Company No. 04159907

Annual report and financial statements Quartix Limited

For the year ended 31 December 2022

Contents

Company Information

Company registration number:	04159907
Registered office:	New Church Street Newtown Powys Wales SY16 1AF
Directors:	Richard Lilwall Emily Rees Laura Seffino Peter Brown Sean Maher
Company secretary:	Emily Rees
Bankers:	HSBC Bank plc 63-64 St Andrews Street Cambridge CB2 3BZ
Auditors:	PKF Littlejohn LLP Statutory auditor 15 Westferry Circus London E14 4HD

Directors' Report

The Directors present their Report and the financial statements for the year ended 31 December 2022.

As permitted by section 414C of the Companies Act 2006, certain information required to be included in the Directors' Report has been included in the Strategic Report. Specifically, this relates to:

- Going Concern
- Risk management
- Research and development activities
- Capacity for future developments

Results and restatement of comparatives

The profit for the year, after taxation, amounted to £4.3m (2021: £3.7m), refer to page 5 of the Strategic Report for dividends declared and paid in the year.

All comparative monetary amounts for 2021 have been restated in line with a change in policy in the recognition of equipment, installation and carriage costs associated with contracts with customers under IFRS 15: 'Revenue from Contracts with Customers' (See note 1: Summary of significant accounting policies and note 28).

Directors

The Directors who served through-out the year were:

- Richard Lilwall
- Emily Rees
- Laura Seffino
- Peter Brown
- Sean Maher

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 and 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 judgements and accounting estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards has been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Directors' responsibilities statement (continued)

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.

Post balance sheet events

No post balance sheet events to report.

Auditor

The Directors have individually pursued all steps that they ought to have taken in their roles as Directors to ensure they are aware of any relevant audit information and that such information has been relayed to the Company's auditors. The Directors each confirm that there is no relevant information of which the Company's Auditors are unaware.

The Auditor, PKF Littlejohn LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This Report was approved by the Board on 21 March 2023 and signed on its behalf.

Richard Lilwall
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 is a subsidiary of Quartix Technologies plc (collectively the Group), whose main strategic objective is to grow its fleet subscription base and develop the associated annualised recurring revenue.

Whilst the origins of the Company's business are in the UK, it has developed a significant market presence in the fleet sector in France, where new unit installations growth was very impressive, and continued to make progress in its other European territories, with Spain and Italy achieving excellent results, albeit from a lower base.

Financial key performance indicators

Key performance indicators focused on by the Company are:

	2022	2021
Fleet subscription base (units)	**204,710**	174,822
New subscriptions (units)	**51,721**	41,774
Fleet customer base	**21,304**	18,808
New customers	**5,314**	4,619
Attrition	**11.5%**	10.6%

Results and dividends

Revenue increased by 6.4% to £25.6m (2021: £24.0m), with an 11.0% increase in fleet revenue which more than compensates for the 52.5% decline in insurance revenue. The former benefitting from targeted investment in growing the subscription base, both in the UK and overseas to drive an increase in recurring revenues. France contributed €6.3m of sales, equivalent to £5.4m (2021: €5.1m, £4.4m), an increase of 22.6% in local currency on the prior period.

Gross margin increased by £1.1m and remained broadly comparable at 70.7% of revenue with the increase in components and carriage costs per unit compensated for by a reduction in commissions and installation costs, due to an increase in the proportion of self-installed fleet installations.

Other income of £0.7m (2021: £0.7m) relates to recharges for services provided to a fellow subsidiary undertaking. Sales & marketing expenses increased by 9.2% to £5.2m due to the continued investment in our sales structure and in marketing, driven by the Company's strategy to grow the installed fleet base and recurring revenue. Administrative expenses decreased by 3.8% to £8.4m, including a reduction in marketing support for a fellow subsidiary, with a reduction in share options charges of £0.5m compensating the increase in salaries from the annualisation of the Executive Board appointment in 2021.

Profit before tax increased by £1.0m to £5.1m (2021 restated: £4.1m).

Dividends of £5.1m were declared and paid in the year ending 31 December 2022 (2021: £4.0m).

Going concern

The war in Ukraine and the consequences of the coronavirus pandemic have continued to adversely disrupt the global economic situation in 2022. The Company continues to take appropriate action to monitor, address and mitigate the uncertainties and increased risks facing the Company as a result and have taken these additional uncertainties into account in assessing the going concern position.

The Board takes all reasonable steps to review and consider any factors that may affect the ability of the Company to continue as a 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 revenue which is a non-cash item.

