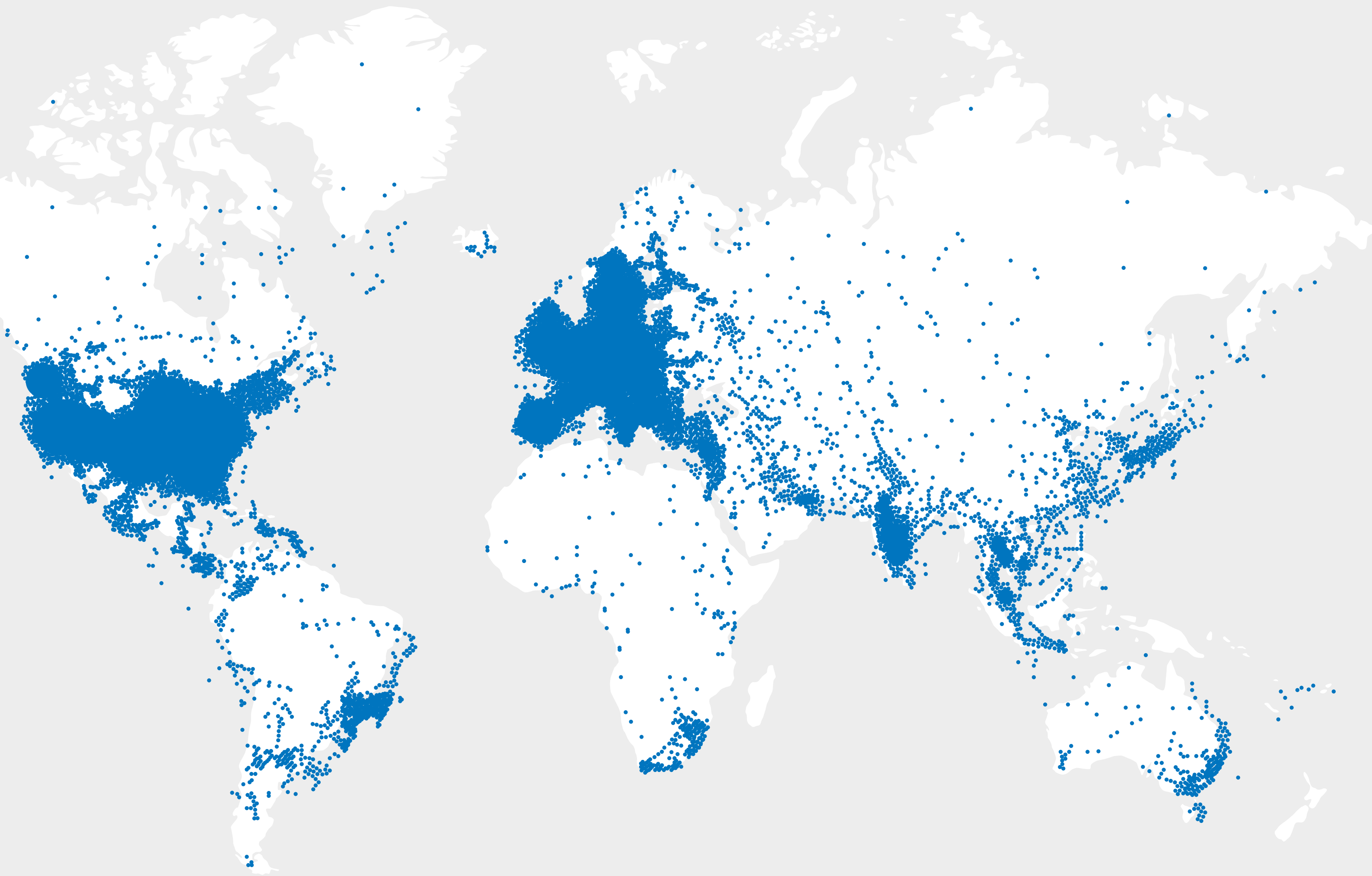
...ENABLING A SAFE, EFFICIENT & SUSTAINABLE CONNECTED WORLD

MICROLISE GROUP PLC

ANNUAL REPORT FOR 18 MONTHS TO:
31 DECEMBER 2021

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

550,000

vehicle subscriptions

We deliver integrated location, performance, utilisation, safety & compliance information through award-winning solutions.

HIGHLIGHTS

GROUP REVENUE	GROSS MARGIN	OPERATING PROFIT	ADJUSTED EBITDA[1]
£88.2M	£50.5M	£1.0M	£11.3M
12m to 31/12/21:	12m to 31/12/21:	12m to 31/12/21:	12m to 31/12/21:
£60.3m (17%)	£34.5m (14%)	£(0.3)m (-117%)	£7.8m (24%)
CY20: £51.6m	CY20: £30.1m	CY20: £1.7m	CY20: £6.3m

ANNUAL RECURRING REVENUE (ARR) RUN RATE	CASH & CASH EQUIVALENTS	SUBSCRIPTIONS	CHURN
£38.9M	£13.2M	551K	0.1%
12m to 31/12/21:	12m to 31/12/21:	12m to 31/12/21:	12m to 31/12/21:
£38.9m (9%)	£13.2m (26%)	551K (10%)	0.1% (-)
CY20: £35.7m	CY20: £10.5m	CY20: 502K	CY20: 0.1%

[1] Adjusted EBITDA excludes exceptional costs in relation to the IPO, depreciation, amortisation, share of loss of associate, interest, and tax

[2] 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 with the current reporting period covering the 12 months ended 31 December 2021 (CY2021) and the comparative period covering the 12 months ended 31 December 2020 (CY2020)

Highlights

- Strong progress across the Group has driven an increase in revenue to £88.2m for the 18 months ended 31 December 2021 (12 months ended 30 June 2020: £50.0m).
- On a comparable calendar year basis, revenue for the 12 months ended 31 December 2021 (CY21) has increased 17% to £60.3m (12 months ended 31 December 2020 (CY20): £51.6m).
- Recurring revenue (+9% to £36.7m) for the 12 months ended 31 December 2021 (CY21), supported by the renewal of several major customer contracts and new customer wins (CY20: £33.5m).
- Increased gross profit (+14% to £34.5m) for the 12 months ended 31 December 2021 (CY20: £30.1m), at a gross profit margin of 57%.
- Adjusted profit before tax (+104% to £2.6m); for the 12 months ended 31 December 2021 (CY20: £1.3m), with margin up 1.8% pts to 4.4% (CY20: 2.5%).
- Net cash of £13.2m together with a £20.0m undrawn Revolving Credit Facility.
- Growth in subscriptions (+10% annual increase to 551,000) driven by continued growth in our existing customers together with new customer wins, despite Covid-19 and component shortage headwinds (CY20: 502,000).
- Annual recurring revenue (ARR) run rate of £38.9m at period end, growing 9% in last 12 months.
- The Group added over 65 new customers in the last 12 months ended 31 December 2021 (CY21) and long-term contract customer churn rate by value remained very low at 0.1%.

Current Trading & Outlook

- Microlise has entered FY22 with a strong order book and significant demand for both existing and new solutions, leading to a strong sales pipeline.
- The board is confident of delivering a performance for the full year in line with current market expectations, given a strong start to trading in the first quarter.
- Well-funded to continue to invest in our growth opportunities. In addition, the Group is actively reviewing opportunities that would add expertise, particularly within new product development as well as entering new geographies and markets where we see exciting opportunities.

Over 65 New Customers across the Group

>15 Major Contract Renewals including JCB

Successful IPO – 22 July 2021

Indian office Great Place to Work accreditation secured

TruTac receives Queen's Award for Innovation

Launched TBPMS/ TruFleet

TABLE OF CONTENTS

MICROLISE AT A GLANCE

Microlise is a leading provider of transport management software to fleet operators helping them to improve efficiency, safety, and reduce emissions. These improvements are delivered through reduced fuel use, reduced mileage travelled, improved driver performance, fewer accidents, elimination of paperwork and delivery of an enhanced customer experience.

Established in 1982, Microlise is an award-winning business with over 400 enterprise customers.

THE QUEEN'S AWARDS FOR ENTERPRISE: INNOVATION 2020

THE QUEEN'S AWARDS FOR ENTERPRISE: INNOVATION 2019

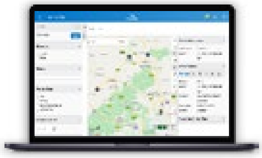
THE QUEEN'S AWARDS FOR ENTERPRISE: INTERNATIONAL TRADE 2018

How We Make Money

We provide a globally enabled SaaS platform that digitises the business processes of enterprise organisations that run 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.

We also provide 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.

Our Products



Fleet Performance

Track assets in real-time and retrospectively

Maximise utilisation & boost ROI

Improve driver performance

Journey Management

Deliver a proactive customer experience

Monitor fleet performance vs the plan

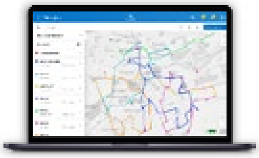
Understand planned vs actual

Fleet Safety

Protect your drivers

Understand incident fault & liability

Improve safety standards



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

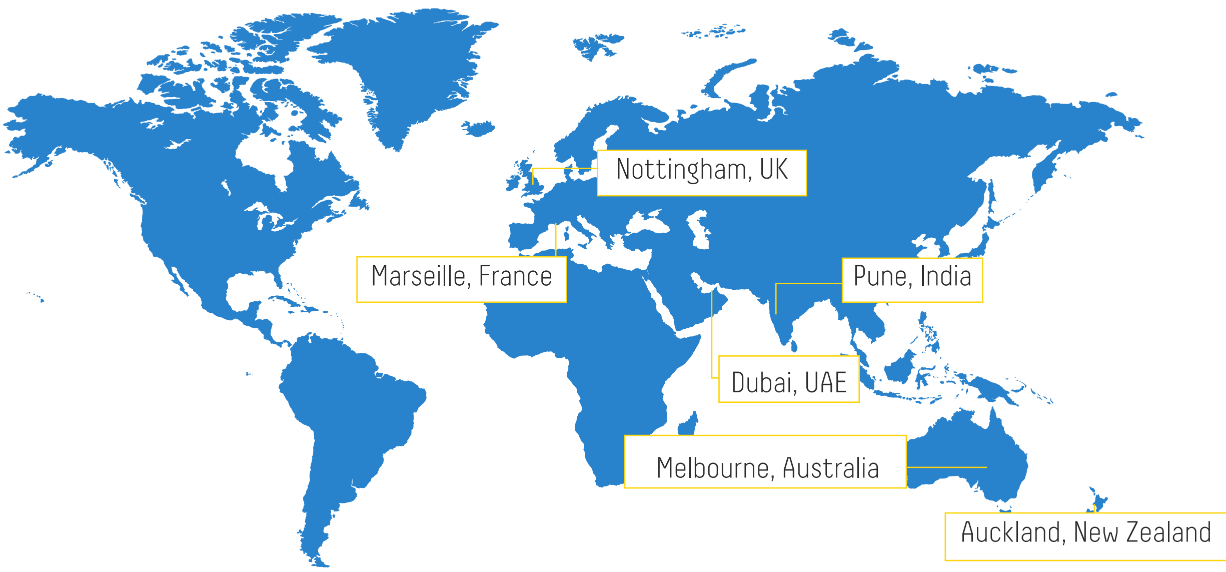
Raise safety standards

Driver Connected Mobility

Ruggedised hardware options for logistics environments

Manage driver communications

Where We Operate



With 350 employees based at the Group's headquarters in Nottingham in the UK, the Group also has offices in France, Australia, & India, with a total global staff base of over 600.

Our Customers

Supporting large vehicle fleet operators across OEM, haulage, retail, grocery, food manufacturing & services, pharmaceuticals, petrochemicals, post & parcel, defence & services and construction including:

Driving Operational Efficiency & Compliance For Our Customers

Supporting customers to improve across a range of KPIs including greenhouse gas emissions, operating efficiency and safety:

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

PEOPLE & OPERATIONS

OUR PEOPLE

Operating Responsibly – Our Core Values

Microlise is committed to conducting its business with integrity, honesty and social responsibly. The business has worked hard to establish a Core Values framework that acts as the cornerstone of our culture and code of conduct.

Our Core Values framework has been integrated into day to day working practices and aims to direct our people on how we should interact with our colleagues, our customers, our suppliers, the local community, and the wider environment. It also acts as a tool for recruiting, appraising and rewarding our staff.

Recruitment & Retention

The Microlise Group believes that its people are fundamental to its success. We actively promote and encourage an open and honest culture of communication and engagement.

We work hard to attract, retain and motivate the very best people to support our business both now and into the future. To do this, we work to empower them to be themselves and to keep developing their core skills.

We are also working to attract underrepresented groups with organisations like Speakers for Schools to support the development of new talent and encourage more participation in our recruitment activities.

We regularly review our career and life-friendly programmes and benefits, to ensure we position ourselves competitively and support the needs of our employees. Our latest employee survey results highlight that 85.76% of our people would recommend Microlise as an employer. We also have a long-established track-record of retaining our people, which in the UK currently averages more than five years.

Despite well publicised global recruitment and retention challenges and wage inflation during the Period, the Group saw a 11% increase in average headcount.

Diversity & Inclusion

We aim to create a diverse working environment and an inclusive culture from recruitment and throughout the career journey of our employees so everyone feels valued and can live up to their full potential in the workplace.

We are focused on delivering targeted initiatives to increase the representation of diverse groups by:

1. Enhancing our recruitment policy by making it easier for diverse applicants to participate and recruiting trainees into the organisation from diverse groups.
2. Providing family friendly benefits, flexible working arrangements and carer's leave.
3. Delivering training programmes on neurodiversity, unconscious bias and mental health.

Employee Engagement

Listening and responding to our people is an important part of what makes us who we are.

