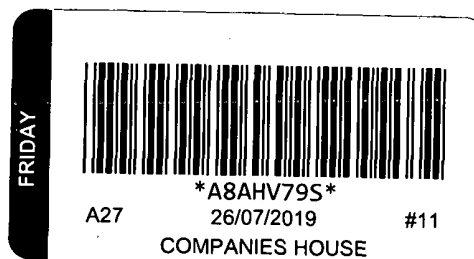


Financial Statements Quartix Limited

For the year ended 31 December 2018



Contents

	Page
Company information	2
Directors' report	3
Strategic Report	5
Independent Auditor's Report	8
Statement of Comprehensive Income	11
Balance Sheet	12
Statement of Changes in Equity	13
Notes to the Financial Statements	14

Company Information

Company registration number: 04159907

Registered office: Chapel Offices
Park Street
Newtown
Powys
SY16 1EE

Directors: Andrew Walters
Daniel Mendis
Peter Brown
Donato Quagliariello
Laura Seffino
Richard Finlow

Company secretary: Daniel Mendis

Bankers: Barclays Bank plc
HSBC France
Investec Bank plc

Auditors: Grant Thornton UK LLP
101 Cambridge Science Park
Milton Road
Cambridge
CB4 0FY

Directors' Report

The Directors present their Report and the financial statements for the year ended 31 December 2018.

Results and restatement of comparatives

The profit for the year, after taxation, amounted to £7.5m (2017: £6.4m).

All comparative monetary amounts for 2017 have been restated in line with the Company's adoption of IFRS 15: 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (See note 1).

Directors

The Directors who served through-out the year, except as noted, were:

- Andrew Walters
- Daniel Mendis
- David Bridge Resigned 22 February 2018
- Edward Ralph Resigned 31 October 2018
- William Hibbert Resigned 21 March 2018
- Peter Brown
- Lynn Somerville (nee Austin) Resigned 21 August 2018
- Donato Quagliariello
- Laura Seffino Appointed 4 February 2019
- Richard Finlow Appointed 8 April 2019

Directors' responsibilities statement

The Directors are responsible for preparing the Directors' Report, the Strategic 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) including FRS 101 'Reduced Disclosure Framework'. 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.

The Directors confirmed that:

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

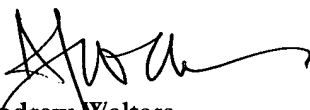
Directors' insurance

The Company has purchased and maintains appropriate insurance cover in respect of Directors' and Officers' liabilities.

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 17 June 2019 and signed on its behalf.



Andrew Walters
Managing Director

Strategic Report

Principal activities

The principal activity of the Company during the year was the design, development, marketing and delivery of vehicle telematics services. The Company has an overseas branch in France.

Financial key performance indicators

Key performance indicators focused on by the Company are:

	2018	Restated 2017
Fleet customer base	11,169	9,501
Fleet customer base in units	110,025	96,341
Fleet turnover (£'000)	17,521	16,124
Insurance unit installations	41,255	57,826
Insurance turnover (£'000)	6,955	7,438

Results and dividends

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') with effect from 1 January 2018 and applied the fully retrospective application, under which IFRS 15 has been applied to the previous financial year with its results being restated. The net assets at 1 January 2017 were also restated as disclosed in the Statement of Changes in Equity. Details of the restatement are included in note 25.

Fleet sales, benefitting from past investment, increased by 8.7% to £17.5m (2017: £16.1m). France contributed €2.8m of sales, equivalent to £2.5m, an increase of 27% in local currency on the prior period.

Insurance unit installations were down 29% at 41,255; in keeping with the Company's stated strategy of focussing on those areas of the market which adequately reward the technology and service which it provides.

Gross margin increased to 67% (2017: 61%), mainly due to the reduction in new insurance contracts and associated initial contract costs. Investment in the sales structure and in marketing continued which led to a 9% increase in overheads. Profit before tax increased by 21% from £7.2m to £8.8m.

No dividends were declared or paid in the year ending 31 December 2018.

Risk management policies

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 recruitment, development and retention. The Company has a range of tailored incentive schemes to help recruit, motivate and retain top quality staff, which include the use of parent company share options.

Risk management policies (continued)

Reliance on M2M network

The Company'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 Company 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 Company 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 Company may not be able to service its customers. Quartix has a Business Continuity plan and Business Interruption Insurance to cover certain events in order to help mitigate these risks.

The potential damage to the Company's business as a result of the UK leaving the EU without a negotiated agreement is uncertain but could be considerable. The Company acquires, manages and supports its customers in the EU centrally, from its offices in the UK. Depending on the resulting trading and data adequacy arrangements, it is possible that the Company would need to relocate some of its operations to within the EU. In addition, any impact on the wider economic landscape would impact the Company's trading indirectly through the demand for its services.

Dependence on a key customer

Turnover of £5.5m (2017: £7.0m) 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 the Company has a high level of fixed overheads. The Company has taken the strategic decision to move away from low margin insurance sales and widen its insurance customer base, including dealing direct with some specialist insurers.

Cyber Security

The Company 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 significant. To combat this, the Company 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 Company's 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.

We believe we have the right strategy and service in place to deliver strong growth in sales over the medium to long term and to deliver sustainable shareholder value.