In addition to the base case scenario, the Board reviewed a further scenario as part of its going concern assessment. This additional scenario considers the impact on the Company if for both 2023 and 2024 there is a reduction in new unit subscription growth, gross attrition rate increases, as a result of the cost-of-living crisis and global uncertainties from the war in Ukraine and energy price increases, resulting in our customers facing business problems and terminating their contracts, plus an increase in price erosion, which is a continuing market trend. This scenario was not considered likely but was included in the assessment.

After assessing the forecasts and liquidity of the business, including the going concern scenarios, for the next two calendar 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 consolidated financial statements.

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 staff. The impact of not mitigating this risk is that the Company ceases to be innovative and provide customers with the vehicle telematics 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.

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.

Management believes that, at some point between 2025 and 2030, most UK and European network operators will finalise the sunsetting of their 2G networks. Depending on the actual timetable and the commercial climate, there may be a cost at that time associated with the upgrading of customers' technology, which the Company is seeking to minimise through various technological and commercial means. All new units installed from 2023 onwards are 4G compatible products.

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 and Business Interruption Insurance to cover certain events in order to help mitigate these risks.

The Company acquires, manages and supports its customers in the EU centrally, from its offices in the UK. The BREXIT trading and data adequacy arrangements have not made it necessary for a relocation of some of its operations to within the EU. However, the existing French branch is instrumental in the logistics of moving the goods between the France and the customers in the EU.

The war in Ukraine, with its impact on energy prices and other inflationary pressures, have impacted the growth of the global economy and therefore present a risk that this may impact the Company's subscription base and its ability to collect cash from its customers. The Company is reviewing it collection process and local representation to mitigate this risk.

As with other industries, there is also a risk of some short-term disruption to component supply as the global economy recovers and suppliers increase production to meet demand. The Company is actively working with suppliers to manage this and has increased its buffer stock holding.

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 the continuous enhancement of its core software and telematics services, and we aim to offer a market-leading platform which addresses the most common needs of SME customers in the service sector of each of our target markets. In 2022, Quartix finalised two value-adding features; namely EVolve and Quartix Check.
Other key developments included:

1. The finalisation for production of the new 4G (LTE) models across the product range of tracker units for the UK and European markets, although the European 2G network sunsets are now anticipated between 2025 and 2030. These products are also the basis for ongoing development to support electric vehicles.
2. An ongoing extensive modernisation program of our core software and telematics code, both from a technology and user experience perspective. These will result in the launch of a new user interface, introducing new functionality and including new self-serve features to provide our customers with more flexibility to configure their trackers and associated reports. These enhancements help improve the customer experience as well as increasing the efficiency of our support operation.

All of our investment in research and development was fully expensed in the year. The total cost of £0.8m was similar to the prior year (2021: £0.7m).

Capacity for future growth

We believe that the Company has significant opportunity for growth in its fleet business. Quartix intends to make further additional investments in sales channels during 2023 and beyond. The Company has identified a large part of its core markets still unpenetrated which it intends to pursue, alongside winning potential customers from its competitors.

In the UK, the Company will continue to implement data-driven optimisation across the sales and marketing funnel and execute automation and simplification across business processes in order to drive growth. A focus in 2023 will be on upselling the two new value-adding features to both new customers and into the existing customer base.

Quartix also plans further sales resource increases in the Other European Territories in 2023, where unit sales have been growing rapidly.

The Company anticipates that these investments will enable both new fleet units installed and the associated value of the annualised subscription base to increase significantly in 2023. The Company has made a strong start to the year, with new installations in January ahead of the same period in 2022 however acknowledges that this may not extrapolate to Q1 year on year performance due to an exceptionally higher March 2022 performance.

Richard Lilwall
Managing Director

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 2022 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 *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 2022 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

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Strategic report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other information (continued)
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 for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
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.

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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:
- We obtained an understanding of the company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, section research and application of our audit knowledge and experience.

Auditor's responsibilities for the audit of the financial statements (continued)

- We determined the principal laws and regulations relevant to the company in this regard to be those arising from the Companies Act 2006, Financial Reporting Standard 101, and relevant employee legislation.
- We concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to employee matters. We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the company with those laws and regulations. These procedures included, but were not limited to enquiries of management, review of minutes and review of legal and regulatory correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: obtaining an understanding of the effectiveness of the company's overall control environment and policies to monitor these controls; the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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.