We survey our employees annually to understand how they feel about working at Microlise and we act on their feedback to help us to improve.

We encourage employees to share their views through formal and informal engagement channels including via webinar during bi-annual business updates and through our Intranet based 'Ask The Senior Leadership' page.

Community Engagement & Volunteering

Our people deliver on our goal of helping our customers to work more efficiently and with less impact on the environment through their work every day.

In addition, we encourage business-wide and employee support for good causes in our communities and have established a Group-wide Community Engagement Group (CEG) to manage our corporate initiatives.

Group-wide support extends from being a proud corporate sponsor to large charitable organisations such as Transaid, to supporting orphanages in India, or providing books and resources to local UK-based primary schools and supporting local food banks.

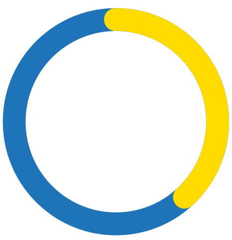
Health & Wellbeing

We support our employees, helping them to feel safe and supported at work and at home.

During the Covid-19 Pandemic, we introduced a paid Covid-19 leave scheme in India to enable employees to care for their direct family members along with providing Covid-19 health insurance protection and providing a free Covid-19 vaccination scheme for employees and their families. We also provided all employees in India with a payment to purchase ergonomic home office equipment and delivered higher specification laptops across the team. Our occupational health scheme now includes annual health screening for all employees in India.

We have a team of mental health first aiders across the Group and are working to extend support for people suffering from mental ill health, by training mental health champions across all the areas of the business. We are also designing an initiative for well-being champions across the Group.

Learning & Development



TRAINING INVESTMENT

- **£183,000** includes **£94K** of apprenticeship levy (2020)
- **£276,000** includes **£104K** of apprenticeship levy (2021)

The Learning and Development Academy, now in its third year of operation, is available to all employees across the Group.

Recognising the pace of change in our sector, our early-stage programme prioritises learning and practical experience to help develop people who are agile, resilient and ready for work. The programme, which was initially established for graduate & apprentice software engineers has resulted in the following retention & learning figures:

64 Graduate and Apprentices in total have been recruited of which:

13 Were recruited in Pune, India

08 Low attrition rates
8 leavers in 3 years
(5 in the UK, and 3 in India)

Apprentices all receive a British Computer Society (BCS) Level 4 Diploma in Software Engineering.

We've delivered
11,000
Hours of formal training

47,000
Hours of work-based learning

The Early Talent programme is currently being extended with two new Field Apprentice Engineers employed, and four new Graduates starting in our Operations and Product divisions. We anticipate that the combined programme in the UK and India will recruit twenty-four new Field Apprentice Engineers and twelve graduates per year respectively.

As well as Early Talent, Microlise's Learning and Development Academy has a comprehensive blended learning programme which has seen:

Over
6,000
Hours of learning content engaged

Over
60
managers attending the Microlise inhouse Management programme

Employees also achieved qualifications in Supply Chain management, HR Level 7 Diploma, MBA's, Level 5 CMI and ILM management, Finance, Cyber Security, ISO 9001, Project Management in Prince2 and APM, Artificial Intelligence, Azure Software Developer, Product Owner, ISTQB testing, and many more.

The L&D Academy also delivers a soft skills programme which supports our everyday activities and engagement with internal and external customers. These cover sales fundamentals, account management, negotiation skills, conflict management, problem solving, decision making, self-awareness, management of self, mental resilience, language skills, instructional training techniques, presentation skills, mentoring and coaching.

The purpose of the Academy is to ensure no matter what your starting point is within the Microlise Group, there is a learning pathway or programme of lifelong learning, to ensure your talent is developed for the benefit of the business and the employee.

As the Learning and Development Academy grows, programmes and course content will, and are, being continually updated to ensure new thinking and fresh ideas are always part of our employee development journey.

RESEARCH & DEVELOPMENT

By harnessing the Industrial Internet of Things (IIOT) technology, big data and artificial intelligence (AI) along with the associated digital tools that support operations, communication, analysis and decision-making, we provide our customers with actionable insight from the massive amount of data we accrue.

We work closely with our customers, taking a market rather than a customer-specific approach, to ensure our solutions align with clear market need.

Noteworthy pilots and research initiatives during the period included:

- Provided data and statistics to support Covid-19 impact analysis
- Part of a successful consortium bid for the Electric BSA Motorbike
- PoC completed on fixed asset IoT Advanced Service Enablement value proposition
- Long-life unpowered asset monitoring through Bluetooth low energy
- Worked with National Highways and DVSA to push nationwide load security and transport safety initiative
- Liaised with DVSA to promote Earned Recognition accreditation across the HGV and PSV industries

PRODUCT ROADMAP

Through the Period
Next-generation hardware for global Off-Highway market

Extending the connectivity and sensorisation opportunities for the global off-highway health & usage monitoring markets

July 2020
Direct Vision Standards compatible additions to ClearVision safety & risk services

Adding additional in-cab camera feeds and vulnerable road user sensor warnings for low-speed manoeuvres

Through the Period
Microlise Planning & Optimisation service enhancements

Order planning and vehicle route optimisation service improvements to compliment the Microlise Transport Operations suite of solutions

March 2021
TruTime

New product for managing drivers and other employees' time keeping enabling clocked tachograph data for wage and timesheet control

April 2021
CPT Fleet Management

Earned Recognition approved Fleet Management and maintenance planning software PSV operators and CPT Members

May 2021
DCRS

Driver Compliance Risk Score for intelligent and proactive driver risk management.

PRODUCT ROADMAP

July 2021
ePOD Mobile Payment integration

Enable 'doorstep' card payments for goods and services

August 2021
EPMI

Electronic document control in TruFleet for easy management of maintenance paperwork & audit trail

December 2021
Trailer Brake Performance Management capability added to existing core telematics platform

Providing constant on-the-road trailer braking performance to support fleet compliance and safety initiatives

December 2021
Federated Authentication for Single Sign-On

Allows customers operating leading Identity Provider platforms to integrate with User Access Management and own authentication protocols

CUSTOMER CASE STUDIES

HOVIS

Managing Supply Chain Complexity with Fleet & Vehicle Telematics

Hovis deploys Microlise telematics to improve fleet safety, utilisation and driver performance. Our Journey Management solution, in particular the Schedule Execution Board, enhances customer communication and increases visibility of performance against plan. The Safety Module has also been deployed along with our Proof of Delivery solution.

Following implementation, fleet visibility, utilisation, efficiency, driver performance and safety metrics have all improved, according to Adam Bassant, General Manager Logistics. The advantages of improved driver performance can also be quantified across key financial metrics including fuel savings and accident reduction.

BENTONS HAULAGE

Entrepreneurial Operator Solves Compliance & Drives Efficiency with TruTac

Bentons Haulage significantly improved fleet efficiency and compliance by using multiple TruTac software products.

Bentons had been using TruTac's compliance products for over ten years but added TruFleet maintenance software to manage workshop and vehicle inspection procedures.

"The impact was instant," according to Director Shane Benton. "It was like the missing piece of the puzzle. We reduced vehicle downtime and workshop maintenance administration by over 30%, which drives improvements throughout the entire operation."

DFS

Increasing Safety and Reducing Fuel Costs

DFS has implemented Fleet Performance, including the safety module, which monitors harsh acceleration, braking and cornering.

DFS says it has seen a reduction in fuel of 6% in its first year as well as a safer environment for its drivers. According to Chris Bamford, DFS Group Fleet and Transport Compliance Manager: "Working with Microlise has been fantastic. They've been really thorough, making sure we do what's needed, so it's been great."

DFS is also trialling the Microlise in-cab navigation system and investigating an interface between its in-house systems and Microlise to give customers real-time information around delivery status.

SUTTONS GROUP

Managing A Safety-First System

Suttons has deployed the Microlise Fleet Performance and ClearVision multi-camera solution and the safety and operational improvements are already evident:

"The system has allowed us to automate a number of our processes and is helping us to make our work practices slicker and leaner.

"We are starting to see a reduction in damage incidents because the camera manoeuvring solution is proving to be really useful. We've also had very positive driver feedback."

STRATEGIC REPORT

CHAIRMAN'S REPORT

The Company successfully floated on the London Stock Exchange's AIM market in July 2021, raising £61.2m, of which £42.6m was for selling shareholders and £18.6m was new growth capital for the Company. Our strategy and team and the benefits we deliver to customers and stakeholders was well received and we secured strong support from institutional investors.

The past twenty-four months have been a tremendously difficult time for many people, both personally and professionally, and our thoughts are with those who have been negatively impacted by the effects of the Covid-19 pandemic. The transport and logistics sector that we serve has seen some of the more significant challenges over this period, such as driver shortages, lack of new vehicle supply and rising fuel costs. I am glad to say our solutions, ranging from fleet telematics to planning and optimisation, that integrate our hardware devices and SAAS software, have helped our customers make the most productive use of their vehicle fleet, fuel and drivers over this time.

As a business, Microlise is committed to driving the road transport industry forward, and empowering operators to work as smartly, efficiently, and sustainably as possible. We have successfully positioned ourselves as a technology company that supports customers to secure improved sustainability outcomes nationally and internationally. This has been achieved in a number of territories, for example delivering transport software solution and hardware to Carlsberg across Europe and the UK.

Financial Performance

The resilience of the Group due to solid levels of recurring revenues and high levels of customer retention, was evident throughout the Period. We are pleased to report the business delivered successfully against management expectations for the year, achieving its revenue, profit, and cash targets, including revenue growth of 17% and adjusted EBITDA growth of 24% for the 12-month period ended 31 December 2021 (CY21) over CY20 (the 12-month period to 31 December 2020).

Our People

Collaboration has always been central to our working environment, but the past Period has been pivotal for our diverse workplace culture and strategy as we reimagined how and where we work within a different context. As COVID-19 reached pandemic status, 90% of our global workforce shifted to remote work, while continuing to meet the needs of our clients and communities.

We believe that our staff and culture are critical to our success. We have invested further in the development of our staff across all levels, through training, and our employee engagement programmes. This has resulted in higher employee satisfaction scores than ever before, and in our India office, achieving 'Great Place to Work' accreditation. We firmly believe that having enthusiastic and engaged staff drives improved performance and higher service levels to our customers.

Governance

From its earliest days, Microlise has been run with a keen eye on supporting expansion, ensuring depth of management and the capacity to deal with operational change. The Group has strong fundamentals and business oversight, two factors which left us well placed to support our customers

'The success of the Company's entry into the public markets and the response from institutional investors, points to the quality of the business and its foundational strength'

to the standard they have come to expect when we transitioned to remote working from home.

As Chairman, I am responsible for leading the Board and ensuring it is focused on strategic matters and that the highest governance standards are in place. As part of our continuing commitment to strengthen our Governance, we were delighted to welcome Lucy Sharman-Munday as an independent Non-Executive Director, who joined the Board in February 2022, and will be the Chair of the Audit Committee going forward.

With over 16 years of experience in the technology sector, Lucy brings a strong knowledge of finance in software companies and a complementary skill set to the Board.

Looking ahead

The transport management and supply chain sector is becoming more complex, more demanding, more regulated, and more competitive than ever. There is an increasing need for optimisation, scalability, security, compliance, and improved environmental outcomes. The need to deliver excellent customer service at a competitive price, and to rapidly scale up or down as

'Microlise has been run with a keen eye on supporting expansion, ensuring depth of management and the capacity to deal with operational change'

consumer patterns dictate, are all challenges being faced by fleet operators across the globe. These factors are driving demand for end-to-end transport management technologies that manage and counter these challenges. In many ways, the Covid-19 pandemic amplified and accelerated this trend.

