

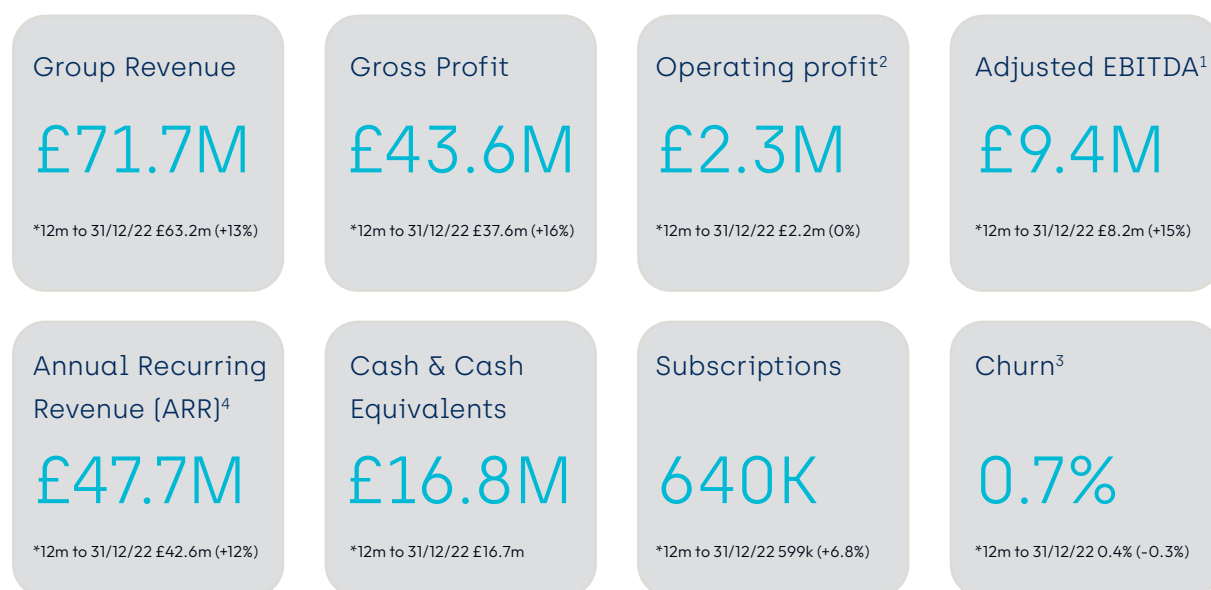


Annual Report

12 Months To 31 December 2023



Overview



¹Adjusted EBITDA excludes exceptional costs acquisition, depreciation, amortisation, share of loss of associate, interest, tax and share based payments

²Operating Profit is before interest and share of loss of associate

³Revenue churn measures the percentage of recurring revenue lost from existing customers, calculated by subtracting lost monthly recurring revenue from the starting monthly recurring revenue, and dividing by the starting monthly recurring revenue.

⁴Annual Recurring Revenue (ARR) is calculated by multiplying the December 2023 monthly recurring revenue by 12

Financial Highlights

- The Group has driven an increase in total revenue to £71.7m (13%) for the 12 months ended 31 December 2023 (FY22: £63.2m).
- Growth in the period was a result of continued strong demand from Original Equipment Manufacturer (OEM) customers and increased revenue from direct customers towards the end of the year as an improvement of new vehicle availability in H2 enabled the Company to deliver against its record orderbook.
- Recurring revenue +11% to £45m, ahead of market expectations, supported by the renewal of several major customer contracts and new customer wins (FY22: £40.5m).
- Gross profit +16% to £43.6m (FY22: £37.6m), at a gross profit margin of 61% (FY22: 60%) due to the increased gross margin % from both recurring and non-recurring revenues in the period.
- Adjusted EBITDA +15% to £9.4m (FY22: £8.2m), ahead of market expectations. Adjusted EBITDA percentage has been marginally increased at 13.1% (FY22: 13.0%). Operating margins flat following the previously announced commencement of the Group's investment programme to improve its go-to-market and product offering and support further growth.
- Continued strong underlying cash conversion exceeding 90% reflecting growth in subscription revenue and continued good working capital management.
- Robust balance sheet with £16.8m cash and cash equivalents (FY22: £16.7m), £10m undrawn Revolving Credit Facility and £20m accordion facility available until April 2027 with option to extend.
- Maiden final ordinary dividend of 1.72 pence per share (FY22: nil) payable on 28 June 2024 to shareholders on the register at close of business on 7 June 2024.