Zahir Khaki

Zahir Khaki (Senior Statutory Auditor)
for and on behalf of PKF Little John LLP
Statutory Auditor, Chartered Accountants
London
21 March 2023

Statement of Comprehensive Income

	Notes	2022 £'000	Restated 2021 £'000
Turnover	3	**25,558**	24,030
Cost of sales		**(7,479)**	(7,025)
Gross profit		**18,079**	17,005
Other income		**674**	699
Sales & Marketing expenses		**(5,236)**	(4,794)
Administrative expenses		**(8,432)**	(8,766)
Profit from operations		**5,085**	4,144
Interest receivable and similar income	7	**73**	27
Interest payable	8	**(31)**	(23)
Profit on ordinary activities before taxation	4	**5,127**	4,148
Tax on profit on ordinary activities	9	**(832)**	(461)
Profit for the financial year		**4,295**	3,687
Other Comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Exchange difference on translating foreign operations		**42**	(63)
Other comprehensive income for the year, net of tax		**42**	(63)
Total comprehensive income for the financial year		**4,337**	3,624

The notes on pages 15 to 35 form part of these financial statements.

Balance Sheet

	Notes	31 Dec 2022 £'000	Restated 31 Dec 2021 £'000	Restated 1 Jan 2021 £'000
Fixed assets				
Tangible assets	10	**839**	952	1,254
Contract cost assets	12	**785**	645	572
		1,624	1,597	1,826
Current assets				
Stocks	11	**1,990**	1,330	694
Contract cost assets	12	**3,258**	2,835	2,791
Debtors	13	**4,396**	4,528	3,605
Cash at bank and in hand	14	**4,505**	5,217	8,327
Total current assets		**14,149**	13,910	15,417
Creditors: amounts falling due within one year	15	**(7,360)**	(5,983)	(7,649)
Net current assets		**6,789**	7,927	7,768
Total assets less current liabilities		**8,413**	9,524	9,594
Creditors: amounts falling due after one year				
Deferred tax liabilities	19	**(93)**	(457)	(425)
Lease liabilities	18	**(617)**	(650)	(822)
Total non-current liabilities		**(710)**	(1,107)	(1,247)
Net assets		**7,703**	8,417	8,347
Capital and reserves				
Called up share capital	20	**202**	202	202
Share premium account	21	**24**	24	24
Equity reserves	21	**961**	1,004	831
Translation reserve	21	**-**	(42)	21
Profit and loss account	21	**6,516**	7,229	7,269
Shareholders' funds		**7,703**	8,417	8,347

The notes on pages 15 to 35 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 21 March 2023.

Emily Rees
Finance 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 2020	202	24	831	21	5,588	**6,666**
Prior year restatement (note 28)	-	-	-	-	1,681	**1,681**
Restated balance at 31 December 2020	**202**	**24**	**831**	**21**	**7,269**	**8,347**
Increase in equity reserve in relation to options issued	-	-	514	-	-	**514**
Adjustment for exercised options	-	-	(313)	-	313	**-**
Deferred tax	-	-	(28)	-	-	**(28)**
Dividend paid	-	-	-	-	(4,040)	**(4,040)**
Transactions with owners	**-**	**-**	**173**	**-**	**(3,727)**	**(3,554)**
Foreign currency translation differences	-	-	-	(63)	-	**(63)**
Profit for the year	-	-	-	-	3,687	**3,687**
Total comprehensive income	-	-	-	(63)	3,687	**3,624**
Balance at 31 December 2021	202	24	1,004	(42)	7,229	**8,417**
Increase in equity reserve in relation to options issued	-	-	(1)	-	-	**(1)**
Adjustment for exercised options	-	-	(42)	-	42	**-**
Deferred tax	-	-	-	-	-	**-**
Dividend paid	-	-	-	-	(5,050)	**(5050)**
Transactions with owners	**-**	**-**	**(43)**	**-**	**(5,008)**	**(5,051)**
Foreign currency translation differences	-	-	-	42	-	**42**
Profit for the year	-	-	-	-	4,295	**4,295**
Total comprehensive income	-	-	-	42	4,295	**4,337**
Balance at 31 December 2022	**202**	**24**	**961**	**-**	**6,516**	**7,703**

The notes of pages 15 to 35 form part of these financial statements.

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 Technologies plc which are available from the Company's website or registered office Sheraton House, Castle Park, Cambridge CB3 0AX.

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 2022 and 31 December 2021.

The Company changed its accounting policy in relation to costs in obtaining customer contracts. For many years the Company has applied a very conservative accounting policy of immediately expensing hardware and associated installation and carriage costs. This new accounting policy recognises these incremental costs over their expected contract term on a systematic basis that more accurately reflects the revenue stream generated by them. The capitalisation and subsequent amortisation of the incremental costs will be more aligned to the core principles in IFRS 15 and make the Statement of Comprehensive income more comparable with that reported by companies with a similar business model. As a consequence of this policy change, the financial statements have been restated to 1 January 2021. Further information on the impact of the change in policy is disclosed in note 28. These capitalised costs are described as contract cost assets and disclosed in note 12.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) Certain Share-based Payment disclosures, as Quartix Technologies 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 war in Ukraine and the consequences of the coronavirus pandemic have continued to adversely disrupt the global economic situation in 2022. The Company continues to take appropriate action to monitor, address and mitigate the uncertainties and increased risks facing the Company as a result and have taken these additional uncertainties into account in assessing the going concern position.

