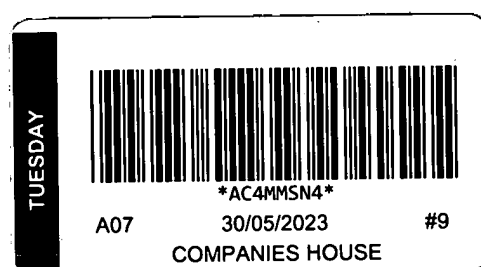
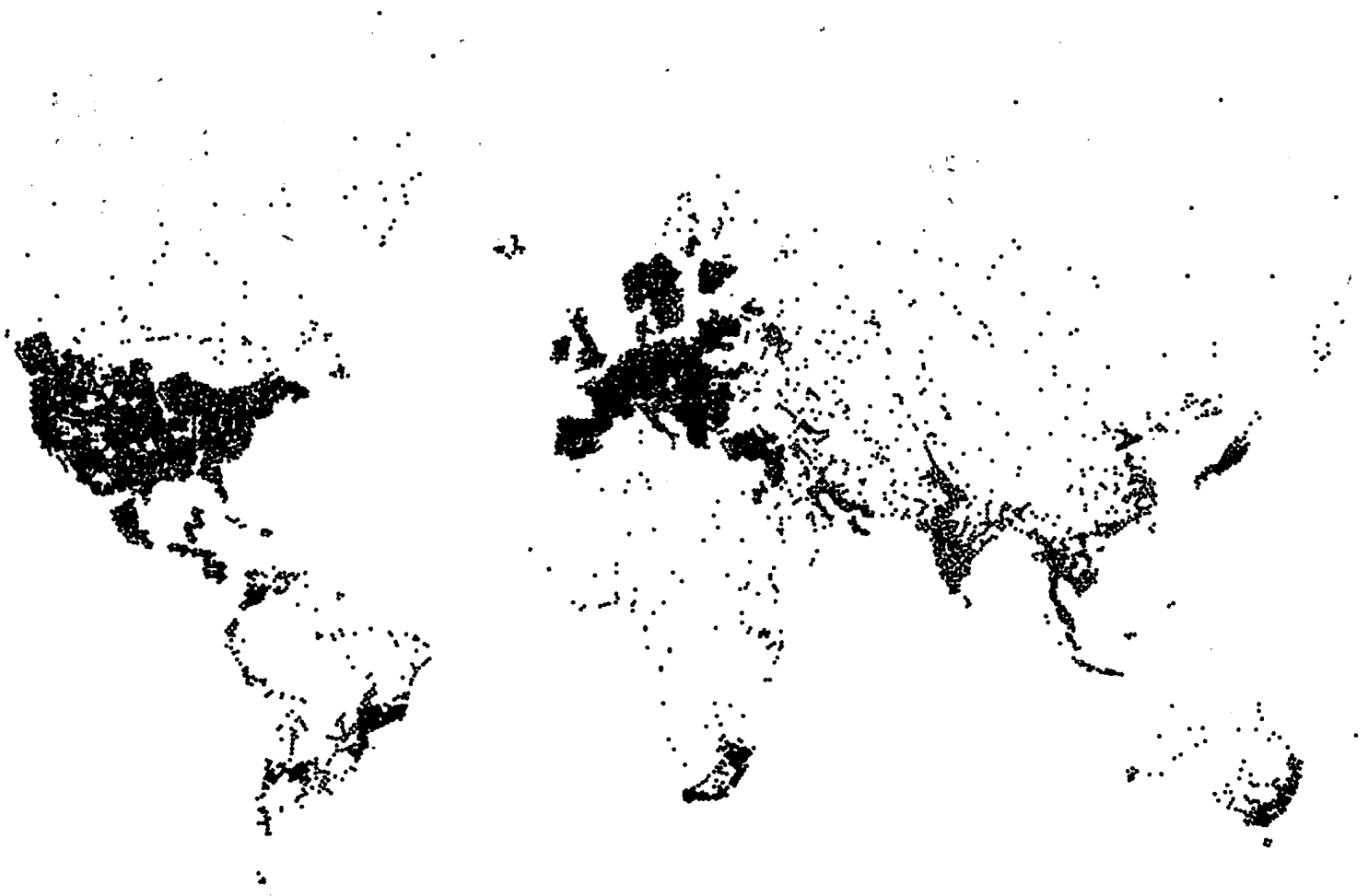


Annual Report
Year ended 31 December 2022
Microlise Group plc
(Registration number 11553192)



Microlise creates value-adding actionable insights from connected assets, for fleet operators and product manufacturers.



Millions of events captured
on a typical day, from over

599,000

vehicle subscriptions

We deliver award-winning solutions that provide integrated asset location, performance, utilisation, safety & compliance information to our customers' operations.

HIGHLIGHTS

GROUP REVENUE

£63.2M

²18m to 31/12/21: £88.2m

12m to 31/12/21: £60.3m (+5%)

GROSS PROFIT

£37.6M

²18m to 31/12/21: £50.5m

12m to 31/12/21: £34.5m (+9%)

OPERATING PROFIT³

£2.2M

²18m to 31/12/21: £1.0m

12m to 31/12/21: £(0.3)m

ADJUSTED EBITDA¹

£8.2M

²18m to 31/12/21: £11.3m

12m to 31/12/21: £7.8m (+6%)

ANNUAL RECURRING REVENUE (ARR)⁶ RUN RATE

£42.6M

²18m to 31/12/21: £38.9m

12m to 31/12/21: £38.9m (+10%)

CASH & CASH EQUIVALENTS

£16.7M

²18m to 31/12/21: £13.2m (+28%)

SUBSCRIPTIONS

599K

31/12/21: 551k (+9%)

CHURN⁵

0.4%

²18m to 31/12/21: 0.1%

12m to 31/12/21: 0.1% (-0.3%)

¹ Adjusted EBITDA excludes exceptional costs in relation to the 2021 IPO, acquisition costs, depreciation, amortisation, share of loss of associate, interest, tax and share based payments

² The 2021 financial year comprised 18 months. To assist users of the accounts with understanding the underlying business trading, the Group is presenting a set of unaudited calendar year results on a like-for-like basis. This will be referred to as CY21

³ Operating Profit is before interest and share of loss of associate

⁴ Adjusted Profit / (loss) before taxation excludes IPO costs of £3.4m (CY21), exceptional costs in relation to acquisitions of £0.2m (FY22), share based payments and share of loss of associate

⁵ Revenue churn measures the percentage of recurring revenue lost from existing customers, calculated by subtracting lost monthly recurring revenue from the starting monthly recurring revenue and dividing by the starting monthly recurring revenue.

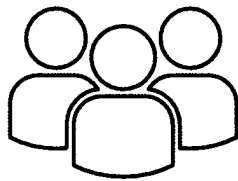
⁶ Annual Recurring Revenue (ARR) is calculated by multiplying the December 2022 monthly recurring revenue by 12

Financial & Operational Highlights

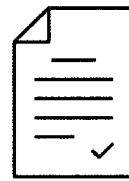
- Against the backdrop of component shortages, the Group has driven an increase in revenue to £63.2m (5%) for the 12 months ended 31 December 2022 (CY21: £60.3m).
- Recurring revenue +10% to £40.5m for the 12 months ended 31 December 2022, supported by the renewal of several major customer contracts and new customer wins (CY21: £36.7m).
- Increased gross profit +9% to £37.6m (CY21: £34.5m), at a gross profit margin of 60% (CY21 57%) due to increased proportion of high margin SaaS revenues and also improved non-recurring margins
- Adjusted EBITDA +6% to £8.2m (CY21: £7.8m), ahead of guidance
- Cash and Cash equivalents of £16.7m, an increase of 27% (CY21: £13.2m) together with a £20.0m undrawn Revolving Credit Facility.
- Subscriptions rose 9%, driven by continued growth in our existing customers together with new customer wins, despite component shortages and inflationary headwinds (CY21: 551,000).
- Annual recurring revenue (ARR) run rate of £42.6m at period end, growing 10% in last 12 months.
- The Group added over 250 new customers in the 12 months ended 31 December 2022 and long-term contract customer churn rate by value remained very low at 0.4%.
- UK business obtained Great Place To Work accreditation, with Microlise listed as one of the UK's Best Workplaces™ for Wellbeing in 2023 by Great Place to Work™, placing 29th in Great Place to Work's ranking of 'Large Organisations'.

Current Trading & Outlook

- Entered the financial year in a strong position, with the continued growth in ARR providing good visibility on sustainable profitable growth.
- Positive start to the year together with pipeline gives the board confidence in delivering the full year numbers.
- Microlise currently have a very strong pipeline with both direct and OEM customers, therefore directing investment into our global sales force to enable us to capitalise on the many opportunities that are being presented to us.
- Recent acquisition of Transportation Management System (TMS) provider, Vita Software, to support the Group's strategy to expand its value proposition further into medium sized fleets, with an enriched product offering.
- Well-funded to continue to deliver on our value accretive acquisition strategy with a healthy number of M&A opportunities in the pipeline.



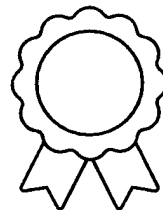
Over 250 New
Customers across
the Group



12 Major Contract
Renewals including
Tesco and Asda



Acquisition of Vita
Software - Post Year
End in March 2023



UK Office Great Place
to Work Accreditation
Secured

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MICROLISE AT A GLANCE

Established in 1982, Microlise Group PLC is a leading provider of telematics and fleet management solutions. Its technology is designed to help businesses improve efficiency, reduce emissions, lower costs, increase safety and compliance on the road.

With a range of products and services used by more than 400 enterprise clients globally, Microlise helps companies of all shapes and sizes – across a wide range of industries – to better manage their logistics operation.

Backed by a team of experienced professionals who provide excellent customer service, the Group has won a number of awards, including three Queens Awards for Enterprise (2018) and Innovation (2019, 2020).

With Headquarters in the United Kingdom, the company also has offices in France, Australia, and India with a global staff base of more than 690 industry professionals, across the 3 brands of Microlise, TruTac and Vita Software.

Handling over 599,000 subscriptions annually, Microlise joined the Alternative Investment Market (AIM) in 2021, qualifying for the London Stock Exchange's Green Economy Mark.



THE QUEEN'S AWARDS
FOR ENTERPRISE:
INNOVATION
2020



THE QUEEN'S AWARDS
FOR ENTERPRISE:
INNOVATION
2019



THE QUEEN'S AWARDS
FOR ENTERPRISE:
INTERNATIONAL TRADE
2018

How We Make Money

We offer a globally accessible Software as a Service (SaaS) platform that streamlines the business processes of organisations with logistics operations. Our software products are licensed on a per-user or per-asset basis, which includes SaaS service, ongoing support, and access to future upgrades.

In addition to our hardware and software offerings, we provide a comprehensive "service-wrap" that helps our customers extract the maximum value from their investment. Our dedicated account managers, Business Transformation team, Customer Success team, Data Science & Operational Research team, and other experts offer ongoing support to optimise operations and help achieve business goals.

Our Products (Software Only & Hardware Enabled)



TMS

Transportation Management System

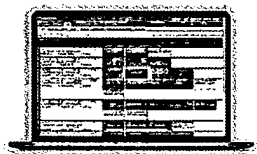
Building, costing and invoicing of orders



Fleet Performance

Track assets in real-time and retrospectively

Maximise utilisation & boost ROI



Journey Management

Proactive customer experience

Monitor resource performance vs the plan

Understand planned vs actual



Planning & Optimisation

Do more with less resources

Reduce planning time by many hours

Produce highly accurate plans



Fleet Compliance

Manage compliance effectively

Boost vehicle uptime

Raise safety standards



Fleet Safety

Protects drivers

Understand incident fault & liability

Improve safety standards

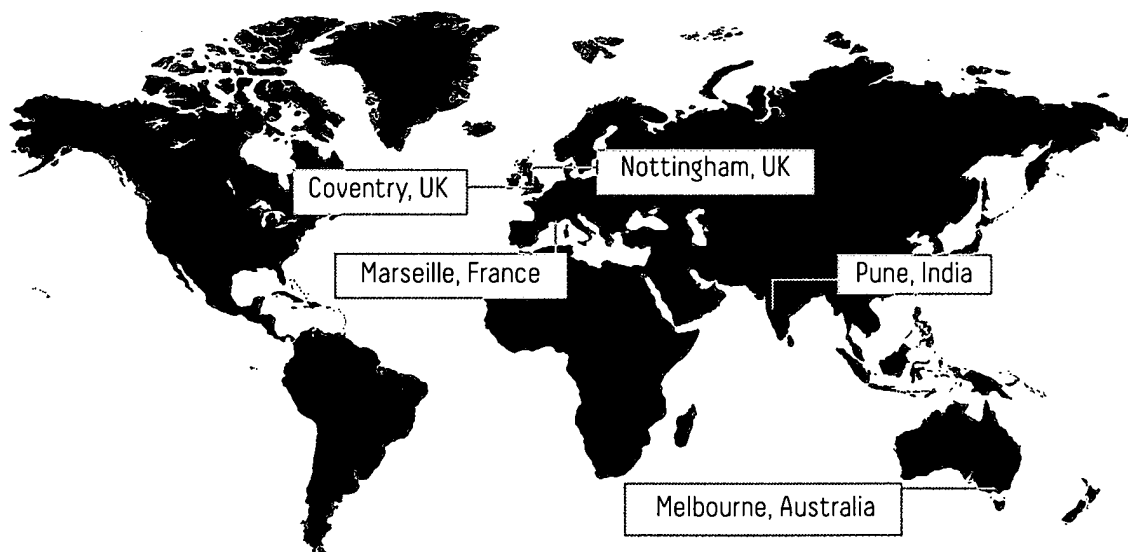


Driver Connected Mobility

Ruggedised hardware options for logistics environments

Manage driver communications

Where We Operate



With 463+ employees based at the Group's UK headquarters in Nottingham, TruTac's HQ is in Coventry, Microlise also has offices in France, Australia, and India with a global staff base of more than 690 industry professionals.

Our Customers

Microlise helps companies of all shapes and sizes – across a wide range of industries – to better manage their entire logistics operation.

Our client portfolio includes a number of original equipment manufacturers (OEM), large vehicle fleet operators, including:



Driving Operational Efficiency, Safety & Compliance For Our Customers



Reduced Mileage
Travelled



Improved Driver
Performance



Reduced Fuel
Use



Reduced
Emissions



Reduced Vehicle
Wear & Tear



Reduced
Accidents



Reduced Insurance
Premiums



Improved Fleet
Efficiency & Utilisation



Elimination of Delivery
Paperwork



Enhanced Customer
Experience

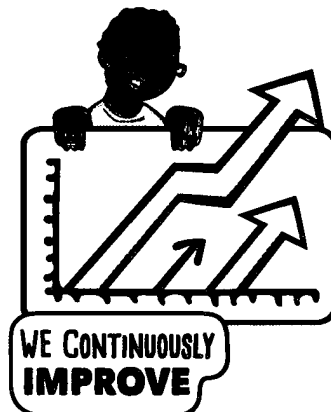
OUR PEOPLE

Operating Responsibly – Our Core Values

We are committed to conducting business with integrity, honesty, and social responsibility.

Our Core Values framework is embedded in our day to day working practices and is a central tool for recruiting, appraising, and rewarding employees. The cornerstone of our culture, it also guides our people on how to interact with colleagues, customers, suppliers, and the local community.

Over the past 12-months and moving into 2023, we have improved our people practices, placing our core values of 'We Care' and 'Continuously Improve' at the centre of our philosophy. Evidence of this has been recognised in the UK office obtaining accreditation by Great Place to Work™, with the India office already accredited in 2021.



Recruitment & Retention

Our people are the driving force behind our success, so we foster an environment that actively promotes an open and honest culture. By empowering team members and providing regular opportunities to up-skill, we successfully retain and motivate employees.

Our career and life-friendly programmes and benefits are reviewed regularly to ensure we position ourselves competitively, at the same time supporting the needs of our existing employees.

Following our latest review, 'Give Back' days have been introduced as our newest CSR initiative and employees have access to the latest benefits:

1. A discount scheme from Edenred, offering specific-purpose payment solutions – we invested in this benefit in response to the cost of living crisis.
2. A salary-sacrifice electric vehicle lease scheme.

Despite a challenging global labour market, our average headcount increased by 8.35%.

Diversity & Inclusion

We offer an inclusive culture and diverse working environment through the entire employment journey – from recruitment through to retirement – ensuring our employees feel valued.

We make sure that each team member has the right tools at their disposal to fulfil their full potential in the workplace, and we focus of delivering targeted initiatives that a) increase the representation of diverse groups and b) increase social mobility.

One of key engagement targets was to increase the number of female staff wanting to start a career in Software Engineering, through our early talent programme. From a starting point of only recruiting one female in our first intake, to date from the 84 early talent recruits, 21% (18) have been females wanting to start a career in Software Engineering.

Employee Engagement

We work closely with our employees to better understand and support them. In 2022, we wanted a deeper understanding of our employee's relationship with the Microlise brand and decided to enlist the support of an independent expert. We selected Great Place to Work™ to assess our performance and were delighted to learn that our employees do, in fact, rate us as a great place to work. Subsequently, these results have led to our accreditation by Great Place to Work™ and are shaping our future improvement plans.

Additionally, Great Place to Work™ rated us as a 'Top Employer' for 'Justice', acknowledging the work that we do to ensure all employees are treated fairly, regardless of sexual orientation, race, age and/or gender.

Health & Wellbeing

In 2022, our team in India benefited from a 66% increase in their private medical cover (3 lacs to 5 lacs), and an occupational health scheme was introduced, providing free health checks and access to a variety of therapists via an app.

We have more than doubled our mental health support network, adding 25 Mental Health Champions to our existing team of 17 Mental Health First Aiders. We regularly fund emergency access to therapists for employees struggling to access NHS Mental Health specialists.

Since inception, employees have engaged with our programmes and rated us highly in the Great Place to Work™ survey for our unique wellbeing philosophy. In February, Microlise was proud to be listed as one of the UK's Best Workplaces™ for Wellbeing in 2023 by Great Place to Work™, placing 29th in Great Place to Work's ranking of 'Large Organisations'.

ESG

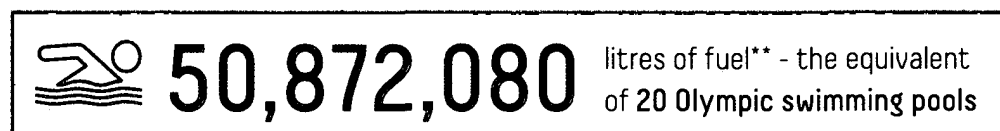
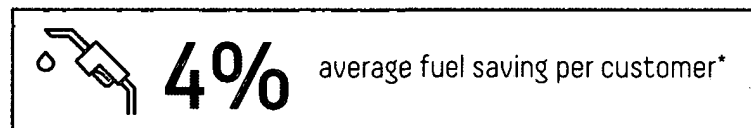
Environmental

Our environmental focus is central to everything we do, from our products through to our business behaviours.

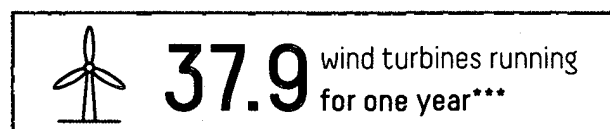
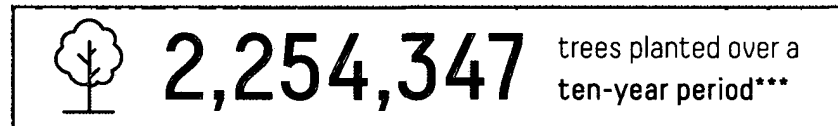
We work closely with customers to implement more efficient working practices across the transport industry, at the same time helping them to minimise their operation's environmental impact, with fuel savings being a key element to the products return on investment.

Our Driver Excellence Monitoring software provides drivers and operators with a direct view on driving style, across events such as harsh accelerating and harsh braking. Customers actively promote efficient driving styles through this software, which in turn actively provides positive impact onto fuel consumption as well as reducing accidents and vehicle wear & tear for their fleets.

In 2022, the Group's innovative transport technology solutions had a positive impact on its customers carbon footprint, enabling significant CO₂ reductions through an impressive, combined saving of 136,337,175 KG CO₂ – that's 2.68 KG per litre of fuel not burned.



And is the equivalent saving of:



*4% average fuel saving figure has been calculated using 2022 annual MPG data from customers operations

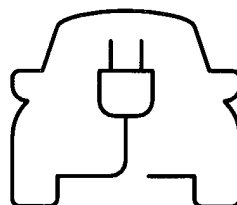
**Litres saved calculated using the average fuel saving and miles travelled by customer vehicles (3,066,956,168)

***Carbon saving equivalent figures produced using US Environmental Protection Agency Greenhouse Gas Equivalencies Calculator

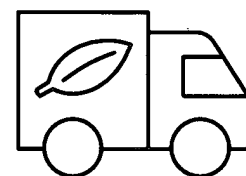
We introduced several carbon-saving initiatives, including:



Hybrid working which is enjoyed by majority of our employees globally.

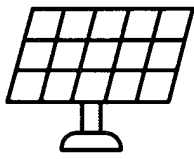


In 2022 we introduced an Electric Vehicle salary sacrifice scheme, making it easier and more cost-effective for people to make the switch to greener vehicles.



Changing our vehicle fleet over to more environmentally friendly models as a standard renewal approach.

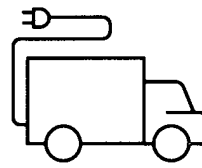
By the end of 2023, our aim is to further reduce our carbon consumption by investing in:



Solar panels to generate clean electricity for our Head Office, estimated savings of 55t CO₂ per year.



Voltage Optimisers at our Head Office, with a projected saving of 11t CO₂ per year.



Lease renewal opportunities to replace our fleet of vans and cars with electric or hybrid vehicles.



LED lighting at our Head Office, with an expected carbon saving of 8t CO₂ per year.

Social

Our core value 'We Care' ensures that everything we do has a positive impact on our community and stakeholders. And in 2022 we were certified as a Great Place to Work across the whole Microlise Group.

Viewed as an important step in our evolution, the adoption of this external independent assessment has provided a platform to shape our future plans through the provision of insight into the perceptions of our people.

In the Great Place to Work™ (GPTW) survey, our people scored us higher than the average top large companies for fair treatment regardless of sexual orientation, race, age, and/or gender. In the UK:

98%

of participants said that people are treated fairly regardless of their sexual orientation.

96%

of participants said that people are treated fairly regardless of their race.

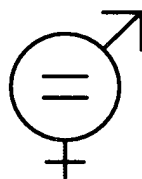
95%

of participants said they are treated fairly regardless of their gender.

