Quartix

Real-Time Vehicle Tracking

Quartix Technologies plc
Annual Report 2022

Contents

Company Information

Company registration number:	06395159
Registered office:	Sheraton House Castle Park Cambridge CB3 0AX
Directors:	Paul Boughton Richard Lilwall Emily Rees Laura Seffino Andrew Walters David Warwick Russell Jones (appointed 20 December 2022)
Company secretary:	Emily Rees
Bankers:	HSBC Bank Plc 63-54 St Andrews Street Cambridge CB2 3BZ
Solicitors:	HCR Hewitsons 50-60 Station Road Cambridge CB1 2JH
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Nominated advisor and broker:	finnCap One Bartholomew Close, London, EC1A 7BL

Highlights

Quartix is one of Europe's leading suppliers of subscription-based vehicle tracking systems, analytical software and services.

Restatement of comparatives

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 on page 58).

Financial highlights

- Group revenue increased by 7.9% to £27.5m (2021: £25.5m)
    - Fleet revenue increased[1] by 12.3% to £26.7m (2021: £23.8m)
    - Fleet revenue represented 97.0% of total revenue (2021: 93.1%)
    - Insurance revenue[2] decreased by 52.5% to £0.8m (2021: £1.8m)
- Adjusted EBITDA[3] increased by 3.6% to £6.1m (2021: £5.8m)
- Operating profit increased by 2.4% to £5.6m (2021: £5.4m)
- Profit before tax increased by 2.4% to £5.5m (2021: £5.4m)
- Adjusted diluted earnings per share[4] grew by 1.52p to 10.88p (2021: 9.36p), diluted earnings per share also increased to 10.38p (2021: 10.25p)
- Free cash flow[5] increased by 16.0% to £3.8m (2021: £3.3m)
- Final proposed dividend payment of 6.30p per share (2021: 7.00p) including 3.85p for supplementary dividend (2021: 5.10p) giving a total dividend for the year of 7.80p per share

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[1] Fleet Revenue (See Strategic Report: Financial Review, Financial Overview)
[2] Insurance revenue (see Strategic Report: Financial Review, Financial Overview)
[3] Earnings before interest, tax, depreciation, amortisation, share based payment expense and adjustments (see note 4)
[4] Diluted earnings per share before adjustments (see Strategic Report: Financial Review, Financial Overview and note 10)
[5] Cash flow from operations after tax and investing activities

Outlook

Quartix has seen a strong start to 2023, with new installations in January ahead of the same period in 2022; however the Company notes that this may not extrapolate to Q1 year on year performance due to an exceptionally higher March 2022 performance.

Principal activities and performance measures

The Group's main strategic objective is to profitably grow its fleet subscription base and develop the associated annualised recurring revenue.

Annualised recurring revenue (see definition in KPI table below), when measured in constant currency year on year, is the most significant forward-looking key performance measure and it is pleasing that it grew by £2.6m to £27.3m at 31 December 2022.

The Key Performance Indicators used by the Board to assess the performance of the business are listed below and discussed in the Chairman's Statement and Strategic Report.

Key Performance Indicators ("KPIs")

Year ended 31 December	**2022**	2021	% change
Fleet subscriptions[1] (new units)	**60,809**	50,765	19.8
Fleet subscription base[2] (units)	**235,510**	202,734	16.2
Fleet customer base[3]	**25,342**	22,668	11.8
Fleet gross attrition[4] (%)	**12.8**	11.6	
Annualised recurring revenue[5] (£'000)	**27,282**	24,644	10.7
Fleet invoiced recurring revenue[6] (£'000)	**25,446**	22,506	13.1
Fleet revenue[7] (£'000)	**26,680**	23,752	12.3
Price erosion[8] (%)	**4.7**	6.2	

[1] New vehicle tracking unit subscriptions added to the subscription base before gross attrition
[2] The number of vehicle tracking units subscribed to the Group's fleet tracking services, including units waiting to be installed for which subscription payments have started or are committed
[3] The number of customers associated with the fleet subscription base
[4] The number of new vehicle tracking unit subscriptions, less the increase in subscription base, expressed as a percentage of the mean subscription base
[5] Annualised data services revenue for the subscription base at the year end, before deferred revenue, including revenue for units waiting to be installed for which subscription payments have started or are committed, all measured in constant currency
[6] Invoiced subscription charges before provision for deferred revenue
[7] Total Fleet revenue (see Strategic Report: Financial Review, Financial Overview)
[8] The annual decrease in average subscription price of the base expressed as a percentage of the average subscription price at the start of the year, all measured in constant currency

Principal activities and performance measures (continued)

For many years the Group has applied a very conservative accounting policy of immediately expensing hardware and associated installation and carriage costs. The Group has implemented a new policy in 2022 which recognises these incremental costs over their expected initial contract term (typically 2 years), 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.

The impact of this change in 2022 is to increase adjusted EBITDA for the year ended 31 December 2022, compared with previous reporting methodology, by £0.4m (see Strategic Report: Financial Review, Financial Overview and note 33).

This approach will simplify the presentation of the Group's results. Previously, the Group included an additional voluntary disclosure, separating customer acquisition cost, being the investment for new customer contracts, and Fleet telematics services, for recurring revenue and repeat contracts with existing customers, in order to highlight the different costs structures within the business. Following the change in accounting policy this analysis is no longer considered necessary. However, overheads on the face of the Consolidated Statement of Comprehensive Income have been split between Sales & Marketing expenses and Administration expenses, with Sales & Marketing expenses including the costs of customer acquisition being the investment in marketing expenditure and payroll costs for the sales teams.

Chairman's Statement

Introduction

The Company made further incremental investments in its sales and marketing channels during 2022 to drive further growth in ARR and the subscription base, following the successful investment made in 2021. As noted in the Principal activities and performance measures section above, the annualised recurring revenue increased by £2.6m, at a constant currency rate, to £27.3m at 31 December 2022. Revenue grew by 7.9% during the year, in line with the growth in the Annualised Recurring Revenue of the subscription base. While fleet revenue grew by 12.3%, this was partially offset by the continual decline in the remaining insurance revenue, which was mainly deferred insurance revenue with very high profit margin that will not re-occur in 2023.

Group gross attrition marginally increased to 12.8% (2021: 11.6%) but is still considered low by industry standards. Price erosion reduced to 4.7% (2021: 6.2% in constant currency). Our installed base grew by 16.2% to exceed 235,000 units, and the customer base exceeded 25,000 customers at year end.

Each geographical market registered increases in both new subscriptions and in the subscription base for the year. In the UK, our most mature market, we were pleased to see double-digit growth in new subscriptions of 12.0% (2021: 5.9%).

New unit installations growth was very impressive in France, driven by the continuing expansion of the direct field sales team. French revenue increased by 22.6% to €6.3m (2021: €5.1m), ending the year with 52,604 vehicles under subscription (2021: 40,343) across 6,935 fleet customers (2021: 5,479).

US new vehicle subscriptions continued to grow, albeit at a slower rate, with staff changes in H1 impacting growth as the Company focussed on performance improvement, along with re-evaluating the US expansion plan. The Company completed the year with 30,800 vehicles under subscription (2021: 27,912) across 4,038 fleet customers (2021: 3,860), and revenue increased by 12.0% to $4.0m in 2022 (2021: $3.6m).

The Group continued to make progress in its other European territories, achieving excellent results, albeit from a lower base, ending the period with a subscription base of 15,592 vehicles (2021: 9,563) across 2,943 fleet customers (2021: 2,026).

Results

Group revenue for the year increased by 7.9% to £27.5m (2021: £25.5m). Total fleet revenue increased by £2.9m and represented 97.0% of total revenue (2021: 93.1%).

Both operating profit and profit before tax for the year increased to £5.6m (2021: £5.4m) and £5.5m (2021: £5.4m) respectively. However, the underlying increase was £0.8m (16.0%) when excluding the impact of the re-estimate of the provision for the swap out of 3G units in the USA (see below) and the two cost-of-living payments which the Board chose to pay, the first being in October 2022 and the second in January 2023 (see note 4).

Results (continued)

There was a £0.5m increase in Sales & Marketing expenses to £6.4m in 2022, due to the investment in customer acquisition to accelerate growth in the business.

Cash conversion strengthened slightly with a £0.3m reduction in corporation tax payments, resulting in free cash flow, cash flow from operations after tax and investing activities, of £3.8m (2021: £3.3m). Net cash decreased to £5.1m at 31 December 2022 (2021: £5.4m), following the payment of an interim dividend in 2022 and a final and supplementary dividend for 2021 paid in 2022, totalling £4.1m.

A provision of £1.6m was recognised in 2020 for the replacement of a large proportion of the US installed base of tracking systems. This was as a result of the sunsetting of the 3G mobile network in the US, being replaced by 4G networks. By the end of 2022, Quartix had completed approximately 69% of the total units to be replaced, with the last replacements now focusing on Quartix's smallest customers. The spend in 2022 was approximately £0.6m, and the Group expects the remaining swap outs to be completed in early 2023, with a forecast cash requirement of £0.5m.

Earnings per share

Basic earnings per share increased by 1.0% to 10.42p (2021: 10.32p). Diluted earnings per share increased to 10.38p (2021: 10.25p). The adjusted diluted earnings per share, which is calculated by adding back the cost of the replacement of 3G units and the cost-of-living payments incurred in 2022, was 10.88p (2021: 9.36p).

Dividend policy

Our ordinary dividend policy is to pay a dividend set at approximately 50% of cash flow from operating activities, which is calculated after taxation paid but before capital expenditure.

In addition to this the Board will distribute the excess of gross cash balances over £2m on an annual basis by way of supplementary dividends, subject to a 2p per share de minimis level.

The surplus cash is calculated using the year end gross cash balance and after deduction of the proposed ordinary dividend and is intended to be paid at the same time as the final dividend. The policy will be subject to periodic review.

Dividend

In the year ended 31 December 2022, the Board decided to pay an interim dividend of 1.50p per ordinary share. This totalled £0.7m and was paid on 9 September 2022 to shareholders on the register as at 12 August 2022.

The Board is recommending a final ordinary dividend of 2.45p per share, together with a supplementary dividend of 3.85p per share, giving a final payment of 6.30p per share and a total dividend for the year of 7.80p per share, in line with the Company's dividend policy.

The final and supplementary dividend amounts to approximately £3.0m in aggregate. Subject to the approval at the forthcoming AGM, this aggregate dividend of 6.30p per share will be paid on 28 April 2023 to shareholders on the register as at 31 March 2023. The ex-dividend date is therefore 30 March 2023.

Outlook

The Group has made a strong start to the year, with new installations in January ahead of the same period in 2022; however the Company notes that this may not extrapolate to Q1 year on year performance due to an exceptionally higher March 2022 performance.

Adjustments to future projected results from 2023 onwards will be required as a result of the change in accounting policy in 2022.

Given the success that Quartix has achieved in its core fleet markets, and considering the broader market opportunity available to it, the Group intends to continue to invest a proportion of its gross profits on sales and marketing to further develop the profitable subscription platform it has created by accelerating growth in its fleet subscription base.

In 2022, Quartix finalised two value-adding features to its existing analytical software offerings, the first, EVolve, uses fleet analytics to assess migration opportunities to all-electric vehicle fleets. The second, Quartix Check, is a "walk-around" vehicle condition monitoring tool. Adoption of EVolve, following its launch, has been very encouraging, from both existing and new customers. Quartix Check was completed towards the end of 2022, and has been recently launched and has shown strong initial interest. The focus in 2023 will be on upselling these products for both new customers and into the existing customer base.

In the US, Quartix has recruited 2 field sales executives based in Texas who will focus on new unit subscription growth in Texas. In addition, the Group is seeking to increase the direct sales team and comparison sales team who service the US market to further increase new unit subscriptions. At the same time, the Group have implemented new processes to improve sales efficiency in the US.

AGM

The Group's AGM will be held at 11.00 a.m. on 24 March 2023 at The Trinity Centre in the Science Park on Milton Road, Cambridge, CB4 0FN.

Paul Boughton
Chairman

Strategic Report: Operational Review

Strategy and business model

The Group's main strategic objective is to grow its fleet subscription platform profitably and develop the associated recurring revenue. This strategy is based on 5 key elements, which were first highlighted in the 2018 Annual Report. We are pleased to be able to report significant progress in each area, as summarised below:

1. *Market development*: Quartix will continue to focus on fleet markets, exploring further opportunities within both new and existing markets, while also introducing added value developments.
2. *Cost leadership:* We continue to seek improvements in the efficiency of the sales cycle and to review product and overhead costs in order to identify further operational efficiencies. The Group has benefitted from improvements to internal processes following scalability reviews.
3. *Continuous enhancement of the Group's core software and telematics services:* Quartix has an ongoing extensive modernisation program of its core software and telematics code, both from a technology and user experience perspective. These enhancements help improve the customer experience as well as increase the efficiency of its support operation. 2022 also saw the finalisation of Quartix Check that will be an upsell option to all customers in 2023 and beyond.
4. *Outstanding service:* Quartix maintained its excellent reputation with its fleet customers throughout the year, consistently being rated as "excellent" by TrustPilot users. Changes to the support and service processes during the year have realised benefits that have kept gross attrition at a steady level and contributed to a Gold in the 2022 Investors in Customers survey, which recognises truly excellent service.
5. *Standardisation and centralisation:* the expansion into European markets has been achieved by staff based from the Group's principal operational office in Newtown and from local sales staff in France recruited directly to support European growth (see Capacity for future growth section below). US support and service functions continued to be performed from the UK.

Our fleet customers typically use the Group's vehicle telematics services for many years following an initial contract, resulting in low rates of gross attrition. Accordingly, the Group focuses its business model on the development of subscription revenue, providing the best return to the Group over the long term.

The number of vehicles connected to our subscription platform and the value of recurring subscription revenue derived from it are the key measures of our performance in the fleet sector. As noted in the Principal activities and performance measures section, the annualised recurring revenue increased by £2.6m, at a constant currency rate, to £27.3m at 31 December 2022.

The Group has focused over the past six years on growth in its fleet operations resulting in an increasing proportion of total revenues:

	2022	2021	2020	2019	2018	2017
Fleet revenue %	**97.0**	93.1	85.4	81.2	73.2	69.4

People

We take pride in the level of service we provide, and it is gratifying to see that fleet customers consistently provide us with excellent reviews – both in person and on third-party sites such as TrustPilot. The Group's gross attrition increased to 12.8%, which Quartix believes is still below the industry average.

These service achievements are a reflection of the teamwork, creativity and dedication of our people and a testament to how seriously we take our commitment to providing the best experience for our customers. Following the 2022 Investors in Customers survey, Quartix received a Gold Award, which is a testimony to our excellent customer service. Our financial performance derives from the customer service we deliver, backed by the technology we develop. The Board would like to register its personal thanks to every one of our employees who made 2022 another great year for Quartix.

Operational performance

All of our business operations continued to perform at a high level in 2022. Gross margin decreased to 71.6% (2021: 73.5%), however excluding the profit and loss impact of the 3G swap provision in both years the gross margin has remained constant at 72%. Additional spend on sales teams led to an increase of £0.5m in Sales & Marketing expenses.

Cash conversion strengthened marginally, due to a reduction in corporation tax payments. Cash flow from operations represents 75.1% of profit for the year (2021: 73.0%).

Working capital management is more challenging with the inflationary pressure on global economies. Trade debtors at the year-end were equivalent to 38 days of sales (2021: 34). Inventory levels increased significantly by 49.5% compared to prior year levels, as a result of management's decision to increase stock holding to address component shortage and due to the increasing number of 4G compatible units in anticipation of the transition to 4G in both the US and Europe. A key focus of 2023 is to start to reduce component stock held in the business as the component shortage starts to improve in the wider market.

Fleet

Our core fleet business delivered excellent progress in a further year of investment. There was particularly strong growth in the subscription base for France and the new European territories, such that the installed base now exceeds 235,000 units.

During the course of the year, we won 6,527 new fleet customers (2021: 5,868). Sales leads continued to be generated and converted through a broad range of media and channels and investments have been made in marketing, technology, processes and training, adding automation wherever possible.

Sales & Marketing expenses, being essentially the total investment in fleet customer acquisition, increased by £0.5m to £6.4m in 2022 (2021: £5.9m). This investment will continue in 2023 as we develop our business across each of our markets, thereby increasing recurring revenues.

Fleet (continued)

	Subscription Base	New subscriptions	Customers	New Customers
United Kingdom				
2022	136,514	26,363	11,426	1,523
2021	124,916	23,535	11,303	1,702
Change	11,598	2,828	123	(179)
France				
2022	52,604	17,094	6,935	2,304
2021	40,343	12,054	5,479	1,661
Change	12,261	5,040	1,456	643
Other European Territories				
2022	15,592	8,264	2,943	1,487
2021	9,563	6,185	2,026	1,256
Change	6,029	2,079	917	231
USA				
2022	30,800	9,088	4,038	1,213
2021	27,912	8,991	3,860	1,249
Change	2,888	97	178	(36)

UK

UK fleet revenue was £16.9m (2021: £16.2m). The strength of our brand, service capability and reputation in the UK is leading to higher levels of enquiries from larger fleet prospects.

Our UK website continued to perform well in terms of enquiries, and we continued to add new content to it.

The Group increased UK field sales capacity which has contributed to the increase in UK revenue in 2022.

France

French fleet revenue increased by 22.6% to €6.3m (2021: €5.1m), making a valuable contribution to the Group. We saw significant growth in new installations as a result of the continuing expansion of the sales team, including the French field sales team which targets customers who have larger fleets, with 50 or more vehicles.

New European territories

Spain, Germany and Italy achieved excellent results, albeit from a much lower base, and the Group will increase investment in these territories in 2023.

Fleet (continued)

USA

Trading in the USA progressed albeit at a slower rate, with a 12.0% increase in fleet revenue to $4.0m (2021: $3.6m) as a result of staff changes in H1 impacting growth as the Company focussed on performance improvement, along with re-evaluating the US expansion plan.

US 3G swap out

In 2020, the Group made a provision of £1.6m for the replacement cost of a large proportion of the US installed base of tracking systems as a consequence of the sunsetting of the 3G mobile network in the US, being replaced by 4G networks. The transition from 3G has taken longer than expected and by the end of 2022, it had completed approximately 69% of the total units to be replaced, with the last replacements now focussing on Quartix's smallest customers. The spend in 2022 was approximately £0.6m, and the Group expects the remaining swap outs to be completed in early 2023, with a forecasted cash requirement of £0.4m.