Strategic and Operational Highlights

- Subscriptions +6.8%, driven by continued growth in our existing customers together with new customer wins (FY22: 599,000).
- Annual recurring revenue (ARR) run rate +12% to £47.7m, of which 11.8% represented organic growth at 31 December 2023 from £42.6m on 31 December 2022.
- The Group added over 450 new customers in the period and long-term contract customer churn rate by value remained very low at 0.7% (FY22: 0.4%)

Current Trading & Outlook

- Microlise enters FY24 with good momentum driven by consistent strategic execution. Looking ahead, the Board expects organic growth to improve from current levels as we move through the year supported by a healthy orderbook and pipeline of opportunities across OEM and direct customer divisions. Operating margins are expected to trend upwards in FY24 and beyond, as we focus on careful management of the cost base and efficiently scaling the Group.
- We started the new financial year in line with our expectations and remain very confident with the opportunities we have in front of us, and in our ability to deliver against market expectations.
- Recent acquisitions of Transportation Management System (TMS) providers, Enterprise Software Systems and Vita Software, as well as vulnerable road user app supplier K-Safe are trading in-line with our expectations.

Company Highlights



Over 450 New Customers
across the Group



40 Contract Renewals
including Bidfood,
Sainsbury's and Cemex



Acquisition of Vita
Software



Acquisition of K-Safe
(Flare & Flare Aware)



Acquisition of Enterprise
Software - Post Year End in
January 2024



UK Office Great Place to
Work Accreditation Secured
Two Years Running

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Strategic Report

Who We Are

Established in 1982, Microlise is a leading Software as a Service (SaaS) technology provider of fleet management and Industrial Internet of Things (IIoT) solutions.

Our technology is designed to help businesses bring connectivity to their products and operations, improve efficiency, reduce emissions, lower costs, and increase safety.

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

Backed by a team of experienced professionals who provide excellent customer service, we have won a number of awards historically, including three Queens Awards for Enterprise, two for Innovation (2019, 2020) and one International Trade (2018).

Our software products are licensed on a per-user or per-asset basis, which includes SaaS service, ongoing support, and access to future upgrades.

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

Headquartered in the United Kingdom, we have a total of 7 offices across the UK, France, Australia, and India with a global staff base of more than 715 industry professionals.

We joined the Alternative Investment Market (AIM) in 2021, qualifying for the London Stock Exchange’s Green Economy Mark.

● Over **640,000** subscriptions annually

Altrincham, UK

Hull, UK

Coventry, UK

Nottingham, UK

Marseille, France

Pune, India

Melbourne, Australia

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.

Microlise's IIoT offering is aimed at the manufacturers of smart remote assets.

By connecting those assets, manufacturers are able to:

- Improve their support of customers
- Provide innovative finance programs
- Improve productivity, safety and sustainability in the use of their products

How We Generate Revenue

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

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

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

How We Deliver Stakeholder Value

Customers:

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

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 ISO27001, ISO9001, ISO20000, and TickITplus accredited, and are also a proactive member of the Armed Forces Covenant.

Investors:

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

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

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

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

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

Communities:

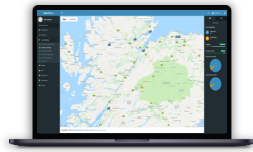
Enhancing the communities in which we work is core to our values and we invest both time and money in supporting local community groups, charities, and events.

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

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

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

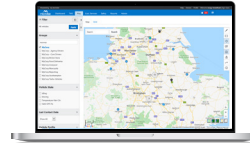
Our Products



TMS

Transportation Management System

Building, costing and invoicing of orders

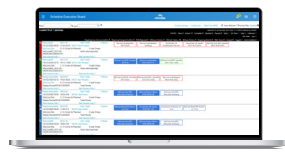


Fleet Performance

Track assets in real-time and retrospectively

Maximise utilisation & boost ROI

Improve driver performance

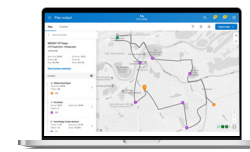


Journey Management

Proactive customer experience

Monitor resource performance vs the plan

Understand planned vs actual



Planning & Optimisation

Do more with less resources

Reduce planning time by many hours

Produce highly accurate plans



Fleet Compliance

Manage compliance effectively

Boost vehicle uptime

Raise safety standards



Fleet Safety

Protects drivers

Understand incident fault & liability

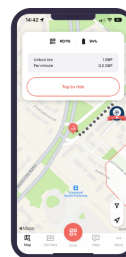
Improve safety standards



Driver Connected Mobility

Ruggedised hardware options for logistics environments

Manage driver communications



Vulnerable Road Users Network (Flare)