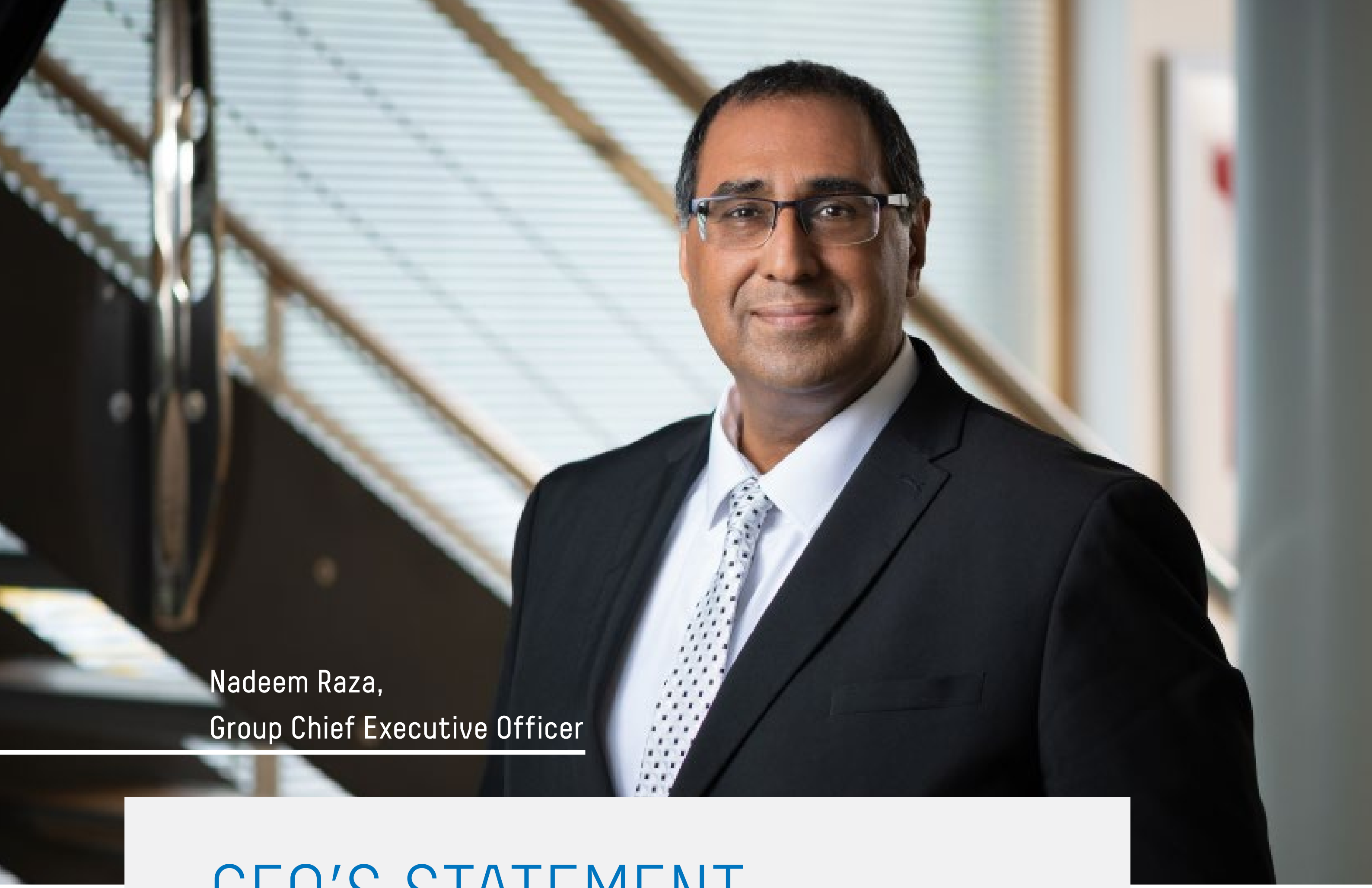
It is clear that Microlise, thanks to its proven and expanding product portfolio, is in a strong position to capitalise on these growth opportunities within its established and growing markets. We continue to invest heavily in R&D, both in the UK and India, to expand our product range and capability, including enhancing our products to maximise their benefits as our customers transition to alternative fuels and electric vehicles. We also invest in expanding our geographic presence to enable us to deliver our product range to a wider set of customers. We will also look at selective acquisitions to help accelerate our strategy where appropriate.

The year ahead will not be without its challenges as the world emerges from the disruption of Covid-19 and the crisis in Ukraine and we look to overcome hardware component shortages where they occur.

However, despite short-term challenges, our year has started off positively and we are confident of reaching our FY22 targets. Beyond FY22 the future looks more buoyant, as our customers are already seeing an increase in projected demand, which we anticipate will result in increased order volume across the Microlise product set.

On a final note, I would like to pay a particular tribute to our staff who, in the face of very challenging circumstances, have enabled us to continue to deliver on our commitments to customers worldwide and make progress on our broader objectives. Their positive attitude, commitment & support are what drives our success.

‘It is clear that Microlise, thanks to its proven and expanding product portfolio is in a strong position to capitalise on these growth opportunities within its established & growing markets’



CEO'S STATEMENT

The eighteen-month period to 31 December 2021 was one of considerable achievement for the Group. We strengthened our business through the growth of our global customer base; the renewal of several major customer contracts, including a new 5-year contract with our largest customer, JCB; the launch of new products; ongoing recruitment and team expansion; and the completion of a successful IPO to fund the acceleration of our growth strategy.

This was all set against a challenging backdrop for the transport and logistics industry caused by the Covid-19 pandemic, Brexit disruptions and driver and microchip shortages. The impact of Covid-19 on the Group varied across the Period. Initially we saw delays to customer site 'go-lives', and we supported many of our customers through challenging periods of peaks and troughs of workload. Later in the Period we had to adapt to driver shortages as well as the ongoing global microchip crisis. The Group provided free support to frontline health workers and also provided additional product capability where customers needed to scale up at speed.

Financial Performance

Notwithstanding the current uncertainty in the wider environment, in particular the significant challenges presented by the global microchip shortage and other supply chain issues, we remain confident for FY22 and beyond.

We continue to see strong fundamentals in terms of revenue and growth with a 10% increase in subscriptions, a churn rate of 0.1% and a 9% increase in ARR run rate for the 12-month period ended 31 December 2021.

Ukraine Crisis

We have watched in horror as the conflict in Ukraine and its developing humanitarian crisis has unfolded. From a business perspective, we have reviewed customer and supplier risk resulting from this global disruption as well as the likely consequence of the numerous sanctions that have been imposed. We are confident that the direct business impact is not significant at this time, and we will continue to review the risks as the situation develops. We are also providing support to our staff who have family or friends that are impacted by the conflict. We are exploring how we can support the humanitarian effort through monetary donations, free use of our products and services for logistics support, as well as by sponsoring individuals to come to the UK.

A Growing Customer Base

For over 30 years we have been working closely alongside our customers to shape our offering, ensuring it meets their needs and helps to promote an efficient, safe, cost-effective, sustainable and compliant environment.

We have a strong track record of building long term relationships with our customers and growing our engagement over time, through product expansion across new functions and geographies. Overall customer churn remained low during the Period at less than 0.1%. This strong performance reflects the Company's continued success in maintaining these long-term relationships with customers through our award-winning technology platforms. During CY21 we added over 65 new customers, and the Company grew vehicle subscriptions by 10% to a total of 551,000 at the Period end.

The Group also increased investment in sales and product development to capture the growing opportunity in international markets, such as France and Australia. We have seen an increase in demand across all regions, as COVID restrictions have been lifted. Our largest customer in Australia has also renewed their contract for a further 5 years.

An Expanded Offering

In order to maintain our market leading position as provider of the best-in-class solution, we released a number of new products during the Period. These were specifically targeted at our customers' needs and have already generated new customer orders and helped to increase recurring revenues from existing customers.

Most notably, we launched our new Planning & Optimisation software only module which delivers faster, more flexible, and more accurate route planning to operators, reducing driver hours and mileage and thereby reducing costs and emissions. Through TruTac we also launched TruFleet, the Earned Recognition DVSA approved fleet management software that helps transport managers to plan, organise and control day-to-day fleet and Operator Licence management.

People

We continued to recruit during the period under review with average staff numbers rising from 551 to 611. This has broadened Microlise's capabilities and will enable us to better meet the many opportunities we see ahead. Recruitment occurred across the business but with particular emphasis on strengthening our Operations and Development teams. The Board was also strengthened post-period end through the appointment of Lucy Sharman-Munday as an independent Non-Executive Director and chair of the Audit Committee.

‘We maintain a laser focus on strengthening our position in our core market in the UK and in France and Australia where we see major opportunities to make a significant impact’

Successful IPO

A key event in the Period was our admission to trading on the AIM market of the London Stock Exchange, which provided us with the funds to accelerate our growth strategy and the enhanced profile and credibility that PLC status brings. We welcome all of our new shareholders and look forward to growing with them in the years ahead.

Strategic Focus For The Year Ahead

The Group has a clear and singular focus on growth, and we continue to work to advance our strategic ambitions, by building on our strengths and adapting to changes in the business environment.

Internally we are accelerating our development capacity to expand our product portfolio and ensure our solution remains best-in-class and continues to meet our clients' evolving needs. We are also investing in the data mining capability of our sales and customer service teams, to maximise enterprise level opportunities for customer expansion and cross sales.

We maintain a laser focus on strengthening our position in the UK and adjacent markets. Having already secured the majority of large fleets (over 500 vehicles) in the UK as customers, we now see an opportunity for many small and medium sized businesses to benefit from our solutions. We have therefore invested in growing our sales team, focusing on fleets in the 50 to 500 vehicle space. This is already resulting in good growth in orders and our sales pipeline. We are also actively assessing a number of potential acquisition targets to broaden the value proposition offered to both large and SME fleets.

We see major opportunities to make a significant impact in the adjacent markets of France, Australia, and New Zealand and, with Covid-19 restrictions easing, these opportunities are currently growing. We have therefore expanded our sales and consultancy teams in these regions with the aim of capitalising upon this growth. To exploit opportunities in adjacent markets, we have also established a New Markets team to work on the incubation of new products and services that will enable us to better evaluate new markets.

Selective M&A

We continue to actively assess acquisition opportunities, particularly where they could add clear technological capability or international market growth.

Outlook

Our purpose is to improve efficiencies, increase safety, and reduce emissions for our clients. Our solutions deliver this through reduced mileage and fuel consumption, improved driver performance, fewer accidents, elimination of paperwork and delivery of an enhanced customer experience.

These solutions are becoming ever more important as, in my view, the most impactful companies in the post-pandemic world will be run by good corporate citizens, who maintain a strategic focus on Environmental, Social and Governance (ESG) matters, complemented by strong financial performance. Microlise is beginning to build its formal ESG credentials but already has a solid track record in this field and a culture of questioning how things might be done better.

I am incredibly proud of everything the Group has achieved to date, and particularly in the support we have given our customers during this tumultuous period. However, we are still very much at the start of our journey. Increasing regulation, stricter environmental targets and changing consumer demand means that transport technology requirements are becoming more complex. As the world recalibrates, we see a clear and growing need for our scalable and sustainable products.

We continue to invest in our future growth, which is underpinned by long-term structural drivers. Despite the short-term market disruption caused by the ongoing global microchip shortage, Microlise has entered FY22 with a strong order book and significant demand for both existing and new solutions, leading to excellent pipeline visibility.

Whilst we have been dealing with chip shortages for the past 18 months, the industry opinion is that from Q3 2022, the situation will improve and return to pre-pandemic levels by Q3 2023. However, the Group's management will continue to implement and execute its plans to mitigate the impact. Trading in the first quarter of the current year is in line with Board expectations and we are confident of delivering a performance for the full year in line with market expectations.

'We have a strong track record of expanding our customer engagement over time, through product expansion across new functions and geographies within the same organisation'

Bill Wynn,
Group Chief Financial Officer

CFO'S STATEMENT

The financial results for the eighteen-month period to 31 December 2021 reflect another period of profitable growth (before IPO costs incurred in the period) for Microlise despite the challenges widely reported across all industry sectors.

Key Performance Indicators

The following key performance indicators for the 18-month period to 31 December 2021 also include the calendar year to 31 December 2021 and calendar year to 31 December 2020.

£'m unless otherwise stated

		Statutory Results (Audited)		Calendar Year Results (1) (Unaudited)		
		FY21 18-months to Dec-21	FY20 12 months to Jun-20	12 months to Dec-21	12 months to Dec-20	Change (12 months) %
Financial	Revenue	88.2	50.0	60.3	51.6	17%
	Recurring Revenue	54.0	32.0	36.7	33.5	9%
	Gross Profit	50.5	28.4	34.5	30.1	14%
	Gross Profit Margin %	57%	57%	57%	58%	(1)%
	Adjusted EBITDA (2)	11.3	5.7	7.8	6.3	24%
	Adjusted EBITDA %	13%	11%	13%	12%	6%
	Profit/(loss) before tax	(0.0)	0.7	(0.8)	1.3	(160)%
	Adjusted Profit/(loss) before tax (3)	3.4	0.7	2.6	1.3	104%
	Net Cash (4)	13.2	7.6	13.2	8.0	65%
	Short term borrowings	0.0	(2.4)	0.0	(2.5)	(100)%
	Cash and cash equivalents	13.2	10.1	13.2	10.5	26%
Non Financial	ARR run rate (5)	38.9	29.7	38.9	35.7	9%
	Number of like-for-like subscriptions (6)			551,000	502,000	10%
	Long-term contract customer churn by value			0.1%	0.5%	(80)%

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 with the current reporting period covering the 12 months ended 31 December 2021 (CY21) and the comparative period covering the 12 months ended 31 December 2020 (CY20).
2. Adjusted EBITDA excludes exceptional costs in relation to the IPO, depreciation, amortisation, share of loss of associate, interest, and tax.
3. Adjusted Profit / (loss) before taxation excludes IPO costs of £3.4m.
4. Net cash is cash and cash equivalents less short-term borrowings, and lease liabilities.
5. ARR run rate change figure and % compare the annualised recurring revenue figure for December 2021 with the annualised recurring revenue figure for December 2020.
6. Like-for-like subscriptions change figure and % compare the subscriptions as at 31 December 2021 with the subscriptions as at 31 December 2020.

GROUP RESULTS

Revenue

Total Revenue for the period was £88.2m. Revenue for the 12 months ended 31 December 2021 was £60.3m, an increase of 17% from CY20. Both recurring and non-recurring revenues showed strong growth following an increase in win rate with 65 new customers in the CY21. Recurring SAAS revenues in the Period were £54.0m, with recurring revenues in the 12 months ended 31 December 2021 of £36.7m, an increase of 9% compared to £33.5m in CY20. New customer wins, together with growth in our existing customer's fleets resulted in 9% growth in ARR to £38.9m as at 31 December 2021 from £35.7m on 31 December 2020.

Non-recurring revenue for the period was £34.2m. Non-recurring revenue for the 12 months ended 31 December 2021 grew particularly strongly with an increase of 31% to £23.6m (CY20: £18.1m) as a result of the installation of hardware units for new customers and a bounce back in hardware and installation revenues from OEM customers that closed their factories for approximately three months in the comparative period due to the pandemic.

In addition to winning new business and deepening existing accounts, the Group successfully maintained an extremely low rate of customer churn by value at 0.1% (CY20: 0.5%). This reflects the mission critical importance of Microlise's software solutions in our customers' operations.

Gross Profit

Gross profit for the period was £50.5m. In the 12 months ended 31 December 2021 gross profit grew 14% to £34.5m (CY20: £30.1m) with a slight reduction in gross margin % from 58% in CY20 to 57% in CY21. The reduction in gross margins was driven by further investment in our data centres and associated costs which we expect to see coming through as benefits in later years. Non-recurring gross margin increased to 30% from 24% in CY20 notwithstanding having to pay premium pricing on certain electronic components due to supply shortages.