Research and development

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

Sustainability and Environmental, Social, and Governance ("ESG") matters

The Board is aware that investors are increasingly applying non-financial factors, such as ESG matters, as part of their analysis process to identify material risks and growth opportunities. Being part of an ethical, purpose driven business increasingly matters more to our people, our shareholders and our business partners.

Software companies such as Quartix have a central role in the transition to a low carbon economy and a more sustainable future. We are essentially a non-emitting and limited-consuming business and the Board believes our limited use of carbon energy is largely offset by the savings that we achieve for our customers in reduced fuel consumption and other efficiencies in vehicle fleet management.

Quartix was granted the London Stock Exchange's "Green Economy Mark", which champions pioneering London-listed companies driving growth in the global green economy. To qualify, companies must generate at least 50% of their total annual revenue from products and services that significantly contribute towards the transition to a low carbon economy. The Mark was received due to analytics from an external consultancy firm and evidence from our customers, that fleet vehicle tracking and analytics changes driver behaviour and results in a reduction of between 10~25% in fuel consumption.

Following the appointment of Russell Jones as a Non-Executive Director in December 2022, he will take over from Andrew Walters as Chair of the ESG Committee. Russell will be continuing our sustainability review started in 2022, in order to better understand our environmental impact and to prioritise areas for action. In addition, the ESG Committee will be assessing our performance in Social and Governance matters, where we believe that Quartix already conforms to current best practice in most areas, and in 2022 the ESG Committee have opted to voluntarily report on Scope 1 and Scope 2 emissions (See page 39).

Capacity for future growth

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

In the UK, the Group 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.

In the US, Quartix has recruited 2 field sales executives based in Texas who will focus on new unit subscription growth in Texas. In addition, the Group is seeking to increase the direct sales team and comparison sales team who service the US market to further increase new unit subscriptions. At the same time, the Group have implemented new processes to improve sales efficiency in the US.

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 Group has made a strong start to the year, with new installations in January ahead of the same period in 2022 however; the Company notes that this may not extrapolate to Q1 year on year performance due to an exceptionally higher March 2022 performance.

Richard Lilwall	**Emily Rees**
Chief Executive Officer	Chief Financial Officer

Strategic Report: Financial Review

Financial Overview

Year ended 31 December

£'000 (except where stated)	**2022**	Restated 2021	% change
Revenue			
Fleet	**26,680**	23,752	12.3
Insurance	**837**	1,761	(52.5)
Total	**27,517**	25,513	7.9
Gross profit before 3G swap out provision	**19,793**	18,323	8.0
Gross margin before 3G swap out provision	**71.9%**	71.8%	
Gross profit	**19,702**	18,753	5.1
Gross margin	**71.6%**	73.5%	
Operating profit	**5,553**	5,425	2.4
Operating margin	**20.2%**	21.3%	
Adjusted EBITDA (note 4)	**6,051**	5,841	3.6
Profit for the year	**5,041**	4,985	1.1
Earnings per share	**10.42**	10.32	1.0
Adjusted diluted earnings per share	**10.88**	9.36	16.2
Cash generated from operations	**4,170**	3,963	5.2
Operating profit to operating cash flow conversion	**75.1%**	73.0%	
Free cash flow	**3,790**	3,266	16.0

Revenue

Revenue increased by 7.9% to £27.5m (2021: £25.5m); the Group continues to replace insurance with higher quality fleet revenue that has lower gross attrition and a higher lifetime value.

Gross margin

Gross margin decreased to 71.6% in the year (2021: 73.5%). The prior year gross margin benefitted from a £0.4m release in the provision relating to the swap out of 3G units in the US, due to the reduction in the number of replacement units forecast at 31 December 2021.

Adjusted EBITDA

Adjusted EBITDA, increased to £6.1m (2021: £5.8m). As stated in the Principal Activities & Performance Measures section, the Company has implemented a new policy for 2022 which recognises equipment costs, carriage costs and installation costs as incremental costs over their expected contract term in an attempt to report results more comparable with that reported by companies with a similar business model. The growth of the business in 2022 is better demonstrated with the £0.3m increase in adjusted EBITDA under the new reporting methodology.

Financial Overview (continued)

Overheads

We continued to invest in our product offering, in our sales structure and in marketing, which led to an increase of 8.5% in Sales & Marketing expenses. The annualisation of the Executive Board salaries was the main driver for the 4.3% increase in administrative expenses.

Taxation

Our effective tax rate benefits from the Group's investment in research and development, UK patents and loss relief for the US business. The effective rate has increased from 7.7% in 2021 to 8.8% in 2022, as a result of lower patent relief available.

Statement of financial position

Property, plant and equipment, at £0.8m (2021: £1.0m), decreased largely due to the disposal of servers following the migration to Azure during 2022 and the decommissioning of a physical host site in the UK.

Contract cost assets at £4.3m (2021: £3.7m) in line with IFRS 15 'Revenue from Contracts with Customers' relate to equipment, installation and carriage costs of £3.0m (2021: £2.5m) under the adoption of the new accounting policy, and the commissions of £1.3m (2021: £1.2m), incurred in winning customer contracts already capitalised in the prior year accounting policy. All these costs are capitalised and are amortised through the profit and loss, over the contract term. Further details are included in note 14 and note 33 to the Financial Statements.

Inventories increased to £2.0m (2021: £1.3m) due to maintained buffer component stock lines and the increase in the variation of models with the transition to 4G. Cash at the year-end was £5.1m (2021: £5.4m), after the final and supplementary dividends for 2021, totalling £3.4m, and the interim dividend of £0.7m were paid during the year. Trade receivables increased to £3.7m (2021: £3.1m), due to both volume and increase in proportion of customers paying late with a trade receivables collection period increasing from 34 days to 38 days. Trade and other payables increased to £3.6m (2021: £3.2m), and provisions decreased from £1.0m to £0.5m due to utilisation (£0.6m) and re-estimate (offset of £0.1m) of the US 3G swap out provision.

Contract liabilities represent customer payments received in advance of satisfying performance obligations, which are expected to be recognised as revenue in future years. These increased to £3.5m in 2022 (2021: £3.2m) and are described further in note 19.

Cash flow

Cash generated from operations before tax at £4.2m was 75.1% of operating profit (2021: £4.0m, 73.0% of operating profit). Tax paid in 2022 was lower at £0.3m (2021: £0.6m), as a result cash flow from operating activities after taxation but before capital expenditure was £3.8m (2021: £3.3m).

Free cash flow, after capital expenditure and interest received, was £3.8m, an increase of 16.0% (2021: £3.3m). The translation of cash flow into dividends is covered in the Chairman's Statement.

Risk Management policies

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

Attracting and retaining the right number of good quality staff

The Group 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 Group 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 Group has a range of tailored incentive schemes to help recruit, motivate and retain top quality staff, which include the use of share options.

Reliance on Mobile To Mobile ("M2M") network

The Group'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 Group 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 Group is seeking to minimise through various technological and commercial means. All new units installed from 2023 onwards are 4G compatible products.

As described in the 2020 Financial Statements, Management anticipated the sunsetting of the 3G mobile network in the US to be finalised in 2022. This necessitated the replacement of a large proportion of the US installed base of tracking systems. By the end of 2022, Quartix had completed approximately 69% of the total units to be replaced, with the last replacements now focussing on Quartix's smallest customers.

Business disruption

Like any business the Group is subject to the risk of 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 Group may not be able to service its customers. Quartix has a Business Continuity plan and business interruption insurance to cover certain events to help mitigate these risks.

The Group 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 Group's subscription base and its ability to collect cash from its customers. The Group is reviewing it collection process and local representation to mitigate this risk.

As with other industries, there is a continuing risk of some short-term disruption to component supplies caused by global shortages. The Group is actively working with suppliers to manage this and has increased its buffer stock holding.

Risk Management policies (continued)

Cyber security

The Group needs to make sure its data is kept safe and that there is security of supply of data services to customers. The reputational and commercial impact of a security breach would be significant. To combat this, the Group has a security policy and prepares a security report which is reviewed by members of 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 and their applications to driverless cars. The Group 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.

Section 172 (1) Statement

In accordance with the Companies Act 2006 (Act), as amended by the Companies (Miscellaneous Reporting) Regulations 2018, the Directors provide this statement to describe how they have engaged with and had regard to the interest of our key stakeholders when performing their duty to promote the success of the Group, under Section 172 of the Act. The Directors consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in Section 172 of the Act) in the decisions taken during the year ended 31 December 2022.

Given the importance of our stakeholders and the impact they have on our strategy, reputation and the Group's long-term success, consideration has been given to them throughout the 2022 Annual Report and the table below identifies where they are discussed:

Section 172 responsibility	Where you can read more
The likely consequence of any decision in the long-term	Outlook on page 8, Strategic Report: Operational review: Strategy and business model page 9, Capacity for future growth page 13 Corporate Governance Report: section 1 page 23 and section 9 on page 32~34
The interests of the Group's employees	Strategic Report: Operational review: Strategy and business model page 9 Corporate Governance Report: Section 3 Page 25-26
The need to foster the Group's business relationships with suppliers, customers and others	Strategic Report: Operational review: Strategy and business model page 9 Financial Overview: Risk Management (M2M network and business disruption from coronavirus for example of working with suppliers and fostering customers) page 16~17. Corporate Governance Report: Section 3 Page 25-26
The impact of the Group's operations on the community and the environment	Our commitment to our stakeholders: page 13 The ESG report: page 39
The desirability of the Group maintaining a reputation for high standards of business conduct	Corporate Governance Report: Section 8 Page 31
The need to act fairly as between members of the Group	Corporate Governance Report: Shareholder engagement page 23

The Corporate Governance Code also highlights the importance of effective engagement with shareholders and other stakeholders. Engaging with our stakeholders and the issues that matter to them allows us to take more informed decisions and better identify the consequences of our actions on our stakeholders, whilst recognising that each decision will not always result in a positive outcome for each of our stakeholders. By having good governance procedures in place, the Board aims to make sure that its decisions maintain a high standard of business conduct.

Our commitment to our stakeholders

The following table sets out how we engage with our key stakeholders.

Our stakeholders	What has mattered to them this year?	Our response
Customers		The Board's main strategic objective is to grow its fleet subscription platform and develop the associated recurring revenue. This was supported by each of the following decisions/actions:
	Consistent quality service and support, to customers.	Providing data services consistently throughout the year, having invested in robust infrastructure. (See also employees).
	Innovation to support their business.	Prompt development response to product innovation. Timely development of new generation hardware to meet changing network requirements.
	Concerns about impact of network upgrades on services.	Clear communication, to each US customer impacted from 3G sunset, of the Board's swap out plans.
	Support during difficult trading conditions.	Contract variations to give financial flexibility to assist cashflows.
Employees	Great career in a positive and motivating work environment underpinned by a supportive culture.	Continuing to focus on developing culture that inspires and motivates staff. Encouraging and offering staff opportunities to progress within the business in new roles/departments, to seek to retain them for the long-term benefit of the business.
	Focus this year on team building and integration of teams working remotely.	Actions to retain and support staff included: • Whole Group overnight conference with presentations and communication sessions to inform and grow partnerships between teams. • Regular virtual senior management communication sessions to motivate, praise and engage staff. • Relationship building through team quizzes and fund-raising activities. • Mental health & wellbeing initiatives including an employee wellbeing solution which saw an improvement in engagement, motivation, teamwork and interaction.

		• Work and recommendations from Investors in Customers, where we were awarded Gold in January 2023
Suppliers: component suppliers, network providers, installation engineers, distributors, marketing support	Our Suppliers want us to be trustworthy and build long-term mutually beneficial relationships.	The Group actively looks to create long-term collaborative relationships with key suppliers. It is actively working with suppliers to manage the risk of some short-term disruption to component supply as the global economy recovers from the pandemic.
	Maintain our product and ethical standards across our supply chain.	The Group expects its suppliers and distributors to demonstrate a culture that reinforces ethical and lawful behaviours and periodically conducts inspection audits at the key assembler in China. Following the lifting of travel restrictions in China, we are planning an inspection in 2023.
Communities and the environment	Communities want us to act responsibly, to create employment locally to help their communities thrive and reduce environmental impact.	The more successful we can be as a business, the greater difference we can make to our communities. We encourage staff to engage with local charities and in 2021 introduced a Company donations policy. A number of successful fund-raising events were held during 2022 with good staff engagement. Vehicle tracking services generally impact driver behaviour and should have a positive impact on the environment. The Group 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, including adapting to environmentally driven changes to vehicles. The purpose of the new EVolve development is to assist customer and fleet managers to migrate to electric vehicles and their evaluation of the costs, savings and environmental benefits.
	We believe that sustainability and ESG matters, including climate change, are increasing in importance. The focus for 2023, will be to improve the Group's processes for capturing, measuring and reporting on its environmental impact.	A new appointment has been made at Board level to address ESG issues (see page 13).

Shareholders	The major areas raised include:	
	Communication.	The Board is committed to maintaining an appropriate level of communication with shareholders (see section 2 of the Corporate Governance Report) and has issued regular trading updates and held investor presentations and meetings throughout the year.
	Corporate governance topics, such as succession planning.	Changes in the Board that took place in December 2022, with the appointment of Russell Jones as an independent non-executive director and the announcement that Andrew Walters, founder director, will set down from the Board in Q1 2023. (See section 5 of the Corporate Governance Report).
	The composition of the shareholder base, and transferability of shares, the dividend policy.	The change in accounting policy in 2022, the capitalisation and subsequent amortisation of the incremental costs, will make the reported EBITDA more comparable with that reported by companies with a similar business model and potentially attract a wider shareholder base. Shareholder base composition communicated on the website. Clear communication of the dividend policy in the Annual Report and a consistency of approach other than in exceptional circumstances.

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

Emily Rees
Chief Financial Officer

The Strategic Report, comprising the Operational Review and Financial Review, was approved by the Board of Directors and signed on behalf of the Board on 24 February 2023.

Richard Lilwall
Chief Executive Officer

Corporate Governance Report

Chairman's Corporate Governance Statement

All members of the Board believe strongly in the value and importance of good corporate governance and in our accountability to all of Quartix's stakeholders, including shareholders, staff, customers and suppliers. In the statement below, we explain our approach to governance, and how the Board and its committees operate.

The corporate governance framework which the Group operates, including board leadership and effectiveness, board remuneration, and internal control is based upon practices which the Board believes are appropriate for the size, risks, complexity and operations of the business and is reflective of the Group's values. Of the two widely recognised formal codes, we have therefore decided to adhere to the Quoted Companies Alliance's (QCA) Corporate Governance Code for small and mid-size quoted companies (revised in April 2018 to meet the new requirements of AIM Rule 26).

The QCA Code is constructed around ten broad principles and a set of disclosures. The QCA has stated what it considers to be appropriate arrangements for growing companies and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures. We have considered how we apply each principle to the extent that the Board judges these to be appropriate in the circumstances, and below we provide an explanation of the approach taken in relation to each. The Board considers that it has complied with the principles of the QCA Code.

Roles and responsibilities of Chairman

Paul Boughton, the Non-Executive Chairman since November 2014, is responsible for running the Board and ultimately for all corporate governance matters affecting the Group. He is a chartered accountant and also chairs the Audit Committee. He is an experienced Executive and Non-Executive Director, having been on the Boards of 6 public listed companies, including Quartix.

The Chairman is responsible for leadership of the Board, setting its agenda and monitoring its effectiveness. He ensures effective communication with shareholders and that the Board is aware of the views of major shareholders. He ensures that the Executive Directors develop a strategy which is supported by the Board as a whole. The Executive Directors, through the Chief Executive Officer, are responsible for executing the strategy once agreed by the Board.

Board composition and compliance

The QCA Code requires that the boards of AIM companies have an appropriate balance between Executive and Non-Executive Directors of which at least two should be independent. During 2022 we satisfied this requirement.

The Non-Executive Chairman and Independent Non-Executive Director bring wide and varied commercial experience to the Board and Committee deliberations. They are appointed for an initial three-year term, subject to election by shareholders at the first AGM after their appointment, after which their appointment may be extended subject to mutual agreement and shareholder approval. A Non-Executive Director is typically expected to serve two three-year terms but may be invited by the Board to serve for an additional period. Any term renewal is subject to Board review and AGM re-election. The Company remains committed to a Board which has a balanced representation of Executives and Non-Executives.

Board evaluation

We support the QCA Code's principle to review regularly the effectiveness of the Board's performance as a unit, as well as that of its committees and individual Directors, and completed the first review during 2019. We may consider the use of external facilitators in future board evaluations. A review was carried out in 2022.

Shareholder engagement

We have made significant efforts to ensure effective engagement with both institutional and private shareholders. In addition to the AGM, we have roadshows with investors and prospective investors to not only share our financial results, but also to share the leadership's future plans and strategy in an open and interactive forum.

The Board is aware that following the introduction of the Markets in Financial Instruments Directive II (MiFID II) regulations at the start of 2018, private investor access to research on public companies has been restricted. We have not yet commissioned any "paid for" research from third party analysts and have no current intention of doing so.

The Board has ultimate responsibility for reviewing and approving the Annual Report and Accounts and it has considered and endorsed the arrangements for their preparation, under the guidance of its audit committee. The Directors confirm that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

10 Principles of the QCA Code

1 Establish a strategy and business model which promote long-term value for shareholders

The Group's main strategic objective is to grow its fleet business and develop the associated recurring revenue by increasing the number of vehicles under subscription.

The value of recurring subscription revenue is the key measure of our performance in the fleet sector.

Fleet customers typically use the Group's vehicle telematics services for many years, resulting in low rates of gross attrition. Accordingly, the Group focuses its business model on the development of subscription revenue based on minimal initial commitment from the customer, providing the best return to the Group over the long term.

The key risks and uncertainties we face are included under the Strategic Report: Financial Review.

