

Interim Financial Statements

Quartix Technologies plc

For the half year ended 30 June 2023

The unaudited interim results to 30 June 2023 for Quartix Technologies plc are set out below:

Statement of Directors' responsibilities

The Directors are responsible for preparing the interim financial report, in accordance with applicable law and regulations.

As permitted, this Interim Report has been prepared in accordance with UK AIM Rules for Companies and not in accordance with IAS 34 "Interim Financial Reporting".

The comparative monetary amounts for June 2022 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).

These interim financial statements do not include all the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2022.

By order of the Board of Directors on 28 July 2023.

Richard Lilwall
Chief Executive Officer

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Highlights

Quartix is one of Europe's leading suppliers of vehicle telematics services and driver analytics.

Restatement of comparatives

All comparative monetary amounts for 2022 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 2: Summary of significant accounting policies).

Financial highlights

- Group revenue increased by 10% to £14.6m (2022: £13.3m)
 - Fleet revenue increased by 13% to £14.5m (2022: 12.8m)
 - Fleet revenue represented 98.9% of total revenue (2022: 95.8%)
- Adjusted EBITDA¹ remained constant at £2.7m (2022: £2.7m)
- Operating profit decreased by 7% to £2.4m (2022: £2.6m)
- Profit before tax decreased by 7% to £2.4m (2022: £2.6m)
- Diluted earnings per share of 4.16p (2022: 4.63p)
- Free cash flow² decreased by 26% to £1.4m (2022: £1.9m)
- Interim dividend of 1.50p per share proposed (2022: 1.50p)

¹ Earnings before interest, tax, depreciation, amortization and share based payment expense (see note 4)

² Cash flow from operations after tax and investing activities

Principal activities and performance measures

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

Annualised recurring revenue has increased by 8% year on year (see definition in KPI table below). Annualised recurring revenue is a forward-looking key performance measure, and it is pleasing that it grew by £2.1m on a constant exchange rate to £28.0m at 30 June 2023, compared to 30 June 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.

Principal activities and performance measures (continued)

Key Performance Indicators (“KPIs”)

Period ended 30 June	2023	2022	% change
Fleet subscriptions ¹ (new units)	33,547	32,085	5
Fleet subscription base ² (units)	251,787	221,800	14
Fleet customer base ³	26,337	24,408	8
Fleet gross attrition (annualised) ⁴ (%)	13.5	11.6	
Annualised recurring revenue ⁵ (£'000)	27,972	25,833	8
Fleet invoiced recurring revenue ⁶ (£'000)	13,788	12,342	12
Fleet revenue (£'000)	14,456	12,775	13
Price erosion ⁷ (%)	4.6	4.8	

¹ New vehicle tracking unit subscriptions added to the subscription base in 6 months to 30 June before any 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 the subscription base, expressed as a percentage of the mean subscription base

⁵ Annualised data services revenue for the subscription base at 30 June, before deferred revenue, including revenue for units waiting to be installed for which subscription payments have already started or are committed, with comparative June 2022 measured at a constant exchange rate.

⁶ Invoiced subscription charges before provision for deferred revenue

⁷ The decrease in average subscription price of the base expressed as a percentage of the average subscription price at 30 June, with comparative June 2022 measured at a constant exchange rate.

As discussed in the 2022 financial statements, the Group implemented a new policy in 2022 which recognised hardware and associated installation and carriage 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 these incremental costs are 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.

This approach simplifies 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 cost 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

I am pleased to report that growth of the subscription base, both in the UK and overseas, continued to drive an increase in annualised recurring revenues, which increased by £2.1m, at a constant currency rate, to £28.0m at 30 June 2023. Group revenue grew by 10% during the first half of 2023.

This growth was achieved despite adverse economic headwinds impacting the confidence, and additional fleet investment of existing customers, with rolling UK van registrations at the beginning of 2023 matching record lows seen during the COVID-19 pandemic. In addition, attrition has been higher at 13.5% (2022: 11.6%), primarily due to an increase in business closures and customers downsizing their fleet sizes. Price erosion on a constant currency basis continued to improve and was 4.6% (2022: 4.8%).