Adjusted Operating Expenses

Despite the global uncertainties caused by the COVID-19 pandemic, the Group has continued to invest in product development, operations, and sales & marketing. Operating expenses in the period were £40.4m. Operating expenses in the 12-month period ended 31 December 2021 increased 11% to £27.4m (CY20: £24.7m). This cost represents employee costs, premises costs, marketing costs, research & development (net of capitalised costs), finance charges, and administration costs.

The 11% increase in staff costs in the 12 months ended 31 December 2021 to £24.3m (CY20: £21.8m) reflected our increase in headcount in line with our growth as well as standard annual pay awards and increased commissions/ bonuses reflecting the increased new customer win rate and the Group's strong EBITDA performance. The increase also included an average headcount increase in operations due to the strategy of bringing more installation work in-house. Average headcount in the Period was 611 and 618 in the 12 months ended 31 December 2021 (CY20: 586) overall, with 23 of the increase within operations and development.

Capitalised research & development costs in the period were £1.8m and in the 12 months ended 31 December 2021 was £1.3m (CY20: £0.5m), whilst amortisation of capitalised development costs in the period was £0.6m and in the 12 months ended 31 December 2021 was £0.5m (CY20: £0.2m).

Adjusted EBITDA & Profit Before Tax

The adjusted EBITDA in the Period was £11.3m. The growth in revenue and control of costs have resulted in a significant increase in adjusted EBITDA in the 12 months ended 31 December 2021 by 24% to £7.8m (CY20: £6.3m) for the year, with EBITDA margin improving to 13% (CY20: 12%). To provide a better guide to the underlying business performance, adjusted EBITDA excludes IPO costs.

The adjusted profit before taxation in the period was £3.4m. In the 12 months ended 31 December 2021 the profit before taxation was up 104% to £2.6m (CY20: profit of £1.3m).

EPS & Dividend

The Group made a reported loss after taxation in the period of £2.2m (in the year ended 30 June 2020: profit of £1.4m) due to exceptional costs and a taxation charge of £2.2m (in the year ended 30 June 2020: credit of £0.7m). The significant taxation charge movement is due primarily to:

- The change in the Group's R&D claim status which, as a consequence, reports the R&D tax credit as other operating income in the period (£0.9m), rather than a tax credit, as in the year ended 30 June 2020 (£1.1m).
- The change in corporation tax from 19% to 25% from April 2023. This has resulted in a recalculation of deferred taxation balances in the period of £1.4m in FY21 (in the year ended 30 June 2020: £0.3m).

As a result, the reported basic and diluted loss per share was 2.09 for the 18 months period ended 31 December 2021 (FY21) (12 months ended 30 June 2020 (FY20): 1.40p profit per share.

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 £72.0m at 31 December 2021 (30 June 2020: £56.1m). The movement in net assets reflects the £17.6m net proceeds raised at IPO after costs.

Current assets increased by £2.5m, primarily due to an increase in debtors driven by higher revenues in the year and the timing of significant receipts, combined with the net proceeds from new shares issued during the IPO. Total liabilities reduced by £16.4m due to repayment of Group borrowings, offset by an increase in deferred income.

Cashflow & Net Cash

The Group ended the 18-month period to 31 December 2021 with net cash of £13.2m (30 June 2020: net cash of £7.6m) ahead of than the Board's expectations. During FY20, the Group made use of a number of COVID-19 linked schemes in order to manage its working capital, including the deferral of VAT and PAYE in the UK.

As a result, £3.3m of cash outflow was deferred from FY20 to FY21 with a further £0.2m deferred to FY22 in line with agreed payment plans. Stripping out the impact of these schemes, the underlying net cash inflow for the period was £6.4m (30 June 2020: £1.3m inflow).

Overall net cash inflow for the period was £3.2m (30 June 2020: inflow of £4.8m).

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 £13.2m and the undrawn £20.0m facility gives the Group £33.2m of cash, which the Directors believe is sufficient to support the Group's existing growth plans as set out at IPO.

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 550,000 global assets 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 2020, Microlise completed the acquisition of fleet compliance management provider, Trutac. A UK based company, TruTac provides tachograph analysis and compliance management software to both HGV and PSV fleet operators. This acquisition has already delivered synergy in the form of cross-selling and allows us to offer a broader product range to our customer base across all sectors and territories.

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.

Market share of operators of large HGV fleets over 500 vehicles in the UK

58%

Modular end to end embedded offering leading to very low churn of

0.1%

Long term customer base, often decades long; avg

5 Years

Market share across supply chain

OEMs, Operators, Distributors, Dealerships, Lessors.

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.

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 & 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 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 200,000 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:	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. 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.
Mitigation:	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. 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.

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:	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. The core objectives of Customer Success at Microlise are to: › Lead our customers to success › Improve our customer 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 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.

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:	By anticipating and adapting to the impact of technological change, the Group continues to update its products and to invest significantly in ongoing research and development.

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 already has a small number of customers in both geographies, while other existing customers also 'pull' the Group into new territories. This is evident by the recent contract wins in France and Australia. Key personnel are also being added to both teams to ensure they have the necessary in-country experience supported by specialists from our UK operation.

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:	Effective succession planning for key staff, tailored development and training programmes and competitive retention and incentive packages supports our retention strategy. The Group operates a progressive and competitive remuneration policy which plays an important role in attracting and retaining personnel.

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 employs 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.

Supply Chain Challenges

Potential impact:	The well-publicised microchip shortage has led to higher component costs for our hardware solutions throughout 2021 and 2022.
Mitigation:	As well as diversifying supply chain partners, we are extending our visibility along the supply chain to better identify and pre-empt bottlenecks wherever possible.

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 and wages through to higher costs for freight. 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 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:	As a business, we are committed to ongoing initiatives aimed at reducing our carbon footprint. The products and services we offer help support our customers in reducing their carbon footprint by helping them to manage their assets more efficiently and effectively. 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.

Covid-19 & Macroeconomic Conditions

Potential impact:	The Board and senior leadership continue to proactively monitor external risks such as the continuing Covid-19 pandemic and the ongoing conflict in Ukraine, to respond and adapt at speed.
Mitigation – Business Continuity:	An agile business model leaves us well placed to meet and overcome challenges as they arise. One of the impacts of the Covid-19 pandemic has been to increase customer engagement and market interest, as consumer purchasing patterns have shifted online. The Group has strong financial controls and processes in place which provides for contingency funding to support continuing business activities and protect in the event of further shutdowns. 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 this 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

This past year has seen significant loss, economic hardship, and a host of other challenges for many. Throughout the pandemic, we have worked to fulfil our most fundamental responsibility: supporting our customers, employees, and communities.

We have been able to do so because of the actions and investments we've made over many years to build a strong, resilient, and sustainable company. This has involved us maintaining robust risk, financial and operating controls; having an unwavering focus on our customers and communities; investing in our employees, fostering a diverse and inclusive workplace; and upholding a culture that reinforces integrity, fairness, and personal responsibility.

What many describe as environmental, social and governance management — or ESG management — we see as the right way – and the smart way – to conduct our business.

Our firm's strategy is to shift to a more sustainable, low-carbon future as we work alongside our clients to support their decarbonisation strategies. While many of our near-term actions are currently in the implementation phase, we have a clear objective of securing quantifiable outcomes by 2025.

Current Initiatives

Emissions reduction initiatives

Including:

EV and low emission salary sacrifice scheme for all staff (estimated pool of approx. 68% of staff can avail of this scheme) for cars under 75g/per kilometre.
Our car fleet (for engineers and field staff) prohibits vehicles where the Co2 admission exceeds 130g/per kilometre. Fleet changes will be implemented by the end of 2023.
We operate 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/electric supply to head office has been green energy since August 2021
Water saving equipment installed in head office since February 2020. Data for the current year is skewed as buildings were not fully occupied due to national lockdowns however a more accurate picture will be built during 2022-23.
We have been operating a zero land-fill for waste generated at head office since April 2019. Approximately 15-17% of all waste produced cannot currently be reused and is converted into biofuel that is sold back to the National Grid.

Planned Initiatives For 2022*

Energy reduction:

Including:

Solar panel installation at Head Office (85 units): It is estimated we will secure 3 x months free energy per annum.
LED lighting: Have been conducting end of life replacement and are due to accelerate and complete switchover during 2022.
Voltage optimisers: to reduce voltage waste across IT equipment at head office.
Field engineering fleet to move to EV/ hybrid vehicles by 2025.

SECR REPORT

The table below summarises GHG emissions for the reporting period and comparative periods. The emissions include those relating to stationary consumption such as the electricity and gas we use to run our various office facilities as well as mobile consumption used by our vehicle fleet. The usage data has been compiled from supplier invoices as well as expense claims relating to company mileage.

For carbon only related matters, the SECR methodology as specified in "Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting and greenhouse gas reporting" was used in conjunction with Government GHG reporting conversion factors.

		Actual 12 Months June 30 2020	Actual 12 Months June 30 2021	Actual 18 Months Dec 31 2021
Total energy use covering electricity, gas and transport	kWh	2,155,293	2,103,610	3,310,391
Total emissions generated through combustion of gas	tCO2e	30.58	24	40
Total emissions generated through use of purchased electricity	tCO2e	225.62	292	449
Total emissions generated through business travel	tCO2e	304.33	321	514
Total gross emissions	tCO2e	560.53	637	1,003
Intensity ratio (total gross emissions)	kgCO2e per sqft	18.75	13.56	19.55[1]

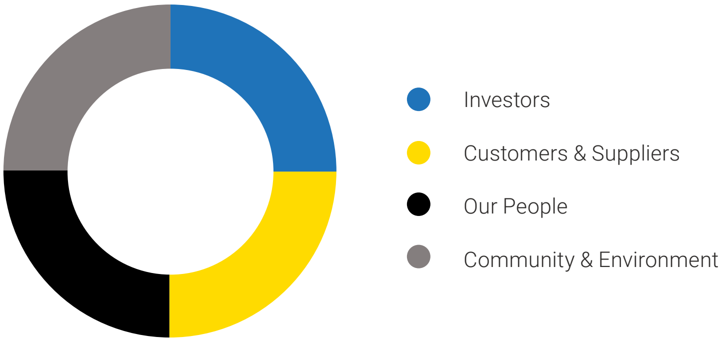
[1] This metric captures an 18 month period energy usage and assocated emissions. When adjusted on a consistent basis the intensity ratio would be 13.03.

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



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:

- Take into account the likely consequences of long-term decisions
- Foster relationships with stakeholders
- Understand the importance of engaging with our employees
- Understand our impact on our local community & the environment
- Demonstrate the importance of behaving responsibly

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.

FOCUS AREAS

- ✓ Focus on sustainable growth
- ✓ Prioritise growth investment

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.

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 likeminded 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

- ✓ Technical expertise
- ✓ Market-led approach
- ✓ Collaboration across the supply chain
- ✓ Solutions-driven culture
- ✓ Quality Customer support

SUPPLIER FOCUS AREAS

- ✓ Security of supply
- ✓ Fast lead times
- ✓ Compliance, oversight & quality
- ✓ Reliability and flexibility

Our People

Microlise believes that its people are fundamental to its success. We have developed an early-stage talent programme via our Academy to bring new skills into the business through a Graduate and Apprenticeship scheme. To deliver on our commitment to lifelong learning and professional development, the Academy also serves existing staff and delivers a series of courses across the entire business.

We actively promote and encourage an open and honest culture of communication and engagement.

FOCUS AREAS

- ✓ Innovative culture
- ✓ Highly motivated and talented employees
- ✓ High retention rate and appropriate reward
- ✓ Safety & Wellbeing
- ✓ Diversity and inclusion agenda

The business utilises a variety of forums to ensure its staff are kept informed of key developments, business performance and other issues that are likely to affect both working and personal lives. This has stood us in good stead both throughout the Covid-19 pandemic and as the Company has expanded.

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. We operate our facilities as efficiently as possible and have shared our current ESG objectives and outcomes on pages 38 and 39.

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 £8.6 million and have won a number of prestigious awards for our products & solutions.

Our technology delivered tangible results to approximately 90,000 HGVs in the UK during 2020 including 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.

FOCUS AREAS

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

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.

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 (IT Service Management) and also ISO27001 (Information Security Management System) 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.

Significant Events

1. Response To The Covid-19 Pandemic

Investors	Covid-19 meant that it was not possible to hold face-to-face meetings with shareholders, but the Group made optimum use of video conferencing to communicate with shareholders. The Board continues to review and revise its objectives on at least a quarterly basis to address the rapidly changing environment in which the Group operates and to ensure that investment is made where it will have the biggest return.
Customers & Suppliers	The Group supported some of our customers through challenging periods of peaks and troughs in workload. We also provided free support to frontline workers and provided additional product capability where customers needed to scale up at speed. On the supplier front, we worked to ensure continuity of customer supply by assessing and managing our subcontractor/suppliers on a daily basis , to ensure that we limited the impact on the manufacture and supply of our hardware.
Our People	On guidance from Government, Covid-19 required a move to remote working for all employees; this has been in place since the end of March 2020. During this period management have maintained levels of communication to employees to keep them abreast of Company updates and ensured that all staff had the necessary resources for healthy home-based workstations. Our People team also introduced a number of initiatives aimed at safeguarding the wellbeing of our staff including, delivering Covid-19 vaccination drives in India and increasing in the number of mental health first aiders across the business.

