Quartix Holdings PLC

Final Results

RNS Number : 3209G
Quartix Holdings PLC
03 March 2015

3 March 2015

Quartix Holdings plc

("Quartix" or "the Group")

Maiden Final Results

Strong performance in a year of investment

Quartix Holdings plc (AIM:QTX), a leading supplier of vehicle tracking systems and services to the fleet and insurance sectors, is pleased to announce its audited results for the year ended 31st December 2014.

Financial highlights:

- Group revenues increased by 16.3% to £15.3m (2013: £13.2m)
    - Fleet revenues grew by 20% to £11.0m (2013: £9.2m)
    - Insurance revenues increased by 7.5%, to £4.3m (2013: £4.0m)
- Operating profit increased by 3.6% to £4.9m (2013: £4.7m)
- Profit before tax increased by 9.5% to £5.0m (2013: £4.6m)
- Adjusted[1] profit before tax increased by 4.1% to £4.8m (2013: £4.6m)
- Fully diluted earnings per share of 8.55p (2013: 8.27p)
- Adjusted[1] fully diluted earnings per share of 8.39p (2013: 8.27p)
- Cash inflow before tax increased by 16.6% to £5.8m (2013: £5.0m)

- Adjusted[2] cash inflow before tax increased by 10.2% to £5.5m (2013: £5.0m)
- Net debt reduced to £0.2m (2013: £2.2m)
- Maiden final dividend of 3p per share proposed

[1] Adjusted to exclude exceptional gain of £248,000 in the year ended 31 December 2014 (2013: nil)

[2] Adjusted to exclude exceptional cash inflow before tax of £0.3m in the year ended 31 December 2014 (2013: nil)

Operational highlights:

- Good progress in main fleet business:
  - 23.2% increase in subscription base to 59,765 units (2013: 48,501)
  - 18.2% increase in customer base to 6,342 (2013: 5,367)
  - Attrition fell to 9.4% (2013: 9.6%), significantly below 14% industry average
  - 12.5% growth in new fleet installations
  - Strong growth in France, ending the year with 890 customers (2013: 601) and 5,218 vehicles under subscription (2013: 3,601)
  - Product approvals achieved for USA: 120 fleet customers secured primarily in the latter part of the financial year
- Insurance installations grew by 12.8% to 32,842 (2013: 29,108)

Andy Walters, Managing Director of Quartix, commented:

"2014 was a year of good growth for the Group: our fleet operations delivered positive progress in both the UK and France and we completed a successful launch in the USA. Insurance sector installations grew by 12.8%. Significant investment was made in product development for both parts of the business, as well as in developing our geographic presence in the fleet sector.

"Having received good institutional support for our Initial Public Offering, we successfully joined AIM in November 2014 and are delighted to have delivered a solid performance in a year of investment.

"The Group has made a strong start to the year, in line with our expectations. The high levels of recurring revenues and opportunities to grow in the UK, France and the USA in fleet combined with continued progress in our insurance business underpin our confidence for the rest of the current financial period and beyond."

For further information, please contact:

Quartix (www.quartix.net)	0870 0136 663
Andy Walters, Managing Director	
David Bridge, Finance Director	
finnCap (Nominated Adviser and Broker)	020 7200 0500
Matt Goode /Scott Mathieson (Corporate Finance)	

Stephen Norcross (Corporate Broking)

MHP Communications (Financial PR)

Katie Hunt / Reg Hoare / Jade Neal / Gina Bell 020 3128 8100

About Quartix

Founded in 2001, Quartix is a leading supplier of subscription-based vehicle tracking systems, software and services. The Group provides an integrated tracking and telematics data analysis solution for fleets of commercial vehicles and "pay as you drive" motor insurance providers that is designed to improve productivity and lower costs by capturing, analysing and reporting vehicle and driver data.

Quartix is based in the UK and is listed on the AIM market of the London Stock Exchange (AIM:QTX).

Chairman's statement

The past year has shown continued growth in demand for the Group's vehicle tracking systems, software and services in both the fleet and insurance sectors. Revenues in the core fleet sector grew by 20% to £11.0m (2013: £9.2m). Sales to insurance based customers also increased, by 7.5%, to £4.3m (2013: £4.0m). Our success across both sectors was reflected in the installation of 49,197 new tracking systems (2013: 43,646) and the achievement of £9.8m of recurring revenue in the fleet sector (2013: £8.0m).

