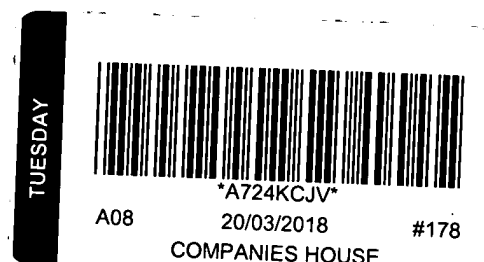


Financial Statements Quartix Limited

For the year ended 31 December 2017



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Company Information

Company registration number:	04159907
Registered office:	Chapel Offices Park Street Newtown Powys SY16 1EE
Directors:	Andrew Walters Dan Mendis Edward Ralph William Hibbert Peter Brown Lynne Austin Donato Quagliariello
Company secretary:	Dan 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 2017.

Results

The profit for the year, after taxation, amounted to £6.4m (2016: £7.0m).

Directors

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

- Andrew Walters
- Daniel Mendis Appointed 1 December 2017
- David Bridge Resigned 22 February 2018
- Edward Ralph Appointed 1 February 2017
- Andrew Kirk Resigned 16 November 2017
- William Hibbert
- Peter Brown
- Lynn Austin Appointed 1 February 2017
- Donato Quagliariello

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.

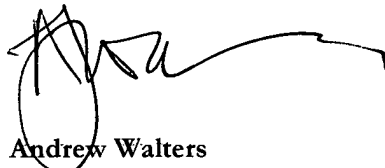
Directors' insurance

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 23 February 2018 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'Andrew Walters', with a large, stylized flourish extending to the right.

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:

	2017	2016
Fleet customer base	9,501	8,030
Fleet customer base in units	96,341	81,698
Fleet turnover (£'000)	15,872	14,232
Insurance unit installations	57,826	69,300
Insurance turnover (£'000)	7,458	8,430

Results and dividends

Fleet sales were £15.9m a rise of 11.5% compared with 2016 which were £14.2m. The main driver of growth was the recurring revenue from unit rentals. France contributed €2.2m of sales, equivalent to £1.9m, a 24% increase on 2016.

Insurance unit installations were down 16.6% at 57,826; in keeping with the decision announced in July 2016, to focus more on its fleet market.

Gross margin was held at 61% with the increase in unit costs with the devaluation of Sterling offset by the reduction in the lower margin insurance operations which accounted for 32% of turnover compared to 37% in 2016. Investment in the sales structure and in marketing gave rise to an increase in overheads leading to a 3.0% reduction in profit before tax from £7.4m to £7.2m.

A dividend of 12.0p per share (£2.4m) was paid to Quartix Holdings on 24 July 2017 and a further dividend of 20.0p per share (£4.1m) was paid to Quartix Holdings on 19 December 2017.

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.

Particular attention has been given to the composition of the Operations Board over the last two years and in February 2017, Ed Ralph was appointed as Chief Operating Officer and Lynne Austin was appointed as a Director with responsibility for the UK fleet operations. In December, Daniel Mendis joined the Company as Financial Director.

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.

Risk management policies (continued)

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 which is frequently updated and reviewed.

Dependence on a key customer

Turnover of £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.

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.

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 2017 were:

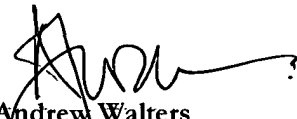
1. Further development of the TCSV12 tracking system, which is believed to be one of the most compact on the market, allowing ease of user installation in approximately 90% of European vehicles. The product is being trialled by a number of key fleet prospects.
2. Electronic logging of driver hours for the US market. This application, which involves a direct connection to the vehicle's own bus and the use of an Android tablet device by the driver, was delivered in beta version to customers at the end of 2016. It was fully released in Q3 2017 and is now being enhanced to meet the full requirements of the US ELD specification. Further investment on this is expected in the first half of 2018.
3. Further development of the "powered by Quartix" insurance platform. This software platform includes software tools for both insurers and brokers and allows driver scoring based on a range of factors, but most significantly it makes use of our "SafeSpeed Database". The platform has been fully integrated with our fleet product offering and is now being promoted to larger fleet clients who are taking a much keener interest in the use of telematics in risk management.