2. Successful IPO

Investors	A key event in the period was our admission to trading onto the AIM market of the London Stock Exchange, which provided us with the funds to accelerate our growth strategy and provided us with the enhanced profile and credibility that PLC status brings. We welcome all of our new shareholders and look forward to growing with them in the years ahead.
Customers & Suppliers	We have a strong track record of building long term relationships with our customers and expanding our customer engagement over time and see the IPO as another way we can solidify our relationships, fast track our geographic expansion and deliver against our agreed Product Roadmap. By increasing public awareness of the Group, we hope to extend our reach and market share as our solutions become known to a new group of potential customers.
Our People	The IPO has presented new career advancement opportunities for our people and will continue to do so as the Group grows in scale and geographical reach. By increasing public awareness of the Group, we hope to strengthen our recruitment and retention capabilities to continue to attract the talented technical and operational employees our success hinges upon.
All Stakeholders	Restructure of Banking Facilities- During the period, the Board restructured its banking facilities which included the introduction of a committed £20.0m facility which is currently undrawn but can be utilised on demand. This allowed the business to repay any outstanding loans following the IPO which will allow the business to save on interest costs in the short term.
Community & Environment	No significant events related to this stakeholder.

APPROVAL

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

Nadeem Raza, Chief Executive Officer, Microlise Group 11th April 2022

MANAGING & GOVERNING

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 London Bridge Software Holdings plc, where he was CEO. Jon has an MBA from MIT, is a Chartered Engineer & 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 20 year career with Microlise, Nadeem has fulfilled various roles & gained experience across all areas of the business, including sales, system integration, marketing, operations & business computing.

Constantino (Dino) Rocos

NON-EXECUTIVE DIRECTOR

Dino is currently Non-Executive Director of Clipper Logistics plc where he is a member of the Nomination, Remuneration & Audit Committees. 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 & fulfilment solutions. Dino joined the Board of Microlise in April 2021.

COMPANY SECRETARY

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, & Airfoil Technologies. Nick is a Chartered Management Accountant & has an ACCA Diploma in International Financial Reporting.

OUR SENIOR LEADERSHIP TEAM

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:

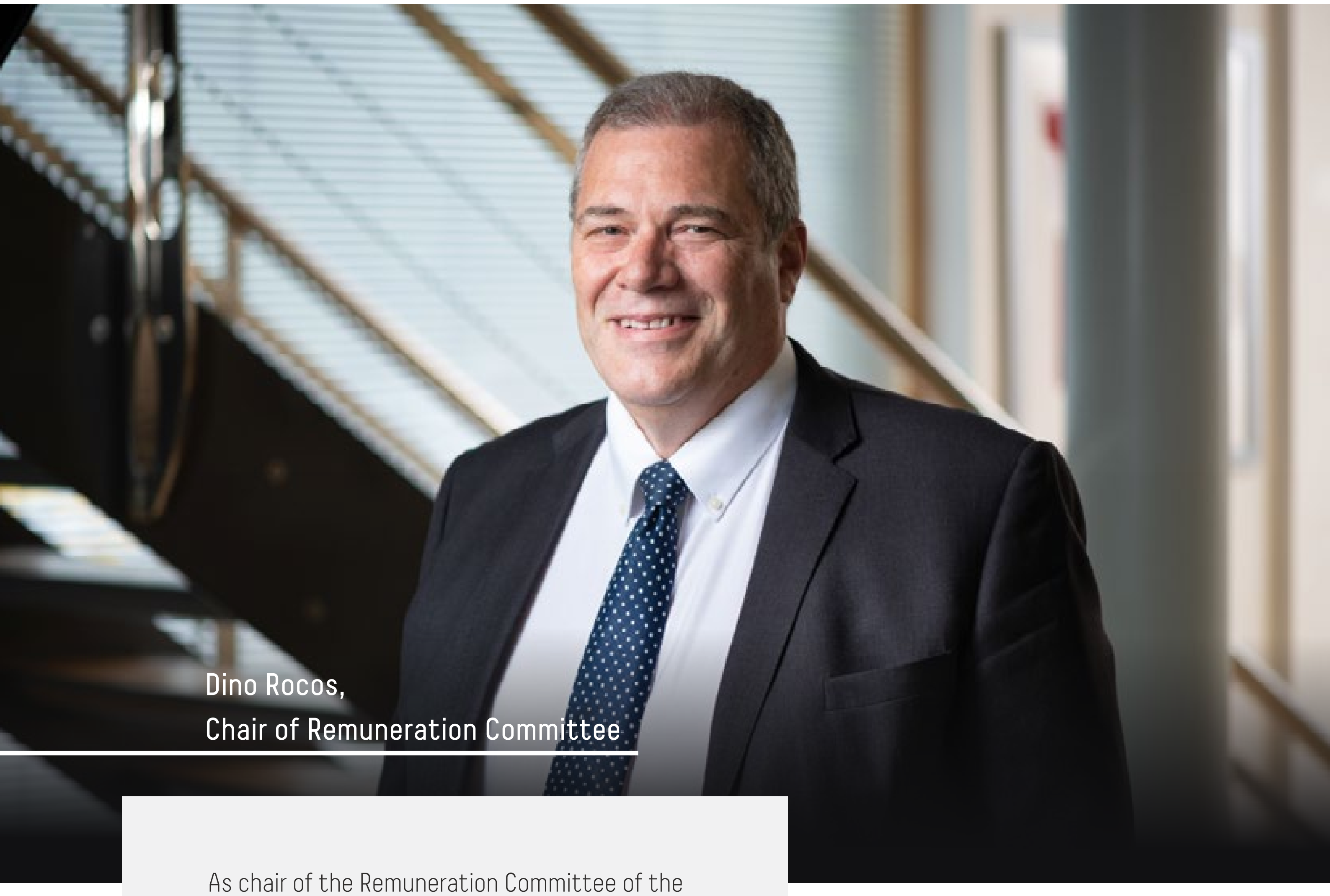
1. Establish a strategy and business model which promote long-term value for shareholders	The Board is responsible for delivering shareholder value by developing the overall strategy and supporting the development and direction of the Group. The Board works to organise and direct the affairs of the Group 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. 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. 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. 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 47.
2. Seek to understand and meet shareholder needs and expectations	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. 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 they 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.

3. **Take into account wider stakeholder and social responsibilities and their implications for long-term success**	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). The Group acts with integrity and values its people and the communities with which it engages. 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. The Group's Section 172 statement can be reviewed at page 40.
4. **Embed effective risk management, considering both opportunities and threats, throughout the organisation**	The Board does not delegate overall responsibility for the approval of the risk management policy to either the Audit Committee or management. 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. 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. 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. 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.
5. **Maintain the board as a well-functioning, balanced team led by the chair**	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. 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 46 for further information).

6. Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities	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. 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.
7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	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. 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. 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.
8. Promote a corporate culture that is based on ethical values and behaviours	The Board is responsible for the performance and proper conduct of the business and of ensuring that a positive culture is supported. The Group has a range of ethical and values-related policies and procedures in place including: › 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 2021 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 9.00am on 31 May 2022. 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



Dino Rocos,
Chair 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 2021.

The Remuneration Committee and associated policies were implemented shortly prior to admission to AIM and with the guidance of KPMG.

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 post year end 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 with the first meeting taking place on December 9th 2021 to confirm Terms of reference, LTIP, AIP targets and review proposed workforce share allocations.

Remuneration Policy For The Year Ended 31 December 2021

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
Nadeem Raza CEO	£250,000
Bill Wynn CFO	£200,000
Jon Lee Chairman	£85,000*
Dino Rocos NED	£55,000*
Lucy Sharman -Munday NED	£55,000*

**Jon Lee's salary contains a temporary uplift of £5,000 as remuneration for chairing the audit committee pending the appointment of Lucy Sharman-Munday as Audit Committee Chair. Lucy Sharman-Munday 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.

The Group changed its financial year end to 31 December from June 30 on 28 June 2021. As a result the Group paid performance bonuses to employees, including the Executive Directors, for the 12 months ending 30 June 2021 in line with the normal timing of annual bonus payments.

The Executive Directors received a bonus of £420,000 for the year ended 30 June 2021.

Going forward performance bonuses will be paid out in line with the new financial year end. The next performance bonuses will be in respect of performance during the year ending 31 December 2022. No bonus will be paid for the six month period from 1 July 2021 to 31 December 2021.

For FY 2022 the maximum performance bonus opportunity for Executive Directors is 100% of their annual salary. There are performance conditions attached to this bonus including EBIT, 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 proposes to introduce a Company Share Option Plan (CSOP).

Shortly after IPO, on 22nd July 2021, the Company granted a total of 462,963 nominal cost options under the PSP to Nadeem Raza and Bill Wynn 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 is 135p, being equal to the placing price at the IPO. 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 22 to the financial statements.

In addition, the Company granted a total of 100,000 nominal cost options under the NEPSP to Dino Rocos and Jon Lee. No performance conditions apply to these awards.

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

Name	Date of Grant	Number of options	Exercise price per share (£)	Vesting Date	Lapse Date	Performance Condition
Nadeem Raza	22nd July 2021	277,778	£0.001	22nd July 2024	22nd July 2025	Yes
Bill Wynn	22nd July 2021	185,185	£0.001	22nd July 2024	22nd July 2025	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

Directors' remuneration summary for the 18 month period ending 31st December 2021.*

Name and Position	Salary	Bonus	Benefits [1]	Pension Contribution	Long Term Incentives[3]	2021 Total
Nadeem Raza CEO	£185,000 [2]	£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 incudes statutory directors in office after the companies admission to AIM.

[1] This figure includes car allowance and medical insurance.

[2] 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.

[3] No long term incentives vested in the period (FY20 also nil).

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

Jon Lee,
Chairman of the Audit Committee

As the Chairman of the Audit Committee of the Company ("Committee"), I present my Committee Report for the period ended 31 December 2021, which has been prepared by the Committee and approved by the Board.

Committee Meetings & Attendance

The members of the Committee are myself, as chair, Dino Rocos, and Lucy Sharman-Mundy. The Board considers that I have sufficient, relevant financial experience to chair the Committee given that I am a chartered accountant with over two decades experience and numerous Board positions outside of the Company (including serving as Non-Executive Chairman of another listed company).

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 three times in each financial year.

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.

Accordingly, the Committee recommended to the Board that BDO LLP be re-appointed for the next financial year.

As part of the year end audit, the Committee:

- Met with the external auditors to review and approve the annual audit plan and receive their findings and report on the annual audit;
- Considered significant issues and areas of judgement with the potential to have a material impact on the financial statements;

Considered the integrity of the published financial information and whether the Annual Report and Accounts taken as a whole are fair, balanced and understandable and provide the information necessary to assess the Group's position and performance, business model and strategy;

In the coming year, in addition to the Committee's ongoing duties, the Committee will:

- Consider significant issues and areas of judgement with the potential to have a material impact on the financial statements;
- Keep the need for an internal audit function under review, having regard to the Company's strategy and resources;
- Review and authorise the non-audit services to be tendered to by the Company.

Committee Objectives & Responsibilities

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

- To report on and review the Company's financial performance;
- To monitor the integrity of the Company's financial statements and any formal announcements relating to the Group's financial performance;
- To review the Company's internal financial controls and risk management systems;
- To review any changes to accounting policies;
- To make recommendations to the Board in relation to the appointment of the external auditors;
- To make recommendations to the Board concerning the approval of the remuneration and terms of engagement of the external auditors;
- To review and monitor the extent of the non-audit services undertaken by external auditors;
- To review and monitor the external auditors' independence and objectivity;
- To consider any matter specifically referred to the Committee by the Board.

Committee Effectiveness

The Committee has not been in place long enough to have performed an assessment of its effectiveness. It will do so during the next 12 months.

Financial Reporting

During the year, the Committee concluded that the Annual Report and Financial Statements, taken as a whole, were fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's business model, strategy and performance.

The Committee considered the budget for FY2022 and concluded that the going concern basis is appropriate. The Committee also reviewed the Strategic Report and concluded that it presented a useful and fair, balanced and understandable review of the business.

The Committee has considered the appropriateness of all accounting policies alongside any accounting judgements made by the Board.

External Audit

The Committee will assess the external auditor's performance and effectiveness for the current year through a questionnaire to be completed by Audit Committee members and the Group's senior finance team. The output from the process will be reviewed and discussed by the Audit Committee at its next meeting and then with the external auditor.

Board & Sub Committee Meeting Attendance

Meeting	Month	Chair	Board members				
			Lee Jon	Rocos Dino	Raza Nadeem	Wynn Bill	Wightman Nick
Board Meeting	Jul 2021	Jon Lee	✓	✓	✓	✓	✓
	Aug 2021	Jon Lee	✓	✓	✓	✓	✓
	Sep 2021	Jon Lee	✓	✓	✓	✓	✓
	Oct 2021	Jon Lee	✓	✓	✓	✓	✓
	Dec 2021	Jon Lee	✓	✓	✓	✓	✓
Remuneration Committee	Dec 2021	Dino Rocos	✓	✓	✓	✓	✓
Audit Committee	Sep 2021	Jon Lee	✓	✓	✓	✓	✓
	Dec 2021	Jon Lee	✓	✓	✓	✓	✓

- All meeting attendance has been recorded post listing.
- Lucy Sharman-Munday was appointed as an independent Non-Executive Director with effect from 1 February 2022.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the 18-month period ending 31 December 2021.

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 £2.02 and the range of the market price during the year was between £1.46 and £2.42.

Substantial Shareholdings

At 31st March 2022, 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 2021			
Rank	Shareholder	Shares	%IC	%FF	Cum %FF
1	Mr. Nadeem Raza	57,999,942	50.02	50.02	50.02
2	Liontrust Asset Mgt	9,352,763	8.07	8.07	58.09
3	BGF Investments	5,925,926	5.11	5.11	63.20
4	Mr. Robert Harbey	5,801,617	5.00	5.00	68.20
5	Columbia Threadneedle Investment	5,338,560	4.60	4.60	72.81
6	Canaccord Genuity Wealth Mgt	5,193,673	4.48	4.48	77.29
7	Mr. Roy Allum	4,287,751	3.70	3.70	80.99

Research & Development

Details of the Group's policy for the recognition of expenditure on research and development are set out in pages 86 and 93 respectively of the consolidated financial statements.