2 Seek to understand and meet shareholder needs and expectations

Responsibility for investor relations rests with the CEO, supported by the CFO. During 2022 the following activities were pursued to develop a good understanding of the needs and expectations of all constituents of the Group's shareholder base:

Date	Description	Participants	Comments
Jan	Trading statement	Board	
Feb	Preliminary results meeting	CEO	
Mar	Presentations to institutional investors and analysts	CEO, CFO	The CEO and CFO prepare and review with the Board detailed presentations covering the Group's activities over the relevant period and take guidance from the brokers.
Mar	Annual results video	CEO, CFO	Presentations disseminated via website at 7.00 a.m. on morning of results release so all information publicly available to all shareholders and potential investors.
Mar	AGM	Board	Normally all shareholders invited to attend
Mar	AGM trading statement	Board	
May	Trading update statement	Board	
Jul	Trading update statement	Board	
Jul	Interim results presentations to institutional investors and analysts	CEO, CFO	
Jul	Interim results video	CEO, CFO	Presentations disseminated via website (see above)
Oct	Trading statement	Board	
various	Potential investor meetings	CEO, CFO	Presentation to potential investors

Key: CEO: Chief Executive Officer, CFO: Chief Financial Officer

The Group is committed to communicating openly with its shareholders to ensure that its strategy and performance are clearly understood. As illustrated in the table above, we communicate with shareholders throughout the year by various formats. A range of corporate information (including all Quartix announcements) is also available to shareholders, investors and the public on our website.

Private shareholders: The AGM is the principal forum for dialogue with private shareholders and normally the Board invite all shareholders to attend and participate. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The chairs of the Board and all committees, together with all other Directors, attend the AGM and are available to answer questions raised by shareholders. Shareholders vote on each resolution and subsequently publish the outcomes on our website.

Institutional shareholders: The Directors actively seek to build a mutual understanding of objectives with institutional shareholders. Our CEO and CFO make presentations to institutional shareholders and analysts immediately following the release of the full-year and half-year results. We communicate with institutional investors frequently through formal meetings. The majority of meetings with shareholders and potential investors are arranged by the broking team within the Group's nominated advisor. Following meetings, the broker provides anonymised feedback to the Board from all fund managers met, from which sentiments, expectations and intentions may be gleaned.

In addition, we review analysts' notes to achieve a wide understanding of investors' views. This information is considered by the Board.

3 Take into account wider stakeholder and social responsibilities and their implications for long-term success

Staff – our ability to fulfil customer requirements and execute our strategy relies on having talented and motivated staff.

Reason for engagement: Good two-way communication with staff is a key requirement for high levels of engagement.

How we engage:

- Weekly update communication.
- Regular staff briefings via video presentation during 2022.
- A Q3 Group wide overnight event was held at the main UK office.
- Annual engagement survey through Investors in Customers.

These have provided insights that have led to enhancement of management practices and staff incentives.

Customers – our success and competitive advantage are dependent upon fulfilling customer requirements, particularly in relation to quality of service and report reliability.

Reason for engagement: Longevity of customer relationships is a key part of our strategy.

Understanding current and emerging requirements of customers enables us to develop new and enhanced services, together with software to support the fulfilment of those services. During 2022, Quartix secured the Investor in Customers (IIC) Gold accreditation, demonstrating its commitment to deliver high standards of customer service. IIC reviews customer experience by conducting a third-party, wide-scale survey to examine how well a business listens and responds to customer needs.

How we engage:

- Seek feedback on services and software systems.
- Develop tools and reports to enable our customers to analyse driver behaviour.
- Obtain feedback to use in the development of future service.
- A Leadership Adoption Plan was introduced in 2022 where all senior management in the business have direct relationships with some of Quartix's larger customers to gain first-hand knowledge of their comments and concerns.

Suppliers – We have a range of suppliers including those who provide us with hardware, communication services, installation services and marketing support.

Reason for engagement: Good services from our suppliers are critical to us delivering the data services to our customers.

How we engage:

- Co-ordinate and manage our network of installers to ensure on-time activation of tracking devices.
- Operate systems to ensure that supplier invoices are processed and paid on time.

3 Take into account wider stakeholder and social responsibilities and their implications for long-term success (continued)

Shareholders – as a public company we must provide transparent, easy-to-understand and balanced information to ensure support and confidence.

Reason for engagement: Meeting regulatory requirements and understanding shareholder sentiments on the business, its prospects and performance of management.

How we engage:
- Regulatory news releases.
- Keeping the investor relations section of the website up to date.
- Publish videos of investor presentations and interviews.
- Annual and half-year reports and presentations.
- AGM.

We believe we successfully engaged with our shareholders over the past 12 months.

4 Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Group has a risk register that identifies key risks and all members of the Board are provided with a copy of the register. The register, including control mechanisms to mitigate risks, is reviewed bi-annually by the Board and is updated following each such review.

The key risks and uncertainties are included in the Strategic Report: Financial Review.

Staff are reminded on appointment and on a bi-annual basis that they should seek approval from the CFO if they, or their families, plan to trade in the Group's equities.

5 Maintain the Board as a well-functioning, balanced team led by the chair

The members of the Board have a collective responsibility and legal obligation to promote the interests of the Group and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the Board.

During 2022, the Board consists of three executive and three Non-Executives, of which two were independent Non-Executives. In December 2022, the Board announced the appointment of a third independent Non-Executive Director, Russell Jones. The Board is supported by four committees: audit, remuneration, nominations and, newly appointed, ESG committees.

Non-Executive Directors are required to attend 10-12 Board meetings per year (in Cambridge, Newtown and London or remote via telephone call) and to be available at other times as required for face-to-face and telephone meetings with the executive team and investors. In addition, they attend Board committee meetings as required.

5 Maintain the Board as a well-functioning, balanced team led by the chair (continued)

Meetings held during 2022 and the attendance of Directors is summarised below:

	Board meetings		Audit Committee		Remuneration Committee		ESG Committee	
	Held	Present	Held	Present	Held	Present	Held	Present
Executive Directors								
Richard Lilwall	11	11	-	-	2	2	-	-
Emily Rees	11	11	1	1	-	-	-	-
Laura Seffino	11	11	-	-	-	-	-	-
Non-Executive Directors								
Paul Boughton	11	11	1	1	2	2	-	-
David Warwick	11	11	-	-	2	2	-	-
Andrew Walters [1]	11	11	-	-	-	-	-	-
Russell Jones [2]	1	1	-	-	-	-	-	-

[1] On 20 December 2022 the Board announced that Andrew Walters will be standing down from the Board in Q1 2023, following the results announcement.
[2] Russell Jones was appointed an independent Non-Executive Director on 20 December 2022

The Nominations Committee meets when required in relation to Board appointments.

The Board has a schedule of regular business, financial and operational matters, and each Board committee has compiled a schedule of work to ensure that all areas for which the Board has responsibility are addressed and reviewed during the course of the year. The Chairman is responsible for ensuring that, to inform decision-making, Directors receive accurate, sufficient and timely information. The Company Secretary, who is also the CFO, compiles the Board and committee papers which are circulated to Directors prior to meetings. The Company Secretary provides minutes of each meeting and every Director is aware of the right to have any concerns minuted and to seek independent advice at the Group's expense where appropriate.

6 Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

All members of the Board bring relevant sector experience in software and business services. They have an aggregate 66 years of public company directorship experience, and two members are qualified accountants. The Board believes that its blend of relevant experience, skills and personal qualities and capabilities is sufficient to enable it to successfully execute its strategy. Where relevant, the Directors research relevant information, including online material, and occasionally attend seminars and trade events, to ensure that their knowledge remains current.

Russell Jones has over 25 years of experience in marketing, strategy, business development and operations in publicly listed technology companies and holds a Masters degree in Chemical Engineering from Cambridge University, and an MBA from Warwick Business School.

6 Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities (continued)

Key to committees/roles: E: Executive, N: Nomination, A: Audit, R: Remuneration, ESG: Environmental, Social & Governance, C: Chair

Paul Boughton, Independent Chairman (CN, CA, R)
Background:
Paul is a chartered accountant who has worked at senior level in industry since 1981. His work was primarily in business development and acquisitions and involved extensive projects in the USA and mainland Europe, which are the primary growth territories for Quartix. Sectors he was involved in were industrial controls, instrumentation and analysers, using a combination of hardware and software. As an executive he served on the Boards of two fully listed companies.

With his only financial or commercial involvement with Quartix being his annual salary as Chairman, and his publicly disclosed shareholding, he is considered independent and with no conflicts of interest with Quartix employees or shareholders.

Current external appointments:
He is a Non-Executive Director of Eleco plc (AIM: ELCO) a provider of software for the built environment, where he chairs the Audit Committee. He is also a Trustee and Treasurer of two charities, and for each he chairs their Finance and Resources Committee. For one of the charities, he also chairs three of their commercial subsidiaries.

Skills and experience:
In previous Non-Executive roles he was a Board member of a fintech software and a navigation electronics public company. For both entities he also served as chair of the audit committee, and for one he was also the Senior Independent Director. He therefore brings a wide range of relevant skills, commercial experience and governance knowledge to Quartix. He has a BSc degree in Business Economics and is a Chartered Accountant.
Time commitment: 3-5 days per month.

David Warwick, Independent Non-Executive Director (N, CR, ESG)
Background:
David was Technical Director of Analysys Ltd – a telecoms consultancy, involved primarily in financial modelling of telecoms operators. In 2000 he joined Abcam plc as an Executive Director when it had around 7 staff, eventually becoming its COO during his 16 years there. At Abcam he initially headed the development of its online ecommerce systems, and then oversaw its overall operations including international expansion to be a world-wide leader in life-science reagents employing over 1000 staff. Through this he was involved in Abcam's IPO in 2005, as well as several acquisitions.

His only financial involvement with Quartix is his annual Non-Executive salary and his publicly declared shareholding. He is considered independent with no conflicts of interest with Quartix employees or shareholders.

Current external appointments:
He is currently a Non-Executive Director of two start-up companies around the Cambridge area, as well as chairing an educational trust.

Skills and experience:
David has a MA in Computer Science from the University of Cambridge and has worked in hi-tech industries since graduation in 1986. David brings considerable skills relating to IT and e-commerce systems as well as overall experience with international expansion and organisational growth issues very relevant to Quartix.
Time commitment: 1-2 days a month

6 Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities (continued)

Andrew Walters, Non-Executive Director (ESG, N)
Background:
Andrew Walters founded Quartix in 2001 with three colleagues. Prior to that he was Managing Director of a subsidiary of Spectris plc for 6 years and had spent 15 years with Schlumberger in the UK and France, where he was Marketing Director of the payphones and smart cards division.

His financial involvement with Quartix is his annual Non-Executive salary and he is a major shareholder in the Company so is not an independent Non-Executive Director.

Current external appointments:
Some voluntary business mentoring for The Prince's Trust.

Skills and experience:
Andrew holds an MA in electrical sciences from the University of Cambridge and developed the Company's UK patent, granted under the Patents Act 1977. He has many years' experience of the vehicle tracking market, having started the company in 2001 with three colleagues, and has been fully engaged in all aspects of the business throughout this time.
Time commitment: 1-2 days a month until Q1 2023 when Andrew expects to stand down following the publication of the Company's 2022 results and an orderly transition and handover with Russell Jones.

Russell Jones, Independent Non-Executive Director (CESG, N)
Background:
Russell has over 25 years of experience in marketing, strategy, business development and operations in publicly listed technology companies including Vodafone and CK Hutchison as well as with smaller private companies. All included operations specialising in SaaS and recurring revenue business models and some were involved in the telematics market.

His only financial involvement with Quartix is his annual Non-Executive salary and his publicly declared shareholding. He is considered independent with no conflicts of interest with Quartix employees or shareholders.

Current external appointments:
He is currently a Non-Executive Director of JAAR Technology Ltd.

Skills and experience:
Russell holds a Masters degree in Chemical Engineering from Cambridge University, and an MBA from Warwick Business School. With extensive, recent experience in B2B software marketing and European new market entry, Russell will help to support Quartix in accelerating revenue growth in a sustainable way.
Time commitment: 1-2 days a month

6 Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities (continued)

Richard Lilwall (E, N, R, ESG)

Background:

Richard joined Quartix as Chief Executive Officer in October 2021. Prior to joining Quartix he was VP and European Managing Director of Teletrac Navman, a leading global supplier of vehicle tracking and telematics services and systems. After a brief period in project management and consultancy Richard set up his own company, ACT Communications (UK) Ltd., in January 2002. ACT became the most successful vehicle tracking distributorship in the UK and was subsequently acquired by Navman Wireless in 2011. At Navman Wireless, Richard progressed rapidly to Head of Enterprise in 2014, following which he was appointed as Managing Director of Teletrac Navman Automotive in January 2017. In June 2018 he was promoted to VP and European Managing Director for Teletrac Navman.

Current external appointments:

None

Skills and experience:

Richard has a degree in civil engineering from Kingston University and has 20 years of global experience in telematics and telecommunications.
Time commitment: Full time

Emily Rees, Chief Financial Officer (E)

Background:

Emily Rees joined Quartix in 2021 and brings more than a decade of experience in operational and commercial finance across both private and public firms. Her previous role was Regional Head of Finance & HR for Western Europe for Ecco Shoes. Her global career includes senior financial positions within Pizza Express Limited and Tesco Stores Limited. Emily also heads up Quartix's HR department.

Current external appointments:

Emily was a trustee and treasurer for two charities in 2022.

Skills and experience:

Emily is a member of the Chartered Institute of Management Accountants and holds a BSc (Hons) in Government and Economics from the London School of Economics and Political Science.
Time commitment: Full time

Laura Seffino, Chief Technical Officer (E)

Background:

Laura Seffino joined Quartix in June 2018 as Head of Software and was promoted to Chief Technical Officer in October 2019. Laura holds responsibility for Group technology, strategy, development and implementation. Prior to joining Quartix Laura spent 17 years in software development, project management and delivery roles at 1Spatial plc, Cambridge.

Current external appointments:

None

Skills and experience:

Laura has a Bachelor's and Master's degrees in Computer Science from the Universidad Nacional del Sur in Argentina and the State University of Campinas in Brazil, respectively.
Time commitment: Full time

7 Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

A board evaluation process led by the Chairman was completed in 2019. This evaluation was accompanied by a wider review of the levels of investment in the business, as well the senior management posts required to deliver on its strategy. The last review, which in accordance with current QCA guidelines, was carried out in the first half of 2022.

8 Promote a corporate culture that is based on ethical values and behaviours

At Quartix we believe the prosperity of our business and of the communities within which we operate requires a commitment to ethical values and behaviours. We have therefore developed policies that enhance all areas of our business in this regard.

Quartix cares about providing a customer experience that is remarkable. We want to keep our customers happy, impressed and reassured. We want to create the positivity that leads to great reviews, repeat purchases and customer referrals. To achieve that, our employees strive to make every interaction a great one. We follow these principles:

Build meaningful connections.
Whilst dealing with any of our stakeholders, be they customers, partners, investors or employees, foremost in our minds is building great, meaningful relationships. We are not a provider of arms-length transactional services; we are here to listen, understand, support and deliver tangible benefits as best we can.

Keep things simple.
Whether it is our processes, communication, hardware or software, we strive to keep things simple. Fewer moving parts make for clearer, more efficient and reliable operations. We don’t make our customers jump through hoops to speak to us, nor do we make them study an article to understand its meaning. We get straight to the incoming call, to the email in our inbox, to the point, and provide a fast, helpful and clear response.

Treat everybody the same.
Whoever you talk to, whether internally or externally, their impression of the Quartix service should be the same. We treat everyone equally, with respect, and remain transparent as a business.

Do the right thing
Quartix cares about doing what’s best for our customers and for each other. We own problems and solve them, regardless of whether it’s our designated responsibility. With or without a corporate process, we will strive to provide a satisfactory solution in every case.

Share your knowledge
Knowledge is valuable. Our customers, prospects and colleagues can all benefit from the knowledge that we have to offer. Quartix and its staff have a whole host of skills, expertise and experience to share with others and we are proud to do so.

The culture of the Group is characterised by these values which are communicated to staff through a number of mechanisms.

The Board believes that a culture that is based on the five core values is a competitive advantage and consistent with fulfilment of the Group’s execution of its strategy.

The culture is monitored through the use of Investors in Customers that surveys employee satisfaction on an annual basis. The Operations Board reviews the findings of the survey and determines whether any action is required.

9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board provides strategic leadership for the Group and operates within the scope of a robust corporate governance framework. Its purpose is to ensure the delivery of long-term shareholder value, which involves setting the culture, values and practices that operate throughout the business, and defining the strategic goals that the Group implements in its business plans. The Board defines a series of matters reserved for its decision and has delegated some of its responsibilities to Audit, Remuneration, Nominations and ESG Committees. The chair of each committee reports to the Board on the activities of that committee.

The **Audit Committee** monitors the integrity of financial statements, oversees risk management and control, monitors the effectiveness of internal controls and reviews external auditor independence.

Paul Boughton is Chairman of the Audit Committee which generally meets twice a year, as appropriate. The Committee exists to scrutinise and clarify any qualifications, recommendations and observations within the audited accounts and report of the Company's auditor. When satisfied, the Committee presents the audited accounts and report to the Company's Board and reviews the effectiveness of resultant corrective and preventative measures.

In August 2021 the Audit Committee appointed PKF Littlejohn LLP (PKF) as external auditors for the Group.

In performing this function, the key duties of the Committee are to:

- Monitor the integrity of the financial statements of the Group and any formal announcement relating to its financial performance
- With regards to financial reporting, review and challenge the consistency of accounting policies, the use of accounting methods over alternatives, whether the Group has followed appropriate accounting standards, the clarity of disclosure, and all material information relating to the audit and risk management
- Reviewing the basis for the going concern statement in light of the financial plans and reasonably possible scenarios especially considering industry wide factors that could impact the business such as inflationary pressures from the macro-economic effects of the Ukraine War.
- Monitor the adequacy and effectiveness of the Group's internal financial controls, including the internal control and risk management systems. The Group's Risk Register is reviewed at least twice a year by the main Board. A list of Matters Reserved for the Board was adopted in January 2016 including ensuring a sound system of internal control and risk management. All systems issues or unexpected outcomes are brought to the attention of the Board.
- Ensure that the Group's arrangements for its employees and contractors to confidentially raise concerns about possible wrongdoing allow proportionate and independent investigation and appropriate follow up action.
- Consider the need to implement an internal audit function.
- Make recommendations to the Board and the Company's shareholders regarding the appointment, re-appointment, and removal of the Company's external auditor. It ensures that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor.
- Oversee the Company's relationship with the external auditor.
- Considering if the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable.