Research and development

The Company is committed to continued investment in research to ensure that the functionality of its vehicle telematics services remain competitive across each of its fleet markets as well as in the insurance sector. The principal areas of development focus in 2018 were:

1. In October we released a significant update of our complete software application. This brought the user interface into line with the branding and styling of our new website and promotional materials. The new release was extremely well-received by customers and prospects alike, as it not only provides a more modern-looking interface but also makes much better use of the screen and available resources.
2. As part of the development described in (1) above we laid the groundwork for accommodating new markets, languages and character sets, with the ultimate aim of providing the flexibility for users in any location to be configured for use of the application in a broader range of languages than the three previously supported.
3. Alongside these developments we embarked on a programme of creating additional options within our application, website and mobile applications for a total of 14 new countries and 10 new languages. The first two of these (Poland and Spain) went live in February 2019. Developments in our commercial, billing systems to support these additional markets will continue during 2019.
4. Further development of our telematics hardware and firmware platforms was carried out during the year, with new user-install options released for both the American and European markets. By the end of the year these were accounting for more than 20% of new installations, and we expect this trend to continue, particularly as a result of the new market initiatives described earlier.

All of the investment in research and development was fully expensed in the year. The total cost amounted to £1.1m, which represents an increase of 3% compared to the prior year (2017: £1.1m).

Future developments

We believe that the Company has significant opportunity for growth in its fleet business. We ended the year with good growth in new installations and customer acquisition and have taken the decision to make additional investments in business development and market expansion in 2019.

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
17 June 2019

Independent Auditor's Report to the Members of Quartix Limited

Opinion

We have audited the financial statements of Quartix Limited (the 'company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report and the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report and the strategic report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report or the strategic report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Grant Thornton UK LLP

Adrian Bennett
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
11 July 2019

Statement of Comprehensive Income

	Notes	2018 £'000	Restated 2017 £'000
Turnover	2, 3	24,476	23,562
Cost of sales		(8,189)	(9,398)
Gross profit		16,287	14,164
Administrative expenses		(7,595)	(6,986)
Profit from operations		8,692	7,178
Income receivable and similar income	8	81	56
Profit on ordinary activities before taxation	5	8,773	7,234
Tax on profit on ordinary activities	9	(1,235)	(847)
Profit for the financial year		7,538	6,387
Other Comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Exchange difference on translating foreign operations		7	6
Other comprehensive income for the year, net of tax		7	6
Total comprehensive income for the financial year		7,545	6,393

The notes on pages 14 to 32 form part of these financial statements.

Balance Sheet

		31 December 2018	31 December 2017	1 January 2017
	Notes	£'000	Restated £'000	Restated £'000
Fixed assets				
Tangible assets	10	400	171	262
Current assets				
Stocks	11	759	677	674
Debtors	12	7,731	3,933	3,309
Deferred tax assets	16	9	768	765
Cash at bank and in hand	13	6,446	6,812	6,139
Total current assets		14,945	12,190	10,887
Creditors: amounts falling due within one year	14, 15	(7,137)	(11,692)	(10,761)
Net current assets		7,808	498	126
Total assets less current liabilities		8,208	669	388
Net assets		8,208	669	388
Capital and reserves				
Called up share capital	17	202	202	202
Share premium account	18	24	24	24
Equity reserves	18	390	529	281
Translation reserve	18	13	6	-
Profit and loss account	18	7,579	(92)	(119)
Shareholders' funds		8,208	669	388

The notes of pages 14 to 32 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 17 June 2019.


Andrew Walters
 Managing Director

Statement of Changes in Equity

	Share capital £'000	Share premium account £,000	Equity reserve £'000	Translation reserve £'000	Profit and loss account £'000	Total Shareholders' funds £'000
Balance at 31 December 2016	202	24	281	-	2,541	3,048
IFRS 15 adjustment (note 25)	-	-	-	-	(2,660)	(2,660)
Restated balance at 31 December 2016	202	24	281	-	(119)	388
Increase in equity reserve in relation to options issued	-	-	420	-	-	420
Adjustment for exercised options	-	-	(104)	-	104	-
Deferred tax	-	-	(68)	-	-	(68)
Dividend paid	-	-	-	-	(6,464)	(6,464)
Transactions with owners	-	-	248	-	(6,360)	(6,112)
Foreign currency translation differences	-	-	-	6	-	6
Profit for the year	-	-	-	-	6,387	6,387
Total comprehensive income	-	-	-	6	6,387	6,393
Balance at 31 December 2017	202	24	529	6	(92)	669
Increase in equity reserve in relation to options issued	-	-	108	-	-	108
Adjustment for exercised options	-	-	(133)	-	133	-
Deferred tax	-	-	(114)	-	-	(114)
Transactions with owners	-	-	(139)	-	133	(6)
Foreign currency translation differences	-	-	-	7	-	7
Profit for the year	-	-	-	-	7,538	7,538
Total comprehensive income	-	-	-	7	7,538	7,545
Balance at 31 December 2018	202	24	390	13	7,579	8,208

Notes to the Financial Statements

1 Summary of significant accounting policies

Accounting convention

These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have all been applied consistently throughout the year unless otherwise stated. The financial statements are prepared under the historical cost convention.

