)	(342)	(2,303)	-	(2,303)
Equipment, installations, carriage	(1,029)	(613)	(1,642)	(1,343)	(2,985)
Costs of Service	-	(995)	(995)	(201)	(1,196)
Profit before central fleet costs	<b>(2,815)</b>	<b>7,966</b>	<b>5,151</b>	<b>917</b>	<b>6,068</b>
Central fleet costs			<b>(359)</b>	-	<b>(359)</b>
Segmental profit			<b>4,792</b>	<b>917</b>	<b>5,709</b>
Central costs					<b>(2,035)</b>
Adjusted EBITDA (see note 4)					<b>3,674</b>

**3 Segmental analysis (continued)**

Segmental analysis 12ms to 31 December 2019 Audited	Customer	Fleet Telematics Services	Total Fleet	Insurance	Total Business
	Acquisition £'000	£'000	£'000	£'000	£'000
Recurring revenue	-	19,297	19,297	-	19,297
Other sales	338	1,173	1,511	4,813	6,324
Total revenue	338	20,470	20,808	4,813	25,621
Sales & marketing	(4,429)	(740)	(5,169)	-	(5,169)
Equipment, installations, carriage	(1,969)	(1,194)	(3,163)	(2,837)	(6,000)
Costs of Service	-	(2,039)	(2,039)	(375)	(2,414)
Profit before central fleet costs	(6,060)	16,497	10,437	1,601	12,038
Central fleet costs			(747)	-	(747)
Segmental profit			9,690	1,601	11,291
Central costs					(4,229)
Adjusted EBITDA (see note 4)					7,062

During the 6 month period to 30 June 2020, £2.1m or 16% (2019: £2.0m or 16%) of the Group's revenues depended on a single customer in the insurance segment.

Revenues from external customers in the Group's major markets have been identified on the basis of the customer's geographical location and are disclosed below.

	30 June 2020 Unaudited £'000	30 June 2019 Unaudited £'000	31 December 2019 Audited £'000
<b>Geographical analysis by destination</b>			
United Kingdom	10,041	10,117	20,317
France	1,814	1,494	3,236
Other European territories	75	8	53
United States of America	1,168	933	2,015
	<b>13,098</b>	12,552	25,621

**4 Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA)**

	30 June 2020	30 June 2019	31 December 2019
	Unaudited £'000	Unaudited restated £'000	Audited £'000
Operating profit	4,318	3,349	6,438
Depreciation on property, plant and equipment, owned	88	94	171
Depreciation on property, plant and equipment, right of use	95	97	199
EBITDA	4,501	3,540	6,808
Share-based payment expense (incl. cash settled)	105	134	254
Adjusted EBITDA	4,606	3,674	7,062

**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 period. The earnings per share calculation relates 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>					
Period ended 30 June 2020	3,605	47,946,549	7.52	48,140,339	7.48
Period ended 30 June 2019 restated	2,852	47,894,961	5.95	47,904,443	5.95
Year ended 31 December 2019	5,410	47,916,951	11.29	48,095,333	11.25

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 the period.



**6 Notes to the cash flow statement**

**Cash flow adjustments and changes in working capital**

	30 June 2020	30 June 2019	31 December 2019
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
<b>Profit before tax</b>	<b>4,313</b>	3,357	6,451
Foreign exchange	(336)	(17)	156
Depreciation	183	191	370
Interest income	(13)	(19)	(34)
Interest expense	18	11	21
(Profit)/loss on disposal of fixed asset	7	-	-
Share based payment expense	91	134	250
<b>Operating cash flow before movement in working capital</b>	<b>4,263</b>	3,657	7,214
(Increase)/decrease in trade and other receivables	33	(201)	(453)
Decrease/(increase) in inventories	41	(151)	(106)
(Decrease)/Increase in trade and other payables	134	77	410
(Decrease)/Increase in contract liabilities	(773)	100	198
<b>Cash generated from operations</b>	<b>3,698</b>	3,482	7,263

**7 Equity**

	Number of ordinary shares of £0.01 each	Share capital £'000	Share premium £'000
<b>Allotted, called up and fully paid</b>			
<b>At 1 January 2019</b>	<b>47,846,560</b>	<b>478</b>	<b>5,196</b>
Shares issued	91,760	1	34
<b>At 30 June 2019 and 31 December 2019</b>	<b>47,938,320</b>	<b>479</b>	<b>5,230</b>
Shares issued	16,280	-	-
<b>At 30 June 2020</b>	<b>47,954,600</b>	<b>479</b>	<b>5,230</b>

All shares issued in the period to 30 June 2020 relate to the exercise of share options.