Despite these market difficulties, each geographical market registered increases in the subscription base for the period (see table below). In the UK, where economic challenges are more significant due to the larger subscription base, growth was supported by a strong performance in new customer acquisition, with 6% year-on-year subscription base growth, and an increase in total revenue of 3% to £9.1m (2022: £8.9m).

We also recorded our highest results in Europe following accelerated investment into the region over the past two years. Year-on-year subscription base growth in France was excellent at 32%, and revenue increased by 25% to €3.7m (2022: €3.0m).

Year-on-year subscription base growth in the other European territories was also very strong at 53% respectively as our operations continue to grow in Spain, Italy and Germany.

As part of a review on ensuring Quartix focuses on profitable growth, the Group has redirected part of the investment and resource from our wider US business in Q1 of 2023 to European territories that present improved returns on investment in the shorter term. The US strategy going forward will therefore have a narrower, field sales approach, focused specifically on Texas. As a result the growth was more modest at 2% year on year.

	Subscription Base **	New subscriptions	Customers **	New Customers
United Kingdom				
2023	140,991	13,223	11,378	718
2022	133,020	14,814	11,520	800
Change	7,971	(1,591)	(142)	(82)
France				
2023	61,298	11,733	7,628	1,159
2022	46,387	8,178	6,262	1,157
Change	14,911	3,555	1,366	2
Other European Territories				
2023	19,146	4,805	3,359	722
2022	12,505	3,856	2,560	740
Change	6,641	949	799	(18)
USA				
2023	30,352	3,786	3,972	496
2022	29,888	5,237	4,066	723
Change	464	(1,451)	(94)	(227)

** Comparatives are June 2022

Introduction (continued)

Quartix continues to build strong functionality into its upsell capabilities. EVolve, launched in Q4 2022, uses fleet analytics to assess migration opportunities to all-electric vehicle fleets. Initial upsell to existing customers at Quartix has been good in 2023, with adopters from multiple sectors, but as anticipated local government has been an early mover. Full case studies on these results can be found on the Quartix website. The second, Quartix Check, launched to the market in full in 2023, is a walk-around vehicle condition monitoring tool. Whilst Quartix Check is in early stages, the Board continue to focus on how best to maximise the exposure to this new product across our customer base.

Financial Performance

Group revenue for the period increased by 10% to £14.6m (2022: £13.3m); total fleet revenue now represents 98.9% of total revenue (2022: 95.8%).

Adjusted EBITDA remained constant at £2.7m. Both operating profit and profit before tax for the period fell to £2.4m (restated 2022: £2.6m). Variances on profit were driven by an exchange rate variance of £0.2m, a £0.2m increase in the payroll costs associated with the Services cost centre after the Jan 2023 inflationary pay rises that were awarded, rather than additional headcount, and an increase in share based payment costs of £0.2m, which does not affect adjusted EBITDA. Sales and marketing costs have remained flat year-on-year on a cash basis, but have improved as a percentage of sales.

Cash flow from operations after tax and investing activities, or free cash flow, reduced to £1.4m (2022: £1.9m), primarily due to a higher tax payment in April 2023 following the change in accounting policy. For tax purposes the transition to the new accounting policy in 2022 caused an exceptional decrease in deductible costs; adding back costs already available for deduction in prior years, which led to an increased tax charge for the year. This caused the final instalment in April 2023 to be £0.5m higher than last year. Net cash decreased to £3.2m at 30 June 2023 (2022: £3.9m), following the larger tax payment of £0.6m in April. To further bolster free cash flow, one of the key priorities for the business is improving stock days of the business in the second half, now that pressures from the component shortages from the past couple of years have eased.