Sales in the UK grew by 15.5%, reaching £14.5m (2013: £12.6m). The Group made good progress in France, where revenues increased by 37% to €956,000 (2013: €699,000). Additional investment in the French sales and support teams during the year should allow this growth to continue in 2015.

The Group expanded its operations to the USA in the year, resulting in the opening of an office in Chicago in April 2014. In preparation for this, the Group completed the necessary development of its operational, accounting and marketing systems (which had been started in 2013), and achieved FCC and PTCRB listing for its TCSV10 tracking system early in the year. We completed the year with 120 fleet customers in this market, and the prospects for our business development are encouraging.

Results

Group revenues for the year increased by 16.3% to £15.3m (2013: £13.2m).

Operating profit increased by 3.6% to £4.9m (2013: £4.7m), at the same time as making significant investments in the USA.

Exceptional gains in the year amounted to £0.2m before taxation, comprising a settlement reached for a mis-sold hedging product, less the Group's professional costs in relation to its admission to AIM in November 2014.

Adjusted profit before tax and exceptional gains increased by 4.6% to £4.8m (2013: £4.6m).

Cash conversion was exceptionally good, resulting in cash flow from operations after tax of £4.9m (2013: £4.4m), after allowing for the effects of exceptional gains, and enabling the Group to reduce net debt from £2.2m as at 31 December 2013 to £0.2m at 31 December 2014.

Adjusted basic earnings per share rose by 2% to 8.52p (2013: 8.35p). Basic earnings per share rose by 4% to 8.68p (2013: 8.35p). On a fully diluted basis, earnings per share increased to 8.39p (2013: 8.27p).

Dividends

In the year ended 31 December 2014, the Board decided to pay an exceptional dividend of 600p per £0.10 share (the equivalent of 6p per £0.01 share). This totalled £2.8m and was paid on 30 June 2014 to shareholders on the register as at 31 May 2014.

The Board is recommending a final dividend of 3p per share, amounting to £1.4m in aggregate. Subject to approval at the forthcoming AGM, the final dividend will be paid on 15 May 2015 to shareholders on the register as at 17 April 2015.

Governance and the Board

In anticipation of Quartix's flotation in the latter half of 2014, three Non-Executive Directors, myself included, were appointed to join Andrew Walters and David Bridge on the Board. I joined in March 2014, with Paul Boughton and Jim Warwick appointed in May 2014.

My international experience spans the Insurance, Automotive and Logistics sectors and I am currently Chairman of Redde plc, Molins plc and Haversham Holdings plc. My previous roles include those of Chief Executive Officer of Autologic Holdings plc and Universal Salvage plc.

Paul Boughton has over 25 years of experience in identifying, negotiating and completing acquisitions in the USA and Europe. Having spent thirteen years as Business Development Director for Spectris PLC, Paul is currently Head of Business Development at Brammer plc, leading its European acquisition programme. He has also held senior positions at both Consort Medical plc and IMI plc, a FTSE100 company and is a Chartered Accountant (FCA).

Jim Warwick is Chief Operating Officer at Abcam plc, a global leader in the supply of innovative protein research tools, having originally joined as Technical Director in 2001. Prior to that, he worked on IT, software and web development initiatives for the telecommunications consultancy group Analysys Ltd.

In September 2014, Andrew Kirk, William Hibbert and Kenneth Giles resigned from their roles as Executive Directors of Quartix Holdings plc in order to ensure the right balance between the Executive and Non-Executive Directors on the Board, as expected of a public company. Andrew, William and Kenneth remain completely committed to their operational roles, and both Andrew and William are on the Board of Quartix Ltd, the Group's principal operating subsidiary. For further details regarding Corporate Governance and the Board, please see the "Investors" section of our website (www.quartix.net/investors.php).

Current Trading & Outlook

The Group has made a strong start to the year, in line with our expectations. The high levels of recurring revenues and opportunities to grow in the UK, France and the USA in fleet combined with continued progress in our insurance business underpin our confidence for the rest of year and beyond.