9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board (continued)

The **Remuneration Committee** sets and reviews the compensation of Executive Directors including the setting of targets and performance frameworks for cash and share-based awards.

David Warwick chairs the Remuneration Committee. It acts to ensure sound Corporate Governance with respect to Director and senior management remuneration and meets once or twice in the year, as appropriate. The Committee functions with the objective of attracting, retaining and motivating the executive management of the Company and ensuring they are rewarded in a fair and responsible manner for their contribution to the success of the Group.

The role of the Committee is to determine and agree with the Board the framework or broad policy for the remuneration of the Company's Chairman and Executive Directors, including pension rights and compensation payments. It also recommends and monitors the level and structure of remuneration for senior management. When setting the remuneration policy, the Committee reviews and considers the pay and employment conditions across the Group, especially when determining salary increases.

The **Nominations Committee**
The Nominations Committee is chaired by Paul Boughton. The Committee reviews the structure, size and composition of the Board to ensure the leadership of the Group is the most proficient to facilitate the Group's ability to effectively compete in the marketplace. It makes recommendations to the Board regarding the continued suitability of any Director, the re-election by shareholders of any Director under the 'retirement by rotation' provisions in the Company's Articles of Association, and succession planning for Directors and other Senior Executives.

If necessary, the Committee will identify and nominate candidates they believe suitable to fill Board vacancies. See section 6 for Board changes in 2022.

The **ESG Committee**
Following the appointment of Russell Jones as a Non-Executive Director in December 2022, the Board have appointed him as Chair of the ESG Committee, taking over from Andrew Walters. The other members in 2022 were David Warwick, also Non-Executive Director, and Richard Lilwall, CEO.

Andrew Walters led our first sustainability review in 2022, in order to better understand our environmental impact and to prioritise areas for action. In addition, the ESG Committee will be assessing our performance in Social and Governance matters, where we believe that Quartix already conforms to current best practice in most areas.

The **Chairman** has overall responsibility for corporate governance and in promoting high standards throughout the Group. He leads and chairs the Board, ensuring that committees are properly structured and operate with appropriate terms of reference, ensures that performance of individual Directors, the Board and its committees are reviewed on a regular basis, leads in the development of strategy and setting objectives, and oversees communication between the Group and its shareholders.

The **CEO** provides coherent leadership and management of the Group and leads the development of objectives, strategies and performance standards as agreed by the Board. He also monitors, reviews and manages key risks and strategies with the Board, ensures that the assets of the Group are maintained and safeguarded, leads on investor relations activities to ensure communications and the Group's standing with shareholders and financial institutions is maintained, and ensures that the Board is aware of the views and opinions of employees on relevant matters.

9 Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board (continued)

The **Executive Directors** are responsible for implementing and delivering the strategy and operational decisions agreed by the Board, making operational and financial decisions required in the day-to-day operation of the Group, providing executive leadership to managers, championing the Group's core values and promoting talented management.

The **Independent Non-Executive Directors** contribute independent thinking and judgement through the application of their external experience and knowledge, scrutinise the performance of management, provide constructive challenge to the Executive Directors and ensure that the Group is operating within the governance and risk framework approved by the Board.

The **Company Secretary** is responsible for providing clear and timely information flow to the Board and its committees and supports the Board on matters of corporate governance and risk.

The key matters reserved for the Board are:

- Setting long-term objectives and commercial strategy.
- Approving annual budgets.
- Changing the share capital or corporate structure of the Group.
- Approving half-year and full-year results and reports.
- Approving dividend policy and the declaration of dividends.
- Ensuring a satisfactory dialogue with shareholders.
- Approving major investments, disposals, capital projects or contracts.
- Approving resolutions to be put to general meetings of shareholders and the associated documents or circulars.
- Approving changes to the Board structure.

The Board has approved the adoption of the QCA Code as its governance framework against which this statement has been prepared and will monitor the suitability of this code on an annual basis and revise its governance framework as appropriate as the Group evolves.

The Board will continue to monitor its governance structures as the Group grows and will take action as appropriate to develop and enhance its governance functions.

10 Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

In addition to the investor relations activities described previously, the following audit, remuneration and nominations committee reports were provided during 2022:

Audit Committee Report

The Audit Committee is chaired by Paul Boughton. During 2022 the committee met formally once and had other discussions (including the change in accounting policy in 2022 for contract costs) as required, and the external auditor and CFO were invited to attend the formal meetings. The Audit Committee continued to focus on the effectiveness of the controls throughout the Group.

Consideration was given to the auditor's pre and post-audit reports and these provide opportunities to review the accounting policies, internal control and the financial information contained in the annual report.

10 Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders (continued)

Remuneration Committee Report

The remit of the Remuneration Committee is to determine the framework, policy and level of remuneration, and to make recommendations to the Board on the remuneration of Executive Directors. In addition, the committee oversees the creation and implementation of all-employee share plans. The Remuneration Committee during 2022 consisted of Paul Boughton, David Warwick and Richard Lilwall. The committee met twice.

In setting remuneration packages, the committee ensured that individual compensation levels, and total board compensation, were comparable with those of other AIM-listed companies.

During 2022 the Remuneration Committee granted options over ordinary shares in the Company to the CEO and CFO details of which are included in the Directors Remuneration Report below.

In granting these options, the Remuneration Committee's objective was to attract, motivate and retain key staff over the long term, designed to incentivise delivery of the Company's growth objectives.

Nomination Committee Report

The remit of the Nomination committee is to evaluate potential Board appointments against the skills and experience which the Board requires. It meets as required for this purpose.

The Nomination committee is chaired by Paul Boughton and also includes David Warwick and Andrew Walters.

ESG Committee Report

The remit of the ESG committee is to ensure the effective operation of a company's ESG policy, and delegated responsibility for overseeing its implementation. The committee reviews data from across the business and then filters and summarises it for the board. It meets as required for this purpose.

The ESG committee is chaired by Russell Jones (taking over from Andrew Walters) and for 2022 also included David Warwick and Richard Lilwall, however in 2023 David Warwick and Richard Lilwall no longer form part of the ESG Committee whilst Emily Rees joins the Committee.

Directors' Remuneration Report

During the year ended 31 December 2022 the Remuneration Committee consisted of two Non-Executive Directors and the CEO, and was chaired by David Warwick.

The Committee functions with the objective of attracting, retaining and motivating the executive management of the Company and ensuring they are rewarded in a fair and responsible manner for their contribution to the success of the Group.

Remuneration of Executive Directors

In 2022, the Directors' remuneration packages comprised of a salary, a performance related bonus scheme and the opportunity to enrol in the Governments' auto-enrolment pension scheme. See below for a breakdown of the Directors' remuneration packages during the year.

Directors' detailed emoluments and compensation (audited)

		2022 (£)				2021 (£)
		Salary	**Bonus**	**Pension**	**Total**	Total
Executive Directors	Andrew Walters[1]	-	-	-	-	68,362
	Richard Lilwall[2]	190,141	38,600	5,670	234,411	56,482
	Emily Rees[3]	142,891	27,200	3,960	174,051	126,630
	Laura Seffino	121,689	25,760	3,744	151,193	169,999
	Daniel Mendis[4]	-	-	-	-	40,962
		454,721	91,560	13,374	559,655	462,435
Non-Executive Directors	Paul Boughton	80,000	-	-	80,000	59,167
	David Warwick	44,000	-	-	44,000	44,000
	Andrew Walters [1]	30,000	-	-	30,000	-
	Russell Jones[5]	-	-	-	-	-
		154,000	-	-	154,000	103,167

[1] Retired from Quartix Technologies plc Executive Directorship and was appointed on 11 October 2021 as a Non-Executive Director, but opted not to receive remuneration for his Non-Executive Director role until 2022
[2] Appointed on 11 October 2021 and the highest paid Director for 2022
[3] Appointed on 20 May 2021, included in the 2022 salary figure is a benefit in kind
[4] Resigned from Quartix Technologies plc Board of Directors on 20 May 2021, emoluments above to that date.
[5] Appointed on 20 December 2022

Directors Bonus Schemes

In 2021 the Remuneration Committee awarded a Management Incentive Scheme to all the Executive Directors, which replaced any outstanding option awards included in their offer of employment letters. The Incentive Scheme is designed to provide up to 50% of basic salary (pro-rated for starters/leavers) in a single Incentive Scheme Payment based on the Group's performance on two key financial indicators:

a) The level of Annualised Recurring Revenue growth – the increase in total value of all fleet vehicle subscription on an annualised basis (calculated at a constant exchange rate) on 1 January each year; and
b) The Free Cash Flow - the cash generated from operating activities after investing activities of the Group.

as determined from the audited consolidated accounts of the Group for the financial year.

The percentage of base salary to be awarded under the Scheme is calculated based on a Targets table of parameters for the two KPIs, awarded on a sliding scale, which is updated annually. The Board is entitled to adjust any Target for changes in circumstances, where it considers a revised Target is appropriate in order to provide a fairer measure of performance, such as an acquisition.

Directors and their interests in shares

		Ordinary shares £0.01 each	
Year ended 31 December		**2022**	2021
Executive Directors	Richard Lilwall	**-**	-
	Emily Rees	**-**	-
	Laura Seffino	**6,635**	6,635
		6,635	6,635
Non-Executive Directors	Paul Boughton	**53,889**	53,889
	David Warwick	**73,333**	73,333
	Andrew Walters	**10,661,609**	10,661,609
	Russell Jones	**323**	-
		10,795,789	10,795,466

Directors and employees share options

On 20 December 2022, Emily Rees, Chief Financial Officer, surrendered for no consideration 51,546 options granted on 24 May 2021 and Richard Lilwall, Chief Executive Officer, surrendered for no consideration 58,823 options granted on 18 October 2021.

Subsequent to the above, on 22 December 2022, and in accordance with the Long Term Incentive Plan ("LTIP") established by Resolution of the Board of Directors, both Emily Rees and Richard Lilwall were each granted 106,000 options over ordinary shares of 1 pence each exercisable at the nominal share price. These options are granted over a period of three years and vest subject to stretching performance conditions on 3-year compound increases across three measures: Annual Recurring Revenue (ARR), Free Cash Flow (FCF) and Total Shareholder Return (TSR). The overall blend of options is 57% based on ARR, 22% FCF and 22% TSR.

The performance conditions are based on compound growth from baselines in each measure, within a threshold and maximum envelope of:

ARR - 7.5% to 15% per year
FCF - 7.5% to 15% per year
TSR - 10% to 20% per year.

Directors and employees share options (continued)

The LTIP is subject to malus and clawback rules whereby the Board has the discretion to clawback options already exercised by any means available per the Rules of the LTIP, or to reduce the number of options available for future exercises due to:

- Either Director acting in such a way which falls foul to the Rules of the LTIP; or
- There was an error in a prior period performance measurement, which would have resulted in less options being available to exercise than what was awarded.

Directors share options

		2022 Number	2021 Number
Equity-settled	Richard Lilwall	**106,000**	58,823
	Emily Rees	**106,000**	51,546
	Laura Seffino	**29,320**	30,863

The Directors did not exercise any share options during 2022.

Non-Executive Directors

A Non-Executive Director is typically expected to serve two three-year terms but may be invited by the Board to serve for an additional period. The current Non-Executive Directors have entered into service contracts for a third three-year term as this was considered to be in the best interest of the Company. Any term renewal is subject to Board review and AGM re-election.

		Date of contract	Unexpired period at date of report
Paul Boughton	Chairman	1 May 2020	4 months
David Warwick		1 May 2020	4 months
Andrew Walters [1]		11 October 2021	21 months
Russell Jones		20 December 2022	33 months

[1] Andrew Walters expects to stand down following the publication of the Company's 2022 results in Q1 2023.

David Warwick
Chairman, Remuneration Committee

ESG Committee Report

During the year ended 31 December 2022 Quartix formed an ESG Committee, comprising of Andrew Walters, Non-Executive Director, as chair, Richard Lilwall, CEO and David Warwick. Andrew Walters as chair was replaced by Russell Jones in December 2022. In 2023 the ESG Committee will comprise of Russell Jones as chair, and Emily Rees.

The Committee functions with the objective of ensuring the Group's strategy and vision are aligned with agreed ESG metrics so Quartix, beyond the core environmental benefits of their product, contribute positively in all territories that it operates.

Quartix's ESG report for 2022 starts with incorporating some of the standard ESG KPIs for the year 31 December 2022. A more comprehensive report will be made available within Quartix's 2023 Annual Report. During 2023 the Committee will also work more widely with its stakeholders in the business to ensure that conversations around the ESG impact of business decisions become a more central function, as it also becomes more central to our relationship with shareholders, institutional clients, customers and employees.

Streamlined Energy and Carbon Reporting

2022 is Quartix's baseline for future year-on-year reporting with regard to all ESG KPIs. The carbon reporting included in the report for year ended 31 December 2022 includes Scope 1, direct emissions and Scope 2, indirect emissions from the electricity purchased and used. The Committee plans to make meaningful progress on Scope 3 and market-based Scope 2 emissions to begin reporting on these measures in 2023.

While Quartix has been awarded the LSE's Green Economy Mark, in recognition of the business generating at least 50% of its total annual revenue from products that contribute towards the transition to a low carbon economy, the Committee recognises that there will still be a journey to have a greater focus internally on sustainability, and to minimise Quartix's environmental footprint by reducing carbon emissions.

Streamlined Energy and Carbon Reporting (continued)

The data below relates to UK emissions for the twelve-month period ending 31 December 2022.

		2022	2021	Variance
Energy consumption (kWh) [1]				
Scope 1: Combustion of fuel and operation of facilities	Natural gas	-	4,613	(100%)
	Direct transport	17,770	14,012	27%
	Total Scope 1	17,770	18,625	(5%)
Scope 2: Electricity purchased	Total electricity	166,301	131,506	26%
Total scope 1 and 2 energy consumption		184,071	150,131	23%
Greenhouse gas (GHG) emissions (tonnes CO2e) [2]				
Scope 1: Combustion of fuel and operation of facilities	Natural gas	-	1	(100%)
	Direct transport	4	3	33%
	Total Scope 1	4	4	0%
Scope 2: Electricity purchased	Location Based	32	25	28%
Location based total scope 1 and 2 emissions		**36**	**29**	**24%**
Intensity metric assessment (tonnes CO2e/£m revenue) [1]				
Intensity ratio		1.3	1.1	18%

[1] Energy from electricity, natural gas and direct transport fuel have been included. Quartix has used the conversion factors published in the 2022 Defra GHG conversion factors for company reporting for both 2021 and 2022.

[2] We have used the GHG Protocol Corporate Accounting and Reporting Standards (Revised) methodology to calculate our emissions. No mandatory emissions have been excluded.

Social and Community Reporting

Quartix's relationships with employees, suppliers and communities are important factors for how the business operates, with a commitment to creating a great place to work which celebrates diversity and inclusion, and where health and wellbeing is prioritised and able to make a positive difference to the societies in which the business operates.

Key focuses for the year have included investment in people, with set learning and development programmes now in place for new people managers in the Group, and the business continues to support and develop staff who wish to study for further qualifications. A key focus for the future is created a greater curriculum of either external or internal learning and development courses to support staff development. The business plans to report on average employee training hours from 2023 onwards.

The business continues to support staff through ongoing mental health support, with a key management group having gone through the i-act mental health and wellbeing programme for understanding and managing mental health and wellbeing in the workplace. Further work on wellbeing across a range of topics are a focus in the medium term in order to support staff further.

Social and Community Reporting (continued)

The business' staff turnover continues to be a key focus in 2023 for improvement, and first steps have been made to start making improvements to these metrics, which included a full benchmark of jobs across the business in Q4 2022 to ensure people are being paid fairly and competitively for work, and improvements to benefits were made in Q1 2022.

As well as supporting Quartix staff, a growing focus is on supporting the communities that Quartix staff operate in. While many staff in the business personally commit voluntary time to community and charitable organisations, there are currently no mandatory commitments for this, though Quartix's newly founded Social Committee is looking to review this for the business' main base of operations in Newtown, Wales, in the future. The newly formed Social Committee is composed of a key group of staff in Newtown that deliver on local and national charity initiatives in order to support communities.

	2022	2021	Variance
Voluntary staff turnover (%)	**20**	28	8
Share of temporary staff (%)	**2**	1	(1)

Governance Reporting

Quartix recognises the importance of strong governance practices in ensuring the long-term success and sustainability of the business. Our governance framework is designed to promote ethical behaviour, accountability, and transparency, and to align the interests of the Company with those of its stakeholders (please refer to the Corporate Governance statement page 25 for more details on this).

In addition to the governance provided by the Board, Quartix's executive management team, called the operations board, is responsible for the day-to-day operations of the business and implementing the strategies and plans that are approved by the Board of Directors. The team is comprised of experienced and knowledgeable individuals who have a strong track record of delivering results. Three out of the eight members of the operations board are female.

Quartix is committed to operating in an ethical and responsible manner and complying with all relevant laws and regulations, and has established an ethics and compliance program to ensure that all employees are aware of their obligations and are equipped to make ethical decisions.

	2022	2021	Variance
Political contributions (£)	**-**	-	n/a
Independent directors[1]	**3**	2	50%
Number of female directors	**2**	2	-
Number of corruption fines	**-**	-	n/a

[1] Each of the NEDs listed as independent directors has a shareholding in the Company. Please refer to the Directors remuneration report for more details. At 31 December 2022 there were 3 independent directors, with Russell Jones joining to replace Andy Walters, who is stepping down after the AGM.

Russell Jones
Chairman, ESG Committee

Directors' Report

The Directors present their annual report and the financial statements of the Company for the year ended 31 December 2022.

Principal activity
The principal activity of the Group during the year was the design, development, marketing and delivery of vehicle telematics services. The Group has an overseas branch in France and an overseas subsidiary in the USA. The Parent Company is incorporated and domiciled in the UK. The registered office is Sheraton House, Castle Park, Cambridge, CB3 0AX.

Research and development
Please see the Strategic Report on page 12 for further information about the Group's approach to research and development.

Future developments
The Company's intentions regarding investment and business development can be found under Capacity for future growth on page 13.

Proposed dividend
In the year ending 31 December 2022, the Board decided to pay an interim dividend of 1.50p (2021: 1.50p) per ordinary share. This totalled £0.7m, which was paid on 9 September 2022 to shareholders on the register on 12 August 2022.