Live proximity notifications to vehicle operators

Incident Avoidance

Automatic Incident Detection

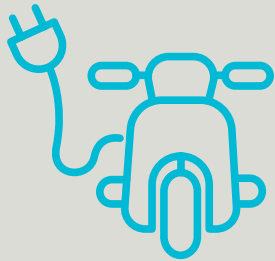
Research & Development

At Microlise, we harness cutting-edge technologies, including the Industrial Internet of Things (IIoT), advanced 'Big Data' analytics, and Artificial Intelligence (AI).

These sophisticated digital tools play a pivotal role in enhancing our operational efficiency, facilitating communication, enabling in-depth data analysis, and supporting informed decision-making. Moreover, they empower us to deliver valuable insights derived from extensive datasets to our customers.

Our approach remains market-oriented, ensuring that our solutions align with industry-wide needs rather than being narrowly tailored to specific client use cases.

During the recent period, we have successfully executed several noteworthy pilot projects and research initiatives, which include:



Continued development for the Electric BSA Motorbike as part of the Innovate UK and APC funded consortium



Integrating further advanced Driver Safety AI technologies to deliver solutions for TFL's Direct Vision Standards 2024 regulations into Microlise existing successful Risk Reduction portfolio



Delivery of the Microlise Truly Wireless extended long-range unpowered asset monitoring services

Product Roadmap

During the reporting period, we introduced a series of new and substantially improved product and service value propositions.

We also invested in the refinement of our underlying platforms and fortified data security, simultaneously ensuring the consistent availability and distribution of its global Smart Gateway hardware products.



New Transport Management System Capabilities:

- The acquisition of Vita and ESS will enable our customers to manage a broader range of needs across their operations, with planned Product integrations enabling the availability of consistent master data across the portfolio, and with a greater set of user journeys driving a greater level of operational outcomes.



Planning and Optimisation service enhancements:

- Further enhancements to enable our customers in all geographies to use our core Planning and Optimisation capabilities, as well as increasing the range of industry sectors to which the solution can target.



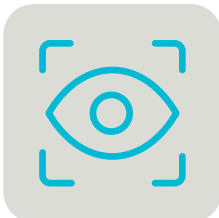
Fleet Safety:

- Addition of an integrated Driver Safety AI camera into the existing Risk Reduction product set, further extending the options and capabilities for our customers
- Addition of integrated 2024 regulation ready Direct Vision Standards sensors into the existing Risk Reduction product set, again further extending the options and capabilities for customers operating in different environments and conditions.
- Acquisition of the Flare Aware product provides an integrated live Hazard and Vulnerable Road User Warning capability for drivers.



Driver Efficiency:

- Launch enhanced Microlise Driver Excellence application to support drivers and managers in delivering safe & compliant transport operations.
- TruDocuments Premium launched for document management and sign off for drivers via the TruTac App. With full audit and sign off visibility.
- Support for eCMR within Microlise SmartPOD mobile workforce solution



Remote Asset Management & IIoT:

- Addition of Satellite Communications capabilities for remote assets
- Fuel & Emissions monitoring for alternative fuel source assets (Electric, CNG / LNG)
- Truly Wireless Proximity Beacons for unpowered asset visibility



Product Integration Programme - Microlise Complete:

- Integration programme of newly acquired and existing Microlise platforms
- Enablement of seamless user experience, creating single operating system for customers

Driving Operational Efficiency, Safety & Compliance For Our Customers



Reduced Mileage
Travelled



Improved Driver
Performance



Reduced Fuel
Use



Reduced
Emissions



Reduced Vehicle
Wear & Tear



Reduced
Accidents



Reduced Insurance
Premiums



Improved Fleet
Efficiency & Utilisation



Elimination of Delivery
Paperwork



Enhanced Customer
Experience

Some of Our Customers



Customer Success

Our Customer Success team works to foster effortless and seamless collaborations with its clients. Consistently delivering a service that sets global standards, we ensure that customers extract the utmost value from our products to strengthen both success and satisfaction.