Other significant steps taken in 2022 include remuneration improvements across the entire Group:



Microlise UK & TruTac
Increased hourly rates – from £10.90 to £11.50 per hour – for our lowest paid, 5.5% above the Real Living Wage.



Microlise Limited gender pay gap difference in hourly rate of pay (median) has decreased from 21.97% to 18.57%.



Introduced a work from home allowance for hybrid workers, which equates to 68% of our UK workforce.

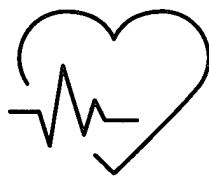


India salaries benchmarked by Mercer, to ensure fair rates to all, regardless of age or gender.

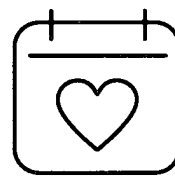
Health & Wellbeing Initiatives:



Introduced funded annual health checks for India employees and access to Employee Assistance Programme (EAP) services including mental health.



Implemented a Wellbeing programme in the UK, inclusive of financial wellbeing workshops.



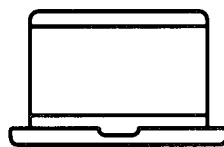
Hosted 10 internal events that focus on health, physical activity, diet, and financial wellbeing.

Learning & Development Opportunities:

Our L&D focus links directly with our HR strategy, attracting and retaining talent. It's essential for our business to stay innovative and market-leading, requiring skilled employees. Talent development also supports our expansion plans and the Leaders of Tomorrow program develops future leaders today.



Introduced a leaders of tomorrow programme. 42% of the first cohort were female.



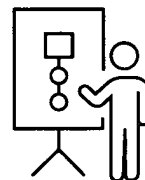
Hosted online events with Speaker for Schools, to promote career opportunities across more social backgrounds.



Introduced two apprenticeships schemes in our Operations area.



Delivered bespoke Manager training to support working with neurodiverse people.



Introduced flexible working and family-friendly policies, inclusive of carers leave.

Community Engagement & Volunteering Programmes:



Introduced 'Give Back Days' in Dec-22, gifting employees time off – with full pay – to volunteer in the local community.



Support for employee-led activities across a number of charities, sports clubs, and educational schemes in India.

Governance

At Microlise, we place a high priority on good governance and are committed to upholding the highest standards of corporate governance in all areas of our operations. Our commitment to good governance is demonstrated through our adherence to the 10 principle QCA code, which provides a framework for transparent, accountable, and responsible operations.



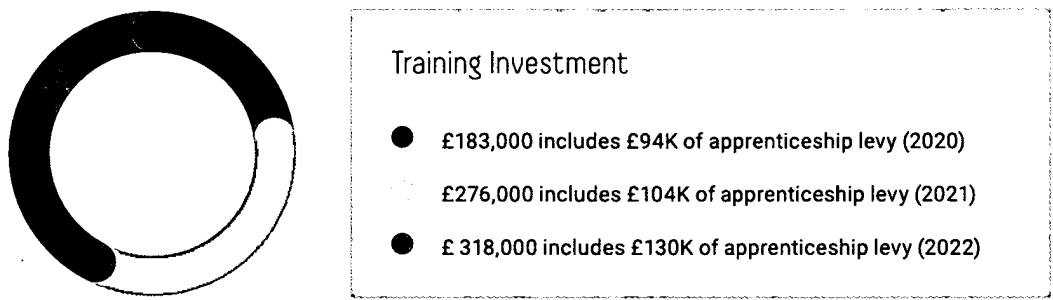
To ensure that all of our employees operate in a responsible and sustainable manner, we provide comprehensive iHasco training covering ethical decision-making, risk management, and compliance with laws and regulations. This training promotes a culture of responsibility and accountability throughout our organisation.

In addition to our training programs, we have established policies and procedures to ensure good governance across all areas of our operations. We have clear lines of responsibility and accountability, robust risk management processes, and regular reporting to our Board of Directors on key governance issues. We also engage with our stakeholders to ensure that we understand their needs and concerns, and that we are responsive to their feedback.

We have established policies and procedures to manage potential conflicts of interest, and our board regularly reviews its own composition and performance to ensure that it remains effective and independent.

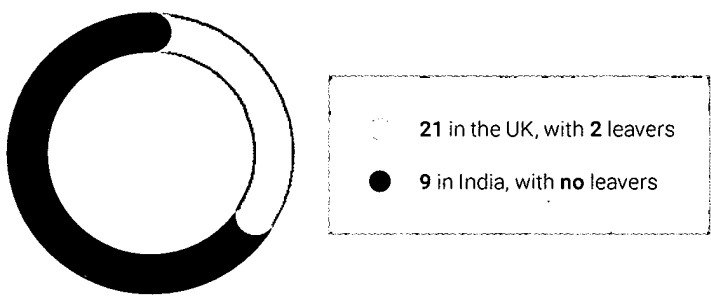
At Microlise, we believe that good governance is essential for building trust and confidence among our stakeholders, and for achieving our strategic objectives over the long term. We are committed to continually improving our governance practices and processes to ensure that we operate in a responsible, sustainable, and ethical manner. Further details on Microlise's Corporate Governance Statement section can be found on pages 45 to 48.

Learning & Development

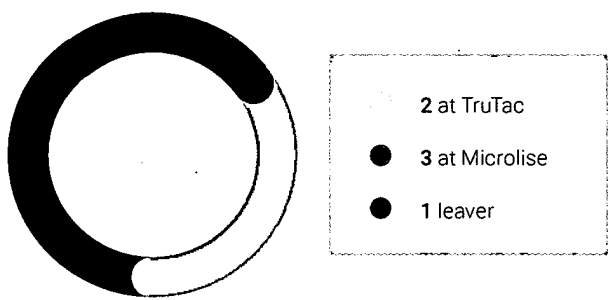


The Learning and Development Academy, now in its fourth year of operation, is available to all employees across the Group. The Academy ensures skills development across all departments, as well as an early-stage talent programme which provides learning and practical experience to help develop people who are agile, resilient, and ready for work. In 2022, the Academy supported us to meet the challenges presented by a difficult labour market in the UK and India through skills development, providing new work-ready technical talent and helping us retain our existing workforce. Since its inception, the Academy has employed 83 graduates and apprentices across the business.

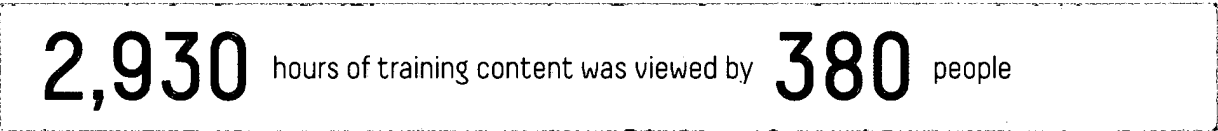
In 2022, Microlise employed 30 graduates (2021: 4 graduates) across the business to :



Additionally, in 2022 the company facilitated 6 apprenticeships (2021: 9 apprentices):



The Academy also recognises the importance of good management skills and develops the capabilities of our Managers through our bespoke programme. The 2022 Microlise L&D Academy activities resulted in the following retention & learning figures, with hours of training content viewed up by 15% to 2,930 (2021 - 1,672 hours of training content viewed by 323 staff):

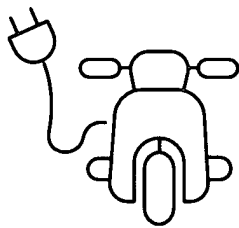


RESEARCH & DEVELOPMENT

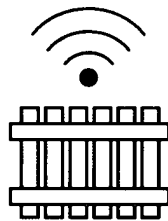
At Microlise, we use Industrial Internet of Things (IIoT) technology, big data and Artificial Intelligence (AI) – as well as associated digital tools that support operations, communication, analysis and decision-making – to provide customers with valuable insights from high volume datasets.

And we adopt a market-oriented approach when working with our customers, ensuring that our solutions align with industry needs opposed to specific client use cases.

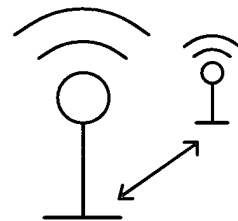
During the period, we conducted several noteworthy pilot projects and research initiatives, including:



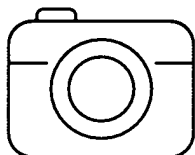
Continued activities as part of the successful consortium bid for the Electric BSA Motorbike



Completion of successful Remote Fixed Asset Monitoring proposition



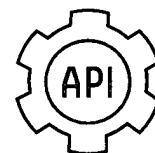
Extended long-range unpowered asset monitoring validation using Microlise asset mesh concept



Integrating Driver Safety AI camera into Microlise Risk Reduction Fleet Safety portfolio



Workshop module with TruFleet product to enable efficient data integration



DVLA API integration for full vehicle data including type, manufacturer, TAX and MOT status

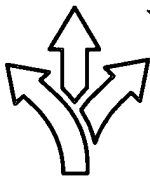
PRODUCT ROADMAP

Through the period Microlise launched a series of new and significantly incremental Product and Service capabilities, whilst ensuring the continued availability and supply of its global Smart Gateway hardware products.



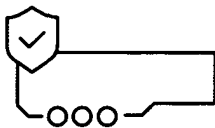
New Asset Equipment Platforms:

Extending the range of asset classes that the Microlise platform acquires data from for the global off-highway health & usage monitoring markets.



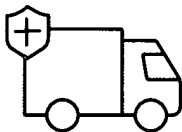
Microlise Planning & Optimisation service enhancements:

Enhance to enable Microlise customers in all geographies to utilise its core Planning & Optimisation capabilities, as well as increasing the range of industry sectors to which the solution can target.



Trailer Brake Performance Management (TBPMS):

Capability added to existing core telematics platform, gaining full compliance against the DVSA standards, and liaising with the DVSA on how the capability could be extended.



Fleet Safety:

- › Alongside TBPMS, adding driver distraction and driving support vision systems to the Risk Reduction and Blindspot Manoeuvring services.
- › Vehicle profile feature launched for TruFleet for full vehicle data all in one place.



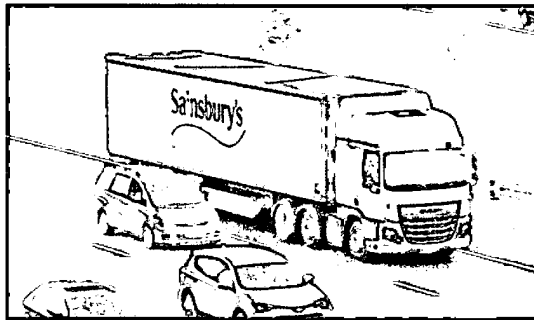
Driver Efficiency:

- › Launched Microlise Driver workflow app on the Mercedes Truck App Portal for an integrated vehicle infotainment system driver experience.
- › TruDocuments Premium launched for document management and sign off for drivers via the TruTac App. With full audit and sign off visibility.

CUSTOMER SUCCESS

Over the past year, Microlise has successfully launched its Customer Success initiative, with its Customer Success Managers (CSMs) helping clients to achieve their desired outcomes and improving their overall experience. This has resulted in increased contract value and recurring revenue, as CSMs work alongside Account Managers to provide customers with additional products and services that address their current and future challenges.

Alongside this initiative, Microlise is capturing data from its customer base to identify areas for improvement and better understand their challenges during these uncertain times. Key performance indicators, such as NPS (Net Promoter Score) and CES (Customer Effort Score), are used to validate the voice of the customer and provide objective data. According to various sources, Microlise's average NPS score has consistently exceeded the IT industry average over the past 12 months.



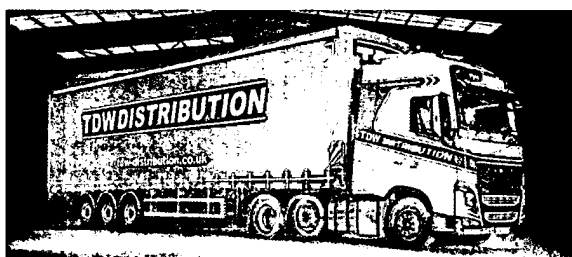
SAINSBURYS

Sainsbury's successfully implemented Microlise's Debrief tool with support from the Customer Success Team. Business areas were focused on using Microlise's Business Rules to reduce debrief information.

The Debrief feature is part of a wider effort to support teams and introduce effective processes, including Fleet Performance, Plan vs Actual, and SmartPod.

Sainsbury's improved driver and operations engagement, simplified the process with new reports, and identified issues such as traffic diversions.

Root cause planning supported driver training and identified other impacting factors, leading to significant improvements in debrief reduction, making the Debrief feature a valuable addition to their operations.



TDW DISTRIBUTION

TDW Distribution received comprehensive training and briefing materials from Microlise's Customer Success team to help with the implementation of the Driver Performance Management app for its drivers.

The company benefited from a clear and simple baseline analysis, which helped identify areas for

improvement. The introduction of the app resulted in great driver engagement and the installation of cameras further helped with improving safety and reducing incidents.

The addition of the Safety Module provided greater insight into incidents and supported the feedback process, resulting in good continuous improvements with A to G grades. The partnership between TDW Distribution and Microlise's Customer Success team has been a triumph, with the training support and app implementation helping to achieve the company's goals of enhancing driver performance and safety.



MARITIME TRANSPORT

Maritime Transport, a long-standing customer of Microlise, has recently renewed its contract. Microlise provides Maritime Transport with critical in-cab hardware infrastructure and an integrated solution to power its transport operation, business reporting, and

HR systems.

Implementation of the Driver Behaviour Information module has enabled Maritime to improve driver engagement and maintain high levels of driver performance. The Journey Management and ePOD modules provide real-time driver communications and Plan vs Actual reporting into the Transport Management System (TMS), while the in-cab digitalisation of previously paper-based processes has streamlined operations.

The continued partnership between Maritime Transport and Microlise has enabled the company to enhance their overall fleet performance and operational efficiency.



TESCO

Tesco has recently renewed its contract with Microlise, adding all Telematics, DHW and Co-Pilot – to improve compliance – to its operations.

Tesco relies heavily on the Group's Fleet Performance, Journey Management and ePOD modules to drive high levels of on-time delivery to stores. The modules also provide metrics to highlight areas for

improvement, such as store turnaround time. The digitisation of the cab has helped remove paperwork and fully integrate with Tesco's systems, allowing for the automatic transfer of stock from the DC to the store upon delivery.

As a result, the visibility of arrivals within the store has maximised the efficiency of in-store colleagues, allowing them to serve customers while actively managing the back door. The transport office also benefits from full visibility of all functions, allowing for proactive management by exception.

The continued partnership between Tesco and Microlise has enabled the company to enhance its overall fleet performance, operational efficiency, and compliance.



Jon Lee,
Non-Executive Chairman

CHAIRMAN'S STATEMENT

I am delighted to report that Microlise delivered a strong performance for the full year 2022. The Company achieved 5% Revenue growth to £63.2m for the 12-month period ended 31 December 2022 (CY21¹: £60.3m), and 10% Annual Recurring Revenue growth to £42.6m for the 12-month period ended 31 December 2022 (CY21: £38.9m). The Company also achieved record profitability and cash generation, cash 18% ahead of market expectations, up 26% to £16.7m.

This strong performance was even more admirable given the enduring multiple headwinds effecting the markets in which we operate. These include the global component shortages, high inflation, continuing war in Ukraine and general economic uncertainty.

The global component shortages were a particular issue Microlise had to navigate during the period, which consumed substantial time and resources for the Company. These supply issues also reduced the availability of new vehicles for our customers, which, along with driver shortages and economic uncertainty, led to delays in customer projects and spending. Although we expect inflation and an unpredictable macro-economic environment will continue to present challenges, we do expect component shortages to ease in the second half of 2023.

Despite market difficulties, Microlise made strong operational and strategic progress during the year. In addition, we recorded our highest sales to original equipment manufacturers. We also generated record international revenue after securing important new customers in France and Australia, alongside renewing valuable contracts with some of our largest customers. We also successfully integrated TruTac, our Fleet Compliance and Tachograph Management solution, at both the product and organisational levels.

Our strategic focus for the year ahead is on ensuring our customers benefit through the broader use of our comprehensive integrated product range. In addition, we will forge ahead with our international expansion, with a particular focus on France and Australasia, where we are seeing an increasing number of exciting opportunities.

We remain committed to profitable growth and will continue to review acquisition opportunities that complement our product and customer strategy across the jurisdictions we operate. We were pleased to announce the acquisition of Vita Software, a Transportation Management System, post year end on 14 March 2023. We will continue to search for additional M&A opportunities, with the right combination of value, product, and geography, and intend to use our significant cash resources to make additional suitable acquisitions at the appropriate time.

I would like to express my heartfelt thanks to the Microlise team who have been hard-working, resourceful, and innovative in overcoming the many challenges they faced during the year. As a result, Microlise is now a more efficient business which is better positioned to deliver sustainable, long-term growth as the economy stabilises and component shortages ease.

I would like to take this opportunity to thank our CFO Bill Wynn for his significant contributions to Microlise. His dedication, expertise and leadership have been critical in the growth and development of the company. We are deeply grateful for as many years of service, and I wish him all the best in his well-deserved retirement. We are confident that the foundation he helped build will continue to support Microlise's success in many years to come. I also look forward to working with his newly appointed successor, Nick Wightman, as we look to develop the business into new markets and grow globally.

¹The 2021 financial year comprised 18 months. To assist users of the accounts with understanding the underlying business trading, the Group is presenting a set of unaudited calendar year results on a like-for-like basis. This will be referred to as CY21



Nadeem Raza
Group Chief Executive Officer

CEO'S STATEMENT

We are pleased to report another strong year of growth for Microlise, along with significant operational enhancements. We continued to strengthen our business through international growth, numerous major renewals and new contract signings, as well as launched several innovative new products. All of which has ensured we start the year with a record order book and healthy pipeline of opportunities across all the markets in which we operate.

This year's performance was set against another challenging period for the transport and logistics industry caused by global supply chain shortages combined with inflation and staff shortages. We successfully navigated a course around the ongoing issues through the introduction of various initiatives. These included replacing or designing-out difficult to source or expensive components, sometimes to the extent of redesigning a whole product, all made possible due to our in-house hardware and procurement teams.

This demonstrates the ingenuity and hard-working nature of our development team as well as the agile and flexible nature of Microlise as a business. However, with the team being engaged in adapting existing products to mitigate supply issues, there has been less time dedicated to hardware innovation. We are seeing improvement, and are confident that the supply chain issues will return to near normal from the second half of 2023 and expect to increasingly return our focus to the creation of new innovative products as the year progresses.

It is the trends in microchip availability witnessed over the past year that gives rise to our confidence in a return to normal supply conditions during the second half of 2023. This time last year we were experiencing approximately 20 supplier delivery decommits per month; in the second half of 2022 this fell to 10, and currently we are at four. Our customers ability to purchase vehicles has also followed a similar trend with a lead time of 12 -14 months a year ago, falling to 6 months at the end of 2022 and now standing at 4-5 months.

These are clear, established trends, and reports from suppliers as well as other leading bodies, such as KPMG and the Global Semi-Conductor Alliance, further support our expectations.

I would like to take a moment to express our sincere gratitude to Bill Wynn, for his outstanding service and valuable contributions to our company during his tenure as CFO. Bill's extensive financial and management experience, gained over 25 years at board level in various industry sectors, has been instrumental in shaping Microlise into the successful and thriving business it is today. We thank him for his dedication and wish him a happy and fulfilling retirement.

At the same time, we are excited to welcome Nick Wightman as our new CFO, previously Finance Director of the Group. Nick has worked at Microlise for over 10 years and has been a driving force in the growth and structure of the company. He has played a pivotal role in many significant accomplishments, including the successful completion of our IPO, the successful completion of two acquisitions, and the creation of Microlise subsidiaries in France, Australia, and India. Nick has also been instrumental in implementing a global ERP system, which has improved our efficiency and effectiveness.

We are confident that Nick's extensive financial knowledge and experience, will serve us well as we continue to grow and evolve. We excited see the impact that Nick will bring to the Microlise group as our new CFO, and look forward to working with him closely as we continue to drive the business forward.

Financial Performance

The Group delivered a strong full year performance, particularly given the environment in which we were operating. Record levels of OEM sales were recorded, which impacted sales mix and resulted in a positive working capital effect. This was achieved by prioritising shipments to OEMs, who had large order books, while still ensuring we could supply other customers. As a result of the change in sales mix, our Annual Recurring Revenues grew by 10% to £42.6m for the 12-month period ended 31 December 2022, a faster rate than revenue, such that recurring revenues now represent 64% of the total (CY21: 61%).

We continued to see extremely low customer churn (0.4%) alongside winning more than 250 new customers, resulting in a record order book as we enter the new financial year. This pays testament to the loyalty of our customers as well as the quality of our product offerings.

Microtise has carefully managed supply chain disruption, improving its cost controls and the efficiency of the business, such that margins have improved with EBITDA slightly ahead of market expectations. These improved efficiencies better position us to benefit as the component supply problems ease, as expected in the second half of 2023.

A Growing Business

We continue to work closely with our customers to review and enhance our product offering, ensuring we are always offering best-in-class products and services that promote an efficient, safe, cost-effective, sustainable and compliant environment.

In order to maintain our market leading position as provider of the best-in-class solution, we invested in several new products and services during the period, that provide even greater value to our loyal and new customers.

Most notably, we successfully on-boarded our first customer to our new IIoT (Industrial Internet of Things) platform, which provides a secure connection to remote assets for users to view operational information. This represents our first expansion into transport-adjacent markets.

The platform is providing Parking Facilities Limited (PFL), a manufacturer of automated gates and barriers, with a live view of its products including utilisation data. The two-way system enables the gates to be controlled from anywhere,

even allowing for faults to potentially be fixed remotely. Built on a modern system architecture, the platform provides OEM customers with the potential to drive productivity and efficiency while redefining the way manufacturers interact with their customers, distributors, and suppliers. Developing this new platform is a key part of the Company's long-term strategy, where we can enable other assets in the depot, warehouse or factory to communicate with each other and with the fleet of vehicles.

The Group also increased investment into sales and product development to capture the growing opportunity in international markets, with the recent acquisition post period another addition to the product suite. We have expanded our teams in France, Australia and New Zealand and have successfully accommodated regional differences into our products which we continue to tailor to these markets. We have also developed bespoke marketing approaches to each region.

This is beginning to have a positive effect. Growth in Australia was particularly strong and included a five-year renewal with Coles. Significant new customers were also signed in France, including Aryzta, and Foodstuffs in New Zealand.

People

Our progress during the year was only made possible by the talent, expertise and passion of our team who have delivered ever greater service and products to our customers. Their commitment to ensuring our transport management software remains the market leader has not wavered, despite the many hurdles presented by the markets in the past year, and I would like to thank all our staff for their continued hard work.