The Board takes all reasonable steps to review and consider any factors that may affect the ability of the Company to continue as a 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 revenue which is a non-cash item.

In addition to the base case scenario, the Board reviewed a further scenario as part of its going concern assessment.

This additional scenario considers the impact on the company if for both 2023 and 2024 there is a reduction in new unit subscription growth, gross attrition rate increases, as a result of the cost of living crisis and global uncertainties from the war in Ukraine and energy price increases, resulting in our customers facing business problems and terminating their contracts, plus an increase in price erosion, which is a continuing market trend. This scenario was not considered likely but was included in the assessment.

After assessing the forecasts and liquidity of the business, including the going concern scenarios, for the next two calendar 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 consolidated financial statements.

Turnover

Turnover is the amount receivable for goods and services, 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.

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).

For the adoption of IFRS 15 the Company completed a detailed assessment of its sources of revenue and, concluded that the Company's activities of supplying telematics units and installing telematics units and providing telematics services are not distinct and that it has one single performance obligation. Consequently, the Company does not recognise 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 in the statement of financial position (see note 16).

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.

Insurance telematic services
For insurance telematic services, the customer commits to purchase data services for 12 months, 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.

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. Turnover is recognised once the additional service obligation has been delivered to the customer, at a point in time.

Other income

Other income relates to recharges for services provided to a fellow subsidiary undertaking in line with the Company's transfer pricing agreement.

Contract Cost Assets

The Company incurs costs to fulfil its customer contracts, which include commission costs, equipment costs, installation costs and carriage costs amongst other costs. Costs to fulfil a customer contract are divided into:

- costs that give rise to an asset; and
- costs that are expensed as incurred.

When determining the appropriate accounting treatment for such costs, the Company firstly considers any other applicable standards. If those standards preclude capitalisation of a particular costs, then an asset is not recognised under IFRS 15.

If other standards are not applicable to costs to fulfil a customer contract, the Company applies the following criteria which, if met, result in capitalisation of costs that:

- directly relate to a contract;
- generate or enhance resources that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- are expected to be recovered

The Company has determined that, where the relevant criteria are met, that the commission costs, equipment costs, installation costs and carriage costs are likely to qualify to be capitalised as costs to fulfil a customer contract.

1 Summary of significant accounting policies (continued)

Contract Cost Assets (continued)

The Contract Cost Assets are amortised over the expected contract period on a systematic basis that reflects the revenue stream generated by them, and this cost is included in cost of sales. The expected contract term has been calculated as an average of the population of new orders in the year, and this calculation will be reviewed annually.

At each reporting date, the Company determines whether or not the Contract Cost Assets are impaired by comparing the carrying amount of the asset with the remaining amount of consideration that the Company expects to receive less the costs that relate to providing services under the relevant 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:

• Leasehold properties	The life of the lease
• Office equipment	25% straight line
• Motor Vehicles	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. Costs that are directly attributable to a project's development phase are recognised as internally generated intangible assets, provided they meet all of the following recognition requirements:

- The development costs can be measured reliably.
- The project is technically and commercially feasibly.
- The Company intends to and has sufficient resources to complete the project.
- The Company has the ability to use or sell the software/hardware.
- The software/hardware will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on research and development along with an appropriate portion of relevant costs. 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.

Leases

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

1 Summary of significant accounting policies (continued)

Leases (continued)

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset, or restore a property, at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It will also be remeasured to reflect any reassessment or modification, or if there are changes in the in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients which are permitted in IFRS 16. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

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.

1 Summary of significant accounting policies (continued)

Taxation (continued)
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 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. Under IFRS 9 loans and receivables, are initially recognised at fair value and will subsequently be measured at amortised cost.

The Company makes use of a simplified approach in accounting for trade debtors and records the loss allowance as lifetime expected credits. These are the expected shortfalls in contractual cashflows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on days past due. Refer to note 13 for an analysis of how the impairment requirements of IFRS 9 are applied. 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.

Provisions, contingent assets and contingent liabilities
Provisions for product warranties and replacement of units are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probably that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. The timing or amount of the outflow might be uncertain.

In line with IAS 37, provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date.

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

Transactions in foreign currencies are translated into Pound 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.

1 Summary of significant accounting policies (continued)

Foreign currencies (continued)
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 Technologies plc, operates several employee share schemes for employees of its UK trading subsidiary under which it makes equity-settled and cash-settled share-based payments.