Risk Management Objectives & Policies

Details of the Group's financial risk management objectives and policies are set out in note 19 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.

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 19 - 44 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 18-month period ended 31 December 2021 and have indicated their willingness to continue in office.

By Order Of The Board

Nick Wightman, Company Secretary 11th April 2022

Farrington Way, Eastwood, Nottingham NG16 3AG

Statement Of Directors' Responsibilities

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

Company law requires the Directors to prepare Group and Company financial statements for each financial year.

The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ('IFRS') in conformity with the requirements of the Companies Act 2006 and have elected under company law to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The Group financial statements are required by law and IFRS in conformity with the requirements of the Companies Act 2006 to present fairly the financial position and performance of the Group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 the Company and of the profit or loss of the Group and the Company for that period.

In preparing each of the Group and Company 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;
- For the Group financial statements, state whether they have been prepared in accordance with IFRSs in conformity with the requirements of the Companies Act 2006 and for the Company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company 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 Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

FINANCIAL STATEMENTS

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 2021 and of the Group's loss for the period from 1 July 2020 to 31 December 2021;
- The Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- 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 period ended 31 December 2021 which comprise the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity, the Consolidated statement of financial position, the Company statement of financial position, the Company statement of changes in equity, 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 international accounting standards in conformity with the requirements of the Companies Act 2006. 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;
- 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**	86% of Group's loss before tax 99% of Group revenue 99% of Group total assets
Key audit matter	**Fraud or error in recognition of revenue
Materiality	Group financial statements as a whole £585,000 based on 1% of total annualised Revenue

* These are areas which have been subject to a full scope audit by the Group engagement team.

** No comparatives are presented considering this is the first period of audit by BDO UK LLP and first period of operations by Group as AIM listed.

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 each in India, Australia and France and three non-trading subsidiaries.

The two trading subsidiaries, Microlise Limited and Trutac Limited, and one non-trading subsidiary, Microlise Midco 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 and Microlise Engineering Ltd, the Group engagement team have performed the audit procedures which were limited to analytical review and discussions with Group management. Although the Parent Company was deemed to be an insignificant component, the Group engagement team have carried out a full scope audit as we were required to give a separate audit opinion on that entity.

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
Fraud or error in recognition of revenue. (See accounting policies and note 1) The Group has multiple revenue streams as part of the provision of the services to customers. The different performance obligations are often included in single contracts with customers and need to be carefully analysed to establish the selling price for the relevant performance obligations and therefore the point of revenue recognition in accordance with the accounting policies. The nature of the services therefore increases the inherent risk of error in the revenue recognition due to the complexity. The application of IFRS 15 also impacts on the presentation of trade receivables and deferred revenue in the statement of financial position and given the high volume of low value transactions there is a risk of error in the presentation of these balances. Due to the complexity of the contracts, the payment profile of certain customers with payment received in advance of services delivered and the volume of transactions we consider there is also an opportunity for fraudulent manipulation of reported revenue. We have identified the following areas of specific focus: **(a)** Manipulation in timing of revenue recognition during the period by adjusting the levels of income allocated to the different performance obligations and thus reducing the level of deferred revenue; and **(b)** Manipulation of the presentation of the revenue to increase the amount of managed service revenue (recurring) compared to non-recurring revenue streams.	For a sample of customers that had earned revenue in the year we obtained the customer contract. We identified the different performance obligations relevant for the period and confirmed the allocated selling price for each performance obligation appeared appropriate and in line with our understanding of the contract. We confirmed that revenue for each performance obligation delivered in the period had been correctly recognised in financial records in accordance with the Group's accounting policy. For each customer contract reviewed we reperformed the calculation of deferred revenue and agreed to the calculation carried out by management. Based on our understanding of the obligations gained from our examination of the sample of contracts we confirmed that the accounting policy applied was in accordance with IFRS 15. We obtained a breakdown of the calculation of deferred revenue. To test the existence and accuracy of the breakdown we agreed a sample of entries to supporting contracts and payment from customers, confirming the inputs to the calculation of deferred income and the integrity of the calculation. We then selected a sample of customer contracts and agreed the details back to the breakdown ensuring relevant details were included correctly to ensure the listing was complete. We reperformed the calculation of the deferred revenue from the information included in the breakdown, which was also tested for accuracy on a sample basis, and ensured that it had been presented in accordance with IFRS 15. We selected a sample of credit notes raised during the period, and after the period end substantiating to supporting evidence to ensure 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 confirmed that revenue in the period had been correctly reversed. For non-recurring revenue we selected a sample of revenue transactions in December 2021 and agreed to evidence of service delivery in the period to ensure that revenue had been earned in period. **Key observations:** We are satisfied that revenue has been recognised in accordance with Group's accounting policy and IFRS 15.

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
	2021 £	2021 £
Materiality	585,000	430,000
Basis for determining materiality	1% of annualised revenue	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 non-recurring 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	438,750	322,500
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 component while setting their materiality. We set the materiality for;

- Trading subsidiaries (Microlise Limited and Trutac Limited) as 1% - 2% of the revenue;
- Non-trading subsidiary (Microlise Midco Limited) as 2% of the gross expense; and
- Non-significant components of the group as 25% of the Group materiality.

The components materiality ranged between £101,000 to £552,000 (17% to 94% of Group materiality) dependent on the size and our assessment of the risk of material misstatement of that component. 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 £17,250. 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	In our opinion, based on the work undertaken in the course of the audit: › The information given in the Strategic report and the Directors' report for the financial period 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. 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.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: › Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or › The Parent Company financial statements are not in agreement with the accounting records and returns; or › Certain disclosures of Directors' remuneration specified by law are not made; or › We have not received all the information and explanations we require for our audit.

Responsibilities Of Directors

As explained more fully in the Statement Of Director's 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 industry in which it operates and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. These 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, alongside the key audit matter described above, was posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates including costs capitalised as product development.

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 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;
  - Ensuring approach to judgements and estimates was consistent with previous years;
  - Carrying out a stand back assessment on the outcome of estimates in previous years in light of the actual results in the current period.
- Identifying and testing journal entries 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 ensure 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.

Gareth Singleton (Senior Statutory Auditor)

DocuSigned by:
Gareth Singleton
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For and on behalf of BDO LLP, Statutory Auditor

Birmingham, UK

11th April 2022

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

FINANCIAL HIGHLIGHTS

Consolidated Statement Of Comprehensive Income

for the eighteen-month period ended 31 December 2021

	Note	18 months period ended 31 December 2021 £'000	Year ended 30 June 2020 £'000
Revenue	1	88,168	49,999
Cost of sales		(37,690)	(21,559)
Gross profit		50,478	28,440
Other operating income	3	1,143	537
Exceptional IPO related costs		(3,415)	-
Other administrative expenses		(47,246)	(27,771)
Total administrative expenses		(50,661)	(27,771)
Operating profit	3	960	1,206
Interest income	5	72	285
Interest expense	6	(905)	(708)
Share of loss of associate net of tax	11	(132)	(73)
(Loss)/profit before taxation		(5)	710
Taxation	7	(2,213)	719
(Loss)/profit for the period/year		(2,218)	1,429
Other comprehensive income for the period/year			
Currency translation differences		(71)	19
Total comprehensive income for the period/year attributable to the equity shareholders of Microlise Group plc		(2,289)	1,448
Basic and diluted (loss)/earnings per share (pence)	8	(2.09)	1.40

The notes on pages 91 to 111 form part of these financial statements.

Consolidated Statement Of Changes In Equity

	Retained Earnings £'000	Share Premium Account £'000	Merger Reserve £'000	Retained Earnings £'000	Total Equity £'000
At 30 June 2019	44	-	55,172	(600)	54,616
Comprehensive income for the year to 30 June 2020					
Profit for the year	-	-	-	1,429	1,429
Other comprehensive income	-	-	-	19	19
Total comprehensive income for the year	-	-	-	1,448	1,448
At 30 June 2020	44	-	55,172	848	56,064
Comprehensive income for the 18 month period to 31 December 2021					
Profit for the period	-	-	-	(2,218)	(2,218)
Other comprehensive income	-	-	-	(71)	(71)
Total comprehensive income for the period	-	-	-	(2,289)	(2,289)
Share based payment	-	-	-	129	129
Bonus issue of shares	55,172	-	(55,172)	-	-
Reduction of share capital	(55,114)	-	-	55,114	-
Shares issued in the period	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

Company Statement Of Changes In Equity

	Retained Earnings £'000	Share Premium Account £'000	Merger Reserve £'000	Retained Earnings £'000	Total Equity £'000
At 30 June 2019	44	-	55,172	5	55,221
Comprehensive income for the year to 30 June 2020					
Profit for the year	-	-	-	(600)	(600)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(600)	(600)
At 30 June 2020	44	-	55,172	(595)	54,621
Comprehensive income for the 18 month period to 31 December 2021					
Profit for the period	-	-	-	(5,466)	(5,466)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(5,466)	(5,466)
Share based payment	-	-	-	129	129
Bonus issue of shares	55,172	-	(55,172)	-	-
Reduction of share capital	(55,114)	-	-	55,114	-
Shares issued in the period	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

Consolidated Statement Of Financial Position

as at 31 December 2021

	Note	31 December 2021 £'000	30 June 2020 £'000
Assets			
Non-current assets			
Property, plant and equipment	9	8,573	8,636
Intangible assets	10	75,987	77,133
Investments in associate	11	1,846	1,978
Deferred tax	12	-	1,307
Trade and other receivables	14	2,710	3,465
Total non-current assets		89,116	92,519
Current assets			
Inventories	13	2,941	3,604
Trade and other receivables	14	15,143	15,126
Corporation tax recoverable		932	988
Cash and cash equivalents	15	13,210	10,061
Total current assets		32,226	29,779
Total assets		121,342	122,298
Current liabilities			
Lease liabilities	17	(717)	(787)
Borrowings	16	-	(2,445)
Trade and other payables	18	(25,780)	(25,393)
Total current liabilities		(26,497)	(28,625)
Non current liabilities			
Lease liabilities	17	(994)	(582)
Borrowings	16	-	(15,129)
Trade and other payables	18	(17,312)	(17,779)
Deferred tax	12	(4,991)	(4,119)
Total non current liabilities		(23,297)	(37,609)
Total liabilities		(49,794)	(66,234)
Net assets		71,548	56,064
Equity			
Issued share capital	21	116	44
Share premium account		17,630	-
Merger reserve		-	55,172
Retained earnings		53,802	848
Total equity		71,548	56,064

The notes on pages 91 to 111 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 11th April 2022.

Group Chief Financial Officer

Microlise Group plc | Registered number 11553192

Company Statement Of Financial Position

as at 31 December 2021

	Note	31 December 2021 £'000	30 June 2020 £'000
Assets			
Non-current assets			
Property, plant and equipment	9	4,940	-
Investments	11	79,943	79,291
Total non-current assets		84,883	79,291
Current assets			
Trade and other receivables	14	253	3,575
Cash and cash equivalents	15	1,090	5,055
Total current assets		1,343	8,630
Total assets		86,226	87,921
Current liabilities			
Borrowings	16	-	(1,895)
Trade and other payables	18	(18,298)	(14,456)
Total current liabilities		(18,298)	(16,351)
Non current liabilities			
Borrowings	16	-	(14,949)
Trade and other payables	18	(1,000)	(2,000)
Total non current liabilities		(1,000)	(16,949)
Total liabilities		(19,298)	(33,300)
Net assets		66,928	54,621
Equity			
Issued share capital	21	116	44
Share premium account		17,630	-
Merger reserve		-	55,172
Retained earnings		49,182	(595)
Total equity		66,928	54,621

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 18 month period was £5,466,000 (2020: loss of £600,000).

The notes on pages 91 to 111 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 11th April 2022.

Group Chief Financial Officer

Microlise Group plc | Registered number 11553192

Consolidated Statement Of Cash Flows

for the 18 month period ended 31 December 2021

	Note	18 month period ended 31 December 2021 £'000	Year ended 30 June 2020 £'000
Cash flows from operating activities			
Cash generated from operations	A	9,132	8,913
Tax received		660	1,820
Net cash generated from operating activities		9,792	10,733
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,499)	(1,235)
Additions to intangible assets		(2,166)	(778)
Purchase of subsidiaries, net of cash acquired	24	(1,000)	(3,087)
Interest received		-	108
Net cash used in investing activities		(4,665)	(4,992)
Cash flows from financing activities			
Issue of share capital		18,600	-
Share issue expenses paid		(956)	-
Interest paid		(676)	(650)
Lease liability payments		(1,219)	(803)
Receipt of bank loans		-	2,500
Repayment of bank loans		(16,975)	(1,219)
Repayment of other loans		(729)	(802)
Net cash generated used in financing activities		(1,955)	(974)
Net increase in cash and cash equivalents		3,172	4,767
Cash and cash equivalents at beginning of period/year		10,061	5,287
Foreign exchange gains		(23)	7
Cash and cash equivalents at end of period/year	B	13,210	10,061

The notes on pages 91 to 111 form part of these financial statements.