During the period, we focused on attracting and retaining staff through the development and implementation of our Employee Engagement strategy. As part of this we ensured market rate alignment for salary roles; introduced numerous cross-company social events and team collaboration events, introduced employee engagement initiatives, increased staff training; introduced a share option scheme for staff; and have retained hybrid working, allowing staff to work at home where preferred.

We were also delighted to be awarded the 'Great Place to Work' accreditation, a reliable and globally respected recognition for excellent employee experience, trust-based work culture,

and commitment to building a great workplace. This award recognises our commitment to providing a supportive and inclusive workplace for employees and we will endeavour to maintain this standard across the business.

Strategic Focus

The Group's immediate focus is on continued positive performance, continuing to steer a course through inflation and the ongoing global supply chain challenges. With supply chain issues expected to ease during the second half of 2023, leading to materials becoming more readily available, we anticipate an associated increased focus on hardware development.

Microlise is also investing further into the security requirements of our blue-chip customer base. As technology develops, our customers are demanding ever improving assurance. We are focussed on providing this and on remaining at the forefront of the security landscape within our industry.

M&A plays an important role in our strategy, having raised money at IPO to enable us to acquire companies that can add technological capabilities and increase our geographic reach. Post year end on 14th March 2023 we announced the acquisition of Vita Software, for a total consideration of £2.06M. A initial consideration of £1.86M cash payment and a deferred consideration of £0.2 million after 12 months subject to any claims.

Vita Software is a TMS (Transportation Management System) software company based in Hull in the United Kingdom. Established in 2012, Vita Software has a strong reputation in the industry, with its software already in use by several Microlise customers.

Vita Software's TMS adds the key capabilities of resource and transport costing, subcontractor management, and invoicing, which, alongside Microlise's order intake and planning solutions, will enable the Company to offer customers a full end-to-end Order-to-Cash solution.

The acquisition provides upsell and cross-sell opportunities, embedding Microlise even further into its customers' operations. A number of opportunities have already been identified within the current customer base, where the new TMS would be a welcome addition to our existing services. The TMS is also applicable to fleets of all sizes, supporting our strategy to expand into smaller fleets.

In terms of this strategic initiative, we have developed a lighter product for smaller fleets during the period. We are also developing offerings for smaller vehicles having launched Tru-Van during the year, a compliance product for vans. We are currently expanding footprint with customers that have the large fleets of vans and have doubled the size of the sales team that is focussed on these customers within the UK.

ESG considerations are central to all strategic decisions we make as a Company and this has been recognised by third party organisations with which we work through the granting of numerous awards. We are also Grade A by Unicorn investor, as well as the Green Mark by London Stock Exchange.

This was in part due to the contribution our software products make to improving sustainability, such as reducing our customers' fuel use. In our newest products we have also extended support for gas powered vehicles; increased the number of features for electric vehicles, including improved data collection and reporting; and introduced support for hydrogen powered vehicles.

Outlook

The outlook for Microlise is positive and we have entered FY23 in a strong position, with the Group trading in line with Board expectations since the start of the new financial year. We have significant market share, a proven offering and loyal customers in multiple geographies, helping us to drive growth in revenue and profits.

We believe the transport and logistics market is becoming more accustomed to the benefits of integrated and tailored transport management solutions and this presents a supportive market backdrop as we release new offerings to the market and increase our sales activities.

The Group is fully focussed on its long-term strategic priorities and we continue to successfully manage inflationary pressures and component supply issues and expect components to become more readily available in the second half of 2023.

We are therefore confident of an improving performance for the year ahead and believe that our innovative solutions, strong balance sheet, leading market position and talented team will drive positive change and deliver long-term value to shareholders.

Bill Wynn,
Chief Finance Officer

CFO'S STATEMENT

The financial results for the twelve-month period to 31 December 2022 reflect another period of profitable growth for Microlise despite the challenges widely reported across all industry sectors.

Key Performance Indicators

The following key performance indicators for the 12-month period to 31 December 2022 include a comparison to the audited statutory results for the 18-months to 31 December 2021 as well as a comparison to the unaudited results for the calendar year to 31 December 2021 (CY21).

£'m unless otherwise stated

		Calendar Year Results ⁽¹⁾			Statutory Results (Audited)
		Audited 12 months Dec-22	Unaudited 12 months Dec-21 ⁽¹⁾	Change (12 months) %	FY21 18-months to Dec-21
Financial	Revenue	63.2	60.3	5%	88.2
	Recurring Revenue	40.5	36.7	10%	54.0
	Gross Profit	37.6	34.5	9%	50.5
	Gross Profit Margin %	60%	57%	3%	57%
	Adjusted EBITDA ⁽²⁾	8.2	7.8	6%	11.4
	Adjusted EBITDA %	13%	13%	-	13%
	Adjusted Profit/(loss) before tax ⁽³⁾	2.7	2.6	3%	3.4
	Profit/(loss) before tax	1.4	(0.8)	280%	(0.0)
	Cash and cash equivalents	16.7	13.2	27%	13.2
Non Financial	ARR run rate ⁽⁴⁾	42.6	38.9	10%	38.9
	Number of like-for-like subscriptions ⁽⁵⁾	599,000	551,000	9%	
	Long-term contract customer churn by value	0.4%	0.1%		

1. To assist users of the accounts with understanding the underlying business trading, the Group is presenting a set of unaudited calendar year results on a like-for-like basis for the comparative period covering the 12 months ended 31 December 2021 (CY21).
2. Adjusted EBITDA excludes exceptional costs in relation to the IPO, exceptional costs in relation to acquisitions, depreciation, amortisation, share of loss of associate, interest, tax and share based payments.
3. Adjusted Profit / (loss) before taxation excludes IPO costs of £3.4m (CY21), exceptional costs in relation to acquisitions of £0.2m (FY22), share based payments and loss of share of associate.
4. ARR run rate change figure and % compare the annualised recurring revenue figure for December 2022 with the annualised recurring revenue figure for December 2021.
5. Like-for-like subscriptions change figure and % compare the subscriptions as at 31 December 2022 with the subscriptions as at 31 December 2021

GROUP RESULTS

Revenue

Total Revenue for the 12 months ended 31 December 2022 (FY22) was £63.2m, an increase of 5% from 31 December 2021 (CY21). The Group has delivered record levels of OEM sales which benefited both non-recurring and recurring revenue and positively impacted working capital. Recurring revenues showed strong growth following an increase in win rate with over 250 new customers in the FY22. Recurring SaaS revenues in the Period were £40.5m, an increase of 10% compared to £36.7m in CY21. New customer wins, strong OEM growth, together with growth in our existing customer's fleets resulted in 10% growth in ARR to £42.6m as at 31 December 2022 from £38.9m on 31 December 2021. Recurring revenues now represent 64.1% of total revenue (CY21 60.9%).

Non-recurring revenue for the 12 months ended 31 December 2022 reduced 4% to £22.7m (CY21: £23.6m) reflecting the challenges our direct customers have experienced with delivery lead times on new vehicles. This has impacted the Group's ability to deploy customer projects which has resulted in lower professional services and installation revenues in the period. These reductions are offset by hardware revenues that have increased in the period by 6.1% as a result of record level of OEM sales.

In addition to winning new business and deepening existing accounts, the Group successfully maintained an extremely low rate of customer churn by value at 0.4% (CY21: 0.1%). This reflects the mission critical importance of Microlise's software solutions in our customers' operations.

Gross Profit

Gross profit for the 12 months ended 31 December 2022 increased by 9% to £37.6m (CY21 £34.5m) with

gross margin % increasing to 60% (CY21 57%). The Group has benefited from the increased proportion of high margin SaaS revenues and also improved non-recurring margins despite cost inflationary pressures and the ongoing challenges with microchip shortages resulting in premium pricing.

Adjusted Administrative Expenses⁽¹⁾

The Group has continued to invest in product development, operations, and sales & marketing.

Adjusted administrative expenses, in the 12-month period ended 31 December 2022 increased 13% to £31.1m (CY21: £27.4m). This cost represents employee costs, premises costs, marketing costs, research & development (net of capitalised costs), finance charges, and other central costs.

The 6% increase in staff costs in the 12 months ended 31 December 2022 to £25.8m (CY21: £24.3m) reflected our increase in headcount in line with our growth as well as annual pay awards and increased commissions/bonuses reflecting the increased new customer win rate and the Group's strong EBITDA performance. Average headcount in the Period was 661 (CY21: 618) overall, with 31 of the increase within operations and development and a further 11 in sales and distribution. The increase in operations includes additional engineering resource to support the strategy of bringing more installation work in-house.

Marketing costs increased during the period by £0.7m due to the return (after a 3 year absence) of the Microlise Transport Conference. The Group has continued focus on international growth with targeted marketing spend in key strategic geographies.

Administration costs increased during the period by £0.8m. This is a result of the full year impact of costs to support the Group's listed status including increases in audit fees, banking and broker fees. The Group is investing further in its security posture to ensure it can continue to provide its customers with ever increasing levels of assurance.

Capitalised research & development costs in the period were £1.8m (CY21: £1.3m), whilst amortisation of capitalised development costs in the period ended 31 December 2022 was £0.8m (CY21: £0.5m).

Adjusted⁽¹⁾ EBITDA & Profit Before Tax

The growth in revenue, alongside careful management of costs, have results in an increase in adjusted EBITDA in the 12 months ended 31 December 2022 of 6% to £8.2m for the year (CY21: £7.8m), with adjusted EBITDA margin being maintained at 13% (CY20: 13%). To provide a better guide to the underlying business performance, adjusted EBITDA excludes IPO costs and acquisition costs.

The adjusted profit before taxation includes an amortisation charge of £2.1m (CY21: £2.1m) as a result of business combinations. Profit before taxation in the period increased to £2.7m (CY21: £2.6m)

EPS & Dividend

The Group made a reported profit after taxation in the period of £1.4m. In the 18 months ended 31 December 2021 the Group reported a small loss before tax of £5k due to exceptional costs and a taxation charge of £2.2m.

As a result, the reported basic and diluted earnings per share was 1.17p for the 12 months period ended 31 December 2022 compared to a reported basic and diluted loss per share of 2.09p for the 18 months period ended 31 December 2021 (FY21). The Board does not feel it appropriate at this time to commence paying dividends and continues to invest in its growth strategy.

Group Statement Of Financial Position

The Group had net assets of £73.5m at 31 December 2022 (FY21: £71.5m). Current assets increased by £5.1m, primarily due to an increase in debtors driven by higher revenues in the year combined with increased cash balances. Total liabilities

increased by £2.9m due to an increase in deferred income and trade payables. The Group typically invoices for software subscriptions monthly, quarterly, annually or for the life of the subscription in advance which drives a strong balance sheet with significant cash balances. Revenue is recognised in the month the service is provided with deferred income disclosed as contract liabilities in current and non current liabilities. As at the end of December total Trade and other payables was £46.1m (FY21: £43.1m) of this balance £33.3m (FY21: £31.5m) is deferred income and relates to future contracted revenue recognition.

Cashflow⁽²⁾ & Net Cash

The Group ended the 12-month period to 31 December 2022 with cash and cash equivalents of £16.7m, 18% higher than the Board's expectations and a 27% increase on FY21 (FY21: £13.2m). Adjusted⁽²⁾ cash flows generated from operations⁽²⁾ was £9.9m in the period, this represents a cash conversion rate of 121% (FY21: 111%).

During the period, the Group invested a further £1m into TrakM8 by way of a convertible loan note to assist with the working capital required to complete their strategic refocus. Overall net cash inflow for the period was £3.5m (FY21: £3.2m).

Banking Facility

The Group agreed a £20.0m committed revolving cash flow facility with HSBC Bank PLC upon IPO. The Group has not utilised any of this facility to date. The Group's gross cash of £16.7m (FY21: £13.2m) and the undrawn £20.0m facility gives the Group £36.7m of cash, which the Directors believe provides ample headroom for Microlise to deliver against its strategic goals. The existing facility runs until July 2024. Given the level of headroom in the business forecasts the board consider it appropriate to prepare the financial statements on the going concern basis. Details of the board's going concern assessment is provided in the basis of preparation note in the financial statements on page 80.

ADDITIONAL NOTES

1. Adjusted administrative expenses and adjusted EBITDA excludes exceptional costs in relation to the 2021 IPO and exceptional costs in relation to acquisitions, depreciation, amortization and share based payments charges.
2. Adjusted cash flow generated from operations adds back exceptional costs in relation to the IPO and exceptional costs in relation to acquisitions.

MARKET OVERVIEW

The Microlise Group is a leading provider of transport management software to fleet operators helping them to improve efficiency, safety, and reduce emissions. Established for over thirty years, Microlise currently supports over 599,000 (2021: 550,000) global subscriptions with our solutions deployed by over 400 enterprise customers across a variety of fleet types in both on and off-road environments.

The Group has had a strong period, despite the challenges of the world-wide pandemic and a global microchip shortage, and continues to be successful across its chosen markets in both the UK and internationally. The Company has secured new business through existing and new customers and has also extended contracts with several key customers. By upselling & cross-selling, the Group has increased penetration with existing customers and experienced exceptionally low customer churn (at <1%).

We continue to see a very healthy demand environment across Microlise's current and prospective customer base, meaning the long-term picture remains very encouraging.

In March 2023, Microlise completed the acquisition of, Vita Software. A UK-based company, Vita provides a SaaS Transportation Management System for fleet operators. The software only system is applicable to fleets of all sizes, supporting the Group's strategy to expand its value proposition further into medium sized fleets, with an enriched product offering.

We continue to review additional M&A opportunities that allow us to target international companies with add-on technology and/or a strong customer footprint in our chosen geographies.

The Challenges We Solve

Microlise solutions enable global enterprises to run highly complex logistics operations. Acting as a central intelligence system, our end-to-end solutions connect assets, people, and processes to increase ROI, support agile decision-making and manage operational complexity. Our product set includes Fleet & Vehicle Telematics, Safety, Health & Compliance including a multi-camera solution, Journey Management and Proof of Delivery.

By connecting devices and locations so that real-time data can be analysed, our technology supports businesses to make improvements across a range of KPIs including cost and productivity, environmental, safety, compliance and customer service and communication.

How We Generate Revenue

We deliver a globally enabled SaaS platform that digitises the business processes of enterprise organisations running highly complex logistics operations. Our software products are licensed on a 'per user' or 'per asset' basis and licences include the provision of the SaaS service, support, and access to future upgrades.

Microlise offers a range of hardware devices, including GPS tracking units, telematics devices, and vehicle camera solutions, which are designed to integrate with its software products to provide real-time visibility and control over logistics operations.

In addition to our technology-based solutions, Microlise provides a 'service-wrap' to help customers to maximise the value from their investment, with support coming from dedicated account managers, our Business Transformation team and from our Data Science & Operational Research team amongst others.

How We Deliver Stakeholder Value

Customers:

We support our customers to deliver services more efficiently and effectively. Our proprietary modular platform, along with our service and support, unlocks efficiencies, saves costs and addresses growing ESG considerations, through reduced fuel use, reduced mileage travelled, improved driver performance, fewer accidents, elimination of paperwork and delivery of an enhanced customer experience.

We partner with our customers and do our best to support them through good times and bad. During the Covid-19 Pandemic, we provided our solutions free of charge to frontline NHS and voluntary workers. We helped other customers to ramp up at speed – to manage a sharp increase in online orders as the need for low contact home delivery gained ground.

Our dedicated Business Transformation team also supported our customers through lockdowns and re-openings, to ensure that they were deriving maximum benefit from our product suite.

Employees:

Our business is shaped by our culture which guides the way we behave, the way we work, the way we connect with our customers and communities, and the way we support and develop our people.

By bringing cross-functional groups together with shared goals and collective responsibility, ownership and autonomy we are working to shape better outcomes for ourselves and our customers, making Microlise the best it can be and giving everyone a greater understanding of how the work they do fits the 'why' of our business.

Our Learning & Development Academy and our apprentice and graduate programme attract recruits from diverse backgrounds and disadvantaged groups. Our recent partnership with Speakers for Schools, a registered charity, will further support our ambitions to ensure our programmes have widespread appeal.

We firmly believe that we never stop learning and invest significant resources in lifelong learning and talent development via our Academy programme which is available to apprentices and graduates right through to senior managers.

Everyone has access to our online learning platform and can control the pace of their own development. We typically deliver more than 30 different in-house or offsite courses and train over 300 staff members across a range of accredited and non-accredited programmes and courses.

With an average employee length of service of over five years, we are proud to be ISO27001, ISO9001, ISO20000, and TickITplus accredited, and are also a proactive member of the Armed Forces Covenant.

Investors:

Our solutions align with the culture and core values of our organisation - that put people, community, and innovation at the heart of everything we do.

We continue to focus on innovating - for the good of our customers and our investors.

We work to identify and develop the solutions and services our customers need, as they need them, and to grow our market presence within our selected geographies.

By using data creatively, we deliver new and innovative customer solutions across our three core markets of transport operations solutions providers, Industrial Internet of Things (IIOT) platform providers for asset lifecycle service value chains and trusted data-propelled industry partners who are shaping the future of connected mobility.

We work with our team to harness their skills and passion, supporting them through learning and development, and challenging them to problem-solve and design solutions that continue to raise the bar in our Industry, delivering sustainable and profitable outcomes for our customers, our investors, and our business.

Communities:

Enhancing the communities in which we work is core to our values and we invest both time and money in supporting local community groups, charities, and events.

Now recognised as one of the largest events of its kind in Europe, the annual Microlise Transport Conference, a free-to-attend event, brings approximately 1,000 delegates together to share knowledge and address key sectoral issues to provide solutions wherever possible. Alongside the conference, the Microlise Driver of the Year Awards celebrate the UK's most talented and dedicated HGV drivers, through analysis of more than 240,000 drivers' telematics data, and via industry nominated categories.

The national, government-backed training programme, Road To Logistics (RTL), established in 2016 by Microlise and the RHA, encourages new and diverse talent into the transport industry by focusing on individuals who need extra support to access employment (e.g. long-term carers, people with mental health challenges, ex-service men and women and former offenders.)

We actively encourage business-wide and individual community support and have a community Engagement Group (CEG) that manages business-wide initiatives. Our support extends from being a proud corporate sponsor of large charitable organisations such as Transaid, to supporting local orphanages in India, providing sports kits to local clubs, books and resources to primary schools and supplies for foodbanks across local communities in and around Derbyshire and Nottinghamshire.

PRINCIPAL RISKS & UNCERTAINTIES

The Group faces various risks and uncertainties that have the potential to impact the Group financially, operationally, strategically and reputationally.

While it is not possible to identify or anticipate every risk, the principal risks and uncertainties faced by the Group and the steps they take to mitigate these risks are outlined below. The Board has overall responsibility for risk management and internal controls, with full support from the Audit Committee.



Platform Robustness

Potential Impact:	<p>The Group is largely dependent on its technical capabilities, and relies, to a large degree, on the efficient and uninterrupted operation of its software and data systems. Any malfunctioning of the Group's technology and systems could result in a lack of confidence in the Group's products and result in an adverse effect on the Group's business and financial results.</p> <p>The Group has service level agreements with some of its customers in which it provides various guarantees regarding levels of service. The Group may not be able to meet these levels of service due to a variety of factors, within and outside of the Group's control. If the Group fails to provide the levels of service required, customers may be entitled to terminate their contracts or may choose not to enter into new work orders with the Group which may damage the Group's reputation and customer confidence and reduce its capacity to retain existing customers and attract new ones.</p>
Mitigation:	<p>The Group's platforms and data infrastructure provides enhanced performance reliability, security, and capability benefit. Our multiple data centre locations support resilience and continuity of service and operate according to internationally recognised data centre standards.</p> <p>The Group is ISO9001 and ISO27001 accredited and applies rigorous change control and software development processes to ensure that any work undertaken on its software and technology infrastructure minimises customer impact.</p>



Dependence on Key Customers

Potential Impact:	The Group's business is dependent on several key customers. If the Group's commercial relationship with these customers terminate or reduce for any reason, its financial results could be materially adversely affected.
Mitigation:	<p>Microlise is investing in Customer Success, a business-wide customer relationship-focused philosophy to ensure customers achieve their desired outcomes by fully utilising our products and services.</p> <p>The core objectives of Customer Success at Microlise are to:</p> <ul style="list-style-type: none">> Lead our customers to success> Improve our customers' experience> Drive increased contract value and recurring revenue by providing our customers with products and services that resolve both current and future challenges> Create customer advocacy> Eliminate Churn <p>In parallel with the above initiative, Microlise is rolling out a more streamlined customer service process, in which the tiered structure of customer service will be replaced by highly qualified operatives, who will own an issue or customer ticket from start to finish. In addition, Microlise has implemented health scores against each customer, encompassing various performance indicators such as NPS (Net Promotor Score), CSAT (Customer Satisfaction Score,) and CES (Customer Effort Score). This data will also be invaluable in helping us to identify customer improvement opportunities.</p>



Dependence on Key Suppliers

Potential Impact:	Any business dependant on key suppliers has an element of risk due to the disruption in operations they could cause. This could lead to delays in the delivery of goods or services to Microlise, which in turn impact the company's ability to fulfill customer orders, leading to lost revenue and damage to the company's reputation. Additionally, if Microlise had limited options for sourcing key materials or services, it could lead to increased costs or reduced profitability.
Mitigation:	<p>We take several steps to mitigate the risk of being dependent on key suppliers. To reduce our reliance on a single supplier, we dual-source key materials or services from two different suppliers. This strategy helps to make us less vulnerable to supply chain disruptions.</p> <p>We also maintain appropriate stock levels of tangible goods or goods for resale. By keeping enough inventory on hand, we are better positioned to weather any disruptions that may occur in the supply chain. To achieve this, we work with suppliers to ensure adequate lead times for deliveries and monitor inventory levels to ensure they are sufficient to meet customer demand.</p> <p>Furthermore, we have identified key suppliers and developed strong relationships with them. This involves regular communication and collaboration to ensure that both parties are aware of each other's needs and priorities. By building strong relationships with our key suppliers, we can work together to identify potential supply chain risks and develop strategies to mitigate them.</p>

Technological Advances & Competition In A Rapidly Evolving Market

Potential Impact:	The Group expects new technology to continue to emerge and develop. Although Microlise believes that significant barriers to entry exist in the markets in which the Group operates, most notably the product knowledge and expertise necessary to design an end-to-end modular and scalable solution, the risk exists that new technology may be superior to, or render obsolete or unmarketable, the products that the Group currently offers.
Mitigation:	The Group continues to update its products and to invest significantly in ongoing research and development, as well as anticipating and adapting to the impact of technological change. Evidence of this is the recent acquisition of the Transportation Management System provider Vita Software, which brings new high value services to the product portfolio.