AGM

The Group's AGM will be held on 16 April 2015 at the Group's registered office at Wellington House, East Road, Cambridge, CB1 1BH.

Avril Palmer-Baunack
Chairman

<u>Managing Director's Report</u>

Quartix sells its telematics services in two different markets: commercial fleet tracking and insurance telematics. Whilst the same technology is used for both, these markets exhibit different characteristics and the Group has established distinct business models for each of them:

Fleet tracking:

Fleet customers typically use the Group's services for many years, resulting in very low rates of attrition. Based on this, Quartix focuses its business model on the development of subscription revenues based on system rental, providing the best return to the Group over the long term.

Insurance telematics

Insurance telematics customers use the Group's technology to monitor the driving style and habits of higher-risk drivers, typically for a policy with a term of just 12 months. Quartix therefore treats this as an equipment sale, with the tracking system being sold, at policy inception, together with 12 months service and data usage included.

Operational performance

All business operations continued to perform at a high level in 2014, as demonstrated by the following:

Year ended 31 December	**2014**	2013	% change
Fleet revenues (£'000)	**11,038**	9,186	20.2
Fleet subscription base (units)	**59,765**	48,501	23.2
Fleet customer base	**6,342**	5,367	18.2
Fleet attrition (annualised) (%)[1]	**9.4**	9.6	
Insurance revenues(£'000)	**4,293**	3,994	7.5
Insurance installations	**32,842**	29,108	12.8

[1] Attrition in the year is the number of units installed (excluding upgrades), less the increase in subscription base,

expressed as a percentage of the mean subscription base.

Gross margins were maintained at 65% despite pricing pressure in our insurance sales, which had an adverse effect on the margin mix. Return on sales exceeded 30% as in previous years. Cash conversion was strong with operating cash generated from operations before exceptional items representing 113% of operating profit before exceptional items.

We continue to identify opportunities to save cost in manufacturing, mobile network usage and communications, whilst consistently seeking to develop new products and to improve upon existing models so as to provide a high quality product that meets and exceeds our clients' expectations. This is reflected in the availability of 3G functionality in the TCSV10 model, for which USA approvals were received in January 2015, as well as in the development of the TCSV11 tracking system, which is expected to be launched in production in 2015.

Fleet

Our fleet operation, which accounted for approximately 72% of Group revenue, has delivered considerable progress in a year of investment. This performance has been driven by continued strong growth in the UK combined with a broadening of our addressable markets: significant growth was achieved in France during the year whilst the result of our launch in the USA began to be evident in the second half.

Fleet UK

Demand for fleet tracking systems in the UK continues to grow rapidly. We are well-placed to expand our business, given the strengths of our product, systems and support capabilities. The economies of scale derived from the size of our combined fleet and insurance business also give us a considerable competitive advantage. UK fleet revenues were £10.2m (2013: £8.6m).

New business is won through both direct sales (telephone and field) and distribution. In addition to the sales leads received through these channels and our own marketing initiatives, we are increasingly sourcing sales leads through price-comparison websites.

Sales conversion percentages on enquiries received from our direct marketing remained above 30% during the year, and we will continue to increase our investment in these initiatives. In order to help drive future growth we will also be increasing capacity in our telephone sales team, expanding our distribution network and enhancing our efficiency in dealing with price-comparison enquiries. Much of this will be achieved through our database systems and automated processes. Development and recruitment programmes for each of these are underway, and we have managed to secure additional office space in Newtown to accommodate expansion in the team from April 2015. We continue to work on search-engine optimisation and have e-commerce and electronic payment options available to our customers, but it is clear that our customers value the service we offer and that continued investment in telephone-based sales capacity must remain the primary focus.

Fleet France

We made significant progress in the French market, increasing new installations by 36%, and we ended the year with 5,218 vehicles (2013: 3,601) under subscription across 890 fleet customers (2013: 601). French fleet revenues increased by 36.8% to €956,000 (2013: €699,000k). We continued to strengthen our French sales team and will continue to do so during 2015. In addition to the growth expected through our direct sales and marketing channels we are also in the process of recruiting suitable distributors and resellers, which we would expect to start making a contribution to the business by the end of the year.