All of the investment in research and development was fully expensed in the year. The total cost amounted to £1.1m, which represents a reduction of 24% compared to the prior year (2016: £1.4m).

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 customer acquisition and have taken the decision to make additional investments in marketing automation and business development in 2018.

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
23 February 2018

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 2017 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 2017 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.

Who we are reporting to

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.

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.

Financial statements for the year ended 31 December 2017**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 strategic report has 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.

Financial statements for the year ended 31 December 2017

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.

Grant Thornton UK LLP

Alison Seekings
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
23 February 2018

Statement of Comprehensive Income

	Notes	2017 £'000	2016 £'000
Turnover	2	23,330	22,662
Cost of sales		(9,190)	(8,903)
Gross profit		14,140	13,759
Administrative expenses		(6,986)	(6,384)
Profit from operations		7,154	7,375
Income receivable and similar income	7	56	48
Profit on ordinary activities before taxation	4	7,210	7,423
Tax on profit on ordinary activities	8	(842)	(463)
Profit for the financial year		6,368	6,960
Other Comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Exchange difference on translating foreign operations	16	6	-
Tax on items taken to other comprehensive income		-	-
Other comprehensive income for the year, net of tax		6	-
Total comprehensive income for the financial year		6,374	6,960


The notes on pages 14 to 25 form part of these financial statements.

Balance Sheet

	Notes	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	9	171	262
Current assets			
Stocks	10	677	674
Debtors	11	3,933	3,309
Deferred tax assets	14	149	141
Cash at bank and in hand	12	6,812	6,139
Total current assets		11,571	10,263
Creditors: amounts falling due within one year	13	(8,432)	(7,477)
Net current assets		3,139	2,786
Total assets less current liabilities		3,310	3,048
Net assets		3,310	3,048
Capital and reserves			
Called up share capital	15	202	202
Share premium account	16	24	24
Equity reserves	16	529	281
Translation reserve	16	6	-
Profit and loss account	16	2,549	2,541
Shareholders' funds		3,310	3,048

The notes of pages 14 to 25 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 23 February 2018.


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 2015	202	24	177	-	2,494	2,897
Increase in equity reserve in relation to options issued	-	-	113	-	-	113
Adjustment for exercised options	-	-	(56)	-	56	-
Deferred tax	-	-	47	-	-	47
Dividend paid	-	-	-	-	(6,969)	(6,969)
Transactions with owners	-	-	104	-	(6,913)	(6,809)
Profit for the year	-	-	-	-	6,960	6,960
Balance at 31 December 2016	202	24	281	-	2,541	3,048
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	-	-	-	-	6,368	6,368
Total comprehensive income	-	-	-	6	6,368	6,374
Balance at 31 December 2017	202	24	529	6	2,549	3,310

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 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 Wellington House, Cambridge, CB1 1BH.

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 2017 and 31 December 2016. 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.

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.

1 Summary of significant accounting policies (continued)

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 over the period in which the service is provided. Amounts received in advance of the provision of services are included within deferred income.

Turnover from hardware sales, including insurance telematics contracts, is recognised upon installation of the unit or despatch of the unit if the customer does their own installation. Turnover from installation is recognised upon installation.

The associated cost including 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.

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.

1 Summary of significant accounting policies (continued)

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.

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

Trade and other debtors are classified as loans and debtors and are initially recognised at fair value. Loans and debtors are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in profit and loss.

Provision against trade debtors is made when there is objective evidence that the Company will not be able to collect all amounts due to it in accordance with the original terms of those debtors. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

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 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 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.

2 Turnover (continued)

The turnover from sales in France was £1,917,000 (2016: £1,408,000), representing 8% of the Company's turnover (2016: 6%). There is no other significant turnover attributable to geographical markets outside the United Kingdom.

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

	2017 £'000	2016 £'000
By customer base		
Fleet	15,872	14,232
Insurance	7,458	8,430
	<u>23,330</u>	<u>22,662</u>

3 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 regarding development costs 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.

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 2017. 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.