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, for the schemes where there are no market performance conditions using the Black-Scholes model, which excludes the impact of non-market vesting conditions. Under a share scheme where there are market performance conditions, the binomial option pricing model has been used which includes the impact of market vesting conditions (such as the growth in the share price).

All equity-settled share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to retained earnings. If vesting periods or other vesting conditions apply, 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.

All cash-settled share-based remuneration is recognised as an expense in profit or loss with a corresponding credit to an equity reserve in Quartix Limited. The fair value is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

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

2 Key judgements and estimates

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 dependent on management's judgment of the point at which development projects become technically and commercially feasible. No development expenditure was capitalised in the year ended 31 December 2022. 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 service 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 Company's judgement continues to be that supplying telematics units, installing telematics units and the provision of data services are a single performance obligation, under contracts with customers.

The performance obligations are 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.

Key judgement: capitalisation of costs to fulfil a customer contract

Judgement is applied by the Company when determining what costs qualify to be capitalised and when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable. For example, the Company considers which type of sales commissions are incremental to the cost of obtaining specific contracts and the point in time when the costs will be capitalised.

3 Turnover

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

	2022	2021
	£'000	£'000
Customer base		
Fleet	**24,721**	22,269
Insurance	**837**	1,761
	25,558	24,030

During 2022 turnover of £0.7m (2021: £1.5m) was derived from one customer.

3 Turnover (continued)

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

	2022 £'000	2021 £'000
Geographical analysis by destination		
United Kingdom	**17,759**	17,953
France	**5,411**	4,425
Other European territories	**1,060**	507
USA	**1,328**	1,145
	25,558	24,030

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

	2022 £'000	2021 £'000
Pattern of recognition		
Recurring revenue	**2,4579**	23,101
One off revenue	**979**	929
	25,558	24,030

Goods and services transferred over time represent 96% of total revenue (2021: 96%).

For 2022, revenue includes £2.7m (2021: £3.2m) 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 contacts that are unsatisfied or partially unsatisfied as at 31 December 2022 are all expected to be recognised in 2022.

4 Profit on ordinary activities before taxation

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

	2022 £'000	2021 £'000
Research and development expense	**750**	725
Rentals under operating leases:		
Other operating leases	**40**	16
Land and buildings	**71**	81
Depreciation on property, plant and equipment, owned	**122**	177
Depreciation on property, plant and equipment, leased	**133**	133
Share based payments expense	**(1)**	515
Expected credit loss charge	**20**	(78)
Difference on foreign exchange	**(24)**	(20)
Marketing support adjustment	**1,560**	1,948
Auditor services:		
Fees paid to Company auditor for the audit of the financial statements	**36**	15

Quartix Technologies 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. For full disclosure of the share options and share based payment charges, refer to the consolidated financial statements of Quartix Technologies plc.

The number of equity-settled options outstanding at the end of the year in respect of Company employees were 805,063 (2021: 737,930).

5 Employee remuneration

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

	2022 £'000	2021 £'000
Wages and salaries	**6,426**	5,778
Social security costs	**812**	637
Contributions to defined contribution pension plan	**190**	147
Share-based payments	**(1)**	515
	7,427	7,077

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

2022	2021
181	172

6 Directors' remuneration

	2022 £'000	2021 £'000
Wages and salaries	**1,059**	753
Contributions to defined contribution pension plan	**26**	15
Remuneration	**1,085**	768

The highest paid Director received remuneration of £234k (2021: £170k).

Eight directors were members of the NEST pension arrangements in 2022 (2021: 6). No Director was a member of any other pension scheme or other post-employment benefit to which the Company contributed to either the current or the prior years.

For 2022 there was a performance related bonus scheme for four Directors, payable following the publication of the Quartix Technologies plc financial statements in 2022 (2021: Four). During 2022, no Directors exercised any share options. Details of Directors' share options are included in the Directors' Remuneration Report section of the Annual Report available on Quartix Technologies plc's website (2021: 3 Directors).

7 Interest receivable and similar income

	2022 £'000	2021 £'000
Bank interest receivable	**7**	-
Interest from Group undertakings	**66**	27
	73	27

The Company has a loan with a fellow subsidiary undertaking, Quartix Inc, on which interest is charged at 1.75% per quarter.

