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Financial Statements
Quartix Limited

For the year ended 31 December 2013

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Registered number: 04159907

Company Information

Directors	A J Walters K V Giles A M Kirk D S Bridge W A Hibbert
Company secretary	D S Bridge
Registered number	04159907
Registered office	Chapel Offices Park Street Newtown Powys SY16 1EE
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 101 Cambridge Science Park Milton Road Cambridge Cambridgeshire CB4 0FY
Bankers	The Royal Bank of Scotland plc Barclays Bank Plc HSBC France

Contents

Directors' Report
For the year ended 31 December 2013

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

Results

The profit for the year, after taxation, amounted to £4,085,232 (2012 - £2,468,833).

Directors

The directors who served during the year were:

A J Walters
K V Giles
A M Kirk
D S Bridge
W A Hibbert

Directors' responsibilities statement

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Directors' Report

For the year ended 31 December 2013

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

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

This report was approved by the board on 29/4/14. and signed on its behalf.

A J Walters
Director

Strategic Report
For the year ended 31 December 2013

Principal activities

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

Business review

Details of the Company's performance are given in the profit and loss account on page 7. The position of the Company at the end of the year is set out in the balance sheet on page 9.

Principal risks and uncertainties

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

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

Retaining a key customer
Revenues of £4 million were derived from one insurance customer. Losing this key contract could mean have a significant negative impact on the businesses cashflows. Considerable resources are devoted to maintaining our relationship with this customer while at the same time the Company continues to build up relationships with indirect insurance customers.

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

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

Financial key performance indicators

Key performance indicators focussed on by the Company are:

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

Strategic Report (continued)

Results and dividends

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

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

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

Gross margin dropped from 72% to 65% with unit cost saving being offset by an increase in insurance sales in the mix. Profit before tax rose from £3.0 million to £4.8 million an increase of 60%.

A dividend of £3,636,000 was paid in the year.

Research and development

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

Supplier payment policy

The Company undertakes to make payments to suppliers for goods and services supplied within the normal credit periods agreed with those suppliers, it does not follow a specific code, or apply a standard payment practice. The proportion of trade creditors at the year end to amounts supplied during the year gives an average payment term of 41 days (2012: 54 days).

Future developments

The Company plans to export to its sister company in the USA and further develop its existing businesses.

This report was approved by the board on 29/4/14. and signed on its behalf.

A J Walters
Director

GrantThornton

Independent Auditor's Report to the Members of Quartix Limited

We have audited the financial statements of Quartix Limited for the year ended 31 December 2013, which comprise the Profit and loss account, the Statement of total recognised gains and losses, the Balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

GrantThornton

Independent Auditor's Report to the Members of Quartix Limited

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

Alison Seekings (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Cambridge
Date: 12 May 2014

Profit and Loss Account

For the year ended 31 December 2013

	Note	2013 £	As restated 2012 £
Turnover	1	**13,180,172**	8,357,506
Cost of sales		**(4,589,439)**	(2,298,533)
Gross profit		**8,590,733**	6,058,973
Administrative expenses		**(3,776,628)**	(3,098,456)
Operating profit	3	**4,814,105**	2,960,517
Interest receivable and similar income		**11,940**	2,021
Interest payable and similar charges	6	**-**	(2)
Profit on ordinary activities before taxation		**4,826,045**	2,962,536
Tax on profit on ordinary activities	7	**(740,813)**	(493,703)
Profit for the financial year	18	**4,085,232**	2,468,833

All amounts relate to continuing operations.

The notes on pages 10 to 19 form part of these financial statements.

Statement of Total Recognised Gains and Losses

For the year ended 31 December 2013

	Note	2013 £	As restated 2012 £
Profit for the financial year		**4,085,232**	2,468,833
Total recognised gains and losses relating to the year		**4,085,232**	2,468,833
Prior year adjustment	16	**51,310**	
Total gains and losses recognised since last financial statements		**4,136,542**	

The notes on pages 10 to 19 form part of these financial statements.

Balance Sheet
As at 31 December 2013

	Note	£	2013 £	£	As restated 2012 £
Fixed assets					
Tangible assets	9		**187,819**		139,237
Current assets					
Stocks	10	**219,643**		347,734	
Debtors	11	**7,446,065**		5,702,146	
Cash at bank and in hand		**732,184**		989,074	
		8,397,892		7,038,954	
Creditors: amounts falling due within one year	12	**(3,114,505)**		(2,258,947)	
Net current assets			**5,283,387**		4,780,007
Total assets less current liabilities			**5,471,206**		4,919,244
Creditors: amounts falling due after more than one year	13		**(90,000)**		(5,000)
Provisions for liabilities					
Deferred tax	14		**(24,155)**		(12,686)
Net assets			**5,357,051**		4,901,558
Capital and reserves					
Called up share capital	15		**202,000**		202,000
Share premium account	18		**24,000**		24,000
Other reserves	18		**6,261**		-
Profit and loss account	18		**5,124,790**		4,675,558
Shareholders' funds	17		**5,357,051**		4,901,558

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29/4/14

A J Walters
Director

The notes on pages 10 to 19 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2013

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Going concern

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

After assessing the forecasts and liquidity of the business for the next financial year the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing these financial statements.