Over the past 12 months, the team has introduced five new Objectives and Key Results (OKRs) to help customers reach their business objectives. These include:

1. Well Maintained Systems
2. Driver Excellence
3. Paperless Office
4. Reduced Transport Operating Costs
5. Fleet Performance

Each new OKR highlights the value of our systems, services, and products, and as we continue working closely with our customers highlighting benefits and value, we will look to expand of OKR offering.

For next year we have already started to review the following areas:

- Compliance
- Best Practice

Customer Feedback

John Lewis

"I just wanted to highlight the positive influence and hard work our Customer Success Manager (CSM) who recently put into a great session he held for us here at John Lewis Primary Transport.

"Our CSM really does strive to make our Microlise journey as positive and fulfilled as possible."

GXO

"Fantastic feature Driver view playback – Customer Success showcased this feature, and it will really assist the team at the Depot to challenge Driver decisions and identify where there have been excessive unplanned stops.

"The team will also be able to ascertain at a glance that Drivers are taking their time when they have additional loads."

PD Ports

"I wanted to write a quick note of thanks for the work you did recently going through templates and giving us a better understanding of them.

"We are now confident in amending them when we want to target certain areas i.e. speeding, harsh cornering and braking. This understanding will give us the confidence to engage with our Drivers so we can get the best out of them in both road safety and performance."

Sainsburys

"I wanted to drop you a line to thank you for your support in our recent meetings.

"The information you have provided us to demonstrate what is achievable has been excellent and made me feel confident we can deliver some great changes on productivity and driving standards."

Proactive tasks and help

- Release Notes – new available features will be showcased and discussed if we believe there is a benefit for the customer.
- Products & Services (that the customer does not have) will be showcased and discussed if we believe there is a benefit for the customer.
- Review driving metrics with customers annually to help improve driver scores.

System health

- We have a new suite of queries developed to provide insight into the quality of the data required for good system health, in general the output will provide pointers to help improve the input quality.
- The queries cover The Plan, Location (Sites & Geofences) Journey Execution (operational practices and tracking). The Business Rules and System Events currently provides a summary and detailed views for actions to be derived.
- Each element of the output will be described with hints on how to interpret the data.

Voice of the customer [VOC]


VOC is a new initiative at Microlise – we want to be able to listen to our customers and react to their feedback; with this in mind our main three areas are:

1. Easy To Do Business With
2. Customer Value From our Products & Services
3. World Class Service

All feedback is reviewed, and repeatable feedback is selected for the next internal quarterly OKRs with the aim improve our internal processes and our customer interactions.

Our current topics for improvement are:

1. Invoice Data
2. On-Boarding
3. Streamlining Vehicle “Configuration” settings
4. Service Visit/Install Times



Jon Lee,
Non-Executive Chairman

Chairman's Statement

Microlise has delivered another strong performance in FY23. We started the financial year with considerable momentum, building upon the success of FY22 to achieve another record revenue year.

Revenue grew 13% to £71.7m for the 12-month period ended 31 December 2023 (FY22: £63.2m), while ARR grew 12% to £47.2m (FY22: £42.6m). Adjusted EBITDA grew 15% during the period, ahead of market expectations. Operating profit increased 3% to £2.3m (FY22: £2.2m).

The Group's financial performance in FY23 exceeded the Board's expectations, driven by continued high demand from OEM customers and, towards the end of the year, increased revenue from direct customers. This was facilitated by an improvement in new vehicle availability in the second half of the year, enabling the Company to deliver against its record order book.

During the first half of the year, the Company, alongside the wider transport industry, continued to contend with global supply chain challenges, which in turn impacted the availability of new vehicles. Throughout the second half of the year, we saw these issues significantly diminish as the back log of demand was fulfilled. As we enter FY24, it is reassuring to note that both these challenges have been resolved.