Growth Strategy In New Geographies

Potential Impact:	The Group's growth strategy is in part predicated on acquiring new customers in new geographies, in particular mainland Europe and the Asia Pacific region. In the event that it is constrained in its ability to do this, the Group's growth could be adversely impacted.
Mitigation:	The Group continues to invest into France and Australia, supporting both customers and new business wins, with the addition of sales and marketing personnel. A new marketing approach is being taken to enable more bespoke support for the regions to improve lead generation, with in-country resource a key part of this approach.

Recruitment & Retention Of A Skilled Workforce

Potential Impact:	Continuing to attract and retain employees with the appropriate expertise and skills cannot be guaranteed and can be costly. The Group's future development and prospects depend to a significant extent on the experience, performance, and continued service of its senior management team. Effective product development and innovation, upon which the Group's success and future growth hinges, is also dependent on attracting and retaining talented technical and operational employees.
Mitigation:	The Group is continuously looking to bring a competitive remuneration policy which plays an important role in attracting and retaining personnel. The Group now offers UK personnel access to a electric vehicle salary sacrifice scheme, to support both the accessibility of new electric cars and the reduction of the business' carbon footprint. The Group is also completing market salary benchmarking analysis, to maintain strong recruitment and retention capabilities. Effective succession planning for key staff, tailored development and training programmes and competitive retention and incentive packages supports our retention strategy. Evidence of the Groups success can be seen in the Great Place to Work accreditation obtained by both the India and UK operations.



Data & Cyber Security

Potential Impact:	The Group relies on information technology systems to conduct its business and is therefore at risk from cyber-attacks. Cyber-attacks, whether because of global instability, or because of a deliberate or unintentional act, may include but not be limited to, third parties gaining unauthorised access to the Group's products, corrupting data, or causing operational disruption. If the Group suffers from a cyber-attack, whether by a third party or insider, it may incur significant costs and suffer other negative consequences, such as damage to the Group's network infrastructure and systems and/or fines from the Information Commissioner's Office or third-party claims. The Group may also suffer reputational damage and loss of investor confidence or be exposed to potential financial and reputational harm.
Mitigation:	The Group has continuous investment into the security of both its products and business, employing security testing measures for the software it deploys and for its internal systems. The Group's technology function manages strict security protocols and policies to mitigate against any potential security breaches, including obtaining and maintaining external IT and security certifications. The Group also communicates regularly with its employees to provide updates on IT risks and threats and to share best practice relating to data security. Future product platforms are being developed with market leading security architecture at their core, enabling the Group to mitigate future threats.



Supply Chain Challenges

Potential Impact:	The well-publicised microchip shortage has led to higher component costs for our hardware solutions throughout 2021, 2022 and 2023.
Mitigation:	The Group works to diversify supply chain partners, as well as extending our visibility along the supply chain to better identify and pre-empt bottlenecks wherever possible. Industry bodies such as KPMG and the Global Semi-Conductor Alliance are forecasting that these supply chain issues will return to normal from the second half of 2023.



Inflationary & Exchange Rate Pressures

Potential Impact:	As is the case for many organisations, the Group is currently facing broad-based price inflation increases, ranging from salaries, wages, utilities. As the Group's footprint continues to grow internationally, exchange rate fluctuations could have a material effect on the Group's profitability or the price competitiveness of its services.
Mitigation:	We are realigning our talent recruitment strategies to reduce the impact of wage inflation by looking beyond 'traditional' talent pools to include freelancers, part-timers, and career restarters. The Group has actively looked to limit any costs passed on to customers, but RPI increases have been implemented to limit the impact of pressures. The Group is exposed to currency risk as a result of its operations. However, given the size of operation and level of foreign currency transactions, the cost of managing the exposure through the use of derivative financial instruments exceed any potential benefits, and as such, no derivative financial instruments are used to hedge any risks. The Group minimises currency risk exposure by operating foreign company bank accounts to offset foreign currency receipts and payments, and makes timely currency exchanges based on the Group's financial currency, where appropriate.



Climate Change

Potential Impact:	Climate change is impacting global weather patterns such as increased levels of rain fall, flooding, heat waves and drought. Microlise recognises that this will have medium and long term impacts on businesses, infrastructure and the global population. The longer term impact is likely to include a continued focus on fossil fuel consumption and the transition to alternative fuels which will impact both customers and suppliers operating models and cost structures.
Mitigation:	We're committed to ongoing initiatives aimed at reducing both our customers and our own carbon footprint. Our products and services actively support our customers in reducing their carbon footprint through efficient use and management of their assets. This impact has been quantified in the ESG report section, in litres of fuel and subsequent carbon emissions saved. The impact of climate change on the various aspects of our business operations, including supply chain and component availability is reviewed on a continual basis through our risk management framework.



Macroeconomic Conditions

Potential Impact:	The Board and senior leadership continue to proactively monitor external risks such as the impact of the Silicon Valley Bank collapse on wider banking sector, Covid-19 pandemic, and the ongoing conflict in Ukraine, to respond and adapt at speed.
Business Community:	An agile business model leaves us well placed to meet and overcome challenges as they arise. The most recent event of Silicon Valley Bank collapse is being closely monitored by the senior leadership team, to understand the impact to global banking and UK technology sectors. With the Group currently banking with HSBC, risk is low, events will continue to be monitored. Covid-19 continues to be mitigated with the majority of existing and new staff on a hybrid working contract, enabling a more flexible workforce. Most of our customers continue to operate normally and our established business model, that is predicated on long term contracted revenues, solidifies our position. Microlise supplies hardware and SaaS contracts to Russia through its relationship with JCB. At the start of the conflict, JCB announced that it will no longer be fulfilling any orders in the region. Due to the historic high level of demand JCB are experiencing for their products, the orders allocated to this region are being redirected to customers in other regions, therefore neither Microlise nor JCB are being adversely impacted by a reduction in trade. Microlise does not have any dependency on material supply from the Ukraine region. The impact on the wider economy of the conflict could impact Microlise through inflationary pressures and volatility in the foreign exchange rates. Interest rate exposure is not considered to be a material issue whilst the RCF facility is not utilised. Ongoing assessments will be undertaken prior to any draw down. With respect to foreign exchange, Microlise operates bank accounts in various currencies and utilises funds by matching non-GBP denominated payments and receipts wherever possible to mitigate transactional impacts. Our customer base will experience a significant impact from fuel price inflation and historically Microlise has always seen an increase in opportunities during these periods as our hardware and software solutions provide fleet operators with opportunities to increase efficiencies and reduce costs.
Mitigation - People Wellbeing:	A stringent set of safety procedure and protocols are in place for field staff and those who are office based. The balance of our staff continues to work from home with returning staff adopting hybrid work patterns to limit staff numbers across our office locations.

THE SUSTAINABILITY OF OUR OPERATIONS

Last year was marked by significant challenges for people worldwide. Despite these hardships, our company remained steadfast in fulfilling its responsibility to support customers, employees, and communities.

Our resilience during this time can be attributed to the investments we've made over the years in building a strong, sustainable, and adaptable company. We've maintained robust risk, financial, and operating controls, prioritised our customers and communities, invested in our employees, and promoted a culture of integrity, fairness, and personal responsibility.

What some call environmental, social, and governance management, we view as the right and intelligent way to do business.

Our company's focus is on transitioning to a sustainable, low-carbon future, collaborating with our clients to support their decarbonisation strategies. Although many of our near-term initiatives are still in the implementation phase, we have set a clear objective of achieving quantifiable results by 2025.

Current Initiatives

Emissions reduction initiatives

Including:

EV and low emission salary sacrifice scheme for all staff fully implemented. Suitable for cars under 75g/per kilometre, there's opportunity for 68% of staff to benefit from this initiative.

Implementation of new company regulation that prohibits the use of vehicles that exceed 130g/per kilometre CO2 emission is underway. This new regulation is applicable to engineers and field-based employees.

We continue to offer an off-setting scheme for car fuel where our fuel card provider off-sets based on our per annum financial expenditure.

Energy reduction initiatives

Including:

Gas and electricity supplied to Head Office continues to be green energy. This initiative was first implemented in August 2021.

Planned Initiatives for 2023

Emissions reduction initiatives

Including:

Investment in lease renewal opportunities to replace our fleet of vans and cars with electric or hybrid vehicles. Our entire fleet will be replaced with greener vehicles.

Energy reduction initiatives

Including:

Plans to implement 85 solar panel units at Head Office are underway. Once complete, this initiative is predicted to provide three months free energy per annum.

Implementation of LED lighting at our Head Office, with an expected carbon saving of 8 carbon tonnes per year.

Voltage Optimisers have been installed at Head Office, with significant energy savings projected.

SECR REPORT

The following table provides a summary of greenhouse gas (GHG) emissions during the reporting period and corresponding periods, including emissions from stationary consumption (such as electricity and gas used in our office facilities) and mobile consumption (from our vehicle fleet). The data was gathered from supplier invoices and expense claims for company mileage.

To address carbon-related issues, we used the SECR methodology outlined in the "Environmental Reporting Guidelines," which includes both Streamlined Energy and Carbon Reporting and GHG reporting. We also employed GHG reporting conversion factors provided by the government.

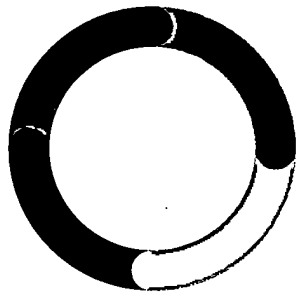
		Actual 12 Months June 30 2020	Actual 12 Months June 30 2021	Actual 18 Months Dec 31 2021	Actual 12 Months Dec 31 2022
Total energy use covering electricity, gas and transport	kWh	2,155,293	2,103,610	3,310,391	2,386,337
Total emissions generated through combustion of gas	tCO2e	31	24	40	27
Total emissions generated through use of purchased electricity	tCO2e	226	292	449	296
Total emissions generated through business travel	tCO2e	304	321	514	405
Total gross emissions	tCO2e	561	637	1,003	728
Intensity ratio (total gross emissions)	kgCO2e per sqft	18.8	13.6	19.6 ¹	14.2

¹ This metric captures an 18-month period energy usage and associated emissions. When adjusted on a consistent basis the intensity ratio would be 13.03. We have included total group emissions including all non-UK subsidiaries.

SECTION 172 STATEMENT

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision-making.

Our Key Stakeholders



- Investors
- Customers & Suppliers
- Our People
- Community & Environment

Why We Engage

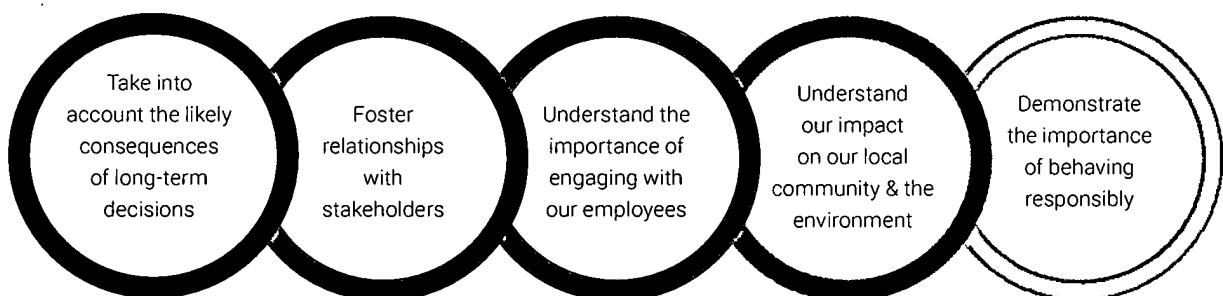
Microlise's strategy focuses on enabling a safe, efficient and sustainable connected world.

As a collaborative partner to our customers, we deliver transformational solutions and value-adding actionable insights from connected assets for fleet operators and product manufacturers.

As a global business, we engage with a range of key stakeholders to ensure we understand the interests and concerns of all of our stakeholder groups.

Effective engagement with stakeholders at Board level and throughout our business is crucial to fulfilling Microlise's core purpose. We collaborate with all stakeholder groups including investors, customers and suppliers, employees and regulators, to listen and take on board feedback while remaining open to change.

Throughout this Annual Report, we provide examples of how we:



● Investors

Our business model, supported by our strategy, aims to deliver sustainable long-term growth and returns to our shareholders.

The Directors recognise that effective engagement with shareholders is key. In addition to engaging through the Company's annual general meeting (AGM) and through stock exchange announcements, the Executive Directors, supported by the Company's broker, also meet with institutional shareholders and analysts.

These meetings involve discussion of the Company's strategy, performance and objectives, and provide a valuable forum for investors to offer feedback. Investors and other stakeholders can also access information about the Company on our website.

FOCUS AREAS

- ✓ Focus on sustainable growth
- ✓ Prioritise growth investment

○ Customers & Suppliers

Microlise endeavours to be open and transparent in all its dealings across our supply chain extending from employees, through to customers, sub-contractors and suppliers.

We are committed to providing our customers with the highest quality products and we believe the best method of meeting this commitment is to build a strong relationship with like-minded suppliers who share our values and ethical standards, and conduct their business in a similar way to ours. Our supplier relationships are based on trust and transparency.

We also consider the ethical and environmental obligations of all of our activities, including sourcing from reputable and sustainable suppliers and procuring as locally as possible, wherever possible. Microlise has established supplier assessment procedures in place to seek to maintain best practice standards.

CUSTOMER FOCUS AREAS	SUPPLIER FOCUS AREAS
<ul style="list-style-type: none">✓ Technical expertise✓ Market-led approach✓ Collaboration across the supply chain✓ Solutions-driven culture✓ Quality customer support	<ul style="list-style-type: none">✓ Security of supply✓ Fast lead times✓ Compliance, oversight & quality✓ Reliability & flexibility

● Our People

Microlise is committed to its employees, recognising that they are fundamental to its success. The company's early-stage talent programme through its Academy brings new skills to the business while also providing opportunities for growth and development for its employees. Microlise's commitment to lifelong learning and professional development is reflected in its ongoing efforts to deliver a series of courses across the entire business. The company has been accredited as a Great Place to Work, which demonstrates its dedication to creating a positive and supportive work environment for its employees.

FOCUS AREAS
<ul style="list-style-type: none">✓ Innovative culture✓ Highly motivated and talented employees✓ High retention rate and appropriate reward✓ Safety & Wellbeing✓ Diversity and inclusion agenda

Microlise's focus on communication and engagement has also served it well, particularly throughout the Covid-19 pandemic and as the company has expanded. Through various forums, the company keeps its staff informed of key developments, business performance, and other issues that may affect both their working and personal lives. Overall, Microlise's commitment to investing in its employees, providing ongoing learning opportunities, and fostering a positive work environment is reflected in its success and its dedication to continued growth and development.

● Community & Environment

We actively encourage business-wide and employee support for local communities and good causes and have established a Group-wide Community Engagement Group (CEG) to manage initiatives. Our support extends from being a proud corporate sponsor to large charitable organisations such as Transaid, to supporting local orphanages in India, providing sports kits to clubs, books and resources to primary schools, and supplying local food banks in and around Derbyshire and Nottinghamshire.

In conjunction with the Road Haulage Association, Microlise created Road to Logistics, a not-for-profit, community interest company (CIC). Road to Logistics provides a national training programme to encourage new talent into the transport and logistics industry from sections of society where individuals need help and support. The road logistics industry relies heavily on its drivers and the current driver shortage particularly in the UK, has been well documented. These training programmes are helping to close the gap and support diversity as they encourage women, ex-offenders, the long-term unemployed and individuals from other disadvantaged backgrounds to apply.

Sound environmental practices and the impact of our operations are factors of great importance to Microlise. The Group's Environmental Policy seeks to adhere to local, state and national environmental legislation in all jurisdictions in which we operate and to promote the adoption of responsible environmental practices.

As a business, we challenge ourselves to develop smarter ideas and to constantly improve our technology to enable our customers to meet both business and sustainability goals. We reinvest in product innovation with an annual R&D spend of £5.1 million and have won a number of prestigious awards for our products and solutions.

Our technology delivered tangible results to many of the UK's largest retailers, leading hauliers and third-party logistics providers.

This contributes to positive impacts on environmental performance, improvements in air quality and urban environments while reducing consumption through intelligent planning and route optimisation. Other positive impacts include a reduction in accidents through improved driver behaviour and fewer vehicle breakdowns thanks to our vehicle health monitoring system. Cumulatively these products support reduced emissions, congestion and the negative societal impacts of both.

Our products are designed and manufactured to take account of end-of-life recycling and disposal. Our businesses comply with the Waste Electrical and Electronic Equipment Regulations ("the WEEE Regulations") and work in full compliance with the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Regulations 2004 ("the RoHS Regulations"). The environmental performance of Microlise continues to improve through our efforts to reduce energy consumption and waste and increase recycling efforts.

FOCUS AREAS

- ✓ Sustainability agenda
- ✓ Sustainable solutions
- ✓ Resource efficiency/maximise resources
- ✓ Social Responsibility

How We Conduct our Business

As a business, Microlise is committed to delivering to a high standard and seeks to benchmark itself against internationally recognised standards. The business has held ISO9001 (quality management system) for a number of years and has more recently, also added ISO2000-1 (IT Service Management), ISO27001 (Information Security Management System) and also TickITplus Foundation Level to its accreditation portfolio.

FOCUS AREAS

- ✓ Adherence to international standards
- ✓ Top down culture of integrity, accountability & transparency

Microlise expects that all of its business is conducted in compliance with high ethical standards of business practice. We apply these standards across all of our dealings with employees, customers, suppliers and other stakeholders.

Our Ethics Policy has been developed to ensure that our business is conducted with adherence to the highest ethical and legal principles and sets standards of professionalism and integrity that is expected from all of our employees across all of our operations.

APPROVAL

This Strategic Report was approved by the Board and signed on its behalf by:

Nadeem Raza, Chief Executive Officer, Microlise Group 29th March 2023



MEET THE BOARD



Jon Lee
NON-EXECUTIVE CHAIRMAN

Jon is currently Non-Executive Chairman of Essensys PLC & has extensive experience in running software businesses in the UK, US & Europe. He is an experienced company director, having held multiple board positions, including at Issac Software Holdings Limited, where he was CEO. Jon has an MBA from MIT, is a Chartered Engineer and a Chartered Management Accountant. Jon is also a founder of a venture capital fund, The Technology & Innovation Fund LP, focussed on the B2B software sector. Jon joined the Board of Microlise in April 2021.



Lucy Sharman-Munday
NON-EXECUTIVE DIRECTOR

Lucy has over 16 years' experience in the technology sector; she has worked for 5one Group, Adapt Group Ltd and iSOFT PLC. She has been a Non-Executive Director and Audit Committee Chair of Fonix Mobile PLC. She currently holds the position of CFO for Eagle Eye Solutions Group PLC (since 2014). Lucy began her career at KPMG and is a member of the ICAEW. Lucy joined the Board of Microlise in February 2022.



Bill Wynn
CHIEF FINANCIAL OFFICER

Bill joined Microlise in 2007 as Finance Director and brings a wealth of financial & general management experience to Microlise. Professionally qualified & an MBA, Bill has over 25 years of board level experience, gained in a variety of industry sectors both nationally & internationally.



Nadeem Raza
CHIEF EXECUTIVE OFFICER

Nadeem has complete responsibility for the operational management & control of all Microlise business activities. During his 35 year career with Microlise, Nadeem has fulfilled various roles and gained experience across all areas of the business, including sales, system integration, marketing, operations & business computing.



Constantino (Dino) Rocos
NON-EXECUTIVE DIRECTOR

Dino is a Fellow of the Chartered Institute of Logistics & a highly experienced supply chain leader bringing with him over forty years' retail industry experience at the omni-channel retailer, John Lewis Partnership. Dino served at John Lewis Partnership for many years as a senior management board member with responsibility for the development of supply chain strategies working within the industry to develop propositions, capabilities and fulfilment solutions. Dino joined the Board of Microlise in April 2021.



Nick Wightman
FINANCE DIRECTOR

Nick joined Microlise in 2012 & played a key role in the Group's refinancing & reorganisation in 2018, its acquisition of TruTac in 2020, & in establishing the Group's offices in India, France & Australia. Prior to joining Microlise, Nick held senior financial roles at Ardagh Group, Bombardier Transportation (now Alstom), & Airfoil Technologies. Nick is a Chartered Management Accountant and has an ACCA Diploma in International Financial Reporting.

OUR SENIOR LEADERSHIP TEAM



Jemma James
TRUTAC MANAGING DIRECTOR



Stephen Watson
PRODUCT DIRECTOR



Trevor McGahan
OPERATIONS DIRECTOR



Paul Jurevicius
BUSINESS DEVELOPMENT DIRECTOR



Duncan McCreadie
CHIEF TECHNOLOGY OFFICER



Jackie Mitchell
HUMAN RESOURCES DIRECTOR

CORPORATE GOVERNANCE STATEMENT

The Directors recognise the importance of sound corporate governance and confirm that the Group is complying with the QCA Corporate Governance Code. The QCA Code hinges on 10 broad principles and a set of disclosures.