8 Interest payable

	2022 £'000	2021 £'000
Lease interest expense	**31**	23

9 Tax on profit on ordinary activities

Analysis of tax charge in the year	2022 £'000	Restated 2021 £'000
Current tax		
UK corporation tax charge on profit for the year	**1,139**	461
Adjustments in respect of prior periods	**57**	(3)
	1,196	458
Deferred tax (see note 19)		
Origination and reversal of timing differences	**(364)**	3
Adjustments in respect of prior periods	**-**	-
Total deferred tax	**(364)**	3
	832	461

The lower effective tax rate is mainly driven by 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% (2021: 19.00%) 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:

	2022 £'000	2021 £'000
Profit on ordinary activities before tax	**5,127**	4,148
Tax rate (%)	**19.00**	19.00
Expected tax expense	**974**	789
Adjustments to tax charge in respect of prior periods*	**57**	(3)
Expenses not deductible for tax purposes	**2**	4
French branch differential tax rate	**-**	13
Research and development tax credit	**(185)**	(152)
Patent box credit	**(29)**	(116)
Re-measurement of deferred tax	**21**	(7)
Tax adjustment on exercise of options	**(8)**	(67)
Tax on profit on ordinary activities	**832**	461
Effective rate of tax	**16.2%**	11.1%
*Effective rate of tax ignoring adjustments in respect of prior years'	**15.1%**	11.2%

The March 2022 budget proposed an increase in the main rate from 19% to 25% for companies with profits of £250,000 and over for the financial year beginning 1 April 2023.

10 Tangible assets

	Leasehold properties £'000	Office equipment £'000	Motor vehicles £'000	**Total £'000**
Cost				
At 31 December 2021	870	1,453	76	**2,399**
Additions	-	67	105	**172**
Disposals	(26)	(677)	(16)	**(719)**
At 31 December 2022	844	843	165	**1,852**
Depreciation				
At 31 December 2021	189	1,232	26	**1,447**
Charge for year	102	121	32	**255**
On disposals	(22)	(650)	(17)	**(689)**
At 31 December 2022	269	703	41	**1,013**
Net book value				
At 31 December 2022	575	140	124	**839**
At 31 December 2021	681	221	50	**952**

11 Stocks

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

	2022 £'000	2021 £'000
Raw materials	**1,385**	1,001
Work in progress	**285**	161
Finished goods	**320**	168
	1,990	1,330

Included in the analysis above are impairment provisions against stocks amounting to £119k (2021: £124k). The cost of vehicle tracking units are recognised as an expense and included in "cost of sales" amounted to £2.1m (2021: £2.1m).

12 Contract cost assets

Contract cost assets represents the costs incurred at the inception of a contract, that are directly incidental to the contract. The costs are recognised on a straight-line basis over the contract term, 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:

Contract asset costs are presented in the statement of financial position as follows:

	2022 £'000	Restated 2021 £'000
Current contract cost assets	**3,258**	2,835
Non-current contract cost assets	**785**	645
Total contract cost assets	**4,043**	3,480

12 Contract cost assets (continued)

Contract cost assets comprises the following cost categories:

	2022 £'000	Restated 2021 £'000
Equipment hardware	**1,788**	1,447
Commissions	**1,261**	1,127
Installation	**806**	738
Carriage	**188**	168
	4,043	3,480

- Equipment cost relates to the tracker unit hardware that customers need to install in their vehicles and are a prerequisite to enable Quartix to capture the data on the vehicle, in order to deliver the data services.
- Commissions incurred in winning customer contracts. The Company has capitalised commission costs since 2019.
- Installation costs for tracker unit hardware relating to new unit subscriptions.
- Carriage costs associated with the delivery of equipment hardware for new unit subscriptions.

The amortisation of the Company's contract cost assets are attributable solely to the satisfaction of performance obligations. The increase in contract costs assets was due to both the growth in new unit subscriptions and the increase in equipment hardware costs.

	2022 £'000	Restated 2021 £'000
Contract costs assets at 1 January	**3,480**	3,363
Contract costs assets amortised in the period	**(4,334)**	(4,238)
Contract costs capitalised in the period	**4,897**	4,355
Contract costs assets at 31 December	**4,043**	3,480

13 Debtors

	2022 £'000	2021 £'000
Trade debtors	**2,973**	2,461
Amounts owed by Group undertakings	**1,109**	1,770
Other debtors	**4**	15
Prepayments and accrued income	**310**	282
	4,396	4,528

All the amounts are due within in year. Trade debtors 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. The expected credit loss for trade receivables at 31 December was determined as follows:

	2022 £'000	2021 £'000
Loss allowance at 1 January	**135**	214
Increase/(Decrease) in loss allowance	**20**	(79)
Loss allowance at 31 December	**155**	135

13 Debtors (continued)

As explained in note 25, the Company's trade debtors 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:

	2022 £'000	2021 £'000
Not more than 1 month	**368**	300
More than one month but not more than 3 months	**364**	73
More than 3 months but not more than 6 months	**-**	-
	732	373

14 Cash and cash equivalents

Cash and cash equivalents included the following components:

	2022 £'000	2021 £'000
Cash at bank and in hand	**4,505**	5,217

Since August 2020, the Company has placed deposits in HSBC UK Bank plc money market deposit accounts earning interest ranging from 0.01%-0.09%. At 31 December 2022, HSBC deposits were nil (2021: £0.3m).