The Board is recommending a final dividend of 2.45p per share, together with a supplementary dividend of 3.85p per share, giving a final payment of 6.30p per share, amounting to approximately £3.0m in aggregate and giving a total dividend for the year equivalent to 7.80p per share. If this is approved at the forthcoming AGM on 24 March 2023, the final dividend will be paid on 28 April 2023 to shareholders on the register as at 31 March 2023.

Major interest in shares
On 24 February 2023, the Company had been notified that seven parties had holdings of 3% or more in the ordinary share capital of the Company. The number of ordinary shares and the percentage of the total shares held by each party is outlined below.

	Number of £0.01 shares[6]	% of total
Andrew Walters[7]	10,661,609	22.03
Sanford Deland Asset Management Ltd	7,733,500	15.98
Liontrust Investment Partners LLP	5,343,301	11.04
Andrew Kirk	4,009,853	8.29
William Hibbert	2,663,000	5.50
Charles Stanley Group plc	2,427,045	5.02
Kenneth Giles	1,871,800	3.87

[6] Based on the most recent available data to the Company
[7] Includes shares held as family interests or by virtue of position as beneficiary or potential beneficiary of certain trusts

Directors

The Non-Executive Directors who held office during the year are listed below:

- Paul Boughton (Chairman)
- David Warwick
- Andrew Walters
- Russell Jones (from 20 December 2022)

The Executive Directors who held office during the year are listed below:

- Richard Lilwall
- Emily Rees
- Laura Seffino

All Executive Directors have service agreements with the Company terminable by either party upon the minimum notice period being met. The minimum notice period is 6 months for all Executive Directors.

The Company's Articles of Association require all Directors to stand for re-election each year at the AGM. The next AGM will take place on 24 March 2023.

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 Group to continue as a going concern.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to generate sufficient liquidity. The Group 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 Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing consolidated financial statements.

Directors' responsibilities statements

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

Company Law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the consolidated financial statements in accordance with UK-adopted International Accounting Standards (UK-adopted IAS) and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws including FRS 101 Reduced Disclosure Framework). Under Company Law the Directors must not approve the financial statements unless they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable UK-adopted IAS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Company financial statements

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm 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.

Financial risk management policies and objectives

The Group manages its key financial risks as follows. Principal risks and uncertainties are considered in the strategic report on page 16-17.

Credit risk

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 Group seeks to manage credit risk associated with cash deposits by using banks with high credit ratings assigned by international credit rating agencies.

Currency risk

This is managed by seeking to match currency inflows and outflows.

Directors' and officers' liability insurance

The Company maintains insurance cover for the Directors and key personnel against liabilities which may be incurred by them while carrying out their duties.

Auditors

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.

Approved by the Board of Directors and signed on behalf of the Board on 24 February 2023.

Richard Lilwall
Chief Executive Officer

Independent Auditor's Report to the Members of Quartix Technologies plc

Opinion

We have audited the financial statements of Quartix Technologies Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statements of Financial Position, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated Statements of Cash Flows 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 UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 Group and Parent 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 as applied to listed entities, 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included discussions with management of their assessment of the Group's ability to continue as a going concern, assessing the reasonableness of projected cashflow and working capital assumptions and critically evaluating the revenue and cost projections underlying the cash flow model.

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 Group's or Parent 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.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in the evaluation of the effect of identified misstatements on the audit and of uncorrected misstatement, if any, on the financial statement in formatting the opinion in the auditor's report.

We define materiality as the magnitude of misstatement in the financial statements that, individually or in aggregate could reasonably be expected to influence the economic decisions of the users of the financial statements. We use materiality in determining the nature, timing and extent our of audit work.

Our materiality for the Group is £275,100 (2021: £253,000) which represents 1% of turnover. -Turnover is considered to be the most appropriate benchmark because the Group is a commercially focussed organisation and turnover is a key financial measure for the Directors and shareholders. For the Parent Company, we applied a materiality level of £206,200 (2021: £164,900) which represents 1% of the Parent Company's net assets- Net assets is considered the most appropriate benchmark because the entity is a non-trading holding company.

We calculated materiality during the planning stage of the audit, and then during our audit, we re-assessed our initial materiality based on actual results for the year ended 31 December 2022 and adjusted our audit procedures accordingly.

We set performance materiality at an amount less than materiality for the financial statement as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Our performance materiality for the Group is £206,325 (2021: £177,100), which is 75% of overall materiality. Our performance materiality for the Parent Company is £154,650 (2021: £115,430) which is 75% (2021: 70%) of the overall materiality. We have selected 75% because of the good control environment and to reflect our second year of engagement. We calculated performance materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial performance materiality based on actual results and adjusted our audit procedures accordingly.

We report to the directors all corrected and uncorrected misstatements we identified through our audit with a value in excess of £13,755 (2021: £12,650) for the Group, and £10,310 (2021: £8,245) for the Parent Company, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Our approach to the audit

Our audit is risk based and designed to focus our efforts on the areas of greatest risk and material misstatement, aspects subject to significant management judgement as well as greatest complexity, risk and size.

As the finance function is centralised and UK based, all audit work is undertaken by the London based group audit team.

In designing our audit, we determined materiality and assessed the risk of material misstatement in the Group and Parent Company financial statements. We looked at areas involving significant accounting estimates and judgements by the directors and considered future events that are inherently uncertain, in particular with regard to the valuation of the goodwill We also assessed the risk of management override of internal controls, among other matters, in consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We performed a full scope audit using component materiality on the financial information of Quartix Technologies Plc, and of Quartix Limited. For the remaining component, Quartix Inc, we performed a limited scope review which was assessed as material but not significant.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matter</th><th>How our scope addressed this matter</th></tr>
<tr><td>Revenue Recognition (Notes 1 and 3)

We identified revenue recognition as one of the most significant assessed risks of misstatement due to fraud.

As seen in Note 1 and 3 of the financial statements, the Group's principal revenue stream relates to the provision of telematics vehicle tracking services, including data services, to customers. The Group's activities of supplying telematic units and providing telematics services are considered to be a single performance obligation which is satisfied over a period of time. The Group also performs support services. These are considered to be a separate performance obligation for which a separate charge and invoice is raised. The Group has two types of customers, Fleet and Insurance, and revenue is recognised over the period that services are provided.

Given the nature of the Group's revenue being a relatively high volume of low value transactions we identified that the risk of fraud recognition was in the occurrence assertion, for example through the posting of a fraudulent journal.</td><td>In responding to the key audit matter, we performed the following audit procedures:

• We tested the two types of customers separately, i.e Fleet and Insurance revenue by performing substantive testing on each class of customers' revenue.
• We assessed selected revenue trial balance codes to identify if any of them included journals meeting our fraud risk criteria. From this audit procedure, we did not identify any journals that would be indicative of fraud.
• We assessed whether revenue was recorded in the period was consistent with the Group's accounting policy and whether that was compliant with IFRS 15 Revenue from Contracts with Customers.
• There has been a change in the revenue recognition accounting policy in respect of certain costs associated with installation and delivery of the units. This is mostly made up of subcontractor costs directly related to the contract and used to satisfy the performance obligations of the future revenue stream within the contract. In line with IFRS 15, such costs are capitalised (and is currently shown within contract assets) where they relate to the contract and are expected to be recovered. We reviewed the accounting which included a check on the accuracy of the prior year adjustment, and also reviewed the disclosures to ensure compliance with the relevant IFRS standards and IAS 8.</td></tr>
</table>

Revenue Recognition (Notes 1 and 3) (continued)	• For a sample of sales invoices raised for telematics services, we confirmed that the telematics service was provided to the customer by tracing a tracking unit to the live vehicle tracking system, thus evidencing the occurrence of revenue. The same selected invoices were also traced to contracts with respective customers and subsequent cash receipts. • For a sample of support services, we inspected third party supplier invoices evidencing that the service was provided to the customer. • We tested credit notes raised post year end to determine if they related to the revenue recognised pre year end. This ensured that revenue recognised during the year was not subsequently being reversed. • We performed substantive testing on insurance customers revenue by reviewing the numbers of units and contract prices, and obtained third party confirmations directly from insurance customers to confirm the number of units installed. • Due to the relatively high volume of low value transactions and to supplement our substantive testing undertaken, we also carried out some controls testing by agreeing the inputs into the Monthly Installs compared with the invoicing report to the underlying Install vs Invoice report to ensure the Marketing Databases (MDB) installs which trigger a sale for each month were checked by an authorized Quartix Accounts team member. Based on our audit work, we did not identify any material misstatement in respect of revenue recognition.

<table>
<tr>
<td>

Deferred Revenue (Note 18)

We identified deferred revenue as one of the most significant assessed risk of material misstatement due to fraud.

As seen in Note 18 of the financial statements, the Group raises invoices in advance and classifies deferred revenue as contract liabilities.

Under IFRS 15, the Group's activities of supplying telematics units and providing telematics services are considered to be a single performance obligation which is satisfied over a period of time. The deferred revenue is driven by the contract terms and numbers of units, and a significant balance presents a risk of material misstatement.

</td>
<td>

In responding to the key audit matter, we performed the following audit procedures for both types of customers:

- For a sample of sales invoices, we recalculated the appropriate porting of revenue to defer based on the contractual billing terms agreed with the customer and compared this to the actual amount deferred.
- Deferred income is adjusted for rent-free periods (including for Covid relief), spreading the income over the contract. For a sample of items we checked the rent-free periods to customer contracts, or communicated with the customer when non-contractual. We then performed a recalculation of the adjustment.
- For insurance customers, revenue is deferred over the length of the insurance policies (a year), we have recalculated the deferred revenue balance in aggregate based on monthly sales figures for the year.

Based on our audit work, we did not identify any material misstatement in respect to deferred revenue.

</td>
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</table>

Other information

The other information comprises the information included in the Annual 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 Group and Parent Company 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.

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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have 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 Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the Group and Parent Company 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 Group and Parent Company financial statements, the directors are responsible for assessing the Group and the Parent 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 Group or the Parent 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 Group and Parent Company and the sector in which they operate 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 and the application of our audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the Group and Parent Company in this regard to be those arising from IFRS, Companies Act 2006, AIM rules, QCA Corporate governance code and the relevant tax compliance regulations in the jurisdictions in which the Group operates. In addition, 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. The Group provides vehicle telematics services with a strategy to grow its subscription based to have annual recurring revenue streams mainly in the UK, USA and Europe. We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the Group and Parent Company with those laws and regulations. These procedures included, but were not limited to:
    - The Group provides vehicle telematics services with a strategy to grow its subscription based to have annual recurring revenue streams mainly in the UK, USA and Europe. We obtained an understanding of the effectiveness of the Group's overall control environment and policies to monitor these controls, it appears that the controls are designed appropriately to identify these irregularities.
    - We reviewed all the Group's press releases and performed a search of any related information in the public domain
    - In addition, we completed audit procedures to conclude on the compliance of disclosures in the Annual Report and financial statements with applicable reporting requirements.
    - We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that there was the potential for management bias was identified in relation to the impairment of goodwill and we addressed this by challenging the assumptions and judgements made by management when auditing that significant accounting estimate.

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

- 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: 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 (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor
24 February 2023

15 Westferry Circus
Canary Wharf
London E14 4HD

Consolidated Statement of Comprehensive Income

Year ended 31 December	Notes	2022 Before Adjustments £'000	2022 Adjustments £'000	2022 After Adjustments £'000	Restated 2021 Before Adjustments £'000	2021 Adjustments £'000	Restated 2021 After Adjustments £'000
Revenue	3	**27,517**	**-**	**27,517**	25,513	-	25,513
Cost of sales		**(7,724)**	**(91)**	**(7,815)**	(7,190)	430	(6,760)
Gross profit		**19,793**	**(91)**	**19,702**	18,323	430	18,753
Sales & Marketing expenses		**(6,358)**	**(71)**	**(6,429)**	(5,926)	-	(5,926)
Administrative expenses		**(7,640)**	**(80)**	**(7,720)**	(7,402)	-	(7,402)
Operating profit		**5,795**	**(242)**	**5,553**	4,995	430	5,425
Finance income receivable	7	**8**	**-**	**8**	-	-	-
Finance costs payable	8	**(31)**	**-**	**(31)**	(23)	-	(23)
Profit for the year before taxation	4	**5,772**	**(242)**	**5,530**	4,972	430	5,402
Tax expense	9	**(489)**	**-**	**(489)**	(418)	-	(418)
Profit for the year		**5,283**	**(242)**	**5,041**	4,554	430	4,984
Other Comprehensive income:							
Items that may be reclassified subsequently to profit or loss:							
Exchange difference on translating foreign operations		**(169)**	**-**	**(169)**	(100)	-	(100)
Other comprehensive income for the year, net of tax		**(169)**	**-**	**(169)**	(100)	-	(100)
Total comprehensive income attributable to the equity shareholders of Quartix Technologies plc		**5,114**	**(242)**	**4,872**	4,454	430	4,884
Earnings per ordinary share (pence)	10						
Basic		**-**	**-**	**10.42**	-	**-**	10.32
Diluted		**-**	**-**	**10.38**	-	**-**	10.25

Consolidated Statement of Financial Position

	Notes	**31 Dec 2022 £'000**	Restated 31 Dec 2021 £'000	Restated 1 Jan 2021 £'000
Non-current assets				
Goodwill	11	**14,029**	14,029	14,029
Property, plant and equipment	12	**845**	956	1,278
Deferred tax assets	21	**197**	-	-
Contract cost assets	14	**752**	575	513
Total non-current assets		**15,823**	15,560	15,820
Current assets				
Inventories	13	**1,989**	1,330	694
Contract cost assets	14	**3,536**	3,160	3,113
Trade and other receivables	15	**3,692**	3,094	2,915
Cash and cash equivalents	16	**5,063**	5,414	10,570
Total current assets		**14,280**	12,998	17,292
Total assets		**30,103**	28,558	33,112
Current liabilities				
Trade and other payables	17	**3,650**	3,216	2,823
Provisions	18	**543**	953	1,785
Contract liabilities	19	**3,499**	3,160	3,650
Current tax liabilities		**896**	77	301
		8,588	7,406	8,559
Non-current liabilities				
Deferred tax liabilities	21	**-**	457	425
Lease liabilities	20	**617**	650	822
		617	1,107	1,247
Total liabilities		**9,205**	8,513	9,806
Net assets		**20,898**	20,045	23,306
Equity				
Share capital	22	**484**	484	479
Share premium account	22	**6,332**	6,332	5,252
Equity reserve		**342**	380	792
Capital redemption reserve		**4,663**	4,663	4,663
Translation reserve		**(338)**	(169)	(69)
Retained earnings		**9,415**	8,355	12,189
Total equity attributable to equity shareholders of Quartix Technologies plc		**20,898**	20,045	23,306

Approved by the Board of Directors, authorised for issue and signed on behalf of the Board on 24 February 2023.

Richard Lilwall
Chief Executive Officer

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium account £,000	Capital redemption reserve £'000	Equity reserve £'000	Translation reserve £'000	Retained earnings £'000	**Total equity £'000**
Balance at 31 December 2020	**479**	**5,252**	**4,663**	**792**	**(69)**	**10,316**	**21,433**
Prior year restatement (note 33)	-	-	-	-	-	1,873	**1,873**
Restated balance at 31 December 2020	**479**	**5,252**	**4,663**	**792**	**(69)**	**12,189**	**23,306**
Shares issued	5	1,080	-	-	-	-	**1,085**
Increase in equity reserve in relation to options issued	-	-	-	170	-	-	**170**
Adjustment on settlement of options	-	-	-	(98)	-	-	**(98)**
Recycle of equity reserve to P&L	-	-	-	(456)	-	456	**-**
Deferred tax on share Options	-	-	-	(28)	-	-	**(28)**
Dividend paid	-	-	-	-	-	(9,274)	**(9,274)**
Transactions with owners	**5**	**1,080**	**-**	**(412)**	**-**	**(8,818)**	**(8,145)**
Foreign currency translation differences (note 29)	-	-	-	-	(100)	-	**(100)**
Profit for the year	-	-	-	-	-	4,984	**4,984**
Total comprehensive income	-	-	-	-	**(100)**	**4,984**	**4,884**
Restated balance at 31 December 2021	**484**	**6,332**	**4,663**	**380**	**(169)**	**8,355**	**20,045**
Shares issued	-	-	-	-	-	-	-
Increase in equity reserve in relation to options issued	-	-	-	93	-	-	**93**
Adjustment on settlement of options	-	-	-	(85)	-	85	**-**
Recycle of equity reserve to P&L	-	-	-	(46)	-	46	**-**
Dividend paid	-	-	-	-	-	(4,112)	**(4,112)**
Transactions with owners	**-**	**-**	**-**	**(38)**	**-**	**(3,981)**	**(4,019)**
Foreign currency translation differences (note 29)	-	-	-	-	(169)	-	**(169)**
Profit for the year	-	-	-	-	-	5,041	**5,041**
Total comprehensive income	**-**	**-**	**-**	**-**	**(169)**	**5,041**	**4,872**
Balance at 31 December 2022	**484**	**6,332**	**4,663**	**342**	**(338)**	**9,415**	**20,898**

Consolidated Statement of Cash Flows

	Notes	2022 £'000	Restated 2021 £'000
Cash generated from operations	24	**4,170**	3,963
Taxes paid		**(320)**	(636)
Cash flow from operating activities		**3,850**	3,327
Investing activities			
Additions to property, plant and equipment		**(68)**	(61)
Interest received	7	**8**	-
Cash flow used in investing activities		**(60)**	(61)
Cash flow from operating activities after investing activities (free cash flow)		**3,790**	3,266
Financing activities			
Repayment of lease liabilities	25	**(151)**	(166)
Proceeds from share issues		**-**	1,085
Dividend paid		**(4,112)**	(9,274)
Cash flow used in financing activities		**(4,263)**	(8,355)
Net changes in cash and cash equivalents		**(473)**	(5,089)
Cash and cash equivalents, beginning of year		**5,414**	10,570
Exchange differences on cash and cash equivalents		**122**	(67)
Cash and cash equivalents, end of year	16	**5,063**	5,414

Notes to the Consolidated Financial Statements

1 Summary of significant accounting policies

Basis of accounting

These financial statements are consolidated financial statements for the Group consisting of Quartix Technologies plc, a company registered in the UK, and all its subsidiaries. These consolidated financial statements are for the year ended 31 December 2022 and are prepared in Sterling and are rounded to the nearest thousand pounds (£'000). They have been prepared in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006 (UK-adopted IAS).