The Directors consider that the Group adheres to the principles of the QCA Code as follows:

<p>1.</p> <p>Establish a strategy and business model which promote long-term value for shareholders</p>	<p>The Board is responsible for delivering shareholder value by developing the overall strategy and supporting the development and direction of the Group. The Board works to organise and direct the affairs of the Group in a manner most likely to promote the success of the Company for the benefit of all of its stakeholders, whilst complying with legal and regulatory frameworks.</p> <p>The Group's business model is predicated on developing and maintaining strong relationships with our employees, customers, investors, and other sectoral interest groups. The Board is conscious of its responsibility towards all stakeholders and believes this is an important consideration for the long-term growth of the business.</p> <p>The diverse experience and background of the Non-Executive Directors ensures that they can provide rigorous debate and constructively challenge management, both in relation to the development of strategy, and when reviewing the Group's operational and financial performance.</p> <p>Responsibility for developing and implementing strategy within the Group and for the day-to-day management of the business is delegated to the Chief Executive Officer (CEO) who, as the head of the Senior Leadership team, cascades this responsibility through the Group. The CEO is empowered by the Board to handle all business activities up to a designated level of authorisation and to report to the Board for guidance, support and approval on other matters which require Board input. The members of the Senior Leadership team are listed on page 44.</p>
<p>2.</p> <p>Seek to understand and meet shareholder needs and expectations</p>	<p>The Board is accountable to its shareholders & seeks to balance these interests with those of a wider range of stakeholders. The Board has ultimate responsibility for the Group's internal control procedures & for reviewing their effectiveness to guide & direct the Group's activities to support delivery of its strategic, financial, operational & other objectives.</p> <p>Stakeholder engagement & feedback is prioritised throughout the Group. In addition to engaging through the Company's annual general meeting (AGM) & through stock exchange announcements, the Executive Directors, supported by the Company's broker, also meet with institutional shareholders & analysts during the year, particularly after the announcement of full-year & half-year results. These meetings cover topics including the Group's strategy, performance & objectives, & provide a valuable forum for investor feedback. Investors & other stakeholders can also access information about the Group on our website. The Group places considerable value on the involvement of our employees and keeps them informed on matters affecting them & on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, & through information available on the Company's website and Intranet. The Group also uses virtual & social media channels to engage with its internal & external stakeholders.</p>

<p>3.</p> <p>Take into account wider stakeholder and social responsibilities and their implications for long-term success</p>	<p>The Board recognises that it is responsible to shareholders and to a wider group of stakeholders, both internally (members of staff) and externally (customers, suppliers, regulators and others).</p> <p>The Group acts with integrity and values its people and the communities with which it engages.</p> <p>The Board has a range of processes and systems in place to ensure there is close oversight and contact with key stakeholders and takes this feedback into account when in discussions relating to the Group's strategy.</p> <p>The Group's Section 172 statement can be reviewed at page 39.</p>
<p>4.</p> <p>Embed effective risk management, considering both opportunities and threats, throughout the organisation</p>	<p>The Board does not delegate overall responsibility for the approval of the risk management policy to either the Audit Committee or management.</p> <p>Through weekly meetings at both an operational and senior leadership level, the management framework ensures that the identification and management of risks is something that is ingrained into the day-to-day running of the business.</p> <p>The business maintains departmental risk registers based on a consistent 5 x 5 rating system with any high impact or highly probable risks captured on our corporate risk register, which is owned by the Executive directors and is reviewed quarterly.</p> <p>There is a robust financial planning process in place that ensures all cost drivers and revenue streams are thoroughly reviewed as part of the annual budgeting setting process, which is reviewed and approved by the Board. Monthly financial results are reported with key variances against budget identified and investigated. We review our financial projections on a regular basis to ensure we will meet our financial targets.</p> <p>Microlise has held the ISO9001:2015 standard for a number of years which requires us to take a risk-based approach to our quality management system. Furthermore, we hold ISO27001 standard, which requires the relevant risks to be captured in the statement of applicability. This is managed by the information security team and reviewed with the executive Board and senior management team on a quarterly basis.</p>
<p>5.</p> <p>Maintain the board as a well-functioning, balanced team led by the chair</p>	<p>The Board's role is to provide effective leadership of the Group and to establish and align the Group's purpose, strategy, values and culture. It is the primary decision-making body for all material matters affecting the Group, providing leadership and guidance, and setting our strategic direction.</p> <p>The Board is satisfied that the size of the Board and its committees, and the balance of Executive and Non-executive members is appropriate. At the date of this report the Board comprised Jon Lee, Nadeem Raza, Bill Wynn, Constantino (Dino) Rocos, Lucy Sharman-Munday and Nick Wightman (please see page 43 for further information).</p>

<p>6.</p> <p>Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities</p>	<p>The Group has established a Board with a balance of skills, backgrounds, experience and knowledge required to compliment the promotion of the long-term success of the Group. Individual directors have sufficient capacity to make a valuable contribution that aligns to the Group's activities.</p> <p>During the Period, the Board also welcomed Lucy Sharman-Munday as an independent Non-Executive Director who brings over 16 years of experience in the technology sector, including working for 5one Group, Adapt Group Ltd and iSOFT PLC, and is the current Chief Financial Officer of AIM-listed Eagle Eye Solutions Group PLC, a leading SaaS technology company.</p>
<p>7.</p> <p>Evaluate board performance based on clear and relevant objectives, seeking continuous improvement</p>	<p>The Board has extensive operational experience and many years of detailed knowledge of the transport and SaaS sectors. The Board also benefits from significant financial, transactional, risk management and public company expertise.</p> <p>The Board is currently in its infancy, but plans to evaluate its performance by conducting an annual 360° board assessment that assesses the objectives, strategy and remit of the Board, performance management, risk management and the experience, skills and capabilities of the Directors to manage the business.</p> <p>This assessment will be owned by the Chairman who will use feedback to improve reporting processes and oversight. The executive leadership team similarly conducts appraisals that are held twice yearly and are analysed and discussed at the Remuneration Committee.</p>
<p>8.</p> <p>Promote a corporate culture that is based on ethical values and behaviours</p>	<p>The Board is responsible for the performance and proper conduct of the business and of ensuring that a positive culture is supported.</p> <p>The Group has a range of ethical and values-related policies and procedures in place including:</p> <ul style="list-style-type: none"> > Anti-corruption & bribery policy > Anti-harassment & bullying policy > Corporate social responsibility statement > Equality & diversity policy > Employee handbook > Employee privacy statement > Mental health policy > Whistle blowing policy > Modern slavery statement

9.

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

The Group has an established governance framework for the Board, Committees and the Senior Leadership Team. This framework aligns to and operates within the Group's global framework of operating rules, policies and delegations of authority. In this way, team objectives, goals and targets cascade down through the business to align with Group strategy and any risks or issues that cannot be resolved at a team level, are fed back up to senior leadership or to the Board.

10.

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

Communication between the Group and its shareholders is an essential element of a sound governance framework. The main day-to-day engagement with shareholders and prospective investors is carried out by the Chief Executive Officer and Chief Financial Officer. During the year, requested meetings and calls took place, primarily after our trading update, and a formal programme of meetings with analysts and institutional took place immediately after our results for the period ended 31 December 2022 were announced.

Feedback from these meetings and regular market updates prepared by the Group's broker and other advisers are presented to the Board to ensure the Directors have a good understanding of shareholders' views.

The Group has a dedicated investors section on its website (<https://www.microlise.com/investors/>) which includes a wide range of information on the Group's activities, and all regulatory announcements.

The AGM will be held at Microlise's head office at 09:00 on 24th May 2023. There will be an option to join. The notice of the AGM is available on the Group's website and sets out the business of the meeting and an explanatory note. In line with good governance, voting on all resolutions at this year's AGM will be conducted by way of a poll. Should a shareholder have a question that they would have raised at the meeting, they are able to send this by email to microlise@secnewgate.co.uk. Answers to questions will be published on the website following the AGM.

REMUNERATION REPORT

A professional portrait of Dino Rocos, a middle-aged man with short dark hair, smiling. He is wearing a dark suit, a white shirt, and a dark tie with small white dots. The background is a blurred office setting with a window and some architectural elements.

Dino Rocos
Chairman of Remuneration Committee

As chair of the Remuneration Committee of the Board, I am pleased to present the Microlise Directors' Remuneration Report for the year ended 31 December 2022.

Committee Meetings & Attendance

The Remuneration Committee is currently chaired by myself and its members are Non-Executive Chairman, Jon Lee, and Non-Executive Director, Lucy Sharman-Munday, who joined during the year following her appointment to the Board on 1 February 2022.

The Committee is required by its Terms of Reference to meet as frequently as the Committee Chairman shall require and also at regular intervals to deal with routine matters, and in any event, at least twice a year in December and March.

The Remuneration Committee and associated policies were implemented shortly prior to admission to AIM and with the guidance from KPMG who continue to provide support to the Remuneration Committee.

Remuneration Policy For The Year Ended 31 December 2022

The Remuneration Committee determines the Company's policy on the structure of Executive Directors' and senior management's remuneration operated by the Group. In setting the Remuneration Policy for Executive Directors, the Remuneration Committee considers:

- The need to attract, retain and motivate high quality executive directors;
- The need for an uncomplicated link between performance and rewards;
- The need for an appropriate balance between fixed and variable remuneration and short-term and long-term rewards and alignment with shareholder interests; and
- Corporate governance best practice and remuneration trends.

Committee Objectives & Responsibilities

The Committee's main responsibilities can be summarised as follows:

- To determine the policy for Directors' remuneration and setting remuneration for the Executive Directors and senior management below Board level, including the Company Secretary.
- In line with corporate governance best practice, to design remuneration policies and practices with the objective of ensuring that Executive Directors and senior management are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company without paying more than is necessary, having regard to the views of its shareholders and other stakeholders.
- In determining remuneration policy, take into account all other factors which it deems necessary including relevant legal and regulatory requirements and applicable corporate governance codes. The objective of such policy shall be to attract, retain and motivate executive management of the quality required to run the company successfully.
- Review the ongoing appropriateness and relevance of the remuneration policy.
- Approve the design of, and determine targets for, any performance-related pay schemes operated by the Group and approve the total annual payments made under such schemes. A significant proportion of remuneration should be structured so as to link rewards to corporate and individual performance and designed to promote the long-term success of the Group.
- Review the design of all share incentive plans for approval by the Board and, where required, shareholders.
- For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards for Executive Directors and senior managers, and the performance targets to be used.
- Ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- Review broader workforce remuneration and related policies.
- Review, at least annually, the Group's obligations, including changes to employment and discrimination law and relevant regulations as well as the effect of any changes to tax law or rates of tax.
- Oversee any major changes in employee benefits structures throughout the Group.

DIRECTORS' REMUNERATION

Annual Salaries

The Remuneration Committee will review the salaries for the Executive Directors and senior management below Board level, including the Company Secretary, annually in July taking into account inflation, salaries with comparative groups, personal and Company performance and economic landscape. The Board as a whole decides the remuneration of the Chairman and Non-Executive Directors.

Name and Position	Annual Salary FY2022	Annual Salary FY2021
Nadeem Raza CEO	£250,000	£250,000
Bill Wynn CFO	£200,000	£200,000
Jon Lee Chairman	£80,000*	£85,000*
Dino Rocos NED	£55,000*	£55,000*
Lucy Sharman-Munday NED	£55,000*	-

**During the financial year ended 31 December 2021 and up until 31 March 2022, Jon Lee's salary contained a temporary uplift of £5,000 as remuneration for chairing the audit committee pending the appointment of Lucy Sharman-Munday as Audit Committee Chair, due to this, Jon Lee's salary for the prior financial year was recorded as £85,000. Lucy Sharman-Munday's salary includes an additional fee of £5,000 for chairing the Audit Committee. Dino Rocos' salary contains an additional fee of £5,000 for chairing the Remuneration Committee.*

Performance Bonus

The Group operates a performance bonus scheme that is based on achievement of recurring revenue targets, profitability targets and personal objectives linked to business objectives and is applicable to the whole business and, in particular, the Executive Directors and the Group's senior management.

For FY 2023 the maximum performance bonus opportunity for Executive Directors is 100% of their annual salary. There are performance conditions attached to this bonus including EBITDA, Annual Recurring Revenue and also personal targets linked to the Group's strategic aims.

Long Term Incentives

The Company operates a Performance Share Plan ("PSP"), the Non-Employee Performance Share Plan (NEPSP) and, during 2022, the Company introduced a Company Share Option Plan (CSOP).

On 28th July 2022, the Company granted 471,698 nominal cost options under the PSP to Nadeem Raza and Bill Wynn. These awards are subject to a performance condition requiring achievement of total shareholder return ("TSR") targets (growth in share price plus dividends). In order for an award to vest in full, compound annual TSR of 18 (eighteen) % must be achieved over a period of three years (starting on the date of award). In respect of the TSR condition, 25% of the Award will vest on achievement of 8% compound annual TSR, with the remainder of the Award vesting on a straight-line basis between 8% and 18%. The baseline share price for the TSR performance condition for FY2022 options is 133p, being the share price on the day of the grant. Vesting against this TSR condition will be measured once upon the third anniversary of the date of award and a further two year holding period will apply to any shares that vest (subject to the ability of the option holders to sell sufficient shares to meet any tax arising at exercise). Further details of employee share schemes are set out in note 21 to the financial statements.

No awards have been made to members of the board under the terms of the CSOP. A number of below board level executives have been granted a combination of CSOP and PSP awards. Each award made to below board level employees has been granted in the form of a market value option, with no associated performance conditions or holding period.

In addition, the Company granted a total of 41,509 nominal cost options under the NEPSP to Lucy Sharman-Munday.

No performance conditions apply to these awards.

A breakdown of the all current outstanding Directors' long term incentives awards is set out below.

Name	Date of Grant	Number of options	Exercise price per share (£)	Vesting Date	Lapse Date	Performance
Nadeem Raza	22nd July 2021	277,778	£0.001	22nd July 2024	22nd July 2025	Yes
Nadeem Raza	28th July 2022	283,019	£0.001	28th July 2025	28th July 2026	Yes
Bill Wynn	22nd July 2021	185,185	£0.001	22nd July 2024	22nd July 2025	Yes
Bill Wynn	28th July 2022	188,679	£0.001	28th July 2025	28th July 2026	Yes
Jon Lee	22nd July 2021	59,259	£0.001	22nd July 2024	22nd July 2025	No
Dino Rocos	22nd July 2021	40,741	£0.001	22nd July 2024	22nd July 2025	No
Lucy Sharman-Munday	28th July 2022	41,509	£0.001	28th July 2025	28th July 2026	No

Directors' remuneration summary for the 12 month period ending 31st December 2022.

Name and Position	Salary	Bonus	Benefits ¹	Pension Contribution	Long Term Incentives ²	2022 Total
Nadeem Raza CEO	£250,000	£52,378	£3,593	£10,091	£0	£316,062
Bill Wynn CFO	£200,000	£42,190	£14,976	£10,398	£0	£267,564
Jon Lee Chairman	£81,250	£0	£0	£3,229	£0	£84,479
Dino Rocos NED	£55,000	£0	£0	£0	£0	£55,000
Lucy Sharman-Munday NED	£49,583	£0	£0	£0	£0	£49,583

Name and Position	Salary	Bonus	Benefits	Pension Contribution	Long Term Incentives	2021 Total
Nadeem Raza CEO	£185,000 ³	£270,000	£6,718	£7,400	£0	£469,118
Bill Wynn CFO	£200,000	£150,000	£26,240	£10,208	£0	£386,448
Jon Lee Chairman	£63,750	£0	£0	£2,133	£0	£65,883
Dino Rocos NED	£41,250	£0	£0	£0	£0	£41,250
Lucy Sharman -Munday NED	£0	£0	£0	£0	£0	£0

*This table only includes statutory directors in office after the company's admission to AIM.

¹This figure includes car allowance and medical insurance.

² No long term incentives vested in the period (FY21 also nil).

³ This figure includes some salary sacrifice. Nadeem Raza elected to reduce his salary by 45,000 per annum and transferred this amount into his deferred bonus, due to income received for a 3rd party, non executive role.

Remuneration Policy For Non-Executive Directors

I and the other Non-Executive Directors each receive a fee for our services as Directors, which is approved by the Board, mindful of the time commitment and responsibilities of our roles and of current market rates for comparable organisations and appointments.

Dino Rocos, Chair of Remuneration Committee

AUDIT COMMITTEE REPORT



Lucy Sharman-Munday,
Chairperson of the Audit Committee

As the Chairperson of the Audit Committee of the Company ("Committee"), I present my Committee Report for the period ended 31 December 2022, which has been prepared by the Committee and approved by the Board.

Committee Meetings & Attendance

The members of the Committee are me, as chair, Dino Rocos, and Jon Lee. The Board considers that I have sufficient, relevant financial experience to chair the Committee given that I am a chartered accountant with previous audit committee chair experience, and currently CFO of another AIM listed business. The Committee is required by its Terms of Reference to meet as frequently as the Committee Chairperson shall require, and at regular intervals to deal with routine matters and, in any event, at least three times in each financial year.

The CEO, CFO and FD attend by invitation

Committee Activities

The Committee is responsible for reviewing and reporting to the Board on the Company's financial performance, monitoring the integrity of the Company's financial statements (including Annual and Interim Accounts and results announcements), reviewing internal control and risk management, and reviewing/monitoring the performance, independence and effectiveness of the Company's external auditors and agreeing auditor fees.

The Committee's primary activities over the period comprised meeting with the external auditors, considering the audit approach, scope and timetable. In addition, the Committee reviewed the audit provided by BDO LLP, the Group's external auditors. The Committee concluded that BDO LLP are delivering the necessary audit scrutiny.

Responsibilities & Objectives

In fulfilment of these objectives the Committee:

- › Reviews the Group's financial statements and finance-related announcements, including compliance with statutory and listing requirements. Compliance is reviewed each year with the Chief Financial Officer and enhancements are made as appropriate;
- › Considers whether these statements and announcements provide a fair, balanced and understandable view of the Group's strategy and performance, and of the associated risks. Further consideration of these matters is also provided by the Board as a whole;
- › Considers the appropriateness of accounting policies and significant accounting judgements and the disclosure of these in the financial statements;
- › Reviews the effectiveness of financial controls and systems. The Group does not have an internal audit function and the Committee continues to be of the view that the Group is not yet of a size and complexity to warrant the establishment of such a function; and
- › Oversees the relationship with and performance of the external auditors.

Board & Sub Committee Meeting Attendance

	Board Meeting (BM)		Remuneration Committee (RC)		Audit Committee (AC)	
	Possible	Attended	Possible	Attended	Possible	Attended
Lucy Sharman-Munday (AC Chair)	9	9	3	3	3	3
Jon Lee (BM Chair)	10	10	3	3	3	3
Dino Rocos (RC Chair)	10	10	3	3	3	3
Nadeem Raza*	10	10	3	3	3	3
Bill Wynn*	10	10	3	3	3	3
Nick Wightman	10	10	3	3	3	3

- > *Nadeem Raza & Bill Wynn attended Remuneration Committee by invitation
- > Lucy Sharman-Munday was appointed as Chairman of the Audit Committee with effect from 1 April 2022.
- > Nick Wightman attended in capacity of Company Secretary

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the 12-month period ending 31 December 2022.

Principal Activities, Business Review & Future Developments

The principal activity of the group is the provision of technological transport solutions that enable customers to reduce costs and environmental impact, while increasing safety, efficiency, and compliance.

Corporate Status

Microlise Group PLC (the 'Company') is a public limited company domiciled in the United Kingdom and was incorporated in England & Wales with company number 11553192 on 5th September 2018. The Company has its registered office at Farrington Way, Eastwood, Nottingham, NG16 3AG. The principal place of business of the Group are its offices in Nottingham.

Directors

Nadeem Raza

Bill Wynn

Jon Lee

Dino Rocos

Lucy Sharman-Munday (Appointed February 1st 2022)

The Company has agreed to indemnify its Directors against third party claims which may be brought against them and has put in place a Directors' and Officers' insurance policy.

The market price of the Company's shares at the end of the financial year was £1.33 and the range of the market price during the year was between £1.21 and £2.20.

Substantial Shareholdings

At 30th March 2023, the Directors have been notified of the following beneficial interests in excess of 3% of the issued share capital of the Company (excluding those shares held in treasury).

Shareholders By Holding

		31 December 2022			
Rank	Shareholder	Shares	%IC	%FF	Cum %FF
1	Mr. Nadeem Raza	58,032,442	50.05	50.05	50.05
2	Liontrust Asset Mgt	11,570,115	9.98	9.98	60.03
3	BGF Investments	5,925,926	5.11	5.11	65.14
4	Mr. Robert Harbey	5,801,617	5.00	5.00	70.14
5	Columbia Threadneedle Investment	5,593,673	4.82	4.82	74.97
6	Canaccord Genuity Wealth Mgt	5,461,560	4.71	4.71	79.68
7	Mr. Roy Allum	4,287,751	3.70	3.70	83.38
8	Ninety One (London)	2,460,929	2.12	2.12	85.50
9	EdenTree Investment Mgt (London)	1,969,301	1.70	1.70	87.20
10	Mr William Wynn (UK)	1,874,208	1.62	1.62	88.82

Research & Development

Details of the Group's policy for the recognition of expenditure on research and development are set out in pages 79 and 86 respectively of the consolidated financial statements. £3.3m

Risk Management Objectives & Policies

Details of the Group's financial risk management objectives and policies are set out in note 18 of the consolidated financial statements.

Related Party Transactions

Details of the Group's transactions and year end balances with related parties are set out in note 23 of the consolidated financial statements.

Dividends

The Directors do not recommend the payment of a dividend. (2021 - None)

Promote A Corporate Culture Based On Open Dialogue

The Board promotes a corporate culture that is based on sound ethical principles and behaviours. The Board recognises that the tone set by its decisions regarding strategy and risk may impact the corporate culture of the Group as a whole and on the way that employees and other stakeholders behave, which in turn can impact the performance of the Company.

The Group operates in a manner that encourages an open dialogue with employees, customers and other stakeholders and the Board considers that two-way communication and sound ethical values and behaviours are crucial to the ability of the Group to achieve its corporate objectives.

The Directors believe that the Group has a transparent and communicative culture supporting comprehensive dialogue and feedback and enabling positive and constructive challenge, and suggested solutions for improvement. The Board keeps staff updated through CEO updates and through a question-and-answer facility on the intranet. The Group promotes a healthy corporate culture through use of its weekly team meetings, its staff intranet, regular business updates and employee surveys. Twice yearly CEO updates that are linked to staff social events, allow senior leadership to keep staff apprised of the key financial and strategic activity of the Group.

Strategic Report

The Company has chosen in accordance with Companies Act 2006, section 414C (11) to set out in the Company's strategic report on pages 21 - 41. Information required to be contained in the Directors' Report by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7, where not already disclosed in the Directors' Report.

Statement As To Disclosure Of Information To The Auditor

The Directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors has confirmed that they 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 it has been communicated to the auditor.

Auditor

BDO LLP was appointed for the year ended 31 December 2022 and have indicated their willingness to continue in office.

By Order Of The Board

Nick Wightman, Company Secretary



29th March 2023

Farrington Way, Eastwood, Nottingham NG16 3AG

Statement Of Directors' Responsibilities

The directors are responsible for preparing the annual 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 are required to prepare the Group financial statements in accordance with UK adopted international accounting standards and have elected to prepare the Company financial statements in accordance with (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the Group financial statements have been prepared in accordance with UK adopted international accounting standards subject to any material departures disclosed and explained in the financial statements;
- state whether the Company financial statements have been prepared in accordance with applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

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

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website.

Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MICROLISE GROUP PLC

Opinion On The Financial Statements

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.

We have audited the financial statements of Microlise Group 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 Company statements of changes in equity, the Consolidated statement of financial position, the Company statement of financial position, the Consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements 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 Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the 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.

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 and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- › Obtaining an understanding of how the Directors undertook the going concern assessment process to determine if we considered it to be appropriate for the circumstances by way of enquiry with the Directors in regards to who prepared the assessment and the information and individuals consulted in the process
- › Obtaining the Directors' trading forecasts underlying the going concern assessment and challenging the Directors on the key estimates and assumptions within the forecasts around the forecast levels of revenue, gross profit and working capital cycles, through analysis and comparison of forecasts with prior year actuals;
- › Performing data verification and logic checks to confirm the mathematical accuracy of the forecast model;
- › Analysing post period end trading results compared to forecast and current period to evaluate the accuracy and achievability of forecasts;
- › Assessing the sensitivities undertaken against the level of available cash and contracted funding facilities. We considered the results of stress tested sensitivities undertaken by the Directors and assessed the reasonableness of the Directors' assessment that the scenario that could result in the Group facing a cash shortfall was remote in light of the historic trading results. As part of our assessment of the forecasts and stressed scenarios we considered factors such as any ongoing implications of Coronavirus 19 and the wider macro-economic implications of the conflict in Ukraine; and
- › Reviewing the disclosures in the Annual report to ensure that they are in accordance with relevant requirements and provided meaningful and transparent information for the users of the financial statements.