Notes To The Cash Flow Statements

A. Cash generated from operations

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

	18 month period ended 31 December 2021 £'000	Year ended 30 June 2020 £'000
(Loss)/profit for the period	(2,218)	1,429
Adjustments for:		
Depreciation	3,085	2,176
Amortisation	3,803	2,151
Loss on disposal of fixed assets	-	30
Share based payments	129	-
Foreign exchange loss	(23)	-
Net interest costs	833	423
Share of loss of associate	132	73
Tax charge/(credit)	2,213	(719)
	7,954	5,563
Decrease/(increase) in inventories	663	(1,087)
(Increase)/decrease in trade and other receivables	(110)	713
Increase in trade and other payable	625	3,724
Cash generated from operations	9,132	8,913

Major non cash items

£1,506,000 of additions to right of use assets and lease liabilities represent non cash movements in the period ended 31 December 2021 (2020: £266,000).

B. Analysis of net debt

	At 1 July 2019 £'000	Cash flow £'000	On acquisition £'000	Non-cash changes £'000	At 30 June 2020 £'000
Bank loans	(15,529)	(1,281)	-	(29)	(16,839)
Other loans	(1,531)	802	-	-	(729)
Lease liabilities	(1,758)	866	(148)	(329)	(1,369)
Liabilities arising from financing activities	(18,818)	387	(148)	(358)	(18,937)
Cash and cash equivalents	5,287	4,767	-	7	10,061
Net debt	(13,531)	5,154	(148)	(351)	(8,876)

	At 1 July 2020 £'000	Cash flow £'000	Non-cash changes £'000	At 31 December 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	(8,876)	22,167	(1,792)	11,499

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, incorporated and domiciled in England. The address of the registered office is Farrington Way, Eastwood, Nottingham, NG16 3AG.

Accounting policies

A. Basis of preparation

The financial statements have been prepared in accordance with the historical cost convention and International Accounting Standards in conformity with the requirements of the Companies Act 2006. The stated accounting policies have been consistently applied to all periods presented. Microlise Group plc prepared and published its consolidated financial statements for the year ended 30 June 2020 under UK GAAP. During 2021, in connection with an Initial Public Offering (IPO), it published listing documents containing IFRS consolidated financial information for the period from incorporation to 30 June 2020 including a reconciliation of transitional adjustments. The IFRS financial information included in the listing documents included an unreserved statement of compliance with IFRS.

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;
- IAS 24 Key management remuneration.

These are the first period of statutory financial statements prepared under FRS 101 for the company. FRS101 has been applied with a transition date effective from the incorporation of the company on 5 September 2018, with no adoption exemptions applied and with no transition adjustments arising.

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 2023.The Group had cash balances of £13.2m at the period 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. Accounting 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;
- 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 contact 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.

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. The tax credit also includes the benefit of enhanced SME research and development allowances. Microlise, as a large company from 1 July 2020 for tax R&D purposes, no longer qualifies for these and the large company RDECs 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 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;
- 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 income statement 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 with any associated tax in the tax charge and the benefit of the enhanced SME allowances are included in the tax credit for the period.

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 derecognised 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 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 of 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

Investment

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.

Inventorie

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 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 2021 have been applied at the date of transition.

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 accounting estimates and assumptions

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:

Estimates and assumptions

Fair values and intangible assets on acquisition of a business

Fair values are applied on the acquisition of a subsidiary which involve a degree of judgement and estimation in particular in the identification and evaluation of intangible assets. The most significant valuation related to brands, technology and customer relationship assets which have been valued using a relief from royalty method for brand and technology and an excess earnings method for customers using cash flow forecasts derived from business plans and assumptions based on experience and factors relevant to the nature of the business activity.

The determination of the fair values attributed to acquired assets and liabilities requires estimates to be made about the outcome of future events, including the condition of acquired assets, the ongoing value to the business of intangible assets and the recoverability of other assets. For liabilities, an assessment is required to identify any unrecorded liabilities or disputed amounts to determine whether liabilities should be recognised at the point of acquisition.

More detail on the intangible assets recognised are included in note 10, and business combinations are included in note 22.

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 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2021

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.

	18 month period ended 31 December 2021 £'000	Year ended 30 June 2020 £'000
By type		
Revenue recognised at a point in time		
Supply of hardware and installation	29,336	15,398
	29,336	15,398
Revenue recognised over time		
Professional services including project management	4,817	2,605
Managed service agreement income	48,912	28,003
Other support and maintenance services	5,103	3,993
	58,832	34,601
	88,168	49,999
By destination:		
UK	78,230	44,765
Rest of Europe	2,677	1,405
Rest of the World	7,261	3,829
Total revenue	88,168	49,999

Revenue in respect of one customer amounted to £22.6m representing 26% of the revenue for the 18 month period ended 31 December 2021 (year ended 30 June 2020: £13.4m and 27%).

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.

	Microlise	Trutac	18 month period ended 31 December 2021 £'000	Microlise	Trutac	Year ended 30 June 2020 £'000
Revenue	83,109	5,059	88,168	49,276	723	49,999
Depreciation and amortisation	6,197	691	6,888	4,227	100	4,327
Operating (loss)/profit	178	782	960	1,141	65	1,206
Net interest	(824)	(9)	(833)	(423)	-	(423)
Share of associate loss	(132)		(132)	(73)	-	(73)
(Loss)/profit before tax	(778)	773	(5)	645	65	710
Segment assets	111,720	9,622	121,342	116,636	5,662	122,298
Segment liabilities	(48,009)	(1,785)	(49,794)	(64,256)	(1,978)	(66,234)
Additions to non-current assets	4,878	826	5,704	2,114	165	2,279

All of Trutac's revenue relates to the UK. Trutac's revenue is primarily from managed service agreements with the exception of £661,000 of hardware revenue in 2021. 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 December 2021		30 June 2020	
	Non-current assets £'000	Net assets £'000	Non-current assets £'000	Net assets £'000
United Kingdom	88,729	70,367	91,837	54,593
France	3	34	18	152
Australia	3	12	2	460
India	381	1,135	662	859
	89,116	71,548	92,519	56,064

2. Adjusted results

The Group's primary results measure, which is considered by the directors of the Group to better 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, amortisation and depreciation as a proxy for cash generated from trading.

The group now qualifies for large company R&D tax reliefs with the £920,000 RDEC credit included in other operating income above operating profit for the period ended 30 June 2021 and in line with common practice is included in the Group's calculation of EBITDA.

The measure has been adjusted in the current period by the IPO expenses and in the prior period by acquisition costs expensed under IFRS which are considered to be non-recurring and non-trading in nature.

	18 month period ended 31 December 2021	Year ended 30 June 2020
	£'000	£'000
Operating profit before interest and share of associate	960	1,206
Exceptional IPO costs (2020: acquisition expenses)	3,415	138
Depreciation	3,085	2,176
Amortisation of intangible assets	3,803	2,151
Adjusted EBITDA	11,263	5,671

3. Operating profit

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

	18 month period ended 31 December 2021	Year ended 30 June 2020
	£'000	£'000
Auditors remuneration:		
Audit of the Group and Company financial statements	184	40
Non-audit services*	295	52
Depreciation of property, plant and equipment	1,858	1,363
Depreciation of right-of-use assets	1,227	813
Amortisation of intangible assets	3,803	2,151
Cost of inventory sold	20,056	10,986
Research and development costs	6,767	5,379
Foreign exchange losses	180	22
In other operating income:		
Government job retention scheme income	(127)	(537)
Government innovation grants	(96)	-
Research and Development Expenditure Credit	(920)	-

*The 2021 Group auditors, BDO LLP, also provided £295,000 of assurance services as the reporting accountants for the AIM listing. The prior auditors for 2020, Cooper Parry Group Limited provided tax services.

The group previously qualified for SME research and development allowances and as a result the prior year tax credit benefitted from these. 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		Company	
	18 month period ended 31 December 2021	Year ended 30 June 2020	18 month period ended 31 December 2021	Year ended 30 June 2020
	£'000	£'000	£'000	£'000
Wages and salaries	36,630	19,175	636	-
Social security costs	3,312	1,872	29	-
Pensions	1,399	777	9	-
Share based payment	129	-	129	-
Total	41,470	21,824	803	-

Average number of employees

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

	Group		Company	
	18 month period ended 31 December 2021	Year ended 30 June 2020	18 month period ended 31 December 2021	Year ended 30 June 2020
Sales and distribution	76	71	-	-
Operations and development	438	379	-	-
Production and warehouse	22	24	-	-
Administration	75	77	1	-
Total	611	551	1	-

The directors were previously employed and paid by a subsidiary and then with 5 directly employed by the company from September 2021.

Directors' remuneration

	18 month period ended 31 December 2021	Year ended 30 June 2020
	£'000	£'000
Directors' remuneration – aggregate emoluments	1,074	610
Group pension contributions in respect of 4 (2020:3) directors	24	12
Share based payment	69	-
	1,167	622
Remuneration of the highest paid director	461	273
Group pension contributions	7	4
Share based payment	31	-
	499	277

Key management compensation

	18 month period ended 31 December 2021	Year ended 30 June 2020
	£'000	£'000
Short term employee benefits	2,596	641
Post employment benefits	71	86
Share based payment	129	-
Total key management remuneration	2,796	727

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 which has been more clearly defined in the period for the key management roles 2020: directors only).

5. Interest receivable

	18 month period ended 31 December 2021 £'000	Year ended 30 June 2020 £'000
Interest receivable		
Bank interest receivable	-	86
Other interest receivable	-	22
Unwinding of discount on financing transactions	72	177
	72	285

6. Interest payable

	18 month period ended 31 December 2021 £'000	Year ended 30 June 2020 £'000
Interest payable		
Interest on bank and other borrowings	734	622
Lease liability financing charges	72	63
Other interest	99	23
	905	708

7. Taxation on profit

	18 month period ended 31 December 2021 £'000	Year ended 30 June 2020 £'000
Current taxation		
UK corporation tax (charge)/credit	-	982
Foreign tax	(198)	-
Adjustments in respect of previous periods	(100)	65
	(298)	1,047
Deferred taxation		
Origination and reversal of timing differences	(645)	(5)
Charge due to change in tax rate	(1,416)	(323)
Adjustments in respect of previous periods	146	-
	(1,915)	(328)
Tax (charge)/credit on (loss)/profit	(2,213)	719

Factors affecting the tax charge/(credit) for the period

The tax charge/(credit) on the (loss)/profit for the period differs from applying the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are reconciled below:

	18 month period ended 31 December 2021 £'000	Year ended 30 June 2020 £'000
(Loss)/profit before taxation	(5)	710
Corporation tax at standard rate	(1)	135
Factors affecting charge for the period/year:		
Disallowable expenses	781	55
Income not taxed	-	(59)
Research and development allowances	36	(1,359)
Reduced rate on surrender of R&D losses for tax credit	-	305
Other timing differences	-	(54)
Overseas tax rates	27	-
Adjustments in respect of previous periods	(46)	(65)
Charge/(credit) due to change in tax rate	1,416	323
Tax charge/(credit) on profit	2,213	(719)

In March 2020, the Chancellor of the Exchequer announced that the tax rate from 1 April 2020 remained at 19% rather than the previously enacted reduction to 17%.

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. The rate of 25% (2020: 19%) is accordingly applied to applicable UK deferred taxation balances.

8. Earnings per share

	18 month period ended 31 December 2021	Year ended 30 June 2020
(Loss)/profit used in calculating EPS (£'000)	(2,218)	1,429
Weighted average number of shares for basic EPS ('000)	106,266	102,168
Weighted average number of shares for diluted EPS ('000)	106,266	102,168
Basic and diluted earnings per share (pence)	(2.09)	1.40

1,107,848 share options were granted on 21 July 2021 which are potentially dilutive to a profit.

The comparative number of shares has been restated to reflect bonus issues and sub-divisions subsequently made, consistent with 2021.

Costs relating to the IPO have resulted in a loss for the current period compared with a profit in the prior year. The earnings per share, if adjusted to add back these IPO costs, would be 1.13 pence for the current 18 month period (2020: 1.40 pence for the prior year).

9. Property, plant and equipment

Group	Freehold property £'000	Right-of-use property £'000	Leasehold building Improvements £'000	Right-of-use equipment £'0000	Equipment, fixtures & fittings £'000	Total £'000
Net book value						
At 1 July 2019	5,449	1,332	377	420	1,586	9,164
Cost						
At 1 July 2019	5,525	1,676	384	651	2,429	10,665
Acquisitions (note 21)	-	148	-		17	165
Additions	-	130		136	1,235	1,501
Disposals	-	-	(30)	-	-	(30)
Exchange adjustments	-	-	(25)	-	23	(2)
At 30 June 2020	5,525	1,954	329	787	3,704	12,299
Depreciation						
At 1 July 2019	76	344	7	231	843	1,501
Charge for the year	102	521	68	292	1,193	2,176
Disposals	-	-	-	-	-	-
Exchange adjustments	-	-	-	-	(14)	(14)
At 30 June 2020	178	865	75	523	2,022	3,663
Net book value						
At 30 June 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

Company	Freehold property
	£'000
Cost	
At 1 July 2020	-
Transfer from a subsidiary	4,965
At 31 December 2021	4,965
Depreciation	
At 1 July 2020	-
Charge for the period	25
At 31 December 2021	25
Net book value	
At 30 June 2020	-
At 31 December 2021	4,940

The property was transferred from a subsidiary company by a dividend in specie.

10. Intangible assets

	Goodwill	Customer relationships	Technology	Brands	Software	Total
	£'000	£'000	£'000	£'0000	£'000	£'000
Net book value						
At 1 July 2019	49,208	15,126	4,775	2,415	-	71,524
Cost						
At 1 July 2019	49,208	15,893	5,355	2,546	-	73,002
Additions	-	-	359	-	419	778
Acquisitions	3,092	1,887	1,838	165	-	6,982
At 30 June 2020	52,300	17,780	7,552	2,711	419	80,762
Amortisation	-					
At 1 July 2019	-	767	580	131	-	1,478
Charge for the year	-	1,039	939	173	-	2,151
At 30 June 2020		1,806	1,519	304	-	3,629
Net book value						
At 30 June 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

The £478,000 of additions to the goodwill in respect of Microlise relate to recognition of additional deferred tax liabilities that arise on consolidation only and which had previously been omitted and as the amount is not material it has been included as an addition in the current year.