We were pleased to announce the acquisitions of two Transport Management Systems (TMS) companies during the period, Vita Software on 14 March 2023 and Enterprise Software Systems (ESS) on 30 November 2023, which completed in January 2024. A third acquisition of road safety company, K-Safe, completed in December 2023 and was announced post period end in January 2024. We're already seeing the positive impact of these acquisitions, with successful sales of Vita software's TMS offering and a growing pipeline for the ESS and Flare Aware (K-Safe Product) products with our existing customers.

Our strategic focus for the year will be on progressing the integration of our recent acquisitions into the Microlise product architecture, enabling us to ensure our customers benefit through the broader use of our comprehensive integrated product range. In addition, we will continue to focus on driving efficiency and enhancing profitability within the business.

At the time of the Company's IPO in 2021 the Board stated that given the cash generative nature of the Group's activities it would, if commercially prudent to do so, commence the payment of dividends in the medium term. Having undertaken a review of the Group's capital allocation policy, and the availability of resources and distributable reserves, the Board has determined that it is now appropriate to commence the distribution of dividends to shareholders. The Board has therefore declared a final dividend for the 2023 financial year of 1.725 pence per share and will henceforth adopt a progressive dividend policy.

As well as returning capital to shareholders, the Board will continue to prioritise balance sheet strength which will allow the Group to continue to invest in its' technology platform, infrastructure and security whilst retaining an ability to pursue selective acquisitions which accelerate the Company's strategic development.

If approved by shareholder at May's Annual General Meeting on 22 May 2024, the dividend will be paid on 28 June 2024 to shareholders on the register at close of business on 7 June 2024.

Microlise has an exceptionally talented team and our progress during the year was made possible as a result of their hard work, expertise and passion. I would like to thank everyone for their dedication and contribution to the ongoing success of the business. We look forward to a successful 2024.



Nadeem Raza,
Chief Executive Officer

CEO Statement

Microlise delivered a strong performance in FY23, outperforming both our internal and market expectations. The supply chain issues experienced in prior years are now firmly behind us and lead times on new vehicles are no longer extended, such that the market has fully returned to normality. Sales to OEM customers have been especially positive and this performance has continued into 2024, providing confidence that the year ahead will be another record year for OEM sales.

Microlise added 450 new customers during the year, an 80% increase over the 250 customers signed in FY22.

Notable names signed during the period included BCA/ECM, the UK's largest used vehicles business, and the retailer Woolworths Australia.

In addition, we extended 40 contracts with existing large enterprise customers. Examples include Sainsbury's, Cemex, Sports Direct and Bidfood. The critical importance of our solutions to our customers' operations also resulted in our churn rate remaining extremely low at 0.7%.

Aside from organic growth we also commenced a series of acquisitions in FY23. Microlise expanded its offering into the Transport Management Solutions (TMS) space with two acquisitions; Vita Software, completed in March 2023, and Enterprise Software Solutions (ESS), announced in November 2023 and completed post year end in January 2024. Transport Management Solutions go beyond the vehicle to provide a suite of associated services to fleet logistics operators, such as resource and transport costing, subcontractor management and invoicing solutions. The TMS acquisitions have both been immediately earnings enhancing, with the Vita TMS already resulting in the successful sale to a new customer, Crowfoots.

In December 2023, Microlise also completed the acquisition of K-Safe, the provider of a safety product which warns drivers that cyclists are near their vehicle, providing them with the position of the cyclist. This innovative solution is hugely important in helping drivers avoid common accidents caused by a lack of visibility where bikes are concerned.

This product also takes Microlise into the last mile of delivery, a new market for Microlise, such that our offerings now provide end-to-end coverage of the road delivery sector from the warehouse to the consumer. K-Safe has brought with it a number of new customers in the last mile delivery space, including Deliveroo, JustEat and Voi and engagement with them to date has been very positive.

Market

At the beginning of 2023, our business and that of our customers continued to be negatively affected by global supply chain issues and chip shortages, which in turn led to greatly extended lead times on new vehicles. By the end of the first half of the year, the global supply chain issues and chip shortages had greatly diminished. However, lead times on new vehicles had not improved at this stage owing to a three-to-six-month time lag between vehicle manufacturer's receipt of now-available components and subsequent production of vehicles.