The Company has adopted IFRS 15: Revenue from Contracts with Customers, and Clarifications to IFRS 15 – Revenue from contracts with customers (hereinafter referred to as 'IFRS 15') and IFRS 9: Financial Instruments as at 1 January 2018. The adoption of IFRS 15 has had a significant impact on the Company's balance sheet and cash flow. Consequently, it has been adopted retrospectively so that the comparative figures for the year ended 31 December 2017 have been restated on a consistent basis (see note 1 Revenue recognition and note 25 Explanation of transition to IFRS15 Revenue from Contracts with Customers).

The Company has adopted IFRS 9 and applied it as at 1 January 2018. It has not, as permitted by IFRS 9, restated prior period and has not made a prior year adjustment in respect of the carry value of financial assets at 1 January 2018 since the impact of the implementation of IFRS 9 was not significant (see note 1 Financial assets and note 26 Explanation of transition to IFRS 9 Financial Instruments).

The results of Quartix Limited are included in the consolidated financial statements of Quartix Holdings plc which are available from the Company's website or registered office 9 Dukes Court, 44~62 Newmarket Rd, Cambridge CB5 8DZ.

The financial statements are prepared in Sterling and are rounded to the nearest thousand pounds (£000).

Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2018 and 31 December 2017. The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) Certain Share-based Payment disclosures, as Quartix Holdings plc is the ultimate parent, the share-based payment arrangement concerns its own equity instruments and equivalent disclosures are included in the consolidated financial statements of the Group in which the Company is consolidated.
- b) Financial Instruments disclosures, given that equivalent disclosures are included in the consolidated financial statements of the Group in which the Company is consolidated.
- c) Fair Value Measurement disclosures.
- d) Certain disclosures required by IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - i. Share capital movements; and
 - ii. Property, Plant and Equipment.
- e) Statement of Cash Flows and related notes.
- f) Related Party Disclosures relating to key management personnel compensation.
- g) Disclosures of related party transactions entered into between two or more members of the Group, given that any subsidiary which is a party to the transaction is wholly owned.
- h) Capital management disclosures.

1 Summary of significant accounting policies (continued)

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. The Company 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.

After assessing the forecasts and liquidity of the business for the next two years and the longer term strategic plans, 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.

Turnover

Turnover is the amount receivable for goods and services, excluding VAT. It is measured at the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

Turnover comprises the provision of telematics-based fleet and vehicle management solutions and is recognised either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

As noted in Accounting convention above, the Company has adopted IFRS 15 with effect from 1 January 2018 and applied the fully retrospective application, under which IFRS 15 has been applied to the previous financial year with its results being restated.

Under IFRS 15, the Company must evaluate the separability of the promised goods or services based on whether they are 'distinct'. A promised good or service is 'distinct' if both:

- the customer benefits from the item either on its own or together with other readily available resources; and
- it is 'separately' identifiable (i.e. the Company does not provide a significant service integrating, modifying or customising it).

Previously, revenue from hardware sales, including insurance telematics contracts, was recognised upon installation of the unit or despatch of the unit if the customer did their own installation. Revenue from installation was recognised upon installation and revenue from the provision of telematics-based fleet and vehicle management solutions was recognised over the period in which the service was provided.

The Company completed a detailed assessment of its sources of revenue and assessed whether the components of hardware, installation of hard-wired units by an engineer (not required for self-install unit) and data services are distinct under the new definitions of IFRS 15.

The tracker hardware can't be utilised by a competitor and neither can it be sourced from an alternative supplier. The tracking services can't be delivered until a unit is successfully installed, which in the case of a hardwired device normally requires an engineer. Therefore, the Company concluded that the Company's activities of supplying telematics units and installing telematics units are not distinct and are activities the Company undertakes to provide its telematics services and are supplied as part of a contract with the customer. This means that the Company considers these goods and services as one single performance obligation. Consequently, the Company no longer recognises revenue separately for these goods and services; rather, it recognises this revenue together as the provision of vehicle telematics services.

The Company recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as contract liabilities on the balance sheet (see note 15).

1 Summary of significant accounting policies (continued)

Turnover (continued)

If the Company satisfies a performance obligation before it received the consideration, the Company recognises a receivable on its balance sheet. The Company does not presently have any contract assets.

In relation to costs, the hard-wired unit and associated installation costs are recognised when the Company relinquishes control of the unit since, once installed, the unit relates to both unsatisfied performance obligations and to satisfied performance obligations (or partially satisfied performance obligations). The Company outsources the installation of hard-wired units to its large base of skilled engineers. In the case of 'self-install' units, which customers are able to physically install into their vehicles themselves, the Company's judgement is that it still has obligations in relation to the technical set-up of these units (including connectivity). Self-install units currently form a small part of the Company's sales; however, the Company will keep this judgement under review.

Whilst not all of the commissions that the Company pays are wholly directed at obtaining specific contracts, it is possible to separate out the commissions which are directed in this way. The large majority of contracts which the Company enters into with customers are 12 months in length and the Company therefore chooses to use the practical expedient under IFRS15 to expense these commissions as an expense when incurred. This policy will, however, be kept under review to see if it needs to be updated if the nature of the Company's sales changes.

Further information on the impact of the new policy is disclosed in note 25.

Insurance telematic services

For insurance telematic services, the customer commits to purchase data services for 12 months. Quartix raises a single invoice upon installation of the unit, payable in the following month, with revenue recognised over the 12 month period on a straight line basis, since the customer benefits from the Company's services evenly throughout the contract term and receives the benefit of the services as they are made available. The contract price, which is subject to periodic review, is set for each insurance customer, depending on the level of services provided.