15 Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	**1,833**	1,594
Contract liabilities (see note 16)	**3,041**	2,794
Social security and other taxes	**715**	616
Current tax liabilities	**950**	121
Other creditors	**67**	113
Provisions (see note 17)	**94**	130
Lease liabilities (see note 18)	**131**	113
Accruals	**529**	502
	7,360	5,983

16 Contract liabilities

	2022 £'000	2021 £'000
Deferred insurance tracking data services income	**113**	272
Deferred fleet tracking data services income	**2,928**	2,522
	3,041	2,794

Deferred tracking data services income represents customer payments received in advance of performance (contract liabilities) that are expected to be recognised as revenue in future years, 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.

16 Contract liabilities (continued)

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.

	2022 £'000	2021 £'000
Contract liabilities at 1 January	**2,794**	3,330
Contract liabilities released to revenue in the period	**(2,717)**	(3,200)
Contract revenue deferred in the period, net of releases in the period	**2,964**	2,664
Contract liabilities at 31 December	**3,041**	2,794

17 Provisions

All provisions are considered current. The carrying amounts and the movements in the provision account are as follows:

	2022 £'000	2021 £'000
Carrying amount at 1 January	**130**	193
Amount released	**(36)**	(63)
Carrying amount at 31 December	**94**	130

The provision relates to standard or extended warranties for which customers are covered for the cost of repairs or replacement units as appropriate.

18 Lease liabilities

The Company has leases for the property it occupies and motor vehicles. With the exception of short-term leases, each lease is reflected on the balance sheet as a right of use asset and a lease liability. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment for presentation purposes.

Included in the net carrying amount and depreciation provided for in the year of property, plant and equipment (note 10) are right-of-use assets as follows:

	2022	2021
Right-of-use assets carrying amounts:	**£000**	£000
Property	**573**	675
Motor Vehicles	**124**	50
Total	**697**	725
Deprecation:		
Property	**101**	115
Motor Vehicles	**32**	18
Total	**133**	133

Lease liabilities are presented in the statement of financial position as follows:

	2022 £'000	2021 £'000
Current lease liability	**131**	113
Non-current lease liability	**617**	650
Total lease liability	**748**	763

Total cash outflow in the year from repaying lease liabilities was £151k (2021: £166k).

18 Lease liabilities (continued)

Each lease imposes a restriction that the right-of-use asset can only be used by the Company. Some leases have a break clause; however, the majority are either non-cancellable or may only be cancelled by incurring a substantial termination fee.

The Company is prohibited from selling or pledging the underlying leased assets as security. For the property leases, the Company must keep the property in a good state of repair and return the properties in their original state at the end of the lease. Furthermore, the Company must insure items of property, plant and equipment and incur maintenance fees on such item in accordance with the lease contracts.

Future minimum lease payments were as follows:

	Minimum lease payments due			
	Within 1 year	**1 to 5 years**	**After 5 years**	**Total**
31 December 2022	£000	£000	£000	£000
Lease payments	160	491	207	858
Finance charges	(29)	(70)	(11)	(110)
Net present value	**131**	**421**	**196**	**748**
31 December 2021				
Lease payments	143	440	313	896
Finance charges	(30)	(82)	(21)	(133)
Net present value	113	358	292	763

Lease payments not recognised as a liability:

The Company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or low value leases. Payments made under such leases are expensed on a straight-line basis.

The expense relating to payments not included in the measurement of the lease liability at 31 December 2022 was £111k (2021: £97k) (see note 4). At the year end the Company was committed to short-term and/or low value leases and the total commitment at that date was £10k (2021: £52k)

19 Deferred taxation

Deferred taxation is made up as follows:

	2022	Restated 2021
	£'000	£'000
Accelerated capital allowances	**(55)**	(37)
Short term temporary differences	**(59)**	(553)
Equity settled share options	**21**	133
Deferred tax asset	**(93)**	(457)

	2022	2021
	£'000	£'000
At 1 January asset	**(457)**	(425)
Credit for year (profit and loss)	**364**	(4)
(Charge)/Credit to equity	**-**	(28)
At 31 December asset	**(93)**	(457)

19 Deferred taxation (continued)

At 31 December 2022, there was no movement in the deferred tax asset for equity settled share options. There was no excess at 31 December 2022 following the exercise of options during the year. At 31 December 2021, there was a charge of £28k , being the release of the amount by which the expected future tax deduction exceeds the cumulative share-based payment expense recognised at 31 December 2021.