Throughout the second half of the year, we have experienced steady market growth as conditions continued to improve. The time lag on new vehicles has now all but disappeared such that the market has now returned to pre-pandemic conditions. With a substantial backlog of orders across the logistics market, we are now in an environment of robust and sustained growth, despite the less certain macro-economic backdrop.

Prior supply issues also led to many smaller companies within the logistics market entering administration and this has benefited larger companies which have been able to consolidate these distressed businesses into their operations. This has accelerated the growth of the larger companies, and these are typical of Microlise's customer base. As such, Microlise now finds itself extremely well positioned, firmly within the sweet spot of the growing logistics market.

Customer Base

During the year we continued to focus on securing and retaining customers as a priority. This resulted in us securing 450 new customers, an 80% increase over 2022.

These included new contracts with Irish logistics company, McCulla; BCA, the UK's largest used vehicle business; and UK nationwide logistics company LF&E Refrigerated Transport.

Further afield, and in line with our strategic objective of geographic expansion, significant new contracts were signed with two of Australia's leading grocery retailers in September 2023, one of which further expanded its engagement in December 2023. These contracts demonstrate the clear traction we are developing in our target markets, and we are hopeful of providing updates on further geographic growth in the near future.

In addition, we signed 40 renewals with existing customers

including Tesco, Bidfood and Pall-ex.

During the period we adapted our software solutions to enable compatibility with certain third-party products. This has removed barriers for potential customers who might otherwise be unable to utilise our solutions, thereby increasing our addressable market. It is also expected that this development will alter our revenue mix resulting in a positive effect on margins over time.

Our low customer churn reflects the essential nature of Microlise's solutions to its customers, the high regard in which we are held, and the loyalty of our valued customer base.

Product Offering and M&A

Microlise's solutions help our customers make the most efficient use of their assets, reducing fuel, the time drivers are on the road, wear and tear on vehicles, accidents and more.

During 2023 Microlise has expanded its product set to encompass more elements of the logistics process such that the Company offers a true end to end suite of products from the warehouse direct to the end consumer.

In March 2023, in line with the Company's strategic growth plan, Microlise completed its first acquisition since flotation with an initial cash payment of £1.86m for Vita Software, a Transport Management Solutions (TMS) provider. This expanded the Group's suite of technology solutions beyond the vehicle to include such offerings as resource and transport costing, subcontractor management and invoicing solutions and is applicable to fleets of any size. Immediately earnings enhancing, the product has performed well since acquisition and has resulted in numerous upsells and cross-sells.

Microlise complemented this with the acquisition of ESS, also a provider of Transport Management Solutions, announced in November 2023 and completed post year end. ESS was purchased for a maximum net consideration of £8.5m in cash, having delivered £5.1m revenue, of which 75% is recurring, and £1m adjusted EBITDA, in the year to 31 August 2023. This further strengthens Microlise's TMS credentials and is expected to accelerate sales of its TMS solutions. In December 2023, Microlise also acquired the assets of K-Safe Limited for £0.14m, the parent company to the road safety products Flare and Flare Aware. Flare is a multi-award-winning platform with over 3.5 million regular users of its app. This helps leading brands such as Deliveroo and Just

Eat, as well as any individual on a two-wheeled vehicles (cyclists, motorcyclists, e-scooters), to better understand and react to mobility risk and safety issues.

Flare Aware is a dynamic driver hazard warning system, jointly developed with Microlise, which utilises the data captured from the Flare mobile app user network, to provide awareness and alerts to the drivers of vehicles when they are near cyclists and motorcyclists using the Flare app.

K-Safe has brought Microlise into the last mile of delivery services as well as into the two-wheel vehicle sector. The acquisition will further improve Microlise's safety solutions while at the same time adding some of the biggest names in consumer delivery services as customers.

Microlise's prime focus at present is on ensuring the full integration, and interoperability of the solutions, of its latest acquisitions. However, the Company remains alert to further acquisition opportunities, particularly internationally, both in markets in which we already operate as well as new geographies.

Strategic Focus

We are currently focused on the following core strategic objectives:

Bringing our three recent acquisitions into the Microlise architecture

This is progressing well with fully integrating our acquisitions will enable us to more effectively upsell and cross-sell products and attract new customers. This programme of work is externally named Microlise Complete, as we continue to drive our USP of being an end-to-end integrated solution for transport operators.