4 Profit on ordinary activities before taxation

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

	2017 £'000	2016 £'000
Research and development expense	1,092	1,442
Rentals under operating leases:		
Other operating leases	14	13
Land and buildings	132	119
Depreciation on property, plant and equipment, owned	151	128
Share based payments expense	420	113
Difference on foreign exchange	85	(111)
Auditor services:		
Fees paid to Company auditor for the audit of the financial statements	24	18
Other services	<u>1</u>	<u>1</u>

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 1,607,651 (2016: 916,812)

5 Employee remuneration

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

	2017 £'000	2016 £'000
Wages and salaries	3,664	3,508
Social security costs	372	330
Contributions to defined contribution pension plan	28	26
Share-based payments	420	113
	4,484	3,977

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

2017	2016
118	124

6 Directors' remuneration

	2017 £'000	2016 £'000
Wages and salaries	677	566
Contributions to defined contribution pension plan	4	2
Remuneration	681	568

The highest paid Director received remuneration of £108,000 (2016: £95,000).

Five directors were members of the NEST pension arrangements in 2017 (2016: 3). 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 but two bonus schemes for two newly appointed Directors. One Director exercised share options in the year (2016: two).

7 Interest receivable and similar income

	2017 £'000	2016 £'000
Bank interest receivable	16	21
Interest from Group undertakings	40	27
	56	48

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

8 Tax on profit on ordinary activities

	2017 £'000	2016 £'000
Analysis of tax charge in the year		
Current tax		
UK corporation tax charge on profit for the year	877	828
Adjustments in respect of prior periods	41	(348)
	918	480
Deferred tax (see note 14)		
Origination and reversal of timing differences	(76)	(17)
Adjustments in respect of prior periods	-	-
Total deferred tax	(76)	(17)
	842	463

8 Tax on profit on ordinary activities (continued)

The tax credit in respect of prior periods for the year ended 31 December 2016 related to patent box claims submitted during 2016 in respect of the two years ended 31 December 2014 and 31 December 2015. The impact of the prior year patent box claim adjustments for the year ended 31 December 2016 was to reduce the effective rate of tax from 10.9% to 6.2%.

The relationship between the expected tax expense based on the effective tax rate of the Company at 19.25% (2016: 20.00%) 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:

	2017 £'000	2016 £'000
Profit on ordinary activities before tax	7,210	7,423
Tax rate (%)	19.25	20.00
Expected tax expense	1,388	1,485
Adjustments to tax charge in respect of prior periods	41	(348)
Expenses not deductible for tax purposes	1	1
Research and development tax credit	(255)	(332)
Patent box credit	(227)	(244)
Re-measurement of deferred tax	(59)	(10)
Tax adjustment on exercise of options	(47)	(89)
Tax on profit on ordinary activities	842	463
Effective rate of tax	11.7%	6.2%
Effective rate of tax ignoring adjustments in respect of prior years	11.1%	10.9%

9 Tangible assets

	Leasehold improvement £'000	Tools & equipment £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2017	17	12	727	756
Additions	-	-	60	60
At 31 December 2017	17	12	787	816
Depreciation				
At 1 January 2017	6	12	476	494
Charge for year	3	-	148	151
At 31 December 2017	9	12	624	645
Net book value				
At 31 December 2017	8	-	163	171
At 31 December 2016	11	-	251	262

10 Stocks

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

	2017	2016
	£'000	£'000
Raw materials	406	334
Work in progress	60	109
Finished goods	211	231
	<u>677</u>	<u>674</u>

Included in the analysis above are impairment provisions against stocks amounting to £73,000 (2016: £80,000). The cost of vehicle tracking units are recognised as an expense and included in "cost of sales" amounted to £2.9m (2016: £2.7m).

11 Debtors

	2017	2016
	£'000	£'000
Trade debtors	2,498	2,225
Amounts owed by Group undertakings	1,107	837
Other debtors	27	11
Prepayments and accrued income	301	236
	<u>3,933</u>	<u>3,309</u>

All the amounts are short term. The carrying value of trade debtors is considered a reasonable approximation of fair value.

All of the debtors have been reviewed for indicators of impairment. Certain trade debtors were found to be impaired, due to the age of the debt, and a provision for doubtful debts has been recorded as follows.