If the driver's policy is extended, then Quartix will raise further charges, these are invoiced either as a one-off annual fee or as monthly fees, depending upon the contractual arrangements, which are payable within 30 days.

Fleet telematic services

Fleet customers enter into contracts typically with a commitment to purchase data services for 12 months. The price is fixed for the contract term. Generally, invoices are raised quarterly in advance, with payment due within 30 days. Quartix satisfies its performance obligations over time as services are rendered.

If promotional offers include any free months, then total revenue is allocated on a straight line basis over the whole period of data services in accordance with the performance obligations, since the customer benefits from the Company's services evenly throughout the contract term and receives the benefit of the services as they are made available.

Support Services

Quartix performs additional services, such as removing, upgrading or transferring units to alternative vehicles, and theft tracking. These are considered to be separate performance obligations for which a separate charge and invoice is raised. Revenue is recognised once the additional service obligation has been delivered to the customer.

1 Summary of significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment.

Depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

- Tools and equipment 25% straight line
- Office equipment 25% straight line
- Leasehold improvements The life of the lease

Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. In the event that an internally generated intangible asset arises from the Company's development activities then it will be recognised only if all of the following conditions are met:

- Technical feasibility of completing the intangible asset
- The ability to use the asset
- An asset is created that can be identified (such as software and new processes)
- It is probable that the asset created will generate future economic benefits
- The development cost of the asset can be measured reliably

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment testing

Tangible assets are tested for impairment if events or changes in circumstances (assessed at each reporting date) indicate that the carrying amount may not be recoverable. When an impairment test is conducted, the recoverable amount is assessed by reference to the higher of the value in use (net present value of expected future cash flows of the relevant cash-generating unit), or the fair value less cost to sell.

Operating lease agreements

Payments made under operating leases are charged to profit or loss on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

Stocks

Components held for manufacture of vehicle tracking units and units not yet deployed to customers are classified as stock. Stocks are stated at cost less provision for obsolete, slow moving or defective items. Cost is based on the costs of purchase on a first in first out basis. Provision against stocks is recognised as an expense in the period in which the write-down or loss occurs.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Tax losses available to be carried forward as well as other income tax credits to the Company are assessed for recognition as deferred tax assets and are recognised to the extent that it is regarded as more likely than not that they will be recovered from future trading profits.

1 Summary of significant accounting policies (continued)

Taxation (continued)

Deferred tax liabilities are provided in full, with no discounting. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in profit or loss or equity as appropriate.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial assets

The new Standard for financial instruments, IFRS 9, replaces IAS 39 'financial Instruments: Recognition and Measurement' and makes changes to the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

The Company has reviewed its business model for its financial assets, which comprise only basic loans and receivables, and concluded that they are held for collecting contractual associated cash flows. Therefore, under the new guidance, loans and receivables, are initially recognised at fair value and will subsequently be measured at amortised cost.

As required by IFRS 9, the Company will apply the impairment requirements and recognise a loss allowance for expected credit losses on its financial assets. At each reporting date, it will always measure the loss allowance at an amount equal to the lifetime expected credit losses.

The Company will recognise in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with IFRS 9.

Financial liabilities

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

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

A financial liability is derecognised when the obligation is extinguished.

1 Summary of significant accounting policies (continued)

Foreign currencies

The Company's functional currency is Sterling. The French branch's functional currency is Euros, with its results translated for inclusion in Quartix Limited's Sterling accounts.

Transactions in foreign currencies are translated into Sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in profit or loss in the period in which they arise. Non-monetary assets and liabilities that are measured at historical costs in a foreign currency are translated using the exchange rates at the dates for the transactions.

Income and expenses for the French branch, which has a functional currency of Euros, are translated at the average rate prevailing in the month of the transaction. Its assets and liabilities are retranslated at the closing exchange rate at the reporting date.

On consolidation of the French branch, exchange differences arising from the translation of the net investment are recognised in the translation reserve, as a separate component of equity.

Employee benefits: Pension provision

The only pension provision and Employee benefit is participation in the UK Government's NEST pension scheme, which is a defined contribution scheme. Contributions to defined contribution pension schemes are recognised as an employee benefit expense within personnel expenses in the income statement, as incurred.

Employee benefits: Share-based payments

The Company's parent company, Quartix Holdings plc, operates a number of employee share schemes under which it makes equity-settled share-based payments to certain employees.

Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is assessed at the grant date, using the Black-Scholes method, and excludes the impact of non-market vesting conditions.

The expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Dividends

Dividends attributable to the equity holders of the Company paid during the year are recognised directly in equity.

2 Turnover

The Company's turnover disaggregated by customer base is as follows:

	2018 £'000	Restated 2017 £'000
Customer base		
Fleet	17,521	16,124
Insurance	6,955	7,438
	<u>24,476</u>	<u>23,562</u>

During 2018 revenue of £5.5m (2017: £7.0m) was derived from one insurance customer.

The Company's revenue disaggregated by primary geographical markets is as follows

	2018 £'000	Restated 2017 £'000
Geographical analysis by destination		
United Kingdom	21,709	21,427
Europe	2,484	1,927
USA	283	208
	<u>24,476</u>	<u>23,562</u>

The Company's revenue disaggregated by pattern of revenue recognition is as follows

	2018 £'000	Restated 2017 £'000
Pattern of recognition		
Recurring revenue	23,136	22,350
One off revenue	1,340	1,212
	<u>24,476</u>	<u>23,562</u>

Goods and services transferred over time represent 96% of total revenue (2017: 96%).