Combining all of our products into a single, seamlessly integrated product suite

Our R&D team is currently developing our systems architecture across all of our products to ensure each is fully integrated. This will enable data to be shared across all products such that, for example, when driver information is updated in one product it automatically updates in others.

In addition, it will allow for common functionality across the suite of programmes so that, for example, there is a single login from which customers can use, and purchase, multiple products. This will make our product suite still more attractive to potential customers while also facilitating the

sales of more products to existing customers.

Improving margins through greater efficiencies

We have multiple initiatives underway to improve the efficiency of our business by streamlining internal processes, allowing us to scale the business more efficiently. Details on these initiatives are in part commercially sensitive but our aim is to increase margins.

Continued investment into product development

We will continue to invest heavily into product development to ensure that we remain at the forefront of our industry, bringing new, innovative solutions to our platform that benefit our customers.

Continued investment into security measures for our blue-chip customer base

A number of our clients have come under heavy attack from Ransomware and so we have continued to invest in replacement enterprise firewalls. We also continue to leverage our Exposure Management Platform with Monitoring Dashboards for Software Vulnerabilities. These attacks have not impacted Microlise directly but their effects on our clients could cause major disruption to their operations. Logistics companies are relied upon to deliver goods in a very short space of time and cannot afford for their operations to be put on hold. Therefore assurance and resilience of our business-critical systems are of paramount importance to our customers. Of all of our strategic initiatives, this is responsible for the largest capital spend but the outlay is necessary to ensure we both attract and retain customers.

International Expansion

During the period, we have remained focussed on international expansion, and we have made solid progress across a number of key geographies, particularly in Australia and New Zealand where we signed two new contracts with leading grocery retailers. This demonstrates the market leading nature of our products in the region and we are therefore committing increased investment to our sales function to ensure we further accelerate growth and capture all available opportunities.

M&A

M&A remains a core part of our strategy and we continue to see a robust pipeline of opportunities. We continue to assess further acquisition opportunities, with a current focus on international business, both in new geographies and in those in which we already operate, and will act appropriately should they align with our immediate and long-term strategic focus.

Microlise Transport Conference

The 2024 Microlise Transport Conference took place on 19 March at the Coventry Building Society Arena. 1200 delegates attended the event making it the biggest and most successful conference in our history. 14 keynote speakers addressed the audience, including MP Guy Opperman (Minister for Roads and Local Transport) and representatives from JCB, showcasing their hydrogen combustion engine technology. In addition, there were four further stages at the show featuring talks from SMEs from across the logistics industry, and OEMs, such as DAF, Mercedes-Benz and Volvo showcasing their latest electric vehicle offerings to delegates.

People

In August 2023 Shenny Remtulla was appointed to the senior leadership team as Strategy and M&A Director, with responsibility for enabling and accelerating the Company's profitable, sustainable growth.

ESG

We take great pride in the fact that our solutions help customers reduce emissions, improve safety for their drivers, and ensure their vehicles are driven and maintained effectively – lengthening the useful life of their assets. Together, these benefits reduce costs to our customers but they also improve the environment for everybody, both in terms of lowering pollutants in the atmosphere and also in making our roads a safer place.

Microlise is committed to meeting its net zero goals and continues to improve its ESG credentials. As such, the

Company has now introduced an ESG element to its executive team's incentive plan, ensuring all management are aligned and encouraged in meeting Microlise's sustainability objectives.

During the first half of the year, we also completed the installation of 502 solar panels at our Nottingham HQ, with the objective of reducing the site's annual carbon footprint by over 80 tonnes of CO₂.

Everybody at Microlise has worked hard toward making the Company's net zero goals a reality during FY23. This work will remain at the forefront of our efforts during FY24 and we look forward to updating the market on our continued progress going forward.

In terms of the social element of ESG, we achieved 'Great Place to Work' and 'Great Place to Work for Women' accreditations in April 2023, when we were officially ranked 29th among large organisations for the best wellbeing category.

We were also quoted as one of the Top 100 places to work in the UK, as well as specifically in the tech industry, for recognising our commitment to improving the work experience of our employees and their wellbeing.

Outlook

Microlise delivered a strong performance in FY23 exceeding our expectations, despite supply chain issues remaining in the first half of the year and their residual effects on new vehicle availability persisting into the second half. We are now confident that these issues are fully behind us, and we have emerged a stronger and more resilient business as a result.