1.3 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.4 Revenue

Revenue is the amount receivable for goods and services, excluding VAT. Revenue comprises the provision of telematics-based fleet and vehicle management solutions, and is recognised in line with the provision and installation of hardware, and the maintenance of software and provision of communications over the period of the customer contract. Amounts received in advance of the provision of services are included within deferred income.

Revenue from a twelve month contract is spread over the life of a contract. In the case of twelve month contracts the cost of provision and installation of hardware is recognised as incurred and not spread over the life of the contract: likewise distributors' commissions are accounted for when incurred and not spread over the life of the contract.

In the case of long-term contracts, revenue reflects the contract activity during the period and represents the proportion of total contract value delivered. Revenue and profit is measured at the fair value of the consideration received or receivable.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant & machinery	-	25% straight line
Equipment	-	25% straight line

Notes to the Financial Statements
For the year ended 31 December 2013

1. Accounting Policies (continued)

1.6 Operating leases

Rentals under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.7 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are discounted.

1.9 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

1.10 Research and development

Research and development expenditure is written off in the year in which it is incurred.

Notes to the Financial Statements

For the year ended 31 December 2013

1. Accounting Policies (continued)

1.11 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

1.12 Warranties

The company sells vehicle tracking systems, some of which are sold with warranty periods extending beyond 12 months. The cost of providing warranty cover within the first 12 months is charged to the profit and loss account as it occurs. The future anticipated cost of providing warranty cover for that portion of the warranty period over 12 months is charged through a provision based on the known likelihood of product unit failures.

1.13 Rental tracker units

Rental tracker units are written off at the point of installation.

2. Turnover

4.5% of the company's turnover (2012 - 4.4%) is attributable to sales in France. There is no other significant turnover attributable to geographical markets outside the United Kingdom.

The whole of the turnover is attributable to vehicle tracking systems.

3. Operating profit

The operating profit is stated after charging/(crediting):

	2013	2012
	£	£
Depreciation of tangible fixed assets:		
- owned by the company	**59,343**	39,523
Auditor's remuneration	**15,000**	13,400
Auditor's remuneration - non-audit	**32,663**	-
Difference on foreign exchange	**2,303**	6,058
Development costs	**523,958**	461,566

Notes to the Financial Statements

For the year ended 31 December 2013

4. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2013	2012
	£	£
Wages and salaries	1,856,001	1,467,147
Social security costs	177,998	142,380
	2,033,999	1,609,527

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

	2013	2012
	No.	No.
	60	45

5. Directors' remuneration

	2013	2012
	£	£
Remuneration	351,308	325,055

The highest paid director received remuneration of £75,945 (2012 - £73,377).

6. Interest payable

	2013	2012
	£	£
Bank interest	-	2

Notes to the Financial Statements

For the year ended 31 December 2013

7. Taxation

	2013 £	2012 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	**825,828**	481,017
Adjustments in respect of prior periods	**(96,484)**	-
Total current tax	**729,344**	481,017
Deferred tax (see note 14)		
Origination and reversal of timing differences	**11,469**	12,686
Tax on profit on ordinary activities	**740,813**	493,703

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2012 - lower than) the standard rate of corporation tax in the UK of 23.2466% (2012 - 24.497%). The differences are explained below:

	2013 £	2012 £
Profit on ordinary activities before tax	**4,826,045**	2,962,536
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.2466% (2012 - 24.497%)	**1,121,891**	725,732
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**-**	730
Adjustments to tax charge in respect of prior periods	**(96,484)**	-
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	**(253,167)**	(211,676)
FRS 19 items	**(14,753)**	(7,402)
Other differences leading to an increase (decrease) in the tax charge	**1,508**	6
Group relief	**(29,651)**	(26,373)
Current tax charge for the year (see note above)	**729,344**	481,017

8. Dividends

	2013 £	2012 £
Equity dividends on ordinary shares	**3,636,000**	808,000

Notes to the Financial Statements

For the year ended 31 December 2013

9. Tangible fixed assets

	Plant & machinery £	Office equipment £	Total £
Cost			
At 1 January 2013	12,435	223,025	235,460
Additions	-	107,925	107,925
At 31 December 2013	12,435	330,950	343,385
Depreciation			
At 1 January 2013	12,007	84,216	96,223
Charge for the year	285	59,058	59,343
At 31 December 2013	12,292	143,274	155,566
Net book value			
At 31 December 2013	143	187,676	187,819
At 31 December 2012	428	138,809	139,237