For 2018, revenue includes £5,681,000 (2017: £5,566,000) included in the contract liability balance at the beginning of the period. Changes to the Company's contract liabilities (i.e. deferred revenue) are attributable solely to the satisfaction of performance obligations.

The aggregated amounts of transaction prices relating to performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at 31 December 2018 are all expected to be recognised in 2019.

3 Segmental analysis

The Company has concluded that it operates only one operating segment as defined by IFRS 8, being the provision and marketing of vehicle telematics services. The information used by the Company's directors to make decisions about the allocation of resources and assessing performance is presented in aggregate. All income, costs, assets and liabilities relate to the single activity, and accordingly no segmental analysis is presented.

4 Key judgements and estimates: capitalisation of development costs

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

Key judgement: capitalisation of development costs

The point at which development costs meet the criteria for capitalisation is critically dependant on management's judgment of the probability and measurability of future economic benefits. No development expenditure was capitalised in the year ended 31 December 2018. The research and development expenditure primarily related to the on-going research work on the Company's existing vehicle telematics services to ensure that the functionality is maintained. The research work undertaken may successfully come to fruition in the development of a marketable product or technology but this development work cannot be identified or separated from the research work and therefore the entire expenditure has been expensed in the year.

Key judgement: timing of revenue and cost recognition

The adoption of IFRS 15, see note 1, required the Company to identify its performance obligations, determine the transaction price and allocate this to the performance obligations and to recognise revenue when/as performance obligations are satisfied, which are the subject of key judgements. The Company's judgement is that supplying telematics units, installing telematics units and the provision of data services are a single performance obligation, under contracts with customers, impacts the timing of revenue recognition.

The performance obligation is satisfied over time, since the Company has the obligation to deliver the data services for the contract term. Customers simultaneously receive and consume the benefits of the tracking services as Quartix delivers its performance obligation.

Where customer contracts are structured so that tracking units and installations are separately identified, the Company recognises this revenue as part of the single performance obligation of delivering tracking services, and assumes a typical contract period of 12 months.

As described in note 1, it is the Company's judgement that, once installed, the hard-wired units relate to both unsatisfied performance obligations and to satisfied performance obligations (or partially satisfied performance obligations). In the case of 'self-install' units, which customers are able to physically install into their vehicles themselves, the Company's judgement is that it still has obligations in relation to the technical set-up of these units (including connectivity). Self-install units currently form a small part of the Company's sales; however, the Company will keep this judgement under review.

Whilst not all of the commissions that the Company pays are wholly directed at obtaining specific contracts, it is possible to separate out the commissions which are directed in this way. The large majority of contracts which the Company enters into with customers are 12 months in length and the Company therefore chooses to use the practical expedient under IFRS15 to expense these commissions as an expense when incurred. This policy will, however, be kept under review to see if it needs to be updated if the nature of the Company's sales changes.

These assessments are judgements and, were these costs to be capitalised, the impact on profit or loss could be material and would likely be determined by the volume of contracts entered into in the year in question (with growth in the volume of relevant contracts against the prior year being associated with a credit to profit or loss and vice versa).

5 Profit on ordinary activities before taxation

The profit for the year before taxation is stated after charging:

	2018 £'000	2017 £'000
Research and development expense	1,130	1,092
Rentals under operating leases:		
Other operating leases	12	14
Land and buildings	222	132
Depreciation on property, plant and equipment, owned	150	151
Share based payments expense	107	420
Expected credit loss charge	45	20
Difference on foreign exchange	(42)	85
Auditor services:		
Fees paid to Company auditor for the audit of the financial statements	31	24
Other services	2	1

Quartix Holding plc, the Company's parent 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 12 and 63 months. Options are forfeited if the employee leaves the Company before the options vest.

The number of options outstanding at the end of the year in respect of company employees were 1,365,554 (2017: 1,607,651).

During the year ended 31 December 2018 share-based payment arrangements were modified as explained in note 20 of parent company consolidated financial statements, which can be found on the Company's website at www.quartix.net.

6 Employee remuneration

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

	2018 £'000	2017 £'000
Wages and salaries	3,992	3,664
Social security costs	400	372
Contributions to defined contribution pension plan	57	28
Share-based payments	107	420
	4,556	4,484

The average monthly number of employees including the Directors, during the year were as follows:

2018	2017
126	118

7 Directors' remuneration

	2018 £'000	2017 £'000
Wages and salaries	721	677
Contributions to defined contribution pension plan	9	4
Remuneration	730	681

The highest paid Director received remuneration of £156,000 (2017: £108,000).

7 Directors' remuneration (continued)

Six directors were members of the NEST pension arrangements in 2018 (2017: 5). No Director was a member of any other pension scheme or other post-employment benefit to which the Company contributed in either the current or the prior years. There were no termination payments during the year ending 31 December 2018 (2017: nil) but there was a performance related bonus scheme for two Directors. Two Director exercised share options in the year (2017: one).

8 Interest receivable and similar income

	2018 £'000	2017 £'000
Bank interest receivable	27	16
Interest from Group undertakings	54	40
	<u>81</u>	<u>56</u>

The Company has a loan with a fellow subsidiary undertaking, Quartix Inc, on which interest is charged at 1% per quarter.