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:

	18 month period ended 31 December 2021 £'000	Year ended 30 June 2020 £'000
Microlise	49,686	49,208
Trutac	3,092	3,092
	52,778	52,300

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 11.6% (2020: 11.2%) and for the Trutac business at a pre-tax rate of 11.6% (2020: 12.4%).

The Microlise goodwill has been tested by reference to a 4 year management approved plan and Trutac by reference to a 4 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 2021 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 FY21 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 £20.4m (2020: £2.65m) and Trutac NPV exceeds carrying values by £2.5m (2020: £0.75m). 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 2021, the Microlise plan subject to the impairment test to support the carrying value of goodwill, forecast £9.2m and required £7.1m of recurring EBITDA which compares with £6.8m recorded for 2021 and an expected increase to £7m for FY22 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 (30 June 2020: forecast £8.34m and required £8.0m of recurring EBITDA in the long term).

The 31 December 2021 Trutac plan assessed for the impairment test to support the carrying value of goodwill forecast £1.27m and a required £0.95m compared to the current EBITDA of some £1.0m. 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 (30 June 2020: forecast £1.23m and required £1.1m of recurring EBITDA).

11. Investments

Group	Associate £'000
At 1 July 2019	2,051
Share of loss for the period	(73)
At 30 June 2020	1,978
Share of loss for the period	(132)
At 31 December 2021	1,846

Company	Subsidiary undertakings £'000	Associate £'000	Total £'000
At 1 July 2019	70,583	2,200	72,783
Additions	7,108	-	7,108
Decrease in fair value	-	(600)	(600)
At 30 June 2020	77,691	1,600	79,291
Additions	16,622	-	16,622
Increase in fair value	-	650	650
Return of capital	(16,621)	-	(16,621)
At 31 December 2021	77,692	2,250	79,942

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	Intermediate holding 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 2021 the market value of the shareholding was £2.25m (30 June 2020: £1.6m).

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 2020 and 2021 together with interim financial statements to 30 September 2021, prepared under IFRS.

	30 September 2021 £'000	31 March 2020 £'000
Assets – non-current	25,705	25,759
Assets – current	9,558	12,425
Liability – non-current	(7,187)	(9,017)
Liability – current	(7,586)	(7,988)
Net assets (100%)	20,490	21,179
Group share of net assets (20%)	4,098	4,236

	18 months ended 31 December 2021 £'000	Year ended 31 March 2020 £'000
Revenues	24,982	19,550
Loss from continuing operations	(964)	(1,093)
Other comprehensive income	1	(7)
Total comprehensive expense	(963)	(1,100)

12. Deferred tax assets and liabilities

Group	Consolidated intangible assets £'000	Accelerated capital allowances £'000	Freehold property £'000	Tax losses £'000	Other £'000	Total £'000
At 30 June 2019	(3,784)	37	-	1,483	20	(2,244)
Arising on acquisition	(740)	-	-	500	-	(240)
Credit/(charge) for the year	(115)	(61)	-	(143)	(9)	(328)
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)

Deferred tax has been recognised at an average rate of 25% (2020: 19%). The deferred tax is presented as:

	31 December 2021 £'000	30 June 2020 £'000
Asset – non-current	-	1,307
Liability – non-current	(4,991)	(4,119)
Total	(4,991)	(2,812)

13. Inventories

Group	31 December 2021 £'000	30 June 2020 £'000
Raw materials and consumables	1,092	1,816
Work in progress	15	32
Finished goods and goods for resale	1,834	1,756
	2,941	3,604

An impairment loss of £202,000 in respect of inventory was recorded in the period ended 31 December 2021 (year ended 30 June 2020: £120,000).

14. Trade and other receivables

Group	Group 31 December 2021 £'000	30 June 2020 £'000	Company 31 December 2021 £'000	30 June 2020 £'000
Current				
Trade receivables	11,533	11,093	-	-
Provision for impairment of trade receivables	(303)	(154)	-	--
Trade receivables net	11,230	10,939	-	-
Contract cost assets	1,449	717	-	
Amounts owed by group undertakings	-	-	-	3,450
Other receivables	206	1,416	28	50
Prepayments	2,258	2,054	225	75
Total	15,143	15,126	253	3,575
Non-current				
Trade receivables	344	1,313	-	-
Contract cost assets	2,366	2,152	-	-
Total	2,710	3,465	-	-
Total	17,853	18,591	253	3,575

Analysis of expected credit losses is included in note 19.

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

Group	18 month period ended 31 December 2021 £'000	Year ended 30 June 2020 £'000
Opening balance	2,869	2,553
Amortised to income statement	(1,116)	(686)
Incurred in the period	2,062	1,002
	3,815	2,869

15. Cash and cash equivalents

Group	Group 31 December 2021 £'000	30 June 2020 £'000	Company 31 December 2021 £'000	30 June 2020 £'000
Cash at bank and in hand	13,210	10,061	1,090	5,055

16. Borrowings

	Group 31 December 2021 £'000	30 June 2020 £'000	Company 31 December 2021 £'000	30 June 2020 £'000
Current				
Bank loans	-	1,895	-	1,895
Other loans	-	550	-	-
	-	2,445	-	1,895
Non-current				
Bank loans	-	14,950	-	14,949
Other loans	-	179	-	-
	-	15,129	-	14,949
Total	-	17,574	-	16,844

Bank loans were secured by fixed and floating charges over the assets of the group and bore interest at rates of 1.75% to 2.7% over LIBOR. The loan liabilities were stated net of unamortised loan issue costs as at 30 June 2020 of £136,000 which has been fully amortised on full repayment of the loans in 2021.

Other loans were used to finance specific trading arrangements, had a term of 4 years and bore interest at 15%. They were repaid during the period.

17. Lease liabilities

	Group 31 December 2021 £'000	30 June 2020 £'000	Company 31 December 2021 £'000	30 June 2020 £'000
Current	717	787	-	-
Non-current	994	582	-	-
Total	1,711	1,369	-	-

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 December 2021 £'000	30 June 2020 £'000
Short term lease expense	-	7
Low value lease expense	109	30
Total cash outflow for leases	1,400	903

The maturity of lease liabilities at 30 June 2020 were as follows:

	Property £'000	Equipment and vehicles £'000	Total £'000
Within 1 year	599	188	787
1-2 years	368	61	429
2-5 years	153	-	153
Total	1,120	249	1,369

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

	Property £'000	Equipment and vehicles £'000	Total £'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

18. Trade and other payables

	Group		Company	
Current	31 December 2021 £'000	30 June 2020 £'000	31 December 2021 £'000	30 June 2020 £'000
Trade payables	4,068	3,024	27	-
Taxation and social security	944	4,799	28	-
Amounts owed to group undertakings	-	-	16,574	13,456
Other payables	1,231	1,986	1,000	1,000
Accruals	4,222	2,883	669	-
Contract liabilities	15,315	12,701	-	-
Total	25,780	25,393	18,298	14,456

	Group		Company	
	31 December 2021	30 June 2020	31 December 2021	30 June 2020
Non-current	£'000	£'000	£'000	£'000
Contract liabilities	16,150	15,905	-	-
Deferred grant income	196	-	-	-
Other payables	966	1,874	1,000	2,000
Total	17,312	17,779	1,000	2,000
Total	43,092	43,172	19,298	16,456

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 2021	£'000	£'000	£'000	£'000	£'000	£'000
Contract liabilities	15,315	7,813	4,692	2,696	949	31,465
At 30 June 2020						
Contract liabilities	12,701	7,853	4,969	2,542	541	28,606

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

	18 month period ended 31 December 2021	Year ended 30 June 2020
	£'000	£'000
Revenue related contract liabilities		
Opening balance	(28,606)	(27,163)
Invoiced in the period	(50,423)	(26,527)
Recognised as revenue in the period	47,564	25,084
Closing balance	(31,465)	(28,606)

19. 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 M 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:

Categories of financial instruments

The Group has the below categories of financial instruments:

Recognised at amortised cost	18 month period ended 31 December 2021 £'000	Year ended 30 June 2020 £'000
Cash and bank balances	13,210	10,061
Trade receivables - net	11,574	13,229
Other receivables	206	1,416
Total financial assets	24,990	24,706
Trade payables	4,068	3,024
Other payables	6,419	6,742
Bank loans	-	16,845
Other loans	-	729
Lease liabilities	1,711	1,369
Total financial liabilities	12,198	28,709

There were no assets or liabilities at 31 December 2021 or 30 June 2020 that were recognised and measured at fair value in the historical financial information.

Credit risk

Credit risk refers to the risk that a counterparty 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, trade accounts receivable and 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 31% (2020: 14%) 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:

Past due	31 December 2021 £'000	30 June 2020 £'000
0-60 days	3,076	1,770
60-120 days	186	654
121+ days	1,014	779
Expected credit loss provision	(303)	(154)
Total	3,973	3,049

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 30 June 2020 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%	1,770	-
60-120 days	2%	654	13
121+ days	18%	799	141
Total		3,223	154

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:

Past due	18 month period ended 31 December 2021 £'000	Year ended 30 June 2020 £'000
At 1 July	154	79
Provision charged	149	93
Receivables written off in the period/year	-	(18)
At period/year end	303	154

Other receivables including accrued income 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. 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	1-2 years	2-5 years	More than 5 years	Total
At 31 December 2021	£'000	£'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

	Less than one year	1-2 years	2-5 years	More than 5 years	Total
At 30 June 2020	£'000	£'000	£'000	£'000	£'000
Trade and other payables	9,766	-	-	-	9,766
Bank loans	2,351	2,561	12,372	922	18,206
Other loans	631	179	-	-	810
Lease liabilities	783	507	176	-	1,466
Total	13,531	3,247	12,548	922	30,248

Interest rate risk

The bank loans were subject to interest at rates of 1.75 to 2.7% over LIBOR. A 0.5% increase in interest rates would therefore have had an impact of an increase in finance costs of approximately £85,000 in the last year.

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 has reduced and ongoing costs in Indian rupees are now being managed by the use of forward contracts to fix the rate within the next 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 2021	3,249	460	599	1,152	5,460
At 30 June 2020	963	285	460	859	2,567

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.

20. Pensions

Defined contributions pension scheme

The group operates a number of defined contribution pension schemes. Contributions totalling £194,000 (2020: £140,000) 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.

21. Share capital

Group and Company	At 31 December 2021	At 30 June 2020
Allotted, called up and fully paid	£	£
115,945,956 ordinary shares of £0.001 each	115,946	-
33,902 A ordinary shares of £1 each	-	33,902
5,962 B ordinary shares of £1.55 each	-	9,241
325 C ordinary shares of £1.00 each	-	325
363 D ordinary shares of £1.00 each	-	363
	115,946	43,831

Movements in share capital have been as follows:

Movements in share capital have been as follows:

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

On 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.

22. Share based payments

The Company granted options on 22 July 2021 over 1,107,848 shares 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 is assessed as £1.35 per option using a Black Scholes model. 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 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.

The average vesting period is estimated at 3.5 years.

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 the year ended 30 June 2020, £1,440,000 was advanced to directors and repayments were made of £941,000. Interest of £21,580 was charged and the balance of £520,580 owed is included in other debtors at 30 June 2020. This was fully repaid in the following period.

During the period, and prior to the Group being 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. Business combinations

FY20 acquisition

On 9 March 2020, the Group acquired the entire share capital of Trutac Limited, a provider of tachograph logistics and analysis software services for consideration of £6,790,000. The acquisition strengthens the group's presence in the HGV and PSV sectors and complements existing services. The goodwill arising of £3,0920,000 is attributable to the workforce and expected future growth in customers and earnings. The transaction has been accounted for under the purchase method of accounting. The principal adjustments relate to £165,000 in respect of the brand and £1,887,000 of customer relationships together with the related deferred taxation liability of £390,000. The deferred tax liability was partly offset by recognition of an asset in respect of losses carried forward of £151,000. The revenue accounting policy was also aligned with the Group resulting in additional contract liabilities of £823,000 and a rights of use asset and equal lease liabilities of £201,000 recorded under IFRS 16.

Trutac has contributed £723,000 of revenue and recorded a profit of £113,000 included in the consolidated income statement from 10 March 2020 to 30 June 2020 (excluding acquisition expenses and amortisation of intangible assets arising on consolidation).

Had Trutac been consolidated from 1 July 2019 it would have contributed another £2,200,000 of revenue and a further profit before tax of £395,000 to the year (excluding acquisition expenses and amortisation of intangible assets arising on consolidation).

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Intangible assets	1,818	2,072	3,890
Property, plant and equipment	17	148	165
Inventories	56	-	56
Cash and cash equivalents	813	-	813
Receivables	641	-	641
Payables	(657)	(823)	(1,480)
Lease liabilities	-	(148)	(148)
Deferred taxation liability	-	(239)	(239)
Net assets acquired			3,698
Goodwill			3,092
			6,790
Consideration satisfied by:			
Cash			3,940
Deferred consideration			3,000
Discounted for 3 year payment period			(150)
			6,790

The Group incurred acquisition related costs of £138,000 related to stamp duty, legal and professional fees. These costs have been included in administrative expenses in the group's consolidated statement of comprehensive income.

COMPANY INFORMATION

NOTICE OF AGM

The AGM will be held at Microlise's head office at Farrington Way, Eastwood, Nottingham NG16 3AG, at 9.00am on 31st May 2022.

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

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Nadeem Raza
Bill Wynn
Jon Lee
Dino Rocos
Lucy Sharman-Munday (Appointed February 1st 2022)

Company Secretary

Nick Wightman

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