We will remain focused on our remote sales and support approach to the French market, and all of our sales staff will remain based in our Newtown office. Despite having no physical presence in France it is clear that our brand is now well known there and we are increasingly requested to bid on larger opportunities. This sales approach enables us to be extremely cost-effective, and particularly allows us to benefit from economies of scale in all of our back-office functions. We have a very high level of customer satisfaction and retention in France, as we do in the UK.

Fleet USA

We opened a small office in Chicago in April of 2014, marking the culmination of a significant development project in preparing our applications, operational and commercial platforms for the American market. This also involved type-approval (both FCC and PTCRB) of our TCSV10 tracking system for use on American networks. We have subsequently also gained approval for the 3G version of that system. Marketing and other functions, including installations, logistics and accounting, are handled from our Newtown office, once again allowing us to minimise overheads in this start-up phase.

Results from a pilot marketing programme in the second half were very encouraging: our product has been well received by customers and the conversion rate on incoming enquiries has been good. We have supplemented those enquiries by purchasing sales leads from price comparison sites and have also recruited a small team of people to setup a distribution network for us. At year end we employed 6 people in the Chicago office.

We finished 2014 with 120 fleet customers in the USA having a total of just under 500 vehicles under subscription. 60% of this base was gained in the final quarter of the year. USA fleet revenues were £23,000 in 2014 with the majority of these revenues falling in the final quarter.

We have significant potential for growth in the USA in the next five years, and will make further investments in the achievement of that during 2015.

Insurance

As expected, volume growth in insurance at 12.8% was lower than the very high growth experienced in 2013. Revenue growth of 7.5% was lower than volume growth, as there was some pricing pressure from potential new entrants in the market. We believe that the pricing environment has since begun to stabilise and have, in any case, taken the decision not to pursue high volume growth at the expense of acceptable margins, particularly given the opportunities available to us for long term growth at attractive margins in the fleet sector.

We began installations for a new insurance supply relationship immediately before the end of the year, and for another at the start of this year. Initial installation demand for these is encouraging and expected to grow. Counterbalancing the growth from these new opportunities, however, the supply of Quartix systems for an existing insurance relationship is now expected to terminate in the middle of the year. Whilst it is still early days for the new opportunities, we believe that we have achieved a more balanced spread of revenues and are well placed to make further progress in our insurance business this year.

Our strategic partnership with Wunelli Ltd remains of key importance to us in developing our young-driver insurance business. During 2015 we hope to explore the potential for developing our fleet business through relationships with commercial vehicle insurers, by using the technology, knowledge and processes that we have put in place for private vehicle insurance. We have developed some key competitive advantages in each of these areas over the past four years.

People

Our people play a vital role in the achievement of the high levels of customer retention and financial performance that we maintain. The experience, stability and commitment to customer service of our teams create a substantial competitive advantage for us. We are delighted to have been able to provide our employees with the ability to share the equity in the Company under the EMI option scheme, and those having more than 12 months service will be eligible to take up the first of those options this year. The directors are not eligible for these grants, which are intended for employees.

Strategic Priorities

We are encouraged by the potential we see to accelerate the growth of our fleet business in each of the three geographic markets we address and we have already identified a number of initiatives to position us to deliver on that potential. In particular, in each market there is an opportunity to enhance the efficiency of sales and marketing channels as we invest in additional capacity.

During 2015 our priority will be in developing our systems, processes and performance measures in parallel with the expansion of our sales and marketing teams. Investments are already underway in increased automation and automated support for the sales process, including the development of a broader range of sales support resources, demonstration tools and payment systems on our websites, all tailored to the needs of each sales and marketing channel and intended to support a higher level of specialisation in each telesales role as we expand. These investments will be directly applicable to all three of our target markets.

By carefully coordinated management of this expansion in sales capacity we will strive to maintain the very high levels of customer satisfaction and financial performance for which Quartix is known.

Within the insurance sector we have broadened the range of companies for which we supply telematics technology through our strategic partner, Wunelli Ltd. We will continue to pursue our goal of diversifying our customer base with them in this way.

Andrew Walters
Managing Director

Finance Director's Review

Revenue

Revenue increased by 16% to £15.3m (2013: £13.2m). In the core fleet sector sales grew by 20% to £11.0m (2013: £9.2m). Sales to insurance based customers also increased, by 7.5%, to £4.3m (2013: £4.0m). Recurring revenue increased by 22.5% to £9.8m in the fleet sector (2013: £8.0m).