**8 Explanation of change in accounting policy relating to IFRS 15**

As highlighted in note 1 and 2, the Group chose to change its accounting policy for the treatment of incremental costs of obtaining a contract with a duration of 12 months or less, by disapplying the practical expedient in IFRS 15 'Revenue from Contracts with Customers'. The Group now capitalises and amortises incremental commission costs of obtaining a contract regardless of length.

The principal impact of this change relates to the timing of commissions incurred being released into the income statement, with the total commissions incurred at the inception of the customer contract being capitalised and only being recognised in the income statement over the contractual period.

As at 31 December 2018, the restatement of the Group's net assets was an increase of £713,000 to £18,103,000 from the inclusion of a contract cost asset of £872,000 under IFRS 15, being previously recognised as commissions incurred at the inception of the customer contract and now being recognised over the contractual period, net of a deferred tax liability of £159,000.

**The impact of capitalising incremental costs as per IFRS 15 on the financial statements:**

A Consolidated Statement of Financial Position

	As previously reported £'000	Adjustments £'000	As Restated £'000
<b>1 January 2019</b>			
Deferred tax assets	9	(9)	-
Contract cost assets	-	872	872
Other	24,949	-	24,949
<b>Total assets</b>	<b>24,958</b>	<b>863</b>	<b>25,821</b>
Deferred tax liabilities	-	(150)	(150)
Other	(7,568)	-	(7,568)
<b>Total liabilities</b>	<b>(7,568)</b>	<b>(150)</b>	<b>(7,718)</b>
Retained earnings	6,924	713	7,637
Other	10,466	-	10,466
<b>Total Equity</b>	<b>17,390</b>	<b>713</b>	<b>18,103</b>

	As previously reported £'000	Adjustments £'000	As Restated £'000
<b>30 June 2019</b>			
Contract cost assets	-	1,039	1,039
Other	23,766	-	23,766
<b>Total assets</b>	<b>23,766</b>	<b>1,039</b>	<b>24,805</b>
Deferred tax liabilities	(42)	(191)	(233)
Other	(8,315)	-	(8,315)
<b>Total liabilities</b>	<b>(8,357)</b>	<b>(191)</b>	<b>(8,548)</b>
Retained earnings	4,907	848	5,755
Other	10,502	-	10,502
<b>Total Equity</b>	<b>15,409</b>	<b>848</b>	<b>16,257</b>

**8 Explanation of change in accounting policy relating to IFRS 15 (continued)**

**The impact of capitalising incremental costs as per IFRS 15 on the financial statements (continued):**

**B Consolidated Statement of Comprehensive Income**

<b>For the period ended 30 June 2019</b>	As previously reported £'000	Adjustments £'000	As Restated £'000
Revenue	12,552	-	12,552
Cost of sales	(4,596)	147	(4,449)
Administrative expenses	(4,773)	19	(4,754)
Other	8	-	8
Income tax expense	(473)	(32)	(505)
Net profit	<u>2,718</u>	<u>134</u>	<u>2,852</u>
Total Comprehensive income	<u>2,700</u>	<u>134</u>	<u>2,834</u>
Earnings per ordinary share (pence)	5.67	0.28	5.95
Diluted earnings per ordinary share (pence)	<u>5.67</u>	<u>0.28</u>	<u>5.95</u>

**C Consolidated Statement of Cash Flows**

<b>For the period ended 30 June 2019</b>	As previously reported £'000	Adjustments £'000	As Restated £'000
Profit	2,718	134	2,852
Adjusted for:			
- Tax expense	473	32	505
Profit before tax	<u>3,191</u>	<u>166</u>	<u>3,357</u>
Changes in trade and other receivables	(35)	(166)	(201)
Other	326	-	326
Cash generated from operations	<u>3,482</u>	<u>-</u>	<u>3,482</u>

## Company Information

<b>Company registration number:</b>	06395159
<b>Registered office:</b>	9 Dukes Court 54-62 Newmarket Road Cambridge Cambridgeshire CB5 8DZ
<b>Directors:</b>	Paul Boughton Andrew Walters Daniel Mendis Jim Warwick Laura Seffino
<b>Company secretary:</b>	Daniel Mendis
<b>Bankers:</b>	Barclays Bank PLC 28 Chesterton Road Cambridge CB4 3AZ
<b>Solicitors:</b>	Hewitsons LLP Shakespeare House 42 Newmarket Road Cambridge CB5 8EP
<b>Auditors:</b>	Grant Thornton UK LLP 101 Cambridge Science Park Milton Road Cambridge CB4 0FY
<b>Nominated advisor and broker:</b>	finnCap 60 New Broad Street London EC2M 1 JJ