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 and the 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.

Overview

Coverage	94% (2021: 86%) of Group profit before tax 99% (2021: 99%) of Group revenue 97% (2021: 99%) of Group total assets		
Key audit matter		2022	2021
	Fraud or error in recognition of revenue	✓	✓
Materiality	Group financial statements as a whole £0.63m (2021:£0.58m) based on 1% (2019: 1%) of total annualised revenue		

An Overview Of The Scope Of Our Audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group manages its central operations from the head office in Nottingham to support its subsidiaries day to day operations with regional offices at various locations across the globe. As at the statement of financial position date, the Group consists of the Parent Company, two trading subsidiaries in the UK, three trading subsidiaries in India, Australia and France respectively and three non-trading subsidiaries.

The two UK trading subsidiaries, Microlise Limited and Trutac Limited were considered to be the significant components of the Group. The Group engagement team carried out a full scope audit on these significant components of the Group.

For the non- significant components, Microlise India, Microlise Australia Pty Limited, Microlise France SAS, Microlise Holdings Limited, Microlise Midco Limited, and Microlise Engineering Ltd, the Group engagement team have performed audit procedures which were limited to analytical review and discussions with Group management. A full scope audit was carried out on the Parent Company.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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) that 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. This matter was 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 this matter.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Fraud or error in recognition of revenue. (See accounting policies and note 1)</p>	<p>We obtained a breakdown of the recurring revenue earned in the period. To verify the accuracy of the breakdown we agreed a sample of entries to supporting contracts and payment from customers, agreeing the inputs to the calculation of revenue recognised and deferred income and checking the integrity of the calculation. We then selected a sample of customer contracts and agreed the details back to the breakdown checking relevant details were included correctly to test the completeness of the listing.</p> <p>For all customers that contributed a material amount of recurring revenue and a sample of other customers that recurring revenue was earned from in the year we obtained the customer contract. We identified the different performance obligations relevant for the period and checked that the allocated selling price for each performance obligation was appropriate and in line with our understanding of the contract. We checked that revenue for each performance obligation delivered in the period had been recognised in financial records in accordance with the Group's accounting policy and was supported and had not been manipulated or overstated.</p> <p>For each customer contract reviewed we reperformed the calculation of deferred revenue and agreed this to managements calculation and checked the presentation included in the financial statements was in accordance with the relevant accounting standards.</p> <p>We selected a sample of credit notes raised during the period, and after the period end substantiating to supporting evidence to check the reasons for the credit note were valid and were not indicative of teeming and lading of revenue. For credit notes raised after the year end we checked that revenue in the period had been correctly reversed.</p> <p>For non-recurring revenue we selected a sample of revenue transactions in December 2022 and agreed to evidence of service delivery in the period to check that revenue had been earned in period.</p> <p>Key observations:</p> <p>Based on the procedures performed we are satisfied that revenue has been accurately recognised in accordance with Group's accounting policy and relevant accounting standards and that there is no evidence of manipulation nor bias recognised in accordance with Group's accounting policy and relevant accounting standards and that there is no evidence of manipulation nor bias.</p>

Our Application Of Materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Company financial statements	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Materiality	630	585	424	430
Basis for determining materiality	1% of revenue. In 2021 the financial period was 18 months and our materiality assessment was based on annualised revenue for the period.		0.5% of total assets	
Rationale for the benchmark applied	We have determined the revenue as appropriate benchmark given the nature of the sector and the importance of the recurring and nonrecurring revenue in assessing the performance of the business. Based on industry analysis carried out revenue is regularly used as the benchmark for assessing materiality in the sector.		The total assets were considered an appropriate benchmark as the main purpose of the Parent Company was to hold investment in subsidiaries.	
Performance materiality	424	439	318	323
Basis for determining performance materiality	75% of materiality which is considered appropriate to mitigate potential aggregation risk across the various financial statement areas. These levels have been applied in determining the testing approach and sample sizes.			

Component Materiality

We separately considered the benchmark amount of each significant component while setting their materiality. We set the materiality for the trading subsidiaries (Microlise Limited and Trutac Limited) as 1% - 2% of the revenue;

The Component materiality ranged from £81,000 to £580,000 (2021 - £101,000 to £552,000). In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting Threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £31,500 (2021:£29,250). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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.

Other Companies Act 2006 Reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none">> 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. <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
Matters on which we are required to report by exception	<p>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:</p> <ul style="list-style-type: none">> 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 Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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 gained an understanding of the legal and regulatory framework applicable to the Group and the Components of the Group including the industry in which it operates and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. Our understanding was obtained from enquires with the board of Directors and the management team, our experience of auditing similar business models, and continuity in the audit team in respect of auditing the entity in previous years. The most significant matters relevant to the Group included, but were not limited to, compliance with the Companies Act 2006, the AIM listing rules, the principles of the Quoted Companies Alliance Corporate Governance Code, corporate taxes, VAT and employment tax legislation and accounting standards.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates including costs capitalised as product development and the allocation of revenue as summarised in the Key Audit Matter section above.

We communicated relevant identified 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. Our testing focused on areas that could give rise to a material misstatement in the Group financial statements which, alongside our response to the key audit matter included, but was not limited to:

- › Enquiries of management of non-compliance with laws and regulations or fraud in the period and other unusual transactions. We corroborated our enquires through a review of minutes of Board meetings throughout the period;
- › Challenge of key estimates and judgements, including those applied to the key audit matter, by management in the financial statements to check that they are free from management bias including:
- › Substantiating inputs into estimates to supporting evidence;
- › Checking the approach to judgements and estimates was consistent with previous years;
- › Carrying out an assessment of the accuracy of the outcome of estimates in previous years in light of the actual results in the current period and consider in light of the basis of the estimates in the current year.
- › Identifying and substantiating journal entries to supporting evidence for the following journal types:
- › Any journals outside of the normal course of business or indicative of manipulation of the financial statements;
- › All journals posted to revenue to ascertain if any unusual transactions exist which are outside the normal course of business and;
- › Any manual or late journals posted at a consolidated level
- › Verification, on a sample basis, of costs capitalised as product development to check that the relevant recognition criteria had been met and costs were not being capitalised to manipulate reported earnings;
- › Consideration of management's assessment of related parties and any other unusual transactions and evaluating the process for identifying and monitoring any such transactions, and
- › Consideration of the total unadjusted audit differences for indications of bias or deliberate misstatement.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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 Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Gareth Singleton

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Gareth Singleton (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Birmingham, UK

29th March 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

		Year ended 31-Dec 2022 £'000	18 month period ended 31-Dec 2021 £'000
	Note		
Revenue	1	63,211	88,168
Cost of sales		(25,577)	(37,690)
Gross profit		37,634	50,478
Other operating income	3	876	1,143
Exceptional IPO related costs		-	(3,415)
Other administrative expenses		(36,326)	(47,246)
Total administrative expenses		(36,326)	(50,661)
Operating profit	3	2,184	960
Interest income	5	45	72
Interest expense	6	(312)	(905)
Share of loss of associate net of tax	11	(478)	(132)
Profit/(loss) before taxation		1,439	(5)
Taxation	7	(86)	(2,213)
Profit/(loss) for the year/period		1,353	(2,218)
Other comprehensive income/(expense) for the year/period			
Currency translation differences		6	(71)
Total comprehensive income/(expense) for the year/period attributable to the equity shareholders of Microlise Group plc		1,359	(2,289)
Basic earnings/(loss) per share (pence)	8	1.17	(2.09)
Diluted earnings/(loss) per share (pence)	8	1.17	(2.09)

Consolidated Statement of Financial Position

for the year ended 31 December 2022

		31-Dec 2022 £'000	31-Dec 2021 £'000
	Note		
Assets			
Non-current assets			
Property, plant and equipment	9	8,292	8,573
Intangible assets	10	75,031	75,987
Investments in associate	11	1,368	1,846
Loan to associate	11	1,000	-
Trade and other receivables	14	3,078	2,710
Total non-current assets		88,769	89,116
Current assets			
Inventories	13	2,635	2,941
Trade and other receivables	14	16,760	15,143
Corporation tax recoverable		1,289	932
Cash and cash equivalents	15	16,683	13,210
Total current assets		37,367	32,226
Total assets		126,136	121,342
Current liabilities			
Lease liabilities	16	(821)	(717)
Trade and other payables	17	(29,183)	(25,780)
Total current liabilities		(30,004)	(26,497)
Non current liabilities			
Lease liabilities	16	(926)	(994)
Trade and other payables	17	(16,898)	(17,312)
Deferred tax	12	(4,840)	(4,991)
Total non current liabilities		(22,664)	(23,297)
Total liabilities		(52,668)	(49,794)
Net assets		73,468	71,548
Equity			
Issued share capital	20	116	116
Share premium account		17,630	17,630
Retained earnings		55,722	53,802
Total equity		73,468	71,548

The notes on pages 86 to 110 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 29/03/2023



Nadeem Raza - Group Chief Executive Officer

Microlise Group PLC | Registered number 11553192

Consolidated Statement of Changes in Equity

	Share Capital £'000	Share Premium Account £'000	Merger Reserve £'000	Retained earnings £'000	Total Equity £'000
At 30 June 2020	44	-	55,172	848	56,064
Comprehensive income for the 18 month period to 31 December 2021					
Loss for the period	-	-	-	(2,218)	(2,218)
Other comprehensive expense	-	-	-	(71)	(71)
Total comprehensive expense for the period	-	-	-	(2,289)	(2,289)
Share based payment (note 21)	-	-	-	129	129
Bonus issue of shares (note 20)	55,172	-	(55,172)	-	-
Reduction of share capital (note 20)	(55,114)	-	-	55,114	-
Shares issued in the period (note 20)	14	17,630	-	-	17,644
Total transactions with owners	72	17,630	(55,172)	55,243	17,773
At 31 December 2021	116	17,630	-	53,802	71,548
Comprehensive income for the year to 31 December 2022					
Profit for the year	-	-	-	1,353	1,353
Other comprehensive income	-	-	-	6	6
Total comprehensive income for the year	-	-	-	1,359	1,359
Share based payment (note 21)	-	-	-	561	561
Total transactions with owners	-	-	-	561	561
At 31 December 2022	116	17,630	-	55,722	73,468

Company Statement of Financial Position

as at 31 December 2022

		31-Dec 2022 £'000	31-Dec 2021 £'000
	Note		
Assets			
Non-current assets			
Property, plant and equipment	9	4,838	4,940
Investments	11	79,192	79,943
Loan to associate		1,000	-
Deferred tax	12	111	-
Total non-current assets		85,141	84,883
Current assets			
Trade and other receivables	14	26	253
Cash and cash equivalents	15	69	1,090
Total current assets		95	1,343
Total assets		85,236	86,226
Current liabilities			
Trade and other payables	17	(17,928)	(18,298)
Total current liabilities		(17,928)	(18,298)
Non current liabilities			
Trade and other payables	17	-	(1,000)
Total non current liabilities		-	(1,000)
Total liabilities		(17,928)	(19,298)
Net assets		67,308	66,928
Equity			
Issued share capital	20	116	116
Share premium account		17,630	17,630
Retained earnings		49,562	49,182
Total equity		67,308	66,928

The Company has elected to take the exemption under section 408 of the Companies Act not to present the parent Company profit and loss account. The loss for the parent Company for the year was £182,000 (2021: loss of £5,466,000).

The notes on pages 86 to 110 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 29/03/2023



Nadeem Raza - Group Chief Executive Officer

Microlise Group PLC | Registered number 11553192

Company Statement of Changes in Equity

	Share Capital	Share Premium Account	Merger Reserve	Retained earnings	Total Equity
	£'000	£'000	£'000	£'000	£'000
At 30 June 2020	44	-	55,172	(595)	54,621
Comprehensive income for the 18 month period to 31 December 2021					
Loss for the period	-	-	-	(5,466)	(5,466)
Other comprehensive income	-	-	-	-	-
Total comprehensive expense for the period	-	-	-	(5,466)	(5,466)
Share based payment (note 21)	-	-	-	129	129
Bonus issue of shares (note 20)	55,172	-	(55,172)	-	-
Reduction of share capital (note 20)	(55,114)	-	-	55,114	-
Shares issued in the period (note 20)	14	17,630	-	-	17,644
Total transactions with owners	72	17,630	(55,172)	55,243	17,773
At 31 December 2021	116	17,630	-	49,182	66,928
Comprehensive income for the year to 31 December 2022					
Loss for the year	-	-	-	(182)	(182)
Other comprehensive income	-	-	-	-	-
Total comprehensive expense for the year	-	-	-	(182)	(182)
Share based payment (note 21)	-	-	-	561	561
Total transactions with owners	-	-	-	379	379
At 31 December 2022	116	17,630	-	49,561	67,307

Consolidated Statement of Cash Flows

for the year ended 31 December 2022

		Year ended 31-Dec	18 month period ended 31-Dec
	Note	2022	2021
		£'000	£'000
Cash flows from operating activities			
Cash generated from operations	A	9,719	9,132
Tax (paid)/received		(34)	660
Net cash generated from operating activities		9,685	9,792
Cash flows from investing activities			
Purchase of property, plant and equipment		(979)	(1,499)
Additions to intangible assets		(2,080)	(2,166)
Loan advanced to associate		(1,000)	-
Purchase of subsidiaries, deferred consideration paid		(1,000)	(1,000)
Interest received		45	-
Net cash used in investing activities		(5,014)	(4,665)
Cash flows from financing activities			
Issue of share capital		-	18,600
Share issue expenses paid		-	(956)
Interest paid		(283)	(676)
Lease liability payments		(915)	(1,219)
Repayment of bank loans		-	(16,975)
Repayment of other loans		-	(729)
Net cash generated used in financing activities		(1,198)	(1,955)
Net increase in cash and cash equivalents		3,473	3,172
Cash and cash equivalents at beginning of year/period		13,210	10,061
Foreign exchange losses		-	(23)
Cash and cash equivalents at end of year/period	B	16,683	13,210

The notes on pages 86 to 110 form part of these financial statements.

Notes to the cash flow statements

A. Cash generated from operations

The reconciliation of profit/(loss) for the period to cash generated from operations is set out below:

	Year ended 31-Dec 2022 £'000	18 month period ended 31-Dec 2021 £'000
Profit/(loss) for the year/period	1,353	(2,218)
Adjustments for:		
Depreciation	2,212	3,085
Amortisation	3,036	3,803
Share based payments	561	129
Foreign exchange movement	-	(23)
Net interest costs	267	833
Share of loss of associate	478	132
Tax charge	86	2,213
	7,993	7,954
Decrease in inventories	306	663
Increase in trade and other receivables	(2,545)	(110)
Increase in trade and other payables	3,965	625
Cash generated from operations	9,719	9,132

B. Analysis of net funds/(debt)

	At 1 January 2022 £'000	Cash flow £'000	Non-cash changes £'000	At 31-Dec 2022 £'000
Lease liabilities	(1,711)	979	(1,015)	(1,747)
Liabilities arising from financing activities	(1,711)	979	(1,015)	(1,747)
Cash and cash equivalents	13,210	3,473	-	16,683
Net funds	11,499	4,452	(1,015)	14,936

	At 1 July 2020 £'000	Cash flow £'000	Non-cash changes £'000	At 31-Dec 2021 £'000
Bank loans	(16,839)	16,975	(136)	-
Other loans	(729)	729	-	-
Lease liabilities	(1,369)	1,291	(1,633)	(1,711)
Liabilities arising from financing activities	(18,937)	18,995	(1,769)	(1,711)
Cash and cash equivalents	10,061	3,172	(23)	13,210
Net (debt)/funds	(8,876)	22,167	(1,792)	11,499

Major non cash items

£951,000 of additions to right of use assets and lease liabilities are included in non cash movements in the year ended 31 December 2022 (2021: £1,506,000).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General information

Microlise Group PLC is a holding and management services company. Its subsidiaries are telematics businesses providing technological transport solutions that enable customers to reduce costs and environmental impact by maximising the efficiency of their transportation. The company is a public limited company, traded on the Alternative Investment Market ("AIM") of the London Stock Exchange, and incorporated and domiciled in England. The address of the registered office is Farrington Way, Eastwood, Nottingham, NG16 3AG.

A. Basis of Preparation

The financial statements have been prepared in accordance with the historical cost convention and UK International Accounting Standards ('UK IFRS'). The stated accounting policies have been consistently applied to all periods presented.

The parent company financial statements have been prepared under applicable United Kingdom Accounting Standards (FRS101). The following FRS 101 disclosure exemptions have been taken in respect of the parent company only information:

- IAS 7 Statement of cash flows;
- IFRS 7 Financial instruments disclosures; and
- IAS 24 Key management remuneration.

The financial statements including the notes are presented in thousands of pounds sterling ('£'000'), the functional and presentation currency of the Group, except where otherwise indicated.

The principal accounting policies adopted in preparation of the financial statements are set out below. The policies have been consistently applied to all periods presented, unless otherwise stated.

Judgements made by the Directors in the application of the accounting policies that have a significant effect on the historical financial information and estimates with significant risk of material adjustment in the next year are discussed in note C.

Going concern

The directors have considered working capital forecasts prepared for the period to December 2024. The Group had cash balances of £16.7m at the year end, no borrowings and a £20m undrawn working capital facility. The Group also has a significant recurring income base with inflationary clauses in the main contracts.

A range of sensitivities have been run on the working capital model, and the directors consider a scenario in which the business will face liquidity issues is remote. As part of the sensitivity analysis the directors have considered the impact of a reduction in turnover from their principal customer and the impact on working capital as well as cost and supply issues that might arise in the context of the current events in Ukraine and are satisfied that the Group has sufficient resources to respond to reasonably foreseeable scenarios. The Directors conclude that a scenario that would result in the need for the Group to require additional funding to be remote.

Based on the forecasts, the Directors are satisfied that the Group can meet its day-to-day cash flow requirements and operate within the terms of its working capital banking facilities if required. Accordingly, the financial statements have been prepared on a going concern basis.

B. Account Policies

Consolidation

The consolidated financial statements include the results of Microlise Group PLC and its subsidiary undertakings. The results of the subsidiary undertakings are included from the date that effective control passed to the company.

On acquisition, all the subsidiary undertakings' assets and liabilities at that date of acquisition are recorded under purchase accounting at fair value, having regard to condition at the date of acquisition. All changes to those assets and liabilities and the resulting gains and losses that arise after the company gained control are included in the post-acquisition results. Sales, profits and balances between group companies are eliminated on consolidation.

The Group has taken advantage of the exemption not to disclose transactions between wholly owned entities in the group.

Associates

Entities in which the Group holds a participating interest and over whose operating and financial policies the group exercises a significant influence are treated as associates. In the Group financial statements, associates are accounted for using the equity method.

Revenue recognition

Revenue comprises revenue recognised by the Group in respect of goods and services supplied during the year, based on the consideration specified in a contract, exclusive of Value Added Tax and trade discounts.

The Group enters into the sale of multi-element contracts, which combine separate performance obligations including hardware, installation, managed service contracts (software-as-a-service or SaaS), software licences, professional services (which includes bespoke software development, project management (incorporating activities including project and installation planning, managing change control and stage boundaries and project reporting), consultancy, training), and support and maintenance services relating to these products. In accordance with IFRS 15, these are considered to be distinct.

Each performance obligation is allocated a transaction price based on the stand-alone selling prices. Where stand-alone prices are not directly observable, they are based on expected cost plus margin.

Revenue is recognised depending upon the revenue stream to which it relates, as follows:

- The fair value of hardware and installation revenue is recognised at a point in time when control is transferred to the customer on despatch and/or upon installation;
- Revenue from the SaaS arrangement is recognised over a period of time, based on the term of the contract on a straight line basis. Revenue recognition over time is considered appropriate based on provisions of IFRS 15 paragraph 35 as the customer simultaneously receives and consumes the benefits provided by the Group. The contractual term for average SaaS agreements are approximately 5 years;
- Professional services typically include implementation, configuration, training and other similar services to create optimised interfaces between the Group's software and customers systems. Revenue from professional services is recognised over a period of time using the input method as professional services are being performed, as this best depicts the timing of how the value is transferred to the customer; and
- Support and maintenance turnover is deferred at the point of sale and recognised in the Statement of Comprehensive Income over a period of time of the contractual life, utilising the output method, generally on a straight line basis as the customer simultaneously receives and consumes the benefits provided by the Group.

Invoicing for all revenue streams is undertaken in accordance with the terms of the agreement with the customer. When an invoice is due for payment at the statement of financial position date but the associated performance obligations have not been fulfilled the amounts due are recognised as trade receivables and a contract liability is recognised for the sales value of the performance obligations that have not been provided. If payment is received in advance of the delivery of the associated performance obligation a contract liability is recognised. When an invoice is not due for payment at the statement of financial position date and the associated performance obligation has not been fulfilled no amounts are recognised in the financial statements.

In cases where customers pay for the goods and services over an agreed period, the fair value of the consideration is determined by discounting future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised as finance income over the payment period.

Contract costs

Under IFRS 15, the Group capitalises commission fees as costs of obtaining a contract when they are incremental and, if they are expected to be recovered, it amortises them consistently with the pattern of revenue for the related contract. If the expected amortisation period is one year or less, then the commission is expensed when incurred. Contract costs are capitalised to trade and other receivables, due within and after one year.

The Group in certain circumstances incurs costs to deliver its services and fulfil specific contracts. These costs may include process mapping and design, scoping and configuration. Contract fulfilment costs are divided into costs that deliver an asset and costs that are expensed as incurred.

Under IFRS 15, the Group capitalises these contract fulfilment costs when they directly relate to a specifically identifiable contract or anticipated contract, will enhance or generate resources used to satisfy future performance obligations and they are expected to be recovered. Where capitalised, it amortises them consistently with the pattern of revenue for the related contract.

At each reporting date, the Group determines whether or not the contract assets are impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract.

Employee benefits

The Group operates a defined contribution pension scheme. Contributions are recognised in the Statement of Comprehensive Income in the year in which they become payable in accordance with the rules of the scheme.

Short term employee benefits including holiday pay are recognised as an expense in the period in which the service is rendered.

Share based payment

The Group operates an equity-settled share based compensation plan in which the Group receives services from directors and certain employees as consideration for share options. The fair value of the services is recognised as an expense over the estimated vesting period, determined by reference to the fair value of the options granted.