Basic earnings per share were 4.21p (restated 2022: 4.66p). On a diluted basis earnings per share were 4.16p (restated 2022: 4.63p).

Dividend Policy and Recommended Interim Dividend

Subject to satisfactory performance and market conditions, the Board will consider a final dividend for the year with the aggregate of the interim and final dividend set at approximately 50% of cash flow from operating activities, which is calculated after taxation paid but before capital expenditure. The Board will also consider distributing the excess of cash balances over £2m by way of supplementary dividends. The surplus cash would be calculated by taking the year end cash balance and deducting the proposed regular dividend. The policy will be subject to review.

The Board has recommended an interim dividend of 1.50p (2022: 1.50p) per share, £0.7m in aggregate. The amount is in line with the Group's stated policy on ordinary dividend payment. This was approved by the Board on 28 July 2023. The interim dividend will be paid on 6 October 2023 to shareholders on the register on 11 August 2023. The ex-dividend date is therefore 10 August 2023.

Governance and the Board

The Board is comprised of three Non-Executive Directors: myself, Jim Warwick, Russell Jones and two Executive Directors: Richard Lilwall and Emily Rees following Laura Seffino stepping down from the Board on 10 July 2023.

For further details regarding Corporate Governance and the Board, please see the "Investors" section of our website (www.quartix.com/en-gb/company/investors).

Outlook

Quartix's outlook for 2023 continues to be positive. Sales execution excellence continues to be a key focus point for senior management, using tools invested in in 2022 to drive further resource into channels and territories that will provide a profitable return. Quartix has a strong sales pipeline for the second half for both our core platform and EVolve.

The high levels of recurring revenue and opportunities to grow our operations in the UK and Europe underpins our confidence for the rest of the year and beyond, although the Board is mindful of a more uncertain economic climate in the medium term.

Management are closely monitoring the timings for the sunseting of the 2G networks in the UK and European markets. Since 2023 all new units installed are 4G compatible products, which was an operational decision to minimise the cost of upgrading our customer's hardware in the future.

Considering the above outlook, the Group expects an accelerated financial performance for the remainder of 2023, and its strong financial position means the Board are confident in achieving market expectations in 2023.

Paul Boughton
Chairman

Consolidated Statement of Comprehensive Income

		30 June 2023	30 June 2022	31 December 2022
	Notes	Unaudited £'000	Restated Unaudited £'000	Audited £'000
Revenue	3	14,623	13,333	27,517
Cost of sales		(4,477)	(3,675)	(7,815)
Gross profit		10,146	9,658	19,702
Sales & Marketing expenses		(3,182)	(3,149)	(6,429)
Administrative expenses		(4,549)	(3,920)	(7,720)
Operating profit		2,415	2,589	5,553
Finance income receivable		9	3	8
Finance costs payable		(15)	(16)	(31)
Profit for the period before taxation		2,409	2,576	5,530
Tax expense		(373)	(289)	(489)
Profit for the period		2,036	2,287	5,041
Other Comprehensive (expense)/income:				
Items that may be reclassified subsequently to profit or loss:				
Exchange difference on translating foreign operations		3	(139)	(169)
Other comprehensive income for the year, net of tax		3	(139)	(169)
Total comprehensive income attributable to the equity shareholders of Quartix Technologies plc		2,039	2,148	4,872
Adjusted EBITDA	4	2,689	2,675	6,051
Earnings per ordinary share (pence)	5			
Basic		4.21	4.66	10.42
Diluted		4.16	4.63	10.38