Profit

Operating profit for the year increased by 3.6% to £4.9m (2013: £4.7m), at the same time as the Group made significant investments in launching in the USA.

Exceptional gains in the year amounted to £248,000 before taxation, comprising a settlement reached for a mis-sold hedging product, less the Group's professional costs in relation to its admission to AIM in November 2014.

Adjusted profit before tax and exceptional gains increased by 4.1% to £4.8m (2013: £4.6m).

Tax

The effective tax rate rose to 20% (2013: 16%) as a result of IPO costs and losses in the USA which were not allowable against UK corporation tax.

Earnings per share

The resultant net profit of £4.0m is 4% ahead of 2013 (£3.9m) and is matched by a 4% rise in basic earnings per share. £0.08m of this profit came from exceptional items so adjusted earnings per share were 8.52p which was 2% ahead of 2013. On a fully diluted basis, earnings per share increased to 8.39p (2013: 8.27p).

Statement of financial position

Cash at the year-end was £1.8m and bank debt in cash terms was £2.0m, resulting in net debt of only £0.2m (2013: £2.2m).

Inventories increased towards the end of the year in anticipation of a new insurance project, which commenced installations slightly later than had been expected.

Cash flow

Cash flow from operating items before tax and exceptional items was £5.5m (increased relative to operating profit by a £0.5m increase in provision for deferred revenue and £0.08m of share based payments). Exceptional items added £0.3m net to cash flow, giving operating cash flow before tax of £5.8m. Tax paid was £0.9m, so free cash flow before the impact of any financing cash flows was £4.9m.

Dividend

The Board is recommending a final dividend of 3p per share, amounting to £1.4m. Subject to approval at the forthcoming AGM, the final dividend will be paid on 15 May 2015 to shareholders on the register as at 17 April 2015.

Full Financial Results Report

The Group's audited accounts for the year ended 31 December 2014 are available at the bottom of the "Investors" section of our website at: www.quartix.net/investors.php

David Bridge FCA
Finance Director

Consolidated Statement of Comprehensive Income

Year ended 31 December	Notes	**2014** **£'000**	2013 £'000
Revenue	2	**15,331**	13,180
Cost of sales		**(5,388)**	(4,590)
Gross profit		**9,943**	8,590
Administrative expenses		**(5,058)**	(3,877)
Operating profit		**4,885**	4,713
Exceptional items	3	**248**	-
Finance income receivable		**14**	12
Finance costs payable		**(104)**	(120)
Profit for the year before taxation		**5,043**	4,605
Tax expense		**(1,011)**	(742)
Net profit for the year and total comprehensive income attributable to the equity shareholders of Quartix Holdings plc		**4,032**	3,863
Earnings per ordinary share (pence)			
Basic		**8.68**	8.35
Diluted		**8.55**	8.27
Adjusted earnings per ordinary share (pence)			
Basic		**8.52**	8.35
Diluted		**8.39**	8.27

All of the activities of the Group in the current year are classed as continuing and there is no other comprehensive income.

Consolidated Statement of Financial Position

	2014 **£'000**	2013 £'000
Assets		
Non-current assets		
Goodwill	**14,029**	14,029

Property, plant and equipment	**187**	188
Total non-current assets	**14,216**	14,217
Current assets		
Inventories	**436**	220
Trade and other receivables	**1,933**	1,789
Cash and cash equivalents	**1,812**	779
Total current assets	**4,181**	2,788
Total assets	**18,397**	17,005
Current liabilities		
Trade and other payables	**2,008**	1,693
Borrowings	**993**	993
Deferred Revenue	**1,704**	1,211
Current tax liabilities	**541**	441
	5,246	4,338
Non-current liabilities		
Borrowings	**993**	1,983
Deferred tax liabilities	**4**	24
	997	2,007
Total liabilities	**6,243**	6,345
Net assets	**12,154**	10,660
Equity		
Called up share capital	**467**	46
Share premium account	**4,379**	4,296
Equity reserve	**151**	6
Capital redemption reserve	**4,664**	5,079
Retained earnings	**2,493**	1,233
Total equity attributable to equity shareholders of Quartix Holdings plc	**12,154**	10,660