Taxation

The taxation expense or credit comprises current and deferred tax recognised in the profit for the financial period or in other comprehensive income or equity if it arises from amounts recognised in other comprehensive income or directly in equity. Current tax is provided at amounts expected to be paid (or recovered) in respect of the taxable profits for the period using tax rates and laws that have been enacted or substantively enacted by the reporting date. Microlise, as a large company from 1 July 2020 for tax R&D purposes, qualifies for the large company RDECs which are included as grant income within other operating income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset and where the deferred tax balances relate to the same taxation authority.

Exceptional items

The Group classifies certain one-off charges or credits that have a material impact on the financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the group.

Government grants

Grants are accounted under the accruals model, and grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure. Government grants relate to the receipt of Coronavirus Job Retention Scheme income, innovation grants and large company research and development expenditure credits ('RDEC' s).

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling on the date of the transaction. Monetary assets or liabilities denominated in foreign currencies at the Statement of Financial Position date are translated at the rate ruling on that date and all translation differences are charged or credited in the Statement of Comprehensive Income.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

Intangible assets

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the fair value of the net assets acquired at the acquisition date. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Intangible assets acquired separately from a business are recognised at cost. Intangible assets acquired as part of an acquisition are recognised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets created within the business are not recognised, other than for qualifying development expenditure, and expenditure is charged against profits in the year in which it is incurred.

Subsequent to initial recognition, intangible assets are stated at cost less accumulated recognised and accumulated impairment. Intangible assets are amortised on a straight line basis within administrative expenses over their estimated useful lives as follows:

Asset class	Amortisation period
Brands	15 years
Customer relationships	11 to 16 years
Technology assets	5 to 10 years
Software	3-5 years

Intangible assets are tested for impairment when an event that might affect asset values has occurred. Any such impairment in carrying value is written off to the Statement of Comprehensive Income immediately.

Research and development expenditure

An internally generated intangible asset arising from development (or the development phase) of an internal project is recognised if, and only if, all of the following have been demonstrated:

- It is technically feasible to complete the development such that it will be available for use, sale or licence;
- There is an intention to complete the development;
- The method by which probable future economic benefits will be generated is known;
- There are adequate technical, financial and other resources required to complete the development; and
- There are reliable measures that can identify the expenditure directly attributable to the project during its development.

The amount recognised is the expenditure incurred from the date when the project first meets the recognition criteria listed above. Expenses capitalised as "Technology" within intangible assets consist of employee costs incurred on development. Where the above criteria are not met, development expenditure is charged to the consolidated statement of comprehensive income in the period in which it is incurred. The expected life of internally generated intangible assets varies based on the anticipated useful life, currently ranging from five to seven years.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight-line basis over the estimated useful life in which the intangible asset has economic benefit and is reported within administrative expenses in the consolidated statement of comprehensive income.

Research expenditure is recognised as an expense in the period in which it is incurred.

Research and development expenditure tax credits arise in the UK. Those relevant to a large company for tax purposes are credited to other operating income as a grant.

Financial assets

Financial assets, including trade and other receivables, cash and cash equivalent balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method. Cash and cash equivalents comprise cash held at bank which is available on demand.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. The group measures loss allowances at an amount equal to lifetime ECL, which is estimated using past experience of the group's historical credit losses experienced over the three year period prior to the period end. Historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the group's customers, such as inflation rates. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost to the extent that these are material. The group has determined that there is no material impact of ECLs on the historical financial information.

Financial liabilities

Financial liabilities, including trade and other payables, lease liabilities and bank borrowings are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are de-recognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Borrowings are initially stated at the fair value of the consideration received after deduction of wholly attributable issue costs. Borrowings are subsequently stated at amortised cost using the effective interest method.

Right-of-use assets and lease liabilities

Under IFRS 16, leases are recognised as right-of-use assets, presented as a separate category within property, plant and equipment included in the consolidated statement of financial position, and with a corresponding lease liability from the date at which the leased asset is available for use by the Group. This has been adopted and applied on a full retrospective basis.

Assets and liabilities arising from a lease are initially measured at the present value of the lease payments and payments to be made under the terms of the lease. Reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the incremental borrowing rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal, presented as a separate category within liabilities, and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received and any initial direct costs. Leasehold dilapidations are recognised in relation to the estimated cost of returning a leasehold property to its original state at the end of the lease in accordance with the lease terms.

Depreciation is charged on a straight line basis over the period of the lease and assets are subject to impairment reviews where circumstances indicate their value may not be recoverable if they are not being utilised.

Payments associated with short-term leases of property, plant and equipment and leases of low-value assets continue to be recognised on a straight-line basis as an expense. Short-term leases are leases with a lease term of 12 months or less.

Property, plant and equipment

Property, plant and equipment assets are stated at cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on all property, plant and equipment assets at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life, as follows:

Asset class	Depreciation method rate
Freehold property	2% straight line
Leasehold improvements	Over the period of the lease
Equipment, fixtures and fittings	20-33% straight line basis

Investments

Investments in subsidiaries are stated at cost or at the fair value of shares issued as consideration less provision for any impairment. Investments in associates are stated at fair value through the profit and loss.

Inventories

Inventories are valued at the lower of purchase cost and net realisable value, after due regard for any slow moving items. Net realisable value is based on selling price less anticipated costs to completion and selling costs. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its net realisable value. The impairment loss is recognised immediately in the consolidated statement of comprehensive income.

Share capital and reserves

Financial instruments issued by the company are treated as equity only to the extent that they do not meet the definition of a financial liability. The parent company's ordinary shares are classified as equity instruments.

The share premium account represents the amount by which the issue price of shares exceeds the nominal value of the shares less any share issue expenses.

The merger reserve represents the difference between the fair value of the shares issued as part of the consideration for Microlise Holdings Limited and the nominal value of the shares issued.

Retained earnings comprises opening retained earnings and total comprehensive income for the year, net of dividends paid.

New or revised accounting standards and interpretations

IFRS interpretations and amendments issued but not yet applicable by the Group in these financial statements have been reviewed and assessed. All IFRS effective at the reporting date of 31 December 2022 have been applied.

There are no other new standards, interpretations and amendments which are not yet effective in these financial statements, expected to have a material effect or to be relevant to the Group's future financial statements

C. Critical judgements in applying the accounting policies

The preparation of the financial statements under IFRS requires the use of certain critical accounting assumptions and requires management to exercise its judgement and to make estimates in the process of applying the Company's and Group's accounting policies. Management bases its estimates on historical experience and on various other assumptions that management believes to be reasonable in the circumstances. The key estimates used in the preparation of these financial statements that could result in a material change in the carrying value of assets or liabilities within the next twelve months are as follows:

- Useful economic lives of intangible assets

The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful economic lives of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments and economic utilisation.

There is no current indication that the Group's businesses will not continue to trade profitably and hence the life may differ or be longer than the estimates used to amortise intangible assets.

Capitalisation of development expenditure

Management have used their judgement in respect of the capitalisation of development costs against the criteria in the policy.

The viability of the new technology and know-how is supported by the results of testing and by forecasts for the overall value and margins from future sales to support the approach taken.

Impairment of intangible assets including goodwill and investments

Investments made by the Company and intangible assets acquired in a business combination capitalised with goodwill by the Group are subject to annual impairment tests and other intangibles amortised over their estimated useful lives subject to an assessment of impairment.

Subsequent impairment tests for investments and intangible assets are based on risk adjusted future cash flows discounted using appropriate discount rates. These future cash flows are based on forecasts which include estimated factors and are inherently judgemental. Future events could cause the assumptions to change which could have an adverse effect on the future results of the Group. Further detail including sensitivities is given in note 10.

Right-of-use assets and lease liabilities

In respect of right-of-use leased assets key estimates are a combination of the incremental borrowing rate used to discount the total cash flows and the term of the leases where breaks or extensions fall within the Group's control. These are used to derive both the opening asset value and lease liability as well as the consequential depreciation and financing charges. A 1% change in the discount rate used would increase interest charges and decreased depreciation by approximately £10,000 a year with an immaterial impact on assets and liabilities.

Share based payment

The fair values in respect of share based payments are estimated using a number of inputs to an appropriate valuation models including the probability that performance conditions may be met. Further detail of the assumptions applied is included in note 21.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Revenue and segmental analysis

Recurring revenue represents the sale of the group's full vehicle telematics solutions, support and maintenance. Non-recurring revenue represents the sale of hardware, installation, and professional services. Revenue is defined as per the accounting policies.

Revenue in respect of the setup, supply of hardware and software installation is recognised at a point in time. Professional services including project management, managed services and support services income is recognised over the period when services are provided.

	Year ended 31-Dec 2022 £'000	18 month period ended 31-Dec 2021 £'000
By type		
Revenue recognised at a point in time		
Supply of hardware and installation	19,975	29,336
	19,975	29,336
Revenue recognised over time		
Professional services including project management	2,721	4,817
Managed service agreement income	37,360	48,912
Other support and maintenance services	3,155	5,103
	43,236	58,832
	63,211	88,168
By destination:		
UK	58,037	78,230
Rest of Europe	1,195	2,677
Rest of the World	3,979	7,261
Total revenue	63,211	88,168

Revenue in respect of one customer amounted to £20.9m representing 33% of the revenue for the year (2021: £22.6m representing 26% of the revenue for the 18 month period ended 31 December 2021).

The split of the disaggregated revenue between segments is summarised below.

The chief operating decision maker ("CODM") is identified as the Board. It continues to define all the Group's trading as operating in the telematics market with two complementary segments. The Board as the CODM also review the revenue streams of recurring and non-recurring revenue as part of their internal reporting.

The directors consider the Microlise business to be one segment related to fleet management and the separately acquired TruTac business to be a complementary segment related to tachograph specific software and analysis services.

	Year ended			18 month		
	Microlise	Trutac	31-Dec 2022	Microlise	Trutac	period ended 31-Dec 2021
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	59,147	4,064	63,211	83,109	5,059	88,168
Depreciation and amortisation	4,645	603	5,248	6,197	691	6,888
Operating profit	1,559	625	2,184	178	782	960
Net interest	(263)	(4)	(267)	(824)	(9)	(833)
Share of associate loss	(478)		(478)	(132)		(132)
Profit/(loss) before tax	818	621	1,439	(778)	773	(5)
Segment assets	115,216	10,920	126,136	111,720	9,622	121,342
Segment liabilities	(50,059)	(2,609)	(52,668)	(48,009)	(1,785)	(49,794)
Additions to non-current assets	3,037	973	4,010	4,878	826	5,704

All of TruTac's revenue relates to the UK. TruTac's revenue is primarily from managed service agreements with the exception of £562,000 of hardware revenue in 2022 (2021: £661,000). All remaining revenue relates to the Microlise business.

The group's non-current assets comprising investments, tangible and intangible fixed assets and the net assets by geographical location are:

	31-Dec-22		31-Dec-21	
	Non-current assets	Net assets	Non-current assets	Net assets
	£'000	£'000	£'000	£'000
United Kingdom	88,434	71,895	88,729	70,367
France	29	22	3	34
Australia	2	80	3	12
India	304	1,471	381	1,135
	88,769	73,468	89,116	71,548

2. Adjusted Result

In reporting financial information, the Group presents alternative performance measures (APMs), which are not defined or specified under the requirements of IFRS. The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide depth and understanding to the users of the financial statements to allow for further assessment of the underlying performance of the Group. The Group's primary results measure, which is considered by the directors of the Group to represent the underlying and continuing performance of the Group, is adjusted EBITDA as set out below. EBITDA is a commonly used measure in which earnings are stated before net finance income, tax, amortisation and depreciation as a proxy for cash generated from trading.

The group qualifies for large company R&D tax reliefs with the RDEC credits included in other operating income above operating profit in line with common practice is included in the Group's calculation of EBITDA.

The measure has been adjusted in the current period by acquisition related costs and in the prior period by IPO expenses which are considered to be non-recurring and non-trading in nature together with the share based payment charge as it represents a non cash item.

	Year ended 31-Dec 2022 £'000	18 month period ended 31-Dec 2021 £'000
Operating profit before interest and share of associate	2,184	960
Exceptional Transaction costs and IPO costs	202	3,415
Depreciation	2,212	3,085
Amortisation of intangible assets	3,036	3,803
Share based payment	561	129
Adjusted EBITDA	8,195	11,392

3. Operating Profit

The operating profit is stated after charging/(crediting):

	Year ended 31-Dec 2022 £'000	18 month period ended 31-Dec 2021 £'000
Auditors remuneration:		
Audit of the Group and Company financial statements	251	184
Non-audit services*	-	295
Depreciation of property, plant and equipment	1,316	1,858
Depreciation of right-of-use assets	896	1,227
Amortisation of intangible assets	3,036	3,803
Cost of inventory sold	14,198	20,056
Research and development costs	3,292	6,767
Foreign exchange (gains)/losses	(259)	180
Acquisition evaluation costs	202	-
In other operating income:		
Other Income	(161)	-
Government job retention scheme income	-	(127)
Government innovation grants	(111)	(96)
Research and Development Expenditure Credit	(604)	(920)

*The Group auditors, BDO LLP, also provided £295,000 of assurance services as the reporting accountants for the AIM listing in the 18 months ended 31 December 2021.

The company now claims RDEC credits which are treated as other operating income and reflected in the profit before tax.

4. Information regarding directors and employees

Employees

The aggregate remuneration of employees comprised:

	Group	18 month	Company	18 month
	Year	period	Year	period
	ended	ended	ended	ended
	31-Dec	31-Dec	31-Dec	31-Dec
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Wages and salaries	26,636	36,630	863	636
Social security costs	2,685	3,312	88	29
Pensions	1,046	1,399	29	9
Share based payment	561	129	561	129
Total	30,928	41,470	1,541	803

Average number of employees

The average number of employees in the period/year was:

	Group	18 month	Company	18 month
	Year	period	Year	period
	ended	ended	ended	ended
	31-Dec	31-Dec	31-Dec	31-Dec
	2022	2021	2022	2021
Sales and distribution	87	76	-	-
Operations and development	469	438	-	-
Production and warehouse	23	22	-	-
Administration	82	75	6	1
Total	661	611	6	1

The directors were previously employed and paid by a subsidiary and then directly employed by the company from September 2021.

Directors' remuneration

The aggregate remuneration of employees comprised:

	Year ended 31-Dec 2022 £'000	18 month period ended 31-Dec 2021 £'000
Directors' remuneration – aggregate emoluments	749	1,074
Group pension contributions in respect of 3 (2021: 4)	24	24
Share based payment	246	69
	1,019	1,167
Remuneration of the highest paid director	306	461
Group pension contributions	10	7
Share based payment	116	31
	432	499

Full information by director is disclosed in the remuneration report on pages 49 to 54.

Key management compensation

	Year ended 31-Dec 2022 £'000	18 month period ended 31-Dec 2021 £'000
Short term employee benefits	1,910	2,596
Post employment benefits	70	71
Share based payment	430	129
Total key management remuneration	2,410	2,796

Key management is defined as those persons having authority and responsibility for planning, directing, and controlling the activities of the Group, directly or indirectly, including any directors (whether executive or otherwise) of the Group.

5. Interest receivable

	Year ended 31-Dec 2022 £'000	18 month period ended 31-Dec 2021 £'000
Interest receivable		
Bank interest receivable	21	-
Unwinding of discount on financing transactions	24	72
	45	72

6. Interest Payable

	Year ended 31-Dec 2022 £'000	18 month period ended 31-Dec 2021 £'000
Interest payable		
Interest on bank and other borrowings	248	734
Lease liability financing charges	64	72
Other interest	-	99
	312	905

7. Taxation on profit/(loss)

	Year ended 31-Dec 2022 £'000	18 month period ended 31-Dec 2021 £'000
Current taxation		
UK corporation tax charge	-	-
Foreign tax	(126)	(198)
Adjustments in respect of previous periods	(5)	(100)
	(131)	(298)
Deferred taxation		
Origination and reversal of timing differences	(249)	(645)
Charge due to change in tax rate	89	(1,416)
Adjustments in respect of previous periods	205	146
	45	(1,915)
Tax charge on profit/(loss)	(86)	(2,213)

Factors affecting the tax charge for the year/period

The tax charge on the profit/(loss) for the year/period differs from applying the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are reconciled below:

	Year ended 31-Dec 2022 £'000	18 month period ended 31-Dec 2021 £'000
Profit/(loss) before taxation	1,439	(5)
Corporation tax at standard rate	273	(1)
Factors affecting charge for the year/period:		
Disallowable expenses	168	781
Research and development allowances	-	36
Other differences including capital superdeductions	(93)	-
Overseas tax rates	27	27
Adjustments in respect of previous periods	(200)	(46)
(Credit)/charge due to change in tax rate	(89)	1,416
Tax charge on profit	86	2,213

In May 2021 a change in the corporation tax rate from 19% to 25% from April 2023 was substantively enacted in the Finance Act 2021 and accordingly has been applied to deferred tax balances at 31 December 2021 and 2022.

8. Earnings per share

	Year ended 31-Dec 2022	18 month period ended 31-Dec 2021
Profit/(loss) used in calculating EPS (£'000)	1,353	(2,218)
Weighted average number of shares for basic EPS ('000)	115,946	106,266
Weighted average number of shares for diluted EPS ('000)	116,104	106,266
Basic earnings/(loss) per share (pence)	1.17	(2.09)
Diluted earnings/(loss) per share (pence)	1.17	(2.09)

There were 3,088,969 unexercised share options in place at 31 December 2022 (2021: 1,107,848) of which 1,159,383 were potentially dilutive at the year end and are included in the weighted average for diluted EPS.

Costs relating to the IPO have resulted in a loss for the prior period compared with a profit in the current year. The earnings per share, if adjusted to add back these IPO costs, would be 1.13 pence for the prior 18 month period.

9. Property, plant and equipment

Group	Freehold property	Right-of-use property	Leasehold building improvements	Right-of-use equipment	Equipment, fixtures and fittings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Net book value						
At 1 July 2020	5,347	1,089	254	264	1,682	8,636
Cost						
At 1 July 2020	5,525	1,954	329	787	3,704	12,299
Additions	-	1,048	-	458	1,554	3,060
Reclassification	(254)	-	-	-	254	-
Transfer to intangibles	-	-	-	-	(27)	(27)
Exchange adjustments	-	-	(23)	-	(25)	(48)
At 31 December 2021	5,271	3,002	306	1,245	5,460	15,284
Depreciation						
At 1 July 2020	178	865	75	523	2,022	3,663
Charge for the period	153	834	99	393	1,606	3,085
Transfer to intangibles	-	-	-	-	(14)	(14)
Exchange adjustments	-	-	(5)	-	(18)	(23)
At 31 December 2021	331	1,699	169	916	3,596	6,711
Net book value						
At 31 December 2021	4,940	1,303	137	329	1,864	8,573
Cost						
At 1 January 2022	5,271	3,002	306	1,245	5,460	15,284
Additions	-	567	-	384	979	1,930
Disposals	-	(1,689)	-	(612)	(19)	(2,320)
Exchange adjustments	-	-	2	-	2	4
At 31 December 2022	5,271	1,880	308	1,017	6,422	14,898
Depreciation						
At 1 January 2022	331	1,699	169	916	3,596	6,711
Charge for the year	102	558	67	338	1,147	2,212
Disposals	-	(1,689)	-	(612)	(19)	(2,320)
Reclassification	-	88	-	(88)	-	-
Exchange adjustments	-	-	1	-	2	3
At 31 December 2022	433	656	237	554	4,726	6,606
Net book value						
At 31 December 2022	4,838	1,224	71	463	1,696	8,292

Company	Freehold property £'000
Cost	
At 1 July 2020	-
Additions	4,965
At 31 December 2021 and 2022	4,965
Depreciation	
At 1 July 2020	-
Charge for the period	25
At 31 December 2021	25
Charge for the year	102
At 31 December 2022	127
Net book value	
At 31 December 2021	4,940
At 31 December 2022	4,838

10. Intangible assets

	Goodwill £'000	Customer relationships £'000	Technology £'000	Brands £'000	Software £'000	Total £'000
Net book value						
At 1 July 2020	52,300	15,974	6,033	2,407	419	77,133
Cost						
At 1 July 2020	52,300	17,780	7,552	2,711	419	80,762
Additions	478	-	1,821	-	345	2,644
Transfer from tangible assets	-	-	-	-	27	27
At 31 December 2021	52,778	17,780	9,373	2,711	791	83,433
Amortisation						
At 1 July 2020	-	1,806	1,519	304	-	3,629
Charge for the period	-	1,708	1,711	271	113	3,803
Transfer from tangible assets	-	-	-	-	14	14
At 31 December 2021	-	3,514	3,230	575	127	7,446
Net book value						
At 31 December 2021	52,778	14,266	6,143	2,136	664	75,987
Cost						
At 1 January 2022	52,778	17,780	9,373	2,711	791	83,433
Additions	-	-	1,780	-	300	2,080
At 31 December 2022	52,778	17,780	11,153	2,711	1,091	85,513
Amortisation						
At 1 January 2022	-	3,514	3,230	575	127	7,446
Charge for the year	-	1,138	1,533	181	184	3,036
At 31 December 2022	-	4,652	4,763	756	311	10,482
Net book value						
At 31 December 2022	52,778	13,128	6,390	1,955	780	75,031

Goodwill considered significant in comparison to the Group's total carrying amount of such assets has been allocated to cash generating units or groups of cash generating units as follows:

	31-Dec 2022 £'000	31-Dec 2021 £'000
Microlise	49,686	49,686
Trutac	3,092	3,092
	52,778	52,778

The Group tests goodwill annually for impairment, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The Microlise carrying value is assessed for impairment purposes by calculating the value in use using the net present value (NPV) of future cash flows arising from the originally acquired businesses discounted at a pre-tax rate of 15% (2021: 11.6%) and for the TruTac business at a pre-tax rate of 15% (2021: 11.6%).

The Microlise goodwill has been tested by reference to a 4 year management approved plan and TruTac by reference to a 3 year plan with a 2% long term growth rate considered applicable to the UK market applied to the terminal period. This includes consideration of the impact of cost inflationary pressures in the December tests and forecasts at that date and taking account of the corresponding inflationary price terms within the group's contracts with customers. The businesses achieved the FY22 forecasts used in the prior year test and no impairment is indicated although they are sensitive to forecast increases in EBITDA. The Microlise NPV exceeds carrying values by £8.8m (2021: £20.4m) and TruTac NPV exceeds carrying values by £1.1m (2021: £2.5m) with this reduction primarily a result of increased discount rates being applied for equity returns. Reasonable changes in the discount rate or terminal growth rate do not result in a risk of impairment of Microlise or TruTac goodwill.