These financial statements have been prepared under the historical cost convention.

The Group 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 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. Further information on the impact of the change in policy is disclosed in note 33.

There were several amendments to existing Standards and interpretation published by the IASB, effective for accounting periods commencing 1 January 2021, but none of these amendments were considered to be relevant to these financial statements. New Standards, Amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

Basis of consolidation

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control is achieved where the Company has the power over an investee entity, exposure or rights to variable returns from the involvement in the investee and the ability to use its power over the investee to affect the amount of the investors returns. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. A list of subsidiaries is included note 32.

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 Group to continue as a going concern. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to generate sufficient liquidity. The Group 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.

1 Summary of significant accounting policies (continued)

Going concern (continued)
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 Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing consolidated financial statements.

Revenue recognition
Revenue is the amount receivable for goods and services, excluding sales taxes, rebates, and trade discounts.

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

Under IFRS 15, the Group 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 Group does not provide a significant service integrating, modifying or customising it).

For the adoption of IFRS 15 the Group completed a detailed assessment of its sources of revenue and concluded that the Group's activities of supplying telematics units, installing telematics units and providing telematics services are not distinct and that it has one single performance obligation. Consequently, the Group does not recognise revenue separately for these goods and services; but recognises this revenue together as the provision of vehicle telematics services.

The Group 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 19).

If the Group satisfies a performance obligation before it received the consideration, the Group recognises a receivable in its statement of financial position.

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 Group'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.

1 Summary of significant accounting policies (continued)

Revenue (continued)

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

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

Contract Cost Assets
The Group incurs costs to fulfil it's 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 Group 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 Group 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 Group 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.

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 Group 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 Group expects to receive less the costs that relate to providing services under the relevant contract.

Intangible assets
Goodwill arising on consolidation represents the excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the identifiable assets and liabilities (including intangible assets) of the acquired entity at the date of the acquisition. Goodwill is recognised as an asset and assessed for impairment annually or as triggering events occur. The goodwill arose in 2008 from the acquisition of Quartix Limited, the main trading entity in the Group, which at the time only had commercial fleet operations, therefore the entirety of the goodwill has been allocated to the fleet business for the impairment review. Any impairment is recognised immediately in profit or loss.

1 Summary of significant accounting policies (continued)

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

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

- 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 projects 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 Group intends to and has sufficient resources to complete the project
- The Group 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 of intangible assets and property, plant and equipment
An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles,
such as market and asset-specific risks factors. The cash-generating unit used for the impairment test of goodwill is the fleet business as explained in the Intangible Assets policy above. Goodwill is assessed for impairment at least annually (assessed at each reporting date).

Property, plant and equipment are tested for impairment if events or changes in circumstances (assessed at each reporting date) indicate that the carrying amount may not be recoverable.

If a cash-generating unit is impaired, provision is made to reduce the carrying amount of the related assets to their estimated recoverable amount, charged to profit & loss. Impairment losses are allocated firstly against goodwill, and secondly on a pro rata basis against intangibles and other assets.

Leases
For any new lease contract entered into, the Group 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 Group 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 Group, 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 Group 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 Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group 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 Group'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 Group 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.

Inventories
Components held for manufacture of vehicle tracking units and units not yet deployed to customers are classified as inventory. Inventories are stated at the lower of cost and net realisable value less provision for obsolete, slow moving or defective items. Cost is based on the cost of purchase on a first in first out basis. Provision against inventories 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 Statement of Financial Position 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 Group 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, which for the first time in 2022 includes the recognition of a deferred tax asset for the utilisation of tax losses in the US business.

1 Summary of significant accounting policies (continued)

Taxation (continued)
Deferred tax liabilities are provided in full, with no discounting. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the Statement of Financial Position date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in profit or loss, other comprehensive income 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 Group 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 Group makes use of a simplified approach in accounting for trade and other receivables and record 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 Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assesses impairment of trade receivables on a collective basis. Since they have similar credit risk characteristics, they are grouped based on the number of days past their due date. Refer to note 15 for an analysis of how the impairment requirements of IFRS 9 are applied.

The Group 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 Group 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 Group 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 Group 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.

1 Summary of significant accounting policies (continued)

Equity
Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "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.
- “Capital redemption reserve” represents the amount by which the Company's issued share capital is diminished when shares are redeemed or purchased wholly out of the Company's profits.
- “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.
- "Retained earnings" represents retained profits.

Dividends
Dividends attributable to the equity holders of the Company approved for payment during the year are recognised directly in equity.

Foreign currencies
The Parent Company's functional currency is Sterling; the French branch’s is Euros, with its results translated for inclusion in Quartix Limited’s Sterling accounts. Quartix Inc has a functional currency of US Dollars.

The consolidated financial statements are presented in Sterling, which is the Group’s presentation currency. Transactions in foreign currencies are translated into the respective currencies of Group companies 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 Statement of Financial Position date. Foreign exchange differences arising on translation of monetary assets and liabilities are recognised in the Consolidated Statement of Comprehensive Income. 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 all the Group entities that have a functional currency other than Sterling are translated at the average rate prevailing in the month of the transaction. The assets and liabilities are retranslated at the closing exchange rate at the reporting date.

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

Employee benefits
The only pension provision 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. Other employee benefits including holiday pay, company sick pay and a range of tailored incentive schemes, some of which include the grant of share options, are recognised in the period that related employee services are received.

1 Summary of significant accounting policies (continued)

Employee benefits: share based payments

The Group 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 are ultimately recognised as an expense in profit or loss with a corresponding credit to a share-based payment liability. 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.

2 Key judgements and estimates

The Group make 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 Group'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. See the Strategic Report on page 12 for further information about the Group's approach to research and development.

2 Key judgements and estimates (continued)

Key judgement: timing of revenue recognition
The Group'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 Group 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 Group 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 Group 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 Group 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 Revenue

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

	2022 £'000	2021 £'000
United Kingdom	17,760	17,953
France	5,410	4,425
New European Territories	1,060	507
United States of America	3,287	2,628
	27,517	25,513

During 2022 UK revenue of £0.7m (2021: £1.5m) was derived from one insurance customer, as a proportion of total revenue this one customer makes up 2.6% of the Group's revenue (2021: 6.1%).

There are no material non-current assets based outside the UK.

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

	2022 £'000	2021 £'000
Goods and services transferred over time	26,505	24,556
Revenue recognised at a point in time	1,012	957
	27,517	25,513

Goods and services transferred over time represent 96.3% of total revenue (2021: 96.2%).

3 Revenue (continued)

For 2022, revenue includes £3.1m (2021: £3.6m) included in the contract liability balance at the beginning of the period (see note 19). Changes to the Group's contract liabilities (i.e. deferred revenue) are attributable solely to the satisfaction of performance obligations.

4 Profit for the year before taxation

The profit for the year for the Group is stated after charging/(crediting):

	2022 £'000	2021 £'000
Research and development expenses	**820**	766
3G replacement unit provision	**(463)**	(774)
Rentals under short term lease agreements:		
Other leases	**16**	16
Land and buildings	**81**	81
Depreciation on property, plant and equipment, owned	**124**	180
Depreciation on property, plant and equipment, right of use	**133**	151
Share-based payment expense	**(1)**	515
Foreign exchange losses	**(103)**	(33)
Expected credit loss charge	**36**	(94)
Audit services:		
Fees paid to Company auditor for the audit of the Company and consolidated financial statements	**36**	60
The audit of the Company's subsidiary pursuant to legislation	**54**	15
Other services	**-**	-

Earnings before interest, tax, depreciation and amortisation (EBITDA):

	2022 £'000	Restated 2021 £'000
Operating profit	**5,553**	5,425
Depreciation on property, plant and equipment, owned	**124**	180
Depreciation on property, plant and equipment, right of use	**133**	151
EBITDA	**5,810**	5,756
Share-based payment expense (incl. cash-settled)	**(1)**	515
Cost of living payments	**151**	-
Provision for replacement of 3G units	**91**	(430)
Adjusted EBITDA	**6,051**	5,841

5 Employee remuneration

Expenses recognised for employee benefits is analysed below for the Group.

Staff costs, including Directors, during the year were as follows:

	2022 £'000	2021 £'000
Wages and salaries	**6,803**	6,123
Social security costs	**851**	671
Contributions to defined contribution pension plan	**192**	138
Share-based payment	**(1)**	515
	7,845	7,447

5 Employee remuneration (continued)

The average number of employees, including all Directors, during the year was as follows:

	2022	2021
Administration	**24**	23
Operations	**17**	20
Sales	**72**	77
Customer service	**47**	35
Research and development	**29**	27
	189	182

6 Key management remuneration and Directors' remuneration

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any Directors (whether Executive or otherwise) of the entity. For 2022, the Group identified nine such individuals: three Executive Directors, three Non-Executive Directors (until 20 December 2022 where a new Non-Executive Director was appointed), and five members of Senior Management. In 2021, the Group identified nine such individuals: four Executive Directors, two Non-Executive Directors, and three members of Senior Management.

	2022	2021
	£'000	£'000
Wages and salaries	**1,223**	856
Social security costs	**162**	90
Contributions to defined contribution pension plan	**26**	15
Share-based payment	**(15)**	425
Total employee benefits	**1,396**	1,386

Details of Directors' remuneration and the highest paid Director is disclosed on page 36.

The Group introduced the NEST pension arrangements in 2015 for all employees. During 2022, eight members of the key management personnel team were members of the NEST scheme. No Director was a member of any other pension scheme or other post-employment benefit to which the Group contributed in either the current or the prior years.

The following relates to key management, including Directors:

	2022	2021
Share based payment charge: equity options (£'000)	**79**	80
Share based payment charge: cash options (£'000)	**(94)**	345
	(15)	425
Equity settled share options held	**509,687**	376,705
Cash settled options held	**-**	78,000
Equity options exercised	**414**	258,375
Cash options exercised	**-**	156,000
Shares held	**11,082,977**	11,061,389

6 Key management remuneration and Directors' remuneration (continued)

Included in above relating only to Directors of Quartix Technologies plc are:

	2022	2021
Share based payment charge: equity options (£'000)	**69**	32
Share based payment charge: cash options (£'000)	**-**	202
	69	234
Equity settled share options held	**241,320**	141,232
Equity options exercised	**-**	117,282
Cash options exercised	**-**	84,000
Shares held	**10,795,789**	10,795,466

The only new options granted to key management during the year was the issue of new equity options to the CEO and CFO in December 2022 as outlined on page 37.

7 Finance income receivable

	2022 £'000	2021 £'000
Bank interest	**8**	-

8 Finance costs payable

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

9 Tax expense

Analysis of tax charge in the year	**2022 £'000**	2021 £'000
Current tax		
UK corporation tax charge on profit for the year	**1,086**	418
Adjustments in respect of prior periods	**57**	(3)
Total corporation tax	**1,143**	415
Deferred tax		
Origination and reversal of temporary differences	**(654)**	3
Adjustments in respect of prior periods	**-**	-
Total deferred tax	**(654)**	3
Tax on profit of ordinary activities	**489**	418

9 Tax expense (continued)

The relationship between the expected tax expense based on an effective tax rate of the Group of 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	2021
	£'000	£'000
Result for the year before taxation	**5,530**	5,402
Tax rate (%)	**19.00**	19.00
Expected tax expense	**1,051**	1,026
Adjustments to tax charge in respect of prior periods*	**57**	(3)
Adjustments for tax rate differences in France	**-**	13
Expenses not deductible for tax purposes	**2**	4
Losses in the USA not provided	**(131)**	(281)
Losses relief provided for USA for the first time	**(290)**	-
Research and development tax credit	**(185)**	(151)
Patent box credit	**(29)**	(116)
Remeasurement of deferred tax	**22**	(7)
Tax adjustment on exercise of options	**(8)**	(67)
Tax on profit on ordinary activities	**489**	418
Effective rate of tax	**8.8%**	7.7%
*Effective rate of tax ignoring adjustments in respect of prior years'	7.8%	7.7.%

The Finance No. 2 Bill 2021 became substantively enacted on 24 May 2021, which includes legislation increasing the UK corporation tax rate to 25% for companies that have profits of more than £250k. This substantively enacted tax rate has been used at the balance sheet date and has been reflected in the deferred tax recognised on the balance sheet.

10 Earnings per share and dividends

Earnings per share

The calculation of the basic earnings per share is based on the profits attributable to the shareholders of Quartix Technologies plc divided by the weighted average number of shares in issue during the year. All earnings per share calculations relate to continuing operations of the Group.

	Profits attributable to shareholders £'000	Weighted average number of shares	Basic profit per share amount in pence	Fully diluted weighted average number of shares	Diluted profit per share amount in pence
Earnings per ordinary share					
Year ended 31 December 2022	**5,041**	**48,387,354**	**10.42**	**48,599,519**	**10.38**
Restated year ended 31 December 2021	4,984	48,269,166	10.32	48,661,104	10.25
Adjusted earnings per ordinary share					
Year ended 31 December 2022	**5,283**	**48,387,354**	**10.92**	**48,599,519**	**10.88**
Restated year ended 31 December 2021	4,554	48,269,166	9.43	48,661,104	9.36

For diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume the conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares are those share options where the exercise price is less than the average market price of the Company's ordinary shares during that year.

To illustrate the underlying earnings for the year, the table above includes adjusted earnings per ordinary share, which for 2021 excludes the £0.4m release of the exceptional 3G replacement unit provision and for 2022 excludes both the £0.1m re-estimate of the 3G replacement unit provision and the £0.2m cost of living payments considered to be a one off.

Dividends

During the year ended 31 December 2022, the Group paid interim dividends of £0.7m (2021: £0.7m), equivalent to 1.50p per share (2021: 1.50p per share). There was no supplementary interim dividend (2021: nil).

Details of dividends the Board is recommending for approval at the AGM are included in the Directors' Report on page 42. As the distribution of dividends require approval at the Annual General Meeting, no liability in this respect is recognised in the 2022 consolidated financial statements.

11 Goodwill

	Goodwill on consolidation £'000
Cost and net book value	
At 1 January and 31 December 2021 and 2022	**14,029**

Goodwill arose on the consolidation of the Group following the acquisition of Quartix Limited in 2008.

Goodwill is recognised as an asset and assessed for impairment annually or where there is indication of impairment. Any impairment is recognised immediately in profit or loss (see note 1).

11 Goodwill (continued)

The Group considers the fleet business of Quartix Limited to be the sole cash-generating unit (CGU) for the assessment of goodwill (see Intangible Assets policy included in note 1) and as such, it is reviewed annually for impairment. The Group has determined its recoverable amount based on value in use calculations. The value in use was derived from discounted management cash flow forecasts for the business, using the budgets and strategic plans based on past performance and expectations for the market development of the CGU, incorporating an appropriate business risk. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period based on industry sector forecasts.

These budgets and strategic plans cover a four-year period. The growth rate in years one and two were based on detailed management expectations. The growth rate used for the third and fourth year is 5.0%. The discount rate used is 7.15% based on the Group's weighted average cost of capital. Sensitivity analysis is carried out on all budgets, strategic plans and discount rates used in the calculations. The estimate of the recoverable amount for the cash generating unit is not particularly sensitive to the discount rate.

Management's key assumptions are based on past experience and the current trading performance of Quartix Limited. These value in use calculations, including sensitivity analysis, have not identified any requirement for impairment of the Goodwill stated above. Management is not aware of any probable changes that would necessitate changes in key estimates that indicate any impairment sensitivity.

12 Property, plant and equipment

	Leasehold properties £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Cost:				
At 31 December 2020	1,148	1,481	36	2,665
Additions	52	57	40	149
Disposals	(329)	(77)	-	(406)
Foreign exchange	(1)	-	-	(1)
At 31 December 2021	870	1,461	76	2,407
Additions	0	70	105	175
Disposals	(26)	(677)	(16)	(719)
Foreign exchange	1	1	-	2
At 31 December 2022	**845**	**855**	**165**	**1,865**

12 Property, plant and equipment (continued)

	Leasehold properties £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Depreciation:				
At 31 December 2020	233	1,146	8	1,387
Charge for the year	147	166	18	331
Disposals	(191)	(76)	-	(267)
At 31 December 2021	189	1,236	26	1,451
Charge for the year	102	123	32	257
Disposals	(22)	(651)	(17)	(690)
Foreign exchange	-	2	-	2
At 31 December 2022	**269**	**710**	**41**	**1,020**

	Leasehold properties £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Net book amount:				
At 31 December 2022	**576**	**145**	**124**	**845**
At 31 December 2021	681	225	50	956
At 31 December 2020	915	335	28	1,278

13 Inventories

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

	2022 £'000	2021 £'000
Raw materials	**1,383**	1,001
Work in progress	**284**	161
Finished goods and goods for resale	**322**	168
	1,989	1,330

Included in the analysis above are impairment provisions against inventory amounting to £121k (2021: £125k). The cost of vehicle tracking units are recognised as an expense and included in "cost of sales" amounted to £2.8m (2021: £2.3m).

14 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 Group'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	2021 £'000
Current contract cost assets	**3,536**	3,160
Non-current contract cost assets	**752**	575
Total contract cost assets	**4,288**	3,735

14 Contract cost assets (continued)

Contract cost assets comprises the following cost categories:

	2022	2021
	£'000	£'000
Equipment hardware	**1,916**	1,559
Commissions	**1,311**	1,186
Installation	**850**	802
Carriage	**211**	188
	4,288	3,735

- 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 Group have 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 Group'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	2021
	£'000	£'000
Contract costs assets at 1 January	**3,735**	3,626
Contract costs assets amortised in the period	**(4,976)**	(4,857)
Contract costs capitalised in the period	**5,500**	4,965
Foreign exchange	**29**	1
Contract costs assets at 31 December	**4,288**	3,735

15 Trade and other receivables

	2022	2021
	£'000	£,000
Trade receivables	**3,333**	2,754
Other receivables	**6**	24
Prepayments and accrued income	**353**	316
	3,692	3,094

All the amounts are due within one year. Trade receivables are measured initially at fair value and subsequently at amortised cost. At each period end, there is an assessment of the expected credit loss in accordance with IFRS 9 with any increase or reduction in the credit loss provision charged or released to administration costs in the statement of comprehensive income.