9 Tax on profit on ordinary activities

	2018 £'000	Restated 2017 £'000
Analysis of tax charge in the year		
Current tax		
UK corporation tax charge on profit for the year	581	877
Adjustments in respect of prior periods	9	41
	<u>590</u>	<u>918</u>
Deferred tax (see note 16)		
Origination and reversal of timing differences	652	(71)
Adjustments in respect of prior periods	(7)	-
Total deferred tax	<u>645</u>	<u>(71)</u>
	<u>1,235</u>	<u>847</u>

The effective tax rate reflects the Company's investment in research. The relationship between the expected tax expense based on the effective tax rate of the Company at 19.00% (2017: 19.25%) being the UK rate of corporation tax for the year and the tax expense actually recognised in profit or loss can be reconciled as follows:

	2018 £'000	Restated 2017 £'000
Profit on ordinary activities before tax	8,773	7,234
Tax rate (%)	19.00	19.25
Expected tax expense	1,667	1,393
Adjustments to tax charge in respect of prior periods	2	41
Expenses not deductible for tax purposes	5	1
Research and development tax credit	(225)	(255)
Patent box credit	(173)	(227)
Re-measurement of deferred tax	55	(59)
Tax adjustment on exercise of options	(96)	(47)
Tax on profit on ordinary activities	<u>1,235</u>	<u>847</u>
Effective rate of tax	14.1%	11.7%
Effective rate of tax ignoring adjustments in respect of prior years'	14.1%	11.1%

10 Tangible assets

	Leasehold improvement £'000	Tools & equipment £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2018	17	12	787	816
Additions	24	-	355	379
At 31 December 2018	41	12	1,142	1,195
Depreciation				
At 1 January 2018	9	12	624	645
Charge for year	3	-	147	150
At 31 December 2018	12	12	771	795
Net book value				
At 31 December 2018	29	-	371	400
At 31 December 2017	8	-	163	171

11 Stocks

Components held for manufacture of vehicle tracking units and units not yet deployed to customers

	2018 £'000	2017 £'000
Raw materials	476	406
Work in progress	103	60
Finished goods	180	211
	759	677

Included in the analysis above are impairment provisions against stocks amounting to £57,000 (2017: £73,000). The cost of vehicle tracking units are recognised as an expense and included in "cost of sales" amounted to £2.2m (2017: £2.9m).

12 Debtors

	2018 £'000	2017 £'000
Trade debtors	2,432	2,498
Amounts owed by Group undertakings	4,977	1,107
Other debtors	38	27
Prepayments and accrued income	284	301
	7,731	3,933

All the amounts are due within in year. Trade receivables are measured initially at fair value and subsequently at amortised cost. At each period end, there is an assessment of the expected credit loss in accordance with IFRS 9 with any increase or reduction in the credit loss provision charged or released to administration costs in the statement of comprehensive income. IFRS 9 was adopted as at 1 January 2018 and as permitted the prior year comparatives have not been restated.

The loss allowance for expected credit losses has been recorded as follows

	2018 £'000	2017 £'000
Loss allowance at 1 January	59	39
Increase in loss allowance	45	20
Loss allowance at 31 December	104	59

12 Debtors (continued)

As explained in note 26, the Company's trade receivables arise from transactions that do not contain a significant financing component, therefore the loss allowance is always measured at an amount equal to lifetime expected credit losses

In addition, some of the unimpaired trade debtors are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

	2018 £'000	2017 £'000
Not more than 1 month	284	167
More than one month but not more than 3 months	32	37
More than 3 months but not more than 6 months	-	-

13 Cash at bank and in hand

Cash and cash equivalents included the following components:

	2018 £'000	2017 £'000
Cash at bank and in hand	6,446	6,812

Quartix Limited uses Barclay's Business Premium account to aggregate Sterling instant access balances and earn interest, which was 0.65% at 31 December 2018. Since September 2016, the Company has placed deposits with Investec Bank plc on 95 day or 32 day notices with interest currently at 0.85% and 0.55% respectively. At 31 December 2018, Investec deposits were £1.5m (2017: £1.5m).

14 Creditors: amounts falling due within one year

	2018 £'000	Restated 2017 £'000
Trade creditors	1,182	1,330
Amounts owed to Group undertakings	-	2,741
Contract liabilities (see note 15)	4,414	5,791
Social security and other taxes	579	710
Current tax liabilities	125	477
Other creditors	77	149
Accruals	760	494
	7,137	11,692

The amounts owed to Group undertakings at 31 December 2017 relates to the dividends declared on 19th December 2017.

15 Contract liabilities

	2018 £'000	Restated 2017 £'000
Deferred insurance tracking data services income	2,376	2,304
Deferred fleet tracking data services income	2,038	3,487
	4,414	5,791

15 Contract liabilities (continued)

Deferred tracking data services income represents customer payments received in advance of performance (contract liabilities) that are expected to be recognised as revenue in 2019, as described in note 1

- Under insurance contracts, the customer commits to purchase data services for 12 months. Quartix raises a single invoice upon installation and recognises revenue over 12 months on a straight-line basis, since the customer benefits from the Company's services evenly throughout the contract term and receives the benefit of the services as they are made available.
- Fleet customers enter into contracts typically with a commitment to purchase data services for 12 months and are generally invoiced quarterly in advance and recognises revenue over the period covered by the invoice, as the performance obligations are satisfied.