At 31 December 2022, the Microlise plan subject to the impairment test to support the carrying value of goodwill, forecast £8.9m and required £7.9m of recurring EBITDA which compares with £7m on the same basis recorded for 2022 and an expected increase to £7.6m for FY23 as a result of the growth trends in the Microlise revenues, supported by significant investment in the development of technology and ongoing operational efficiencies to be made (2021: forecast £9.2m and required £7.1m of recurring EBITDA in the long term).

The 31 December 2022 TruTac plan assessed for the impairment test to support the carrying value of goodwill forecast £1.25m and a required £1.1m compared to the current EBITDA of some £1.2m. The growth trends in TruTac revenues within the forecast is a result of continued investment into the underlying technologies, the release of new products and features as well as access to an enlarged customer base, a benefit of being part of the Microlise Group (2021: forecast £1.27m and required £0.95m of recurring EBITDA).

11. Investments and loan receivables

Group	Associate £'000
At 1 July 2020	1,978
Share of loss for the period	(132)
At 31 December 2021	1,846
Share of loss for the year	(478)
At 31 December 2022	1,368

Company	Subsidiary undertakings	Associate	Total
	£'000	£'000	£'000
At 1 July 2020	77,691	1,600	79,291
Additions	16,622	-	16,622
Increase in fair value	-	650	650
Return of capital	(16,620)	-	(16,620)
At 31 December 2021	77,693	2,250	79,943
Additions – fair value of share options held by subsidiary company employees	249	-	249
Decrease in fair value	-	(1,000)	(1,000)
At 31 December 2022	77,942	1,250	79,192

Subsidiary undertaking	Principal activity	Class of shares held	% share holding
Microlise Limited	Transport management technology solutions	Ordinary	100%
Microlise Holdings Limited	Intermediate holding company	Ordinary	100%
Microlise Midco Limited	Dormant company	Ordinary	100%
Microlise Engineering Limited	Non trading company	Ordinary	100%
TruTac Limited	Transport management technology solutions	Ordinary	100%
Microlise Pty Limited (Australia)	Transport management technology solutions	Ordinary	100%
Microlise SAS (France)	Transport management technology solutions	Ordinary	100%
Microlise Telematics Private Limited (India)	Transport management technology solutions	Ordinary	100%
TruTac Training Limited	Dormant company	Ordinary	100%
Trucontrol Ltd	Dormant company	Ordinary	100%
Trulogix Limited	Dormant company	Ordinary	100%

All the UK subsidiary companies are registered in England at the same registered office as the Company. Microlise Pty Limited is registered at Level 1, 20 Albert Street, Blackburn, Victoria, 3130 Australia, Microlise SAS at Les Hauts de la Duranne, 505 Avenue Galilee, 13290 Aix-en-Provence, France and Microlise Telematics Private Limited at 4th Floor, Pride Accord, Baner Road, Pune, 411045, India.

The Group agrees to guarantee the liabilities of Microlise Midco Limited (01670983), Microlise Holdings Limited (06479107) and Microlise Engineering Limited (02211125) thereby allowing them to take exemption from having an audit under section 479A of the Companies Act 2006.

Investments in associates consist of a 20% holding in Trakm8 Holdings PLC acquired on 22 December 2018 and measured in accordance with the accounting policy. The company is listed on AIM and at 31 December 2022 the market value of the shareholding was £1.25m (2021: £2.25m).

The primary business of Trakm8 Holdings PLC is the development, manufacture, distribution and sale of telematics devices, services and optimisation solutions. The principal place of business is 4 Roman Park, Roman Way, Coleshill, Birmingham, West Midlands, B46 1HG.

The Group also has an interest of £1 in a jointly controlled not for profit community investment company, Road to Logistics C.I.C. This had commenced activity funded by a government grant and incurs neither a profit nor a loss. The principal place of business is Farrington Way, Eastwood, Nottingham, NG16 3AG.

Summarised financial information (material associates)

Trakm8 Holdings PLC

Trakm8 Holdings PLC has a year end of 31 March, and the summarised financial information disclosed is based on their published annual statements to 31 March 2021 and 2022 together with interim financial statements to 30 September 2021 and 2022, prepared under IFRS.

	30-Sep 2022 £'000	30-Sep 2021 £'000
Assets – non-current	26,101	25,705
Assets – current	10,834	9,558
Liability – non-current	(10,190)	(7,187)
Liability – current	(8,616)	(7,586)
Net assets (100%)	18,129	20,490
Group share of net assets (20%)	3,626	4,098

	Year ended 30-Sep 2022 £'000	18 months ended 30-Sep 2021 £'000
Revenues	18,102	24,982
Loss from continuing operations	(1,863)	(964)
Other comprehensive income	8	1
Total comprehensive expense	(1,855)	(963)

The Company also advanced £1,000,000 to Trakm8 Holdings PLC in September 2022. This is a loan bearing interest at 12%, repayable 14 September 2024 or convertible at the Company's option into a fixed number of ordinary shares in Trakm8 Holdings PLC. It is considered that the fair value of the loan is approximately £1,000,000 and the convertible element has no separate material equity value.

Group and company

	£'000
At 1 January 2022	-
Cash subscribed for loan notes	1,000
At 31 December 2022	1,000

12. Deferred tax assets and liabilities

Group	Intangible assets	Accelerated capital allowances	Freehold property	Tax losses	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 30 June 2020	(4,639)	(24)	-	1,840	11	(2,812)
Foreign exchange movement	-	-	-	-	2	2
RDEC credit	-	-	-	-	212	212
Adjustment to goodwill	-	-	(847)	369	-	(478)
Charge for the period	(829)	(55)	(309)	(381)	(341)	(1,915)
At 31 December 2021	(5,468)	(79)	(1,156)	1,828	(116)	(4,991)
RDEC credit	-	-	-	-	106	106
Credit/(charge) for the year	124	(152)	19	(303)	357	45
At 31 December 2022	(5,344)	(231)	(1,137)	1,525	347	(4,840)

Company	Share based payment
	£'000
At 31 December 2021	-
Credit for the year	111
At 31 December 2022	111

Deferred tax has been recognised at an average rate of 25% (2021: 25%).

13. Inventories

Group	31-Dec 2022	31-Dec 2021
	£'000	£'000
Raw materials and consumables	1,146	1,092
Work in progress	18	15
Finished goods and goods for resale	1,471	1,834
	2,635	2,941

An impairment loss of £209,000 in respect of inventory was recorded in the year ended 31 December 2022 (period ended 31 December 2021: £202,000).

14. Trade and other receivables

	Group		Company	
	31-Dec	31-Dec	31-Dec	31-Dec
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Current				
Trade receivables	13,247	11,533	-	-
Provision for impairment of trade receivables	(402)	(303)	-	-
Trade receivables net	12,845	11,230	-	-
Contract cost assets	1,466	1,449	-	-
Amounts owed by group undertakings	-	-	-	-
Other receivables	163	206	-	28
Prepayments	2,286	2,258	26	225
Total	16,760	15,143	26	253
Non-current				
Trade receivables	593	344	-	-
Contract cost assets	2,485	2,366	-	-
Total	3,078	2,710	-	-
Total	19,838	17,853	26	253

Analysis of expected credit losses is included in note 18.

The movements in Group contract related balances in the year/period are as follows:

	Year	18 month
	ended	period ended
	31-Dec	31-Dec
	2022	2021
Contract cost assets	£'000	£'000
Opening balance	3,815	2,869
Amortised to income statement	(1,115)	(1,116)
Incurred in the period	1,252	2,062
Closing balance	3,952	3,815

15. Cash and cash equivalents

	Group		Company	
	31-Dec	31-Dec	31-Dec	31-Dec
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Cash at bank and in hand	16,683	13,210	69	1,090

16. Lease Liabilities

	Group		Company	
	31-Dec	31-Dec	31-Dec	31-Dec
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Current	821	717	-	-
Non-current	926	994	-	-
Total	1,747	1,711	-	-

Leases

The group has entered into lease contracts in respect of property in the jurisdictions from which it operates, use of data centres and vehicles which are typically for terms of 3 to 5 years. In respect of data centre contracts there are options to extend the initial period with these factored into the liabilities where the group plans to use these for a longer period. For property leases, it is customary for lease contracts to be reset periodically to market rental rates. Leases of equipment, data centre usage and vehicles comprise only fixed payments over the lease terms.

Right of use assets, additions and amortisation are included in note 9. Interest expenses relating to lease liabilities are included in note 6.

Other amounts relating to leases were as follows:

	31-Dec	31-Dec
	2022	2021
	£'000	£'000
Short term lease expense	11	-
Low value lease expense	-	109
Total cash outflow for leases	979	1,400

The maturity of lease liabilities at 31 December 2022 were as follows:

	Property	Equipment and vehicles	Total
	£'000	£'000	£'000
Within 1 year	548	273	821
1-2 years	450	160	610
2-5 years	267	49	316
Total	1,265	482	1,747

The maturity of lease liabilities at 31 December 2021 were as follows:

	Property	Equipment and vehicles	Total
	£'000	£'000	£'000
Within 1 year	513	204	717
1-2 years	389	146	535
2-5 years	394	65	459
Total	1,296	415	1,711

17. Trade and other payables

	Group		Company	
	31-Dec	31-Dec	31-Dec	31-Dec
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Current				
Trade payables	4,637	4,068	7	27
Taxation and social security	1,963	944	34	28
Amounts owed to group undertakings	-	-	16,206	16,574
Other payables	1,447	1,231	1,006	1,000
Accruals	4,316	4,222	675	669
Contract liabilities	16,820	15,315	-	-
Total	29,183	25,780	17,928	18,298
Non-current				
Contract liabilities	16,463	16,150	-	-
Deferred grant income	152	196	-	-
Accruals	283	-	-	-
Other payables	-	966	-	1,000
Total	16,898	17,312	-	1,000
Total	46,081	43,092	17,928	19,298

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature. Contract liabilities relates principally to service income received in advance. The timing of recognition of Group contract liabilities are as follows:

	Less than one year	1-2 years	2-3 years	3-4 years	4-5 years	Total
At 31 December 2022	£'000	£'000	£'000	£'000	£'000	£'000
Contract liabilities	16,820	8,962	4,919	1,986	596	33,283

	Less than one year	1-2 years	2-3 years	3-4 years	4-5 years	Total
At 31 December 2021	£'000	£'000	£'000	£'000	£'000	£'000
Contract liabilities	15,315	7,813	4,692	2,696	949	31,465

The movements in Group contract related balances in the year/period are as follows:

	Year ended 31-Dec 2022 £'000	18 month period ended 31-Dec 2021 £'000
Revenue related contract liabilities		
Opening balance	(31,465)	(28,606)
Invoiced in the period	(39,178)	(50,423)
Recognised as revenue in the period	37,360	47,564
Closing balance	(33,283)	(31,465)

18. Financial Instruments

Financial risk management

The determination of financial risk management policies and the treasury function is managed by the CFO. Policies are set to reduce risk as far as possible without unduly affecting the operating effectiveness of the Group.

The Group's activities expose it to a variety of financial risks, the most significant being credit risk, liquidity risk and interest rate risk together with a degree of foreign currency risk as discussed below.

Categories of financial instruments

The Group has the below categories of financial instruments:

	31-Dec 2022	31-Dec 2021
Recognised at amortised cost	£'000	£'000
Cash and bank balances	16,683	13,210
Trade receivables - net	13,438	11,574
Other receivables	1,163	206
Total financial assets	31,284	24,990
Trade payables	4,637	4,068
Other payables	6,046	6,419
Lease liabilities	1,747	1,711
Total financial liabilities	12,430	12,198

There were no assets or liabilities at 31 December 2022 or 2021 that were recognised and measured at fair value in the historical financial information.

Credit risk

Credit risk refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss for the Group. Financial instruments, which potentially subject the Group to concentration of credit risk, consist primarily of cash and cash equivalents and trade accounts receivable including accrued income.

The Group places its cash and cash equivalents with major financial institutions, which management assesses to be of high-credit quality in order to limit the exposure of each cash deposit to a minimal level.

Trade receivables

Trade accounts receivable are derived primarily from non-recurring hardware sales and monthly service income and generally have 30-60 day terms. With the exception of one large customer who accounts for 27% (2021: 31%) of the trade receivable invoiced balance, credit risk with respect to accounts receivable is dispersed due to the large number of customers. Collateral is not required for accounts receivable. The credit worthiness of customers with balances in trade receivables not yet due has been assessed as high.

The aging of past due trade receivables according to their original due date is detailed below:

	31-Dec-22	31-Dec-21
Past due	£'000	£'000
0-60 days	3,903	3,076
60-120 days	443	186
121+ days	499	1,014
Expected credit loss provision	(402)	(303)
Total	4,443	3,973

A majority of the expected credit loss provision relates to balances that are more than 120 days overdue. The expected credit loss on balances less than 120 days is immaterial. A substantial majority of the overdue debt has been collected since the period end date with the unprovided amounts considered to be collectible.

As at 31 December 2022 the lifetime expected loss provision for trade receivables is as follows:

Past due	Expected loss rate	Gross carrying amount £'000	Loss provision £'000
0-60 days	0%	3,903	-
60-120 days	0%	443	-
121+ days	81%	499	402
Total		4,845	402

As at 31 December 2021 the lifetime expected loss provision for trade receivables was as follows:

Past due	Expected loss rate	Gross carrying amount £'000	Loss provision £'000
0-60 days	0%	3,076	-
60-120 days	0%	186	-
121+ days	30%	1,014	303
Total		4,276	303

At each of the Statement of Financial Position dates, a portion of the trade receivables were impaired and provided for. The movement in the provision for trade receivables in each of the periods is as follows:

	Year ended 31/12/2022 £'000	18 month period ended 31/12/2021 £'000
At 1 July	303	154
Provision charged	99	149
At year/period end	402	303

Other receivables are considered to bear similar risks to trade receivables or are owed by government bodies. Hence any expected credit loss on other financial assets is considered to be immaterial.

Liquidity risk

The Group now funds its business through equity and from cash generated from operations and also has a £20m undrawn working capital facility available. Details of the Group's borrowings are discussed in note 16. The Group monitors and manages cash to mitigate any liquidity risk it may face. The following table shows the Group's contractual maturities of financial liabilities based on undiscounted cash flows including interest charges and the earliest date on which the Group is obliged to make repayment:

	Less than one year £'000	1-2 years £'000	2-5 years £'000	Total £'000
At 31 December 2022				
Trade and other payables	10,688	-	-	10,688
Lease liabilities	883	648	338	1,869
Total	11,571	648	338	12,557

	Less than one year	1-2 years	2-5 years	Total
At 31 December 2021	£'000	£'000	£'000	£'000
Trade and other payables	9,521	1,000	-	10,521
Lease liabilities	764	858	473	2,095
Total	10,285	1,858	473	12,616

Interest rate risk

There are no borrowings or liabilities subject to variable interest rates.

Currency risk

The Group operates predominantly in the UK with sterling being its functional currency and has a degree of exposure to foreign currency risk, with this spread across income and expenses in Euros, US dollars and Australian dollars for sales and purchasing operations together with an outflow only of Indian rupees for the costs of development and operational support activity. The impact of a 10% fluctuation in all foreign exchange rates moving in the same direction against GBP has been assessed to be an overall impact of up to £300,000 which would be mitigated by some matching of income and expenses.

The net exposure to the dollar is offset by significant purchases made in dollars and ongoing costs in Indian rupees are now being managed by the use of forward contracts to fix the rate within the year. The net underlying foreign currency balances, comprising overseas assets and liabilities, cash, receivables and payables in the UK, in the Group statement of financial position by underlying currency at the period end were:

	USD	Euro	AUD	INR	Total
	£'000	£'000	£'000	£'000	£'000
At 31 December 2022	8,317	673	913	559	10,462
At 31 December 2021	3,249	460	599	1,152	5,460

Capital management

The Group's capital comprises share capital, share premium and retained earnings. The Group's objectives when maintaining capital are:

To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The capital structure of the Group consists of shareholders equity as set out in the consolidated statement of changes in equity. The longer-term funding requirements for acquisitions were financed from cash reserves and term bank debt which was fully repaid from the equity proceeds on listing. All working capital requirements are financed from existing cash resources.

The Group sets the amount of capital it requires in proportion to risk in conjunction with the retained earnings. The Group manages its capital structure and makes adjustments to it 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 to reduce debt.

19. Pensions

Defined contributions pension scheme

The group operates a number of defined contribution pension schemes. Contributions totalling £223,000 (2021: £194,000) were included in payables and due to the defined contribution scheme at the end of the year. The total contributions are disclosed in note 3.

20. Share capital

Defined contributions pension scheme

The group operates a number of defined contribution pension schemes. Contributions totalling £223,000 (2021: £194,000) were included in payables and due to the defined contribution scheme at the end of the year. The total contributions are disclosed in note 3.

Group and Company	At 31-Dec 2022 £	At 31-Dec 2021 £
Allotted, called up and fully paid		
115,945,956 ordinary shares of £0.001 each	115,946	115,946

Movements in share capital have been as follows:

	A ordinary	B ordinary	C ordinary	D ordinary	Total
At 1 July 2020					
<i>Number of shares</i>	33,902	5,962	325	363	40,552
<i>Nominal value/£'000</i>	34	9	-	1	44
Bonus issue on 18 June 2021					
<i>Number of shares</i>	42,673,062	7,504,477	409,083	456,915	51,043,537
<i>Nominal value/£'000</i>	42,673	11,633	409	457	55,172
Share capital reduction 7 July 2021					
<i>Nominal value/£'000</i>	(42,622)	(11,627)	(408)	(457)	(55,114)
Subdivision and redesignation on 14 July 2021					
<i>Number of shares</i>	59,461,214	(7,510,439)	(409,408)	(457,278)	51,084,089
<i>Nominal value/£'000</i>	17	(15)	(1)	(1)	-
Issue of share capital					
<i>Number of shares</i>	13,777,778	-	-	-	13,777,778
<i>Nominal value/£'000</i>	14	-	-	-	14
At 31 December 2021 and 2022					
<i>Number of £0.001 shares</i>	115,945,956	-	-	-	115,945,956
<i>Nominal value/£'000</i>	116	-	-	-	116

On 18 June 2021, 51,043,537 bonus shares were issued as above utilising the merger reserve. This was followed by a share capital reduction on 7 July 2021 reducing the nominal value from £1 for A,C and D ordinary shares and from £1.55 for B ordinary shares to £0.002 per share with the reduction in capital transferred to retained earnings.

On 14 July 2021, all A,B,C and D £0.002 ordinary shares were subdivided and re-designated as £0.001 ordinary shares with equal rights.

The company listed on AIM on 22 July 2021 and issued 13,777,778 new £0.001 shares for cash at £1.35 each resulting in a share premium of £17,630,000 after deducting the issue expenses of £956,000.

All shares rank equally in respect of income and capital distributions.

21. Share based payments

The Company granted options on 22 July 2021 at an exercise price of £0.001 per share. 100,000 of the options were granted to non-executive directors and are subject only to continuing employment or good leaver conditions. The fair value was assessed as £1.35 per option using a Black Scholes model with a volatility of 60% and risk free rates of 0.5%. They are exercisable three years after grant for a period of a year. 1,007,848 options were granted to executive employees subject to a 3 year Total Shareholder Return condition from the date of grant of a minimum of 8% annual growth in the share price up to an 18% return for 100% to be exercised. The fair value is assessed as £0.88 per option based on a discounted Black Scholes pricing model with a volatility of 60% and risk-free rates of 0.5%. The exercise period is within a year of the 3 year return being assessed.

1,132,160 options were granted to employees on 23 May 2022 at an exercise price of £1.45 subject to a 3 year vesting period only. The fair value was assessed as £0.515 per option using a Black Scholes model with a volatility of 50% and risk free rates of 2%.

The Company granted options on 28 July 2022 at an exercise price of £0.001 per share. 41,509 of the options were granted to a non-executive director and are subject only to continuing employment or good leaver conditions. The fair value was assessed as £1.32 per option using a Black Scholes model with a volatility of 50% and risk free rates of 2%. They are exercisable three years after grant for a period of a year. 973,811 options were granted to executive employees subject to a 3 year Total Shareholder Return condition from the date of grant of a minimum of 8% annual growth in the share price up to an 18% return for 100% to be exercised. The fair value is assessed as £0.86 per option based on a discounted Black Scholes pricing model with a volatility of 50% and risk-free rates of 2%.

The average vesting period is estimated at 3 years and the share based payment charge was £561,000 (2021: £129,000 for the period).

166,359 options have lapsed and 3,088,969 of the options remain exercisable at 31 December 2022 with a weighted average vesting period of 2.2 years (2021: 3) years and average exercise price of £0.51 (2021: £0.001).

22. Capital commitments

The Group had capital commitments contracted but not provided for of £1,105,000 at 31 December 2022 (2021: £nil). The company had no capital commitments (2021: £nil).

23. Related party transactions

The remuneration of key management personnel and directors is set out in note 4.

Loans have been advanced to directors of the company in prior periods. An amount of £520,580 was owed and included in other debtors at 30 June 2020 which was fully repaid in the following period.

During the prior period, and before the Group was listed on AIM, close relatives of directors were employed by the Group with aggregate remuneration and benefits of £1,200,000 paid by the Group.

24. Subsequent events

On 14 March 2023, the group acquired 100% of Vita Software Limited, a leading provider of transportation management system solutions. The acquisition is expected to expand Microlise's suite of transport technology solutions. The total consideration of £2.06million including £0.2m of deferred consideration payable after one year from the date of acquisition. The acquisition was funded from the Group's cash resources. The identifiable assets acquired comprised of technology solutions and goodwill intangible assets arising largely from the technology products held and the synergies expected to arise by combining the product and service offering. The other assets and liabilities acquired are not material to the Group. At the time of approval of the Group financial statements the fair value of the different acquired intangible assets is subject to formal valuations being carried out. Acquisition costs of £60k were incurred relating to the acquisition of which £60k was expensed in the period. Other than the acquisition costs the acquisition was not included in the reported results for the year ended 31 December 2022.

NOTICE OF AGM

The AGM will be held at Microlise's head office at Farrington Way, Eastwood, Nottingham NG16 3AG, at 09:00 on 24th May 2023.

There will be an option to join. The notice of the AGM is available on the Group's website and sets out the business of the meeting and an explanatory note. In line with good governance, voting on all resolutions at this year's AGM will be conducted by way of a poll. Should a shareholder have a question that they would have raised at the meeting, they are able to send this by email to microlise@secnewgate.co.uk. Answers to questions will be published on the website following the AGM.

OTHER INFORMATION

Directors

Nadeem Raza

Bill Wynn

Jon Lee

Dino Rocos

Lucy Sharman-Munday (Appointed February 1st 2022)

Company Secretary

Nick Wightman

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