15 Trade and other receivables (continued)

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

	2022	2021
	£'000	£'000
Loss allowance at 1 January	160	257
Increase/(Decrease) in loss allowance	36	(94)
Foreign exchange	8	(3)
Loss allowance at 31 December	204	160

As explained in note 29, the Group's trade receivables arise from transactions that do not contain a significant financing component, therefore the loss allowance is always measured at an amount equal to lifetime expected credit losses.

The expected credit loss for trade receivables at 31 December was determined as follows:

	2022	2021
	£'000	£'000
Not more than 1 month	400	351
More than one month but not more than 3 months	267	86
More than 3 months but not more than 6 months	-	-
	667	437

16 Cash and cash equivalents

Cash and cash equivalents include the following components:

	2022	2021
	£'000	£'000
Cash at bank and in hand	5,063	5,414

Since August 2020, the Group 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: £0.4m).

17 Trade and other payables

Amounts falling due within one year:

	2022	2021
	£'000	£'000
Trade payables	2,027	1,674
Social security and other taxes	740	642
Other payables	67	114
Accruals	685	673
Lease liabilities (see note 20)	131	113
	3,650	3,216

18 Provisions

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

	3G Replacement £'000	Other £'000	Total £'000
Carrying amount at 1 January 2021	**1,592**	**193**	**1,785**
Amount utilised	(344)	(63)	(407)
Amount released on re-estimate	(430)	-	(430)
Foreign exchange	5	-	5
Carrying amount at 31 December 2021	**823**	**130**	**953**
Amount utilised	(554)	(36)	(590)
Increase in provision on re-estimate	91	-	91
Foreign exchange	89	-	89
Carrying amount at 31 December 2022	**449**	**94**	**543**

The provision increased by £91k following a re-estimate of the 3G replacement costs at 31 December 2022, due to an increase in costs per unit.

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

19 Contract liabilities

	2022 £'000	2021 £'000
Deferred insurance tracking data services income	**113**	273
Deferred fleet tracking data services income	**3,386**	2,887
	3,499	3,160

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 Group'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 12-36 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 a contract liability will generally be utilised within the next reporting period.

Changes to the Group'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	**3,160**	3,650
Contract liabilities released to revenue in the period	**(3,085)**	(3,591)
Contract revenue deferred in the period	**3,424**	3,101
Contract liabilities at 31 December	**3,499**	3,160

20 Lease liabilities

The Group has leases for the property it occupies and motor vehicles. With the exception of short-term leases and leases considered to be of a low value, each lease is reflected on the balance sheet as a right of use asset and a lease liability. The Group 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 12) are right-of-use assets as follows:

	2022	2021
Right-of-use asset carrying amounts	**£'000**	£'000
Property	**573**	675
Equipment	**124**	50
Total	**697**	725
Depreciation		
Property	**101**	133
Equipment	**32**	18
Total	**133**	151

Each lease imposes a restriction that the right-of-use asset can only be used by the Group. 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 Group is prohibited from selling or pledging the underlying leased assets as security. For the property leases, the Group 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 Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

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

	2022	2021
	£'000	£'000
Current lease liabilities (see note 17)	**131**	113
Non-current lease liabilities	**617**	650
Total lease liabilities	**748**	763

Future minimum lease payments at 31 December 2022 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	598	97	855
Finance charges	(29)	(76)	(2)	(107)
Net present value	131	522	95	748
31 December 2021				
Lease payments	143	440	313	896
Finance charges	(30)	(82)	(21)	(133)
Net present value	113	358	292	763

Total cash outflow for the year ended 31 December 2022 was £151,000 (2021: £166,000).

20 Lease liabilities (continued)

Lease payments not recognised as a liability:

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or leases considered to be low value. 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 £111,000 (2021: £96,000). At the year end the Group was committed to short-term leases and the total commitment at that date was £10,000 (2021: £52,000).

21 Deferred tax

Deferred tax assets/(liabilities) recognised by the Group at 31 December 2022 and 31 December 2021 are as follows:

	2022	2021
Deferred tax asset/(liability)	**£'000**	£'000
Accelerated Capital Allowances	**(55)**	(37)
Short term temporary differences	**231**	(553)
Equity settled share options	**21**	133
	197	(457)

	2022	2021
	£'000	£'000
(Credit)/charge to profit and loss		
Accelerated Capital Allowances	**18**	(8)
Short term temporary differences	**(784)**	26
Equity settled share options	**112**	(15)
Total (see note 9)	**(654)**	3

Included in the 2022 deferred tax balance is $349,000 for the provision of tax losses related to the US business, which in the prior year amounted to $488,000 unprovided as the Group did not consider that the definition of deferred tax asset was met.

22 Equity

	Number of ordinary shares of £0.01 each	Share capital £'000	Share premium £'000
Allotted, called up and fully paid			
At 1 January 2022	48,380,034	484	6,332
Shares issued	12,144	-	-
At 31 December 2022	**48,392,178**	**484**	**6,332**

All the shares issued in the year to 31 December 2022 related to the exercise of share options.

23 Share-based payment

The 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.

Movements in the number of equity-settled share options outstanding and their related weighted average exercise prices are as follows:

	2022 Weighted average exercise price per share in pence	**2022** Options number	**2021** Weighted average exercise price per share in pence	**2021** Options number
Outstanding at 1 January	**306.8**	**737,930**	279.3	1,232,068
Granted	**1.0**	**212,000**	453.0	110,369
Settled	**451.3**	**(110,783)**	360.0	(112,443)
Lapsed	**247.3**	**(21,940)**	251.2	(74,546)
Exercised	**1.0**	**(12,144)**	259.9	(417,518)
Outstanding at 31 December	**212.6**	**805,063**	306.8	737,930
Exercisable at 31 December	**282.4**	**529,982**	281.8	173,204

The weighted average fair value of equity-settled options issued during the year ended 31 December 2022 was 275.3p (2021: 74.91p). All equity-settled options granted in 2022 (2021: none) were granted to staff with performance conditions.

The weighted average share price at the date of exercise of options during the year ended 31 December 2022 was 335.00p (2021: 467.22p).

At 31 December Quartix Technologies plc had the following outstanding equity-settled options and exercise prices:

2022

Period when exercisable	**Expiry dates**	**Average exercise price per share in pence**	**Options number**	**Weighted average remaining contractual life in months**
Starting from March 2019	31 March 2025	360.0	74,965	27
Starting from March 2020	31 March 2024	270.0	334,712	15
Starting from March 2020	31 March 2026	270.0	29,320	39
Starting October 2020	30 September 2025	335.0	25,000	33
Starting from May 2021	1 May 2026	291.0	128,100	40
Starting from March 2022	1 December 2025	1.0	966	35
Starting April 2024	20 December 2032	1.0	212,000	120
		212.6	**805,063**	**49**

23 Share based payments (continued)

2021

Period when exercisable	**Expiry dates**	**Average exercise price per share in pence**	**Options number**	**Weighted average remaining contractual life in months**
Starting from March 2019	31 March 2025	360.0	74,965	39
Starting from March 2020	31 March 2024	270.0	346,463	27
Starting from March 2020	31 March 2026	270.0	30,863	51
Starting October 2020	30 September 2025	335.0	25,000	45
Starting from May 2021	1 May 2026	291.0	134,400	52
Starting from March 2022	1 December 2025	1.0	15,870	47
Starting from May 2022	1 June 2027	485.0	51,546	65
Starting October 2022	18 October 2031	425.0	58,823	118
		306.7	**737,930**	**45**

The fair value of equity-settled share-based payments, without a market based performance condition, have been calculated using the Black-Scholes option pricing model. The fair value of equity-settled share-based payments, with a market based performance condition, have been calculated using the binomial option pricing model. Expected volatility was determined based on the historic volatility of the Group's share price. The expected life is the expected period from grant to exercise based on management's best estimate. The risk-free return is based on UK Government gilt yields at the time of the grant.

The following assumptions were used in the model for equity-settled options granted during the year ended 31 December 2022:

Number granted	**212,000**
Grant date	**20-Dec**
Share price at grant date (pence)	**300.0**
Exercise price (pence)	**1.0**
Fair value per option (pence)	**275.3**
Expected life in years	**3.3**
Expected volatility (%)	**18.4**
Risk-free interest rate (%)	**3.5**
Dividend yield (%)	**2.5**

The following assumptions were used in the model for equity-settled options granted during the year ended 31 December 2021:

Number granted	51,546	58,823
Grant date	24-May	18-Oct
Share price at grant date (pence)	485.0	425.0
Exercise price (pence)	485.0	425.0
Fair value per option (pence)	82.9	67.9
Expected life in years	3.0	3.0
Expected volatility (%)	30.0	27.3
Risk-free interest rate (%)	0.1	0.7
Dividend yield (%)	2.1	2.1

23 Share based payments (continued)

Movements in the number of cash-settled share options outstanding and their related weighted average exercise prices are as follows:

	2022		2021	
	Weighted average exercise price per share in pence	**Options number**	**Weighted average exercise price per share in pence**	**Options number**
Outstanding at 1 January	**322.0**	**78,000**	321.4	238,000
Re-estimated	**-**	**-**	322.0	40,000
Cancelled	**322.0**	**(39,250)**	320.0	(44,000)
Exercised	**-**	**-**	321.7	(156,000)
Lapsed	**322.0**	**(38,750)**	-	-
Outstanding at 31 December	**-**	**-**	322.0	78,000
Exercisable at 31 December	**n/a**	**n/a**	n/a	n/a

At 31 December 2022 Quartix Technologies plc had no outstanding cash-settled options and exercise prices, at 31 December 2021 there were 78,000 cash options outstanding at an average exercise price of 322p with a remaining contractual life of 27 months.

24 Notes to the cash flow statement

Cash flow adjustments and changes in working capital

	Notes	2022 £'000	Restated 2021 £'000
Profit before tax		**5,530**	5,402
Foreign exchange		**(256)**	39
Depreciation	4, 12	**257**	331
Loss on disposal of fixed asset		**29**	-
Interest income	7	**(8)**	-
Lease interest expense	8	**31**	23
Share based payment expense		**92**	72
Operating cash flow before movement in working capital		**5,675**	5,867
(Increase)/decrease in trade and other receivables		**(516)**	(240)
(Increase)/decrease in contract cost assets		**(524)**	(107)
(Increase)/decrease in inventories		**(659)**	(636)
(Decrease)/Increase in trade and other payables		**(99)**	(427)
(Decrease)/Increase in contract liabilities		**293**	(494)
Cash generated from operations		**4,170**	3,963

25 Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities, is entirely as a result of lease liabilities which is as follows:

	2022 £'000	2021 £'000
1 January	**763**	957
Non-cash: (Disposals)/addition	**136**	(28)
Cash-flows: Repayment	**(151)**	(166)
31 December (see note 20)	**748**	763

26 Related party transactions and controlling related party

The Group's related parties comprise its Board of Directors and its key management (see note 6). There were no related party transactions with Directors to disclose other than dividends received based on shareholdings disclosed in the Directors' Remuneration Report on page 37 and note 6.

The Directors consider the Board and shareholding structure to mean there is no directly identifiable controlling party.

27 Purchase commitments and contingent liabilities

Quartix Limited has signed agreements with suppliers which commit the Group to purchase inventory to the value of £1.2m (2021: £1.3m).

Short term lease commitment at year end is £10k rental on a property (2021: £52k).

There were no other financial commitments or contingent liabilities at 31 December 2022 or 31 December 2021.

28 Capital commitments

The Group had no capital commitments as at 31 December 2022 or 31 December 2021.

29 Risk management objectives and policies

Financial instruments

The Group uses various financial instruments; these include cash deposits and bank loans and various items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations and manage working capital.

The main risks arising from the Group'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 Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the Statement of Financial Position date, as summarised below:

	2022 £'000	2021 £'000
Loans and receivables		
Trade receivables and other receivables	**3,339**	2,778
Cash and cash equivalents	**5,063**	5,414
	8,402	8,192

29 Risk management objectives and policies

The Group's principal financial assets are cash deposits and trade receivables. 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 Group 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 Group 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 Group uses such data to make reasonable forward-looking estimates of recoverability.

The Group 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 Group 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 enough Euros to cover the Group's needs. Whilst the Group also trades in the US, in 2022, the Group purchased about $2.0m, primarily to purchase components for the vehicle tracking units (2021: $2.1m).

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

It is estimated that a 5.0% strengthening of Pound Sterling to the US dollar would have reduced purchase costs by £87,000 and vice versa (2021: £73,000). (This is assuming that Dollar denominated prices do not adjust for currency movements.)

It is estimated that a 5.0% strengthening of Pound Sterling to the Euro would have reduced net profit by £15,000 and vice versa (2021: £59,000).

The Group's financial instruments denominated in foreign currencies were:

	2022			2021		
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
	US$	**€**	**zl**	US$	€	zl
Cash and cash equivalents	**361**	**996**	**(1)**	268	996	-
Trade receivables	**-**	**921**	**4**	-	592	2
Trade payables	**(433)**	**(675)**	**-**	(356)	(431)	-
	(72)	**1,242**	**3**	(88)	1,157	2

As set out in the accounting policies (note 1), the assets and liabilities of Group entities that have a functional currency other than Sterling are translated at the closing exchange rate at the reporting date. The US dollar exchange rate fell by 10.7% from 31 December 2021 to 31 December 2022 (2021: decreased by 1.3%). The total translation reserve movement for the year reported in the Consolidated Statement of Changes in Equity was a debit of £169,000 (2021: credit £100,000). The majority of this movement related to the retranslation of Quartix Inc's opening net liabilities as at 1 January 2022.

29 Risk management objectives and policies (continued)

Currency risk (continued)

Quartix Inc's net liabilities relate mainly to amounts owed to other Group entities and the 3G units swap out provision. The foreign exchange differences arising on translation of these monetary liabilities are recognised in the Consolidated Income Statement.

It is estimated that a 5.0% weakening of Pound Sterling to the US dollar would give an exchange loss of around £53,000 (2021: £116,000) from the retranslation of Quartix Inc's net liabilities, the exchange gain that relates to the retranslation of amounts owed by Quartix Inc is around £163,000 (2021: £26,000).

Interest rate risk

The Group has no debt so it is not exposed to fluctuations in interest rates.

Liquidity risk

The Group 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 Group 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 2022, the Group's non-derivative financial liabilities that have contractual maturities of more than 12 months are lease liabilities; see note 20 for the maturity analysis of lease liabilities.

30 Summary of financial assets and liabilities by category

The carrying amounts of the assets and liabilities as recognised at the Statement of Financial Position date of the years under review may also be categorised as follows:

	2022 £'000	2021 £'000
Loans and receivables		
Trade and other receivables	**3,339**	2,778
Cash and cash equivalents	**5,063**	5,414
	8,402	8,192

	2022 £'000	2021 £'000
Financial liabilities measured at amortised cost		
Trade and other payables	**3,254**	3,300
Lease liabilities	**748**	763
	4,002	4,063

31 Capital management policies and procedures

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders, by balancing its trading performance with continuing investment in research and development.

The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the Statement of Financial Position.

The Group makes adjustments to its capital in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets. Capital for the reporting years under review is summarised as follows:

	2022 £'000	2021 £'000
Capital		
Total equity	**20,897**	20,044
Less cash and cash equivalents	**(5,063)**	(5,414)
	15,834	14,630
Overall financing		
Total equity	**20,897**	20,044
Lease liabilities	**748**	763
	21,645	20,807
Capital-to-overall financing ratio (%)	**73.2**	70.3

32 Subsidiaries

As at the 31 December 2022 the subsidiaries of the Group were:

Subsidiary	**Quartix Ltd**	**Quartix Inc**
Country of registration	England & Wales	USA
Registered office	New Church Street, Newtown, Powys SY16 1AF	901 2nd Street, Springfield, Sangamon IL 62704-7909
Class of share capital held	Ordinary shares	Common shares
Proportion held by the Company	100%	100%
Nature of the business	Vehicle Tracking	Vehicle Tracking

33 Explanation of change in accounting policy relating to IFRS 15

As highlighted in note 1, the Group 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 Group's net assets was an increase of £1,873,000 to £23,306,000 from the inclusion of a contract cost assets of £2,433,000 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	1,193	2,433	3,626
Other assets	29,486	-	29,486
Total assets	30,814	2,298	33,112
Deferred tax liabilities	-	(425)	(425)
Other liabilities	(9,381)	-	(9,381)
Total liabilities	(9,381)	(425)	(9,806)
Retained earnings	10,316	1,873	12,189
Other	11,117	-	11,117
Total Equity	21,433	1,873	23,306

31 December 2021	As previously reported £'000	Adjustments £'000	As Restated £'000
Deferred tax assets	131	(131)	-
Contract cost assets	1,185	2,550	3,735
Other	24,823	-	24,823
Total assets	26,139	2,419	28,558
Deferred tax liabilities	-	(457)	(457)
Other	(8,056)	-	(8,056)
Total liabilities	(8,056)	(457)	(8,513)
Retained earnings	6,394	1,961	8,355
Other	11,689	1	11,690
Total Equity	18,083	1,962	20,045

The split of the contract cost assets between current assets and non-current assets has been disclosed in note 14.

33 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	25,513	-	25,513
Cost of sales	(6,876)	116	(6,760)
Other expenses	(13,351)	-	(13,351)
Tax expense	(390)	(28)	(418)
Net profit	4,896	88	4,984
Other comprehensive income	(101)	1	(100)
Total Comprehensive income	4,795	89	4,884
Earnings per ordinary share (pence)	10.14	0.18	10.32
Diluted earnings per ordinary share (pence)	10.07	0.18	10.25

C Consolidated Statement of Cash Flows

For the year ended 31 December 2021	As previously reported £'000	Adjustments £000	As Restated £'000
Profit	4,896	88	4,984
Adjusted for:			
- tax expense	390	28	418
Profit before tax	5,286	116	5,402
Changes in contract cost assets	9	(116)	(107)
Other	(1,332)	-	(1,332)
Cash generated from operations	3,963	-	3,963

Parent Company Statement of Financial Position

Company registration number 06395159

	Notes	2022 £'000	2021 £'000
Fixed assets			
Investments	4	**20,256**	20,256
Current assets			
Debtors	5	**363**	680
Current tax asset		**54**	44
Cash at bank and in hand		**100**	52
Total current assets		**517**	776
Creditors – amounts falling due within one year	6	**(115)**	(1,176)
Net current (liabilities)/assets		**402**	(400)
Total assets less current liabilities		**20,658**	19,856
Net assets		**20,658**	19,856
Capital and reserves			
Share capital	7	**484**	484
Share premium account	7	**6,332**	6,332
Equity reserve		**342**	379
Capital redemption reserve		**4,663**	4,663
Retained earnings		**8,837**	7,998
Total equity attributable to equity shareholders of Quartix Technologies plc		**20,658**	19,856

No Statement of profit and loss is presented for Quartix Technologies plc as provided by section 408 of the Companies Act 2006. Profit for the year and total comprehensive income attributable to the equity shareholders of Quartix Technologies plc was £4,821,000 (2021: £3,855,000)

Approved by the Board of Directors, authorised for issue and signed on behalf of the Board on 24 February 2023.