The amounts recognised as contract liability will generally be utilised within the next reporting period.

Changes to the Company's contract liabilities (i.e. deferred revenue) are attributable solely to the satisfaction of performance obligations. The reduction in contract liabilities was due to the release of deferred contract revenue in the year arising from the reduction in the number of new insurance installations.

	2018	Restated 2017
	£'000	£'000
Contract liabilities at 1 January	5,791	5,728
Contract liabilities released to revenue in the period	(5,681)	(5,566)
Contract revenue deferred in the period, net of releases in the period	4,304	5,629
Contract liabilities at 31 December	4,414	5,791

16 Deferred taxation

Deferred taxation is made up as follows:

	2018	Restated 2017
	£'000	£'000
Accelerated capital allowances	38	25
Short term temporary differences	(21)	(626)
Equity settled share options	(26)	(167)
Deferred tax asset	(9)	(768)

	2018	2017
	£'000	£'000
At 1 January (asset)	(768)	(765)
Charge/(credit) for year (profit and loss)	645	(71)
Credit to equity	114	68
At 31 December (asset)	(9)	(768)

At 31 December 2018, the deferred tax asset for equity settled share options includes £114,000 charge to equity in the period (2017: £68,000 credited), being the amount by which the expected future tax deduction exceeds the cumulative share-based payment expense recognised.

17 Share capital

	2018 £'000	2017 £'000
Authorised		
21,000,000 ordinary shares of £0.01 each	210	210
Allotted, called up and fully paid		
20,200,000 ordinary shares of £0.01 each	202	202

18 Reserves

Share capital and reserves comprises the following:

- "Called up share capital" represents the nominal value of shares that have been issued.
- "Share premium account" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Equity reserve" is used to reflect the expenses associated with granting share options to employees and the issue of warrants.
- "Translation reserve" represents the exchange difference arising on the consolidation of foreign operations.
- "Profit and loss account" includes all current and prior period retained profits and losses

19 Commitments under operating leases

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

	Land and buildings		Other	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Within 1 year	166	110	10	12
Between 2 and 5 years	268	120	3	12
Over 5 years	38	-	-	-
	472	230	13	24

Lease payments recognised as an expense during the year amount to £234,000 (2017: £146,000).

20 Related party disclosures

The Company has taken advantage of the FRS 101 exemption not to disclose transactions with its Parent Company, Quartix Holdings plc and its fellow subsidiary company, Quartix Inc. There were no other related party transactions during the year ended 31 December 2018 or 31 December 2017.

21 Purchase commitments

Quartix Limited has signed agreements with suppliers which commits it to purchase stock to the value of £521,000 (2017: £455,000). In August 2017, the Company entered into an agreement for the provision of data services which included a contractual obligation to pay a minimum of £40,000 per month, until 31 March 2019. There were no other contingent liabilities as at 31 December 2018 or 31 December 2017.

22 Capital commitments

The Company had capital commitments of nil at 31 December 2018 (2017: £42,000).

23 Risk management objective and policies

Financial instruments

The Company uses various financial instruments; these include cash deposits and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to finance the Company's operations and manage working capital.

The main risks arising from the Company's financial instruments are credit risk and currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	2018 £'000	2017 £'000
Loans and debtors		
Cash at bank and in hand	6,446	6,812
Trade and other debtors	7,447	3,632
	13,893	10,444

The Company's principal financial assets are cash deposits and trade debtors. Risks associated with cash deposits are limited as the banks used have high credit ratings assigned by international credit rating agencies.

The principal credit risk relates to trade receivables and is mitigated, where possible, by third party credit clearance for new customers and collection by direct debit, or similar. The Company has one large customer whose debts have been as much as £0.7m and the credit risk on this balance is carefully monitored. The Company has established credit control procedures to undertake various tasks at different stages as invoices move further from their issue date. At 45 days past due date, the credit risk is believed to have increased substantially and customers are included in the loss allowance assessment.

The Company uses the practical expedient in the calculation of the expected credit losses on all its trade receivables using a provision matrix, to estimate the lifetime expected credit losses, with fixed provision rates, based on its historical credit loss experience adjusted where possible for current observable data. The Company uses such data to make reasonable forward looking estimates of recoverability.

The Company continues to work with customers to recover trade receivables and may take legal action or use third-party collection specialists where necessary. Only after these steps have been completed and there is no reasonable expectation of recovery, would the receivable be written off

Currency risk

The Company is exposed to transaction foreign exchange risk as a consequence of procuring tracking unit components in both euros and dollars. The risk with the Euro has been mitigated by trading in France which generates marginally more Euros than the Company currently needs. Whilst the Company has a fellow subsidiary undertaking which trades in the US, in 2018, the Company purchased about \$2.7m of dollar currency, primarily to purchase components for vehicle tracking units (2017: \$3.5m)

Transaction exposures, including those associated with forecast transactions, are managed through the use of bank accounts held in foreign currencies.

23 Risk management objective and policies (continued)

Currency risk (continued)

The Company's financial instruments dominated in currencies were:

	2018		2017	
	£'000 US\$	£'000 €	£'000 US\$	£'000 €
Cash in hand and at bank	252	315	223	207
Trade debtors	-	314	-	224
Trade creditors	(207)	(216)	(189)	(141)
	45	413	34	290

It is estimated that a 5% strengthening of Pound Sterling to the US dollar would have increased net profit by £94,000 and vice versa (2017: £120,000). (This is assuming that Dollar denominated prices do not adjust for currency movements.)