20 Share capital

	2022 £'000	2021 £'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

21 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.

22 Related party disclosures

The Company has taken advantage of the FRS 101 exemption not to disclose transactions with its Parent Company, Quartix Technologies plc and its fellow subsidiary company, Quartix Inc. There were no other related party transactions during the year ended 31 December 2022 or 31 December 2021.

23 Purchase commitments and contingent liabilities

Quartix Limited has signed agreements with suppliers which commits it to purchase stock to the value of £1.2m (2021: £1.3m).

There were no other contingent liabilities at 31 December 2022 and none as at 31 December 2021.

24 Capital commitments

The Company had no capital commitments at 31 December 2022 and none as at 31 December 2021.

25 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:

	2022 £'000	2021 £'000
Loans and debtors		
Trade and other debtors	**4,094**	4,243
Cash at bank and in hand	**4,505**	5,217
	8,599	9,460

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 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 2022, the Company purchased about $2.0m of dollar currency, primarily to purchase components for vehicle tracking units (2021: $2.1m)

25 Risk management objective and policies (continued)

Currency risk (continued)

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 denominated in foreign currencies were:

		2022			2021	
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
	US$	**€**	**zł**	US$	€	zł
Cash in hand and at bank	**344**	**996**	**(1)**	249	996	-
Trade debtors	**-**	**921**	**4**	-	592	2
Trade creditors	**(433)**	**(675)**	**-**	(356)	(431)	-
	(89)	**1,242**	**3**	(107)	1,157	2

It is estimated that a 5% strengthening of Pound Sterling to the US dollar would have increased net profit by £79,000 and vice versa (2021: £73,000). (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 £15,000 and vice versa (2021: £59,000).

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:

	2022	2021
	£'000	£'000
Trade creditors and accruals		
Within six months	**2,362**	2,096

26 Ultimate parent company and control

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

27 Post balance sheet events

At 31 December 2022, there were no post balance sheet events to report.

28 Explanation of change in accounting policy relating to IFRS 15

As highlighted in note 1, the Company has decided to change its accounting policy in relation to costs in obtaining customer contracts. For many years the Company has applied a very conservative accounting policy of immediately expensing hardware and associated installation and carriage costs. The new policy recognises these incremental costs over their expected contract term, on a systematic basis that more accurately reflects the revenue stream generated by them. The capitalisation and subsequent amortisation of the incremental costs will be more aligned to the core principles in IFRS 15 and make the reported EBITDA more comparable with that reported by companies with a similar business model. As a consequence of this policy change, the financial statements have been restated to 1 January 2021.

As at 1 January 2021, the restatement of the Company's net assets was an increase of £1,681,000 to £8,347,000 from the inclusion of a contract cost assets of £2,241,000 under IFRS 15, being previously recognised as equipment, installation and carriage costs incurred at the inception of the customer contract and now being recognised over the contractual period, net of a deferred tax liability of £560,000.

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

A Consolidated Statement of Financial Position

1 January 2021	As previously reported £'000	Adjustments £000	As Restated £'000
Deferred tax assets	135	(135)	-
Contract cost assets	1,122	2,241	3,363
Other assets	13,880	-	13,880
Total assets	15,137	2,106	17,243
Deferred tax liabilities	-	(425)	(425)
Other liabilities	(8,471)	-	(8,471)
Total liabilities	(8,471)	(425)	(8,896)
Retained earnings	5,588	1,681	7,269
Other	1,078	-	1,078
Total Equity	6,666	1,681	8,347

31 December 2021	As previously reported £'000	Adjustments £000	As Restated £'000
Deferred tax assets	131	(131)	-
Contract cost assets	1,127	2,353	3,480
Other	12,027	-	12,027
Total assets	13,285	2,222	15,507
Deferred tax liabilities	-	(457)	(457)
Other	(6,633)	-	(6,633)
Total liabilities	(6,633)	(457)	(7,090)
Retained earnings	5,464	1,765	7,229
Other	1,188	-	1,188
Total Equity	6,652	1,765	8,417

The split of the contract cost assets between current assets and non-current assets has been disclosed in note 12.

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

B Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021	As previously reported £'000	Adjustments £000	As Restated £'000
Revenue	24,030	-	24,030
Cost of sales	(7,137)	112	(7,025)
Other expenses	(12,857)	-	(12,857)
Tax expense	(433)	(28)	(461)
Net profit	3,603	84	3,687
Other comprehensive income	(63)	-	(63)
Total Comprehensive income	3,540	84	3,624