Consolidated Statement of Financial Position

Company registration number: 06395159

		30 June 2023	30 June 2022	31 December 2022
		Unaudited	Restated Unaudited	Audited
Assets	Notes	£'000	£'000	£'000
Non-current assets				
Goodwill		14,029	14,029	14,029
Property, plant and equipment		786	834	845
Deferred tax asset		223	-	197
Contract cost assets		927	665	752
Total non-current assets		15,965	15,528	15,823
Current assets				
Inventories		1,585	1,733	1,989
Contract cost assets		4,259	3,370	3,536
Trade and other receivables		3,730	3,485	3,692
Cash and cash equivalents		3,249	3,897	5,063
Total current assets		12,823	12,485	14,280
Total assets		28,788	28,013	30,103
Current liabilities				
Trade and other payables		3,509	3,691	3,650
Provisions		147	640	543
Contract liabilities		3,870	3,476	3,499
Current tax liabilities		629	269	896
		8,155	8,076	8,588
Non-current liabilities				
Lease liabilities		589	609	617
Deferred tax liabilities		-	485	-
		589	1,094	617
Total liabilities		8,744	9,170	9,205
Net assets		20,044	18,843	20,898
Equity				
Called up share capital	7	484	484	484
Share premium account	7	6,332	6,332	6,332
Equity reserve		470	373	342
Capital redemption reserve		4,663	4,663	4,663
Translation reserve		(335)	(308)	(338)
Retained earnings		8,430	7,299	9,415
Total equity attributable to equity shareholders of Quartix Technologies plc		20,044	18,843	20,898

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 2021	484	6,332	4,663	380	(170)	6,394	18,083
IFRS 15 adjustment	-	-	-	-	1	1,961	1,962
Restated 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	-	-	-	40	-	-	40
Adjustment for settled options	-	-	-	(3)	-	-	(3)
Recycle of equity reserve to P&L	-	-	-	(44)	-	44	-
Dividends paid	-	-	-	-	-	(3,387)	(3,387)
Transactions with owners	-	-	-	(7)	-	(3,343)	(3,350)
Foreign currency translation differences	-	-	-	-	(139)	-	(139)
Profit for the period	-	-	-	-	-	2,287	2,287
Total comprehensive income	-	-	-	-	(139)	2,287	2,148
Balance at 30 June 2022	484	6,332	4,663	373	(308)	7,299	18,843
Shares issued	-	-	-	-	-	-	-
Increase in equity reserve in relation to options issued	-	-	-	53	-	-	53
Adjustment for settled options	-	-	-	(82)	-	85	3
Recycle of equity reserve to P&L	-	-	-	(2)	-	2	-
Dividend paid	-	-	-	-	-	(725)	(725)
Transactions with owners	-	-	-	(31)	-	(638)	(669)
Foreign currency translation differences	-	-	-	-	(30)	-	(30)
Profit for the period	-	-	-	-	-	2,754	2,754
Total comprehensive income	-	-	-	-	(30)	2,754	2,724
Balance at 31 December 2022	484	6,332	4,663	342	(338)	9,415	20,898
Increase in equity reserve in relation to options issued	-	-	-	156	-	-	156
Adjustment for exercised options	-	-	-	(28)	-	28	-
Dividend paid	-	-	-	-	-	(3,049)	(3,049)
Transactions with owners	-	-	-	128	-	(3,021)	(2,893)
Foreign currency translation differences	-	-	-	-	3	-	3
Profit for the period	-	-	-	-	-	2,036	2,036
Total comprehensive income	-	-	-	-	3	2,036	2,039
Balance at 30 June 2023	484	6,332	4,663	470	(335)	8,430	20,044

Consolidated Statement of Cash Flows

		30 June 2023 Unaudited £'000	30 June 2022 Unaudited £'000	31 December 2022 Audited £'000
	Notes			
Cash generated from operations	6	2,090	1,948	4,170
Taxes paid		(711)	(68)	(320)
Cash flow from operating activities		1,379	1,880	3,850
Investing activities				
Additions to property, plant and equipment		(5)	(25)	(68)
Interest received		8	3	8
Cash flow from investing activities		3	(22)	(60)
Cash flow from operating activities after investing activities (free cash flow)		1,382	1,858	3,790
Financing activities				
Repayment of lease liabilities		(82)	(73)	(151)
Dividend paid		(3,049)	(3,387)	(4,112)
Cash flow from financing activities		(3,131)	(3,460)	(4,263)
Net changes in cash and cash equivalents		(1,749)	(1,603)	(473)
Cash and cash equivalents, beginning of period		5,062	5,414	5,414
Exchange differences on cash & cash equivalents		(64)	86	122
Cash and cash equivalents, end of period		3,249	3,897	5,063

Notes to the Financial Statements (unaudited)

1 General information

Quartix Technologies plc (“the Company”) and its subsidiaries (“the Group”) a leading supplier of subscription-based vehicle tracking systems, software and services.