10. Stocks

	2013 £	2012 £
Raw materials	115,098	115,324
Work in progress	76,215	90,520
Finished goods	28,330	141,890
	219,643	347,734

11. Debtors

	2013 £	2012 £
Trade debtors	1,723,316	936,533
Amounts owed by group undertakings	5,657,488	4,719,562
Other debtors	1,804	1,774
Prepayments and accrued income	63,457	44,277
	7,446,065	5,702,146

Notes to the Financial Statements

For the year ended 31 December 2013

12. Creditors:
Amounts falling due within one year

	2013	2012
	£	£
Trade creditors	**732,557**	551,858
Corporation tax	**440,868**	331,017
Other taxation and social security	**573,337**	359,540
Other creditors	**59,906**	51,112
Accruals and deferred income	**1,307,837**	965,420
	3,114,505	2,258,947

13. Creditors:
Amounts falling due after more than one year

	2013	2012
	£	£
Other creditors	**90,000**	5,000

14. Deferred taxation

	2013	2012
	£	£
At beginning of year	**12,686**	-
Charge for year (P&L)	**11,469**	12,686
At end of year	**24,155**	12,686

The provision for deferred taxation is made up as follows:

	2013	2012
	£	£
Accelerated capital allowances	**25,204**	13,366
Short term timing differences	**(1,049)**	(680)
	24,155	12,686

Notes to the Financial Statements

For the year ended 31 December 2013

15. Share capital

	2013	2012
	£	£
Authorised		
21,000,000 Ordinary shares of £0.01 each	**210,000**	210,000
Allotted, called up and fully paid		
20,200,000 Ordinary shares of £0.01 each	**202,000**	202,000

16. Prior year adjustment

The financial statements for the year ended 31 December 2012 have been restated. As a result of this, sales have increased by £67,960 and deferred income has reduced by £67,960. As a result of this the tax charge for the year ended 31 December 2012 has been increased by £16,650. The overall impact on the profit and loss reserve account has been an increase in retained earnings of £51,310.

17. Reconciliation of movement in shareholders' funds

	2013	2012
	£	£
Opening shareholders' funds	**4,850,248**	3,240,725
Prior year adjustments (note 16)	**51,310**	
Opening shareholders' funds (as restated)	**4,901,558**	
Profit for the financial year	**4,085,232**	2,468,833
Dividends (Note 8)	**(3,636,000)**	(808,000)
Share option charge	**6,261**	-
Closing shareholders' funds	**5,357,051**	4,901,558

18. Reserves

	Share premium account	Share option reserve	Profit and loss account
	£	£	£
At 1 January 2013 (as previously stated)	**24,000**	-	**4,624,248**
Prior year adjustment (note 16)			**51,310**
At 1 January 2013 (as restated)			**4,675,558**
Profit for the financial year	-	-	**4,085,232**
Equity dividends	-	-	**(3,636,000)**
Share option charge	-	**6,261**	-
At 31 December 2013	**24,000**	**6,261**	**5,124,790**

Notes to the Financial Statements

For the year ended 31 December 2013

19. Capital commitments

The company had no capital commitments at 31 December 2013 or 31 December 2012.

20. Operating lease commitments

At 31 December 2013 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			Other
	2013	2012	**2013**	2012
	£	£	**£**	£
Expiry date:				
Within 1 year	**9,620**	8,812	**-**	2,302
Between 2 and 5 years	**29,200**	29,200	**6,313**	-

21. Contingent liabilities

Quartix Limited has signed agreements with suppliers which commits it to purchase stock to the value of £209,712 (2012: €12,080) if ever the agreement is terminated. There were no other contingent liabilities as at 31 December 2013 or 31 December 2012.

22. Related party transactions

The company has taken advantage of the FRS 8 exemption not to disclosure transactions with its parent company, Quartix Holdings Limited. There were no other related party transactions during the year ended 31 December 2013 or 31 December 2012.

Notes to the Financial Statements

For the year ended 31 December 2013

23. Security

The assets of the company have been pledged as security for the bank loans entered into by the parent company, Quartix Holdings Limited. The bank loans are secured by a fixed and floating charge over all the assets of the company. Bank loans in the parent company totalled £2,975,737 at 31 December 2013 (2012: £2,979,080).

24. Ultimate controlling party

The directors consider that the ultimate parent undertaking of this company is Quartix Holdings Limited. The Directors consider the board and shareholding structure of Quartix Holdings Limited mean there is no directly identifiable controlling party.