Consolidated Statement of Changes in Equity

	Share capital	Share premium account	Capital redemption reserve	Equity reserve	Retained earnings	Total equity
	£'000	£,000	£'000	£'000	£'000	£'000
Balance at 31 December 2012	4,426	4,296	699	-	1,750	**11,171**
Shares issued	-	-	-	-	-	**-**
Redemption of preference shares	(4,380)	-	4,380	-	(4,380)	**(4,380)**
Increase in equity reserve in relation to options issued	-	-	-	6	-	**6**
Transactions with owners	(4,380)	-	4,380	6	(4,380)	**(4,374)**
Profit for the year and total comprehensive income	-	-	-	-	3,863	**3,863**
Balance at 31 December 2013	46	4,296	5,079	6	1,233	**10,660**
Shares issued	6	83	-	-	-	**89**
Bonus shares issued	420	-	(420)	-	-	**-**
Redemption of preference shares	(5)	-	5	-	(5)	**(5)**

Increase in equity reserve in relation to options issued	-	-	-	83	-	**83**
Adjustment for exercised options	-	-	-	(12)	12	**-**
Warrants issued	-	-	-	74	-	**74**
Dividend paid	-	-	-	-	(2,779)	**(2,779)**
Transactions with owners	421	83	(415)	145	(2,772)	**(2,538)**
Profit for the year and total comprehensive income	-	-	-	-	4,032	**4,032**
Balance at 31 December 2014	467	4,379	4,664	151	2,493	**12,154**

<u>Consolidated Statement of Cash Flows</u>

	2014 £'000	2013 £'000
Cash generated from operations	**5,845**	5,014
Taxes paid	**(930)**	(619)
Cash flow from operating activities	**4,915**	4,395
Investing activities		
Additions to property, plant and equipment	**(82)**	(108)
Interest received	**14**	12
Cash flow from investing activities	**(68)**	(96)
Financing activities		
Increase in long term borrowings	**-**	1,000
Repayment of long term borrowings	**(1,000)**	(1,000)
Interest paid	**(119)**	(131)
Redemption of preference shares	**(5)**	(4,380)
Proceeds from share issues	**89**	-
Dividend paid	**(2,779)**	-
Cash flow from financing activities	**(3,814)**	(4,511)
Net changes in cash and cash equivalents	**1,033**	(212)
Cash and cash equivalents, beginning of year	**779**	991
Exchange differences on cash and cash equivalents	**-**	-
Cash and cash equivalents, end of year	**1,812**	779

<u>Notes to the Accounts</u>

1. Basis of preparation

The basis of preparation and summary of significant accounting policies applicable to the consolidated financial statements of Quartix Holdings plc can be found in note 1 of the Annual Report and Financial Statements, available from the Group's website. The consolidated financial statements of Quartix Holdings plc have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB') and as endorsed by the EU.

The information in this news release does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 ('the Act'). The statutory accounts for the year ended 31 December 2014 will be delivered to the Registrar of Companies in England and Wales in accordance with Section 441 of the Act. The auditor has reported on those accounts. Its report was unqualified and did not contain a statement under Section 498(2) or (3) of the Act.

2. Segmental analysis

The Group has concluded that it operates only one operating segment as defined by IFRS 8. The information used by the Group's chief operating decision makers to make decisions about the allocation of resources and assessing performance is presented on a consolidated Group basis. Accordingly no segmental analysis is presented.

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

	2014	2013
	£'000	£'000
By customer base		
Fleet	**11,038**	9,186
Insurance	**4,293**	3,994
	15,331	13,180

	2014	2013
	£'000	£'000
Geographical analysis by destination		
United Kingdom	**14,534**	12,588
France	**771**	592
Republic of Ireland	**3**	-
United States of America	**23**	-
	15,331	13,180

During 2014 revenues of £4.3m (2013: £4.0m) derived from one insurance customer.