The Company was re-registered as a public company on 31 July 2014 and is incorporated and domiciled in the UK.

2 Significant accounting policies

Basis of preparation

The financial information has been prepared in accordance with recognition and measurement principles of International accounting standards in conformity with the requirements of the Companies Act 2006 (“IFRS (UK)”) and in accordance with those parts of the Companies Act 2006 that are relevant to companies which report under IFRS (UK). The accounting policies adopted are consistent with those of the financial statements for the year ended 31 December 2022, as described in those financial statements. In preparing these interim financial statements, the Board has not sought to adopt IAS 34 “Interim financial reporting”.

The figures for the six-month periods ended 30 June 2023 and 30 June 2022 have not been audited. The monetary amounts for the six-months ended 30 June 2022 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 8).

The figures for the year ended 31 December 2022 have been extracted from, but do not constitute, the consolidated financial statements of Quartix Technologies plc for that year. The original financial statements for the year ended 31 December 2022 have been delivered to the Registrar of Companies and included an Auditors’ Report, which was unqualified and did not contain a statement under section 498(2) or section 498(3) of the Companies Act 2006.

Going concern

The consequences of the war in Ukraine and the coronavirus pandemic have materially and adversely disrupted the global economic situation. The Company is taking 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 subscription base while current liabilities include a substantial provision for deferred revenue which is a non-cash item.

After assessing the forecasts and liquidity of the business, for the next 18 months 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.

2 Significant accounting policies (continued)

Contract Cost Assets

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

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

When determining the appropriate accounting treatment for such costs, the 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.

3 Revenue

Revenues from external customers in the Group's major markets have been identified based on the customer's geographical location and are disclosed below.

	30 June 2023 Unaudited £'000	30 June 2022 Unaudited £'000	31 December 2022 Audited £'000
Geographical analysis by destination			
United Kingdom	9,136	8,871	17,760
France	3,269	2,523	5,410
Other European territories	527	433	1,060
United States of America	1,692	1,506	3,287
	14,624	13,333	27,517

4 Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA)

	30 June 2023	30 June 2022	31 December 2022
	Unaudited	Restated Unaudited	Audited
	£'000	£'000	£'000
Operating profit	2,415	2,589	5,553
Depreciation on property, plant and equipment, owned	41	75	124
Depreciation on property, plant and equipment, right of use	77	65	133
EBITDA	2,533	2,729	5,810
Share-based payment expense (incl. cash settled)	156	(54)	(1)
Cost of living payments	-	-	151
Provision for replacement of 3G units	-	-	91
Adjusted EBITDA	2,689	2,675	6,051

5 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 period. The earnings per share calculation relates 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					
Period ended 30 June 2023	2,039	48,382,178	4.21	49,025,795	4.16
Period ended 30 June 2022 (restated)	2,253	48,382,436	4.66	48,628,750	4.63
Year ended 31 December 2022	5,041	48,387,354	10.42	48,599,519	10.38
Adjusted earnings per ordinary share					
Year ended 31 December 2022	5,283	48,387,354	10.92	48,599,519	10.88

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 the period.

To illustrate the underlying earnings for the year, the table above includes adjusted earnings per ordinary share, which for 31 December 2022 excludes the £0.1m re-estimate of the 3G replacement unit provision and the £0.2m cost of living payments considered to be one off.