It is estimated that a 5% strengthening of Pound Sterling to the Euro would have reduced net profit by £58,000 and vice versa (2017: £54,000).

Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. Cash flow is forecast and monitored as are working capital requirements. The Company generates funds from operational activities in excess of its operational requirements and has substantial cash balances available for its current investment activities. Consequently, liquidity is not seen as a key risk.

As at 31 December the Company's financial liabilities have contractual maturities as summarised below:

	2018 £'000	2017 £'000
Trade creditors, amounts owed to Group undertakings and accruals		
Within six months	1,942	4,565

The financial liabilities at 31 December 2017 included £2,741,000 owed to the Company's parent company. At 31 December 2018, there was a financial asset as no dividends were declared by the Company during 2018.

24 Ultimate parent company and control

The Directors consider that the ultimate parent undertaking of this Company is Quartix Holdings plc. The Directors consider the Board and shareholding structure of Quartix Holdings plc mean there is no directly identifiable controlling party.

25 Explanation of transition to IFRS 15 Revenue from Contracts with Customers

As highlighted in note 1, Significant accounting policies under revenue recognition, the Company has adopted fully retrospective application of IFRS 15. The Company has not applied any of the practical expedients available for companies selecting fully retrospective application. Consequently, the comparative figures for the year ended 31 December 2017 in these financial statements have been restated.

As described in note 1, under IAS 18 the Company recognised revenue from hardware and installation services upon installation of a unit, or despatch if self-installed by the customer. Following the evaluation for IFRS 15, the Company's activities of supplying telematics units and installing telematics units are supplied as part of a contract with the customer for the provision of its telematics services and will be considered as one single performance obligation. Consequently, the Company will no longer recognise revenue separately for these goods and services; rather, it will recognise this revenue together as the provision of vehicle telematics services.

The principal impact of this change relates to the timing of revenue for units purchased by insurance customers, with the total contractual revenue sum being recognised over the contractual period for the provision of data services, which is one year.

As at 1 January 2017, the restatement led to a reduction of the Company's net assets of £2,660,000 to £388,000 from the inclusion of additional contract liabilities of £3,284,000 under IFRS 15, being previously recognised revenue now being deferred and recognised over the contractual period for the provision of data services, net of a deferred tax asset of £624,000.

The restatement of revenue for the year ended 31 December 2017 also includes £208,000 for revenue from inter group sales to its fellow subsidiary Quartix inc, previously disclosed in cost of sales as a reduction to the tracker unit costs.

The impact of adoption of IFRS 15 on the financial statements:

A Balance Sheet

	As previously reported £'000	Adjustments £'000	As Restated £'000
1 January 2017			
Deferred tax assets	141	624	765
Other	10,384	-	10,384
Total assets	10,525	624	11,149
Contract liabilities	(2,444)	(3,284)	(5,728)
Other	(5,033)	-	(5,033)
Total liabilities	(7,477)	(3,284)	(10,761)
Retained earnings	2,541	(2,660)	(119)
Other	507	-	507
Total Equity	3,048	(2,660)	388

25 Explanation of transition to IFRS 15 Revenue from Contracts with Customers (continued)

The impact of adoption of IFRS 15 on the financial statements (continued):

A Balance Sheet (continued)

31 December 2017	As previously reported £'000	Adjustments £'000	As Restated £'000
Deferred tax assets	149	619	768
Other	11,593	-	11,593
Total assets	11,742	619	12,361
Contract liabilities	(2,531)	(3,260)	(5,791)
Other	(5,901)	-	(5,901)
Total liabilities	(8,432)	(3,260)	(11,692)
Retained earnings	2,549	(2,641)	(92)
Other	761	-	761
Total Equity	3,310	(2,641)	669

B Statement of Comprehensive Income

For the year ended 31 December 2017	As previously reported £'000	Adjustments £'000	As Restated £'000
Revenue	23,330	232	23,562
Other	(16,120)	(208)	(16,328)
Profit on ordinary activities before taxation	7,210	24	7,234
Income tax expense	(842)	(5)	(847)
Net profit	6,368	19	6,387
Exchange difference on translating foreign operations	6	-	6
Total Comprehensive income	6,374	19	6,393

26 Explanation of transition to IFRS 9 Financial Instruments

As highlighted in note 1, Significant accounting policies under Financial Assets, the Company has adopted IFRS 9 and applied it as at 1 January 2018. It has not, as permitted by IFRS 9, restated prior periods and has not made a prior year adjustment in respect of the carrying value of financial assets at 1 January 2018 since the impact was not significant.

The Company has reviewed its business model for its financial assets, which comprise only basic loans and receivables, and concluded that they are held for collecting contractual associated cash flows. Therefore, under the new guidance, loans and receivables, are initially recognised at fair value and will subsequently be measured at amortised cost.

It's financial assets are trade receivables which do not have a significant financing component, therefore it will adopt the simplified approach of measuring lifetime expected credit losses. The Company will also adopt the practical expedient for the calculation of expected credit losses for trade receivables using a provision matrix.

26 Explanation of transition to IFRS 9 Financial Instruments (continued)

At each reporting date, the Company will measure the loss allowance at an amount equal to the lifetime expected credit losses.

The Company will recognise in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with IFRS 9.