3. Exceptional items

	2014	2013
	£'000	£'000
Compensation for mis-sold hedging contracts	**(763)**	-
Professional fees relating to the IPO	**515**	-
Exceptional items before taxation	**(248)**	-
Taxation on the above	**172**	-
Exceptional items after taxation	**(76)**	**-**
Exceptional items before tax as above	**(248)**	**-**
Add back warrants issued	**(74)**	**-**
Net exceptional operating cash flow	**(322)**	**-**

4. Equity

	Number of Preference shares of £1 each	Number of Ordinary shares of £0.10 each	Number of Ordinary shares of £0.01 each	Share capital £'000	Share Premium £'000
Allotted, called up and fully paid					
At 1 January 2014	-	462,475	-	46	4,296
Shares issued at £1 for cash	5,000	3,900	54,500	6	83
Shares redeemed at £1 for cash	(5,000)	-	-	(5)	-
Shares reorganised	-	(466,375)	4,663,750	-	-
Bonus shares issued	-	-	41,973,750	420	-
At 31 December 2014	**-**	**-**	**46,692,000**	**467**	**4,379**

The preference shares carried no preferential right to dividend but could be redeemed at par at the discretion of the Company. All preference shares have been redeemed by the Company out of distributable reserves as at 31 December 2014.

A reorganisation of share capital on 30 September 2014 changed the nominal value of ordinary shares from £0.10 to £0.01 and increased their number one hundredfold due to a bonus issue. This change is showed by an increase in the number of ordinary shares.

5. Share based payments

All options have been restated to take account of a reorganisation of capital which took place on the 30 September 2014. This increased the number of shares one hundredfold and reduced prices likewise.

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 vesting on issue and starting to vest after 14 months. Options are forfeited if the employee leaves the Company before the options vest.

In consideration for the performance by finnCap of its obligations under the Placing Agreement the Company issued 153,904 warrants to finnCap, on 6 November 2014 each warrant comprising the right to subscribe for one Ordinary Share at the Placing Price (£1.16). The Warrant Instrument also contains provisions relating to the cashless exercise of such warrants via surrender of warrants. The warrants may be exercised at any point up to the date that is 36 months after the date of Admission (6 November 2014) save that they are not exercisable before the date that is 12 months after the date of Admission except pursuant to certain acceleration rights, for example upon a takeover of the Company.

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

	2014 Weighted average exercise price per share in pence	**Options number**	**2013 Weighted average exercise price per share in pence**	**Options number**
Outstanding at 1 January	**26.6**	**1,089,800**	1.0	353,800
Granted	**75.6**	**323,654**	38.9	736,000
Lapsed	**0.1**	**(12,000)**	-	-
Exercised	**8.2**	**(324,500)**	-	-
Outstanding at 31 December	**47.1**	**1,076,954**	26.6	1,089,800
Exercisable at 31 December	**44.0**	**75,500**	1.0	180,000

The weighted average fair value of options and warrants issued during the year ended 31 December 2014 was £41.26.

Further details of share-based payments are given in the Group's audited accounts, which are available at www.quartix.net/investors.php.

6. Earnings per share

The calculation of the basic earnings per share is based on the profits attributable to the shareholders of Quartix Holdings plc divided by the weighted average number of shares in issue during the year. The calculation of the adjusted earnings per share is the same as that for the basic earnings per share, except for the subtraction of exceptional items from the profits attributable to the shareholders (see note 3). All earnings per share calculations relate to continuing operations of the Group.

	Profits attributable	**Weighted average**	**Basic profit per**	**Fully diluted**	**Diluted profit per**

	Earnings attributable to shareholders	Weighted average number of shares	Per-share amount	Diluted weighted average number of shares	Diluted per-share amount
	£'000		in pence		in pence
Earnings per ordinary share					
Year ended 31 December 2014	4,032	46,459,018	8.68	47,171,899	8.55
Year ended 31 December 2013	3,863	46,247,500	8.35	46,712,800	8.27
Adjusted earnings per ordinary share					
Year ended 31 December 2014	3,956	46,459,018	8.52	47,171,899	8.39
Year ended 31 December 2013	3,863	46,247,500	8.35	46,712,800	8.27

A reorganisation of share capital on 30 September 2014 changed the value of ordinary shares from £0.10 to £0.01 and increased their number one hundredfold. This change is showed by an increase in the weighted average number of shares. The 2013 earnings per share is restated for this reorganisation.

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 and warrants where the exercise price is less than the average market price of the Company's ordinary shares during that year.

END

FR SSIFAEFISELD