6 Notes to the cash flow statement
Cash flow adjustments and changes in working capital

	30 June 2023	30 June 2022	31 December 2022
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Profit before tax	2,409	2,577	5,530
Foreign exchange	78	(209)	(256)
Depreciation	118	140	257
Interest income	(8)	(3)	(8)
Lease interest expense	15	16	31
Loss on disposal of tangible assets	-	28	29
Share based payment expense	156	38	92
Operating cash flow before movement in working capital	2,768	2,587	5,675
(Increase)/decrease in trade and other receivables	(268)	(331)	(516)
(Increase)/decrease in contract cost assets	(899)	(258)	(524)
Decrease/(increase) in inventories	405	(403)	(659)
(Decrease)/Increase in trade and other payables	(312)	81	(99)
(Decrease)/Increase in contract liabilities	396	272	293
Cash generated from operations	2,090	1,948	4,170

7 Equity

Allotted, called up and fully paid	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 30 June 2022	48,392,178	484	6,332
Shares issued	-	-	-
At 31 December 2022	48,392,178	484	6,332
Shares issued	-	-	-
At 30 June 2023	48,392,178	484	6,332

There were no shares issued in the period to 30 June 2023.

8 Explanation of change in accounting policy relating to IFRS 15

As highlighted in note 2, 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 at 31 December 2021, the restatement of the Group's net assets was an increase of £1,962,000 to £20,045,000 from the inclusion of a contract cost assets of £2,550,000 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 £588,000.

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

A Consolidated Statement of Financial Position

	As previously reported £'000	Adjustments £'000	As Restated £'000
1 January 2022			
Deferred tax assets	131	(131)	-
Contract cost assets	1,185	2,550	3,735
Other assets	24,823	-	24,823
Total assets	26,139	2,419	28,558
Deferred tax liabilities	-	(457)	(457)
Other liabilities	(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
30 June 2022			
Deferred tax assets	26	(26)	-
Contract cost assets	1,263	2,772	4,035
Other	23,978	-	23,978
Total assets	25,267	2,746	28,013
Deferred tax liabilities	-	(485)	(485)
Other	(8,685)	-	(8,685)
Total liabilities	(8,685)	(485)	(9,170)
Retained earnings	5,081	2,218	7,299
Other	11,501	43	11,544
Total Equity	16,582	2,261	18,843

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

B Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022	As previously reported £'000	Adjustments £'000	As Restated £'000
Revenue	13,333	-	13,333
Cost of sales	(3,855)	180	(3,675)
Other expenses	(7,082)	-	(7,082)
Tax expense	(366)	77	(289)
Net profit	2,030	257	2,287
Other comprehensive income	(181)	42	(139)
Total Comprehensive income	1,849	299	2,148
Earnings per ordinary share (pence)	4.20	0.53	4.66
Diluted earnings per ordinary share (pence)	4.17	0.53	4.63

C Consolidated Statement of Cash Flows

For the year ended 30 June 2022	As previously reported £'000	Adjustments £'000	As Restated £'000
Profit	2,030	257	2,287
Adjusted for:			
- tax expense	366	(77)	289
Profit before tax	2,396	180	2,576
Changes in contract cost assets	(78)	(180)	(258)
Other	(449)	-	(371)
Cash generated from operations	1,947	-	1,947

Company Information

Company registration number:	06395159
Registered office:	Sheraton House Castle Park Cambridge Cambridgeshire CB3 0AX
Directors:	Paul Boughton Jim Warwick Russell Jones Richard Lilwall Emily Rees Laura Seffino (resigned July 2023)
Company secretary:	Emily Rees
Bankers:	HSBC UK Bank plc 63-64 St Andrews Street Cambridge CB2 3BZ
Solicitors:	HCR Hewitsons 50 - 60 Station Road, Cambridge, CB1 2JH
Auditors:	PKF Littlejohn LLP 15 Westferry Circus London E14 4HD
Nominated advisor and broker:	finnCap One Bartholomew Close London EC1A 7BL