	2017	2016
	£'000	£'000
Provision at 1 January	39	45
(Release of provision)/additional provision	20	(6)
Provision at 31 December	<u>59</u>	<u>39</u>

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:

	2017	2016
	£'000	£'000
Not more than 1 month	167	114
More than one month but not more than 3 months	37	18
More than 3 months but not more than 6 months	-	-

12 Cash at bank and in hand

Cash and cash equivalents included the following components:

	2017	2016
	£'000	£'000
Cash at bank and in hand	<u>6,812</u>	<u>6,139</u>

Quartix Limited uses Barclay's Business Premium account to aggregate Sterling instant access balances and earn interest, which was 0.4% at 31 December 2017. Since September 2016, the Company has placed deposits with Investec Bank plc on 95 day notices with interest currently at 0.6%. At 31 December 2017, Investec deposit was £1.5m (2016: £2.0m).

13 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	1,330	1,529
Amounts owed to Group undertakings	2,741	2,201
Deferred income	2,531	2,444
Social security and other taxes	710	614
Current tax liabilities	477	249
Other creditors	149	222
Accruals	494	218
	8,432	7,477

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

14 Deferred taxation

Deferred taxation is made up as follows:

	2017 £'000	2016 £'000
Accelerated capital allowances	25	42
Short term temporary differences	(7)	(7)
Equity settled share options	(167)	(176)
Deferred tax asset	(149)	(141)

	2017 £'000	2016 £'000
At 1 January (asset)/liability	(141)	(77)
(Credit)/charge for year (profit and loss)	(76)	(17)
Credit to equity	68	(47)
At 31 December (asset)/liability	(149)	(141)

At 31 December 2017, the deferred tax asset for equity settled share options includes £68,000 charge to equity in the period (2016: £47,000 credited), being the amount by which the expected future tax deduction exceeds the cumulative share-based payment expense recognised.

15 Share capital

	2017 £'000	2016 £'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

16 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

17 Commitments under operating leases

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

	Land and buildings		Other	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Within 1 year	110	111	12	10
Between 2 and 5 years	120	137	12	11
Over 5 years	-	12	-	-
	230	260	24	21

Lease payments recognised as an expense during the year amount to £146,000 (2016: £132,000).

18 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 2017 or 31 December 2016.

19 Purchase commitments

Quartix Limited has signed agreements with suppliers which commits it to purchase stock to the value of £455,000 (2016: £324,000). 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 2017 or 31 December 2016.

20 Capital commitments

The Company had capital commitments of £42,000 at 31 December 2017 (2016: nil).

21 Security

The assets of the Company were pledged as security for bank loans entered into by the Parent Company, Quartix Holdings plc. These bank loans were repaid in full during 2016 but the fixed and floating charges remained in place at 31 December 2017 but were formally released on 1 February 2018.

22 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:

	2017 £'000	2016 £'000
Loans and debtors		
Cash at bank and in hand	6,812	6,139
Trade and other debtors	3,632	3,073
	10,444	9,212

The Company's management considers that all the above financial assets that are not impaired for each of the balance sheet dates under review are of good credit quality, including those that are past due. See note 11 for additional information on trade debtors that are past due.

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 lies with trade debtors 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 can at times exceed £1.2m and the credit risk on this balance is carefully monitored.

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 2017, the Company purchased about \$3.5m, primarily to purchase components for vehicle tracking units (2016: \$3.7m)

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

The Company's financial instruments dominated in currencies were:

	2017		2016	
	£'000 US\$	£'000 €	£'000 US\$	£'000 €
Cash in hand and at bank	223	207	279	172
Trade debtors	-	224	-	166
Trade creditors	(189)	(141)	(459)	(181)
	34	290	(180)	157

22 Risk management objective and policies (continued)

It is estimated that a 5% strengthening of Pound Sterling to the US dollar would have increased net profit by £120,000 and vice versa (2016: £112,000). (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 £54,000 and vice versa (2016: £34,000).

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:

	2017	2016
	£'000	£'000
Trade creditors, amounts owed to Group undertakings and accruals		
Within six months	4,565	3,948

23 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.