Richard Lilwall
Chief Executive Officer

Parent Company Statement of Changes in Equity

	Share capital £'000	Share premium account £,000	Capital redemption reserve £'000	Equity reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2020	479	5,252	4,663	763	12,961	**24,118**
Shares issued	5	1,080	-	-	-	**1,085**
Increase in equity reserve in relation to options issued	-	-	-	170	-	**170**
Adjustment for settled options	-	-	-	(98)	-	**(98)**
Recycle of equity reserve to P&L reserve	-	-	-	(456)	456	**-**
Dividend paid	-	-	-	-	(9,274)	**(9,274)**
Transactions with owners	**5**	**1,080**	**-**	**(384)**	**(8,818)**	**(8,117)**
Profit for the year and total comprehensive income	-	-	-	-	3,855	**3,855**
Balance at 31 December 2021	**484**	**6,332**	**4,663**	**379**	**7,998**	**19,856**
Shares issued	**-**	**-**	**-**	**-**	**-**	**-**
Increase in equity reserve in relation to options issued	-	-	-	93	-	93
Adjustment for settled options	-	-	-	(85)	85	-
Recycle of equity reserve to P&L reserve	-	-	-	(45)	45	-
Dividend paid	-	-	-	-	(4,112)	(4,112)
Transactions with owners	**-**	**-**	**-**	**(37)**	**(3,982)**	**(4,019)**
Profit for the year and total comprehensive income	-	-	-	-	4,821	4,821
Balance at 31 December 2022	**484**	**6,332**	**4,663**	**342**	**8,837**	**20,658**

Notes to the Parent Company Financial Statements

1 Summary of significant accounting policies

Accounting convention

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements are prepared under the historical cost convention.

No profit and loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006.

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

Basis of preparation

The accounting policies which follow were those applied in preparing the financial statements for the year ended 31 December 2022 and the year ended 31 December 2021. The Company has taken advantage of the following disclosure exemptions under FRS 101:

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

Going concern

As a holding company, its main source of income is dividends receivable from its trading subsidiaries and in particular Quartix Limited. For further details, refer to the accounting policy note on Going Concern for the Group which starts on page 58.

Investment in subsidiaries

The Company's interests in investments presently comprise only interest in wholly owned subsidiary undertakings. Investments are recognised initially at cost. Subsequent to initial recognition the financial statements include the adjustments in respect of Share Based Payments or provision for impairment.

1 Summary of significant accounting policies (continued)

Impairment of assets
The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset, being the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. To determine the value-in-use, management estimates expected future cash flows and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

A reversal of an impairment loss for an asset shall be recognised immediately in profit or loss, unless the asset is carried at revalued amount. Any reversal of an impairment loss of a revalued asset shall be treated as a revaluation increase.

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 by the Statement of Financial Position 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 Statement of Financial Position date.

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

Dividends
Dividends attributable to the equity holders of the Company approved for payment during the year are recognised directly in equity.

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
As required by IFRS 9, the Company will apply the impairment requirements and recognise a loss allowance for expected credit losses on its financial assets. At each reporting date, it will measure the loss allowance at an amount equal to the lifetime expected credit losses, if the credit risk on financial instruments has increased significantly since initial recognition.

1 Summary of significant accounting policies (continued)

Financial assets (continued)
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 only when the obligation is extinguished. The Company does not enter into derivative contracts for hedging or speculative purposes.

Foreign currencies
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 Statement of Financial Position 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.

Employee benefits: Share-based payments
The Company operates several employee share schemes for employees of its UK trading subsidiary under which it makes equity-settled and cash-settled share-based payments.

For equity-settled options, the fair value of the employee services received in exchange for the grant of the options is recognised as an increase in the investment in the subsidiary, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. 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 option pricing model where there is no market based performance condition, whilst the binomial option pricing model is used to account assess the fair value for options with a market-based performance conditions.

For cash-settled options, the fair value of the employee services received in exchange for the grant of the options is recognised as an increase in the investment in the subsidiary, with a corresponding increase in the share based payment liability, over the period that the employees unconditionally become entitled to the award.

Upon exercise of the equity-settled share options the proceeds received are allocated to share capital and share premium. On settlement of the cash award the share based payment liability is released.

1 Summary of significant accounting policies (continued)

Share capital and reserves

Share capital and reserves comprises the following:

- "Share capital" represents the nominal value of equity shares
- "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
- "Capital redemption reserve" represents the amount by which the Company's issued share capital is diminished when shares are redeemed or purchased wholly out of the Company's profits
- "Equity reserve" is used to reflect the expenses associated with granting share options to employees and the issue of warrants
- "Retained earnings" represents retained profits

2 Profit and loss account

Auditors' remuneration attributable to the Company is as follows:

	2022	2021
	£'000	£'000
Audit fees – statutory audit	**36**	60

Details of Directors' emoluments are set out on page 36.

3 Directors and employees

Staff costs, including Directors, comprised the following:

	2022	2021
	£'000	£'000
Wages and salaries	**154**	103
Social security costs	**19**	12
	173	115

The average number of employees for the company, being the Non-Executive Directors only, during the year was 3 (2021: 2).

4 Investments – non-current

The amounts recognised in the Company's Statement of Financial Position relate to the following:

	Subsidiary undertakings
	£'000
Cost:	
At 1 January 2021	**19,741**
Increase due to granting of share options to subsidiary employees:	
New investments	515
At 1 January 2022	**20,256**
Increase due to granting of share options to subsidiary employees:	
New investments	**-**
Net book amount at 31 December 2022	**20,256**

4 Investments – non-current (continued)

There is no provision for impairment for the investment in subsidiaries.

Subsidiary	Country of registration	Class of share capital held	Proportion held by the Company	Nature of business
Quartix Limited	England & Wales	Ordinary shares	100%	Vehicle Tracking
Quartix Inc	USA	Common shares	100%	Vehicle Tracking

See note 32 of the consolidated financial statements for details of the registered offices for the above subsidiaries.

5 Debtors

	2022	2021
	£'000	£'000
Social security and other taxes	**5**	10
Prepayments	**17**	23
Amounts owed by subsidiary undertakings	**341**	647
	363	680

All receivables fall due within one year of the Statement of Financial Position date.

The amount owed by subsidiary undertakings includes a US dollar loan to Quartix Inc of £0.3m (2021: £0.6m) which is repayable on or before 31 December 2023 but can be extended by mutual agreement. Interest was charged quarterly at 1.75% per quarter on the quarter end balance.

6 Creditors: amounts falling due within one year

	2022	2021
	£'000	£'000
Social security and other taxes	**-**	3
Accruals and deferred income	**90**	118
Amounts owed to subsidiary undertakings	**25**	1,055
	115	1,176

The amount owed to subsidiary undertakings relates to the current account with Quartix Limited. The movement in the year reflects a dividend declaration in December 2022 of £5.1m net of cash receipts of £4.4m to fund the Company's divided commitments.

7 Share capital

Allotted, called up and fully paid ordinary shares of £0.01 each

	Number of ordinary shares of £0.01 each	Share capital £'000	Share premium £'000
At 1 January 2022	48,380,034	484	6,332
Shares issued	12,144	-	-
At 31 December 2022	**48,392,178**	**484**	**6,332**

Details of movements in share options and those outstanding at 31 December 2022 are disclosed in note 23 of the Group accounts.

8 Related party transactions and ultimate controlling party

The Company has taken advantage of the exemption not to disclose transactions with wholly owned subsidiaries. Details of Directors' remuneration and interests in shares are disclosed in the Directors' Remuneration Report (see page 36) and key management remuneration in note 6 of the Group accounts.

9 Contingent liabilities

There are no material contingent liabilities subsisting at 31 December 2022 or 31 December 2021.

10 Financial commitments

The Company had no financial commitments at 31 December 2022 or 31 December 2021.

11 Risk management objectives and policies

Financial Instruments

The Company uses various financial instruments; these include cash deposits and bank loans and various items such as Group receivables and Group payables that arise directly from its operations. The main purpose of these financial instruments is to 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 Statement of Financial Position date, as summarised below:

	2022	2021
	£'000	£'000
Loans and receivables		
Cash and cash equivalents	**100**	52
Amounts owed by subsidiary undertakings	**341**	647
	441	699

Credit risk

Risks associated with cash deposits are limited as the banks used have high credit ratings assigned by international credit rating agencies. The amount owed by subsidiary undertakings includes a US dollar loan to Quartix Inc of £0.3m (2021: £0.6m) which is repayable on or before 31 December 2023 but can be extended by mutual agreement. Interest was charged quarterly at 1.75% per quarter on the quarter end balance.

Currency risk

The Company is exposed to transaction foreign exchange risk. The Group mitigates its risk to the US Dollar by trading in the USA; however, the Company is exposed to exchange movements on its US Dollar loan to Quartix Inc to fund its start-up losses and working capital requirements.

The Company's financial assets denominated in foreign currencies (all US dollars) were:

	2022	2021
	£'000	£'000
Loan and receivables		
Cash at bank	**17**	19
Amounts owed by subsidiary undertakings	**341**	647
	358	666

The Company's net profit would not be materially impacted by 5% strengthening of Pound Sterling to the US dollar.

Notice of Annual General Meeting

Notice is hereby given that the tenth Annual General Meeting (the "Meeting") of Quartix Technologies plc will be held on **Friday 24 March 2023** at **11.00 am** at The Trinity Centre in the Science Park on Milton Road, Cambridge, CB4 0FN for the purpose of considering the resolutions below.

To consider, and if deemed fit, to pass the following as ordinary resolutions:

1. To receive and adopt the audited annual accounts for the year ended 31 December 2022.
2. To approve and declare a final dividend for the year ended 31 December 2022 of 2.45p per ordinary share and supplementary dividend of 3.85p per ordinary share, a total final dividend of 6.30p per share. This will be paid on 28 April 2023 to shareholders on the register as at the close of business on 31 March 2023.
3. To re-elect Richard Lilwall as a Director who, in accordance with the Company's Articles of Association, retires as a Director and is eligible for re-election.
4. To re-elect Emily Rees as a Director who, in accordance with the Company's Articles of Association, retires as a Director and is eligible for re-election.
5. To re-elect Laura Seffino as a Director who, in accordance with the Company's Articles of Association, retires as a Director and is eligible for re-election.
6. To re-elect Paul Boughton as a Director who, in accordance with the Company's Articles of Association, retires as a Director and is eligible for re-election.
7. To re-elect David Warwick as a Director who, in accordance with the Company's Articles of Association, retires as a Director and is eligible for re-election.
8. To elect Russell Jones as a Director who, having been appointed to the Board since the last Annual General Meeting, in accordance with the Company's Articles of Association, retires as a newly appointed Director and is eligible for re-election
9. To re-appoint PKF Littlejohn LLP as the auditors of the Company until the end of the next Annual General Meeting.
10. To authorise the Directors to determine the remuneration of the auditors.
11. To give the Directors general and unconditional authorisation for the purposes of section 551 and 573 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to a maximum nominal value of £161,307 (representing approximately 33% of the issued share capital of the Company as at 24 February 2023) to such persons at such times and on such terms they deem proper provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company or 30 June 2024, whichever is earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities (as defined in section 560 of the Act) to be allotted after such expiry and the Directors may allot such securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired; and all prior authorities to allot securities (to the extent unutilised) be revoked, but without prejudice to the allotment of any shares or securities already made or to be made pursuant to such prior authorisation.

To consider, and if deemed fit, to pass the following as special resolutions:

12. That the Directors be and are empowered, pursuant to section 570 of the Companies Act 2006 (the "Act"), to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred upon them by resolution 11 above and to allot equity securities (as defined in section 560(3) of the Act (*sale of treasury shares*)) for cash in each case as if section 561 of the Act did not apply to any such allotment provided, however, that the power conferred by this resolution shall be limited to:

a. The allotment of equity securities in connection with a rights issue, open offer or any other offer of, or invitation to apply for, equity securities in favour of holders of ordinary shares in the Company on the register of members at such record dates as the Directors may determine and other persons entitled to participate therein where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective number of ordinary shares in the Company held or deemed to be held by them on any such record dates, subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements, treasury shares, record dates, or legal or practical problems arising or resulting from the application of the laws of any overseas territory or the requirements of any other recognised regulatory body or stock exchange in any territory or by virtue of shares being represented by depository receipts or any other matter whatever; and

b. The allotment, other than pursuant to sub-paragraph 'a' above, to any person or persons of equity securities up to an aggregate nominal value not exceeding £24,196, representing approximately 5% of the ordinary share capital in issue as at 24 February 2023.

This power shall expire at the conclusion of the next Annual General Meeting of the Company or 30 June 2024, whichever is the earlier, unless previously varied, revoked or renewed by the Company in general meeting provided that the Company may, before such expiry, make any offer or agreement which would or might require securities to be allotted, or treasury shares sold, after such expiry and the Directors may allot securities or sell treasury shares pursuant to any such offer or agreement as if the power conferred had not expired; and all prior powers granted under section 570 of the Act shall be revoked provided that such revocation shall not have retrospective effect.

13. That the Directors be generally and unconditionally authorised, for the purposes of section 701 of the Companies Act 2006 (the "Act"), to make market purchases, as defined in section 693(4) of the Act, of ordinary shares of £0.01 each in the Company on such terms and in such manner as the Directors shall determine, provided that:

a. The maximum aggregate number of ordinary shares which may be purchased is 2,419,600 (representing approximately 5% of the ordinary share capital in issue as at 24 February 2023);

b. The minimum price that may be paid for an ordinary share is its nominal value (£0.01);

c. The maximum price, exclusive of any expenses, which may be paid for an ordinary share shall be the higher of:
   i. an amount equal to 105% of the average middle market quotations for the ordinary shares of the Company as derived from the AIM appendix to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased; and
   ii. an amount equal to the higher of the price quoted for the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the trading venue where the purchase is carried out.

d. This authority shall expire, unless previously renewed, revoked or varied, on the date of the next Annual General Meeting or 30 June 2024, whichever is earlier, save that the Company may enter into a contract for the purchase of ordinary shares under this authority which would or might be completed, wholly or partly, after this authority expires.

By order of the Board on 24 February 2023.

Emily Rees
Company Secretary

Notes to the Notice of Annual General Meeting

The following notes explain your general rights as a shareholder and your right to attend and vote at this Meeting or to appoint someone else to attend and vote on your behalf.

1 To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the number of votes they may cast), shareholders must be registered in the Register of Members of the Company at 6.00pm on 22 March 2023. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

2 Shareholders, or their proxies, intending to attend the Meeting in person are requested, if possible, to arrive at the Meeting venue at least 20 minutes prior to the commencement of the Meeting at 11.00 am (UK time) on 24 March 2023 so that their shareholding may be checked against the Company's Register of Members and attendances recorded.

3 Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the Meeting. A shareholder may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company.

4 In the case of joint holders, where more than one of the joint holders' purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).

5 A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

6 In order for a proxy appointment to be valid, a form of proxy must be completed. You can appoint a proxy and indicate how you would like your proxy to vote at the Meeting or any adjournment by using any of the following methods:

- by logging on to www.signalshares.com and following the instructions, ensuring that your submission is completed before 11.00 am on 22 March 2023;
- by completing and returning a hard copy proxy form to Link Group at 10th Floor Central Square, 29 Wellington Street, Leeds LS1 4DL to be received by 11.00 am on 22 March 2023;
- in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below, transmitting the instructions so as to be received by 11.00 am on 22 March 2023; or
- If you are an institutional investor by using the Proxymity platform as described in Note 12 below.

You may request a hard copy form of proxy directly from the registrars, Link Group, on Tel: 0371 664 0391. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday, excluding public holidays in England and Wales.

7 If you return more than one proxy appointment, either by paper or electronic communication, the appointment received last by the Registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.

8 The return of a completed form of proxy, electronic filing or any CREST Proxy Instruction (as described in note 10 below) will not prevent a shareholder from attending the Meeting and voting in person if he/she wishes to do so.

9 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Meeting (and any adjournment of the Meeting) by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

10 In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & International Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA10) by 11.00 am on 22 March 2023. For this purpose, the time of receipt will be taken to mean the time (as determined by the timestamp applied to the message by the CREST application host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

11 CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

12 Appointment of Proxies via Proxymity: If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 11.00 am on 22 March 2023 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.

13 Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that no more than one corporate representative exercises powers in relation to the same shares.

14 As at 24 February 2023 (being the latest practicable business day prior to the publication of this Notice), the Company's ordinary issued share capital consists of 48,392,178 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 24 February 2023 are 48,392,178.

15 Any shareholder attending the Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the Meeting but no such answer need be given if: (a) to do so would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered

16 The following documents are available for inspection during normal business hours at the registered office of the Company on any business day from the date of this Notice until the time of the Meeting and may also be inspected at the Meeting venue, as specified in this Notice, from 10.45 am on the day of the Meeting until the conclusion of the Meeting:

- copies of the Directors' letters of appointment or service contracts

17 You may not use any electronic address (within the meaning of Section 333(4) of the Companies Act 2006) which is provided in either this Notice or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

A copy of this Notice, and other information required by Section 311A of the Companies Act 2006, can be found on the Company's website at www.quartix.com/en-gb/company/investors/

Any general queries by members about the Annual General Meeting should be addressed to the Company Secretary by letter or email at Quartix Technologies plc, Sheraton House, Castle Park, Cambridge CB3 0AX or investors@quartix.net

Quartix

Real-Time Vehicle Tracking

Sheraton House,
Castle Park,
Cambridge,
CB3 0AX

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