We experienced record sales into OEMs in FY23 and direct business sales have grown strongly since the latter part of the year as new vehicle availability began to improve. These are trends we expect to continue in FY24, both in the UK and internationally.

This growth will be complemented by the additional capabilities provided by our recent acquisitions; the greater compatibility of our solutions with third-party products; and the increasingly interoperable nature of our product suite. This growth is also expected to flow through into profitability and enhance the earnings of the Company going forward.

Nick Wightman,
Chief Financial Officer

CFO Statement

The financial results for the twelve-month period to 31 December 2023 reflect another period of profitable growth for Microlise.

Key Performance Indicators

The following key performance indicators for the 12-month period to 31 December 2023 include a comparison to the audited statutory results for the 12-months to 31 December 2022.

		Calendar Year Results		
		Audited 12 months Dec-23	Audited 12 months Dec-22	Change (12 months) %
Financial	Revenue	£71.7m	£63.2m	13%
	Recurring Revenue	£45.0m	£40.5m	11%
	Recurring revenue as % of Group revenue	63%	64%	-1%
	Gross Profit	£43.6m	£37.6m	16%
	Gross Profit Margin %	61%	60%	1%
	Operating Profit	£2.3m	£2.2m	3%
	Adjusted EBITDA ⁽¹⁾	£9.4m	£8.2m	15%
	Adjusted EBITDA %	13.1%	13.0%	0.1%
	Profit before tax	£2.5m	£1.4m	74%
	Adjusted Profit before tax ⁽²⁾	£5.6m	£4.8m	17%
	Adjusted Profit before tax %	7%	7%	-
	Basic EPS (p)	1.36p	1.17p	16%
	Cash and cash equivalents	£16.8m	£16.7m	1%
Non Financial	ARR run rate ⁽³⁾	£47.7m	£42.6m	12%
	Number of like-for-like subscriptions ⁽⁴⁾	640,000	599,000	6.8%
	Long-term contract customer churn by value	0.7%	0.4%	0.3%

1. EBITDA excludes depreciation, amortisation, share of loss of associate, interest, tax and share based payments.
Adjusted EBITDA excludes, exceptional costs in relation to acquisitions and restructuring costs, depreciation, amortisation, share of loss of associate, interest, tax and share based payments.
2. Adjusted Profit / (loss) before taxation excludes exceptional costs in relation to acquisitions and restructuring costs, share based payments and loss of share of associate.
3. ARR run rate change figure and % compare the annualised recurring revenue figure for December 2023 with the annualised recurring revenue figure for December 2022.
4. Like-for-like subscriptions change figure and % compare the subscriptions as at 31 December 2023 with the subscriptions as at 31 December 2022

Group Results

Revenue

Total Revenue for the 12 months ended 31 December 2023 (FY23) was £71.7m, an increase of 13% from 31 December 2022 (FY22) as a result of both record levels of OEM(1) sales and increased revenue from direct customers. The Group delivered an increased win rate in the year, with over 450 new direct customers (2022: 250) which led to strong revenue growth towards the end of the year as an improvement of new vehicle availability in H2 enabled delivery against many of these new customers.

Strong customer wins, record OEM sales, together with growth in our existing customer's fleets resulted in recurring SaaS revenues growing to £45m, an increase of 11% compared to £40.5m in FY22 and 12% growth in ARR, of which 11.8% represented organic growth, to £47.7m as at 31 December 2023 from £42.6m on 31 December 2022. Recurring revenues represented 63% of total revenue (FY22 64.1%).

Hardware revenue increased 10% to £19.9m (FY22: £18.0m) as a result of the continued strong demand from OEM customers as well as the ability to deliver direct customer orders as vehicle availability improved in H2. The strong demand from direct customers in H2 also drove a 46% increase in services revenue, which comprises of installation services, project management and integration services, to £6.8m (FY22: £4.7m).

In addition to winning new business and deepening existing accounts, the Group successfully maintained an extremely low rate of customer churn by value at 0.7% (FY22: 0.4%). This reflects the mission critical importance of Microlise's software solutions in our customers' operations.

Gross Profit

Gross profit for the 12 months ended 31 December 2023 increased by 16% to £43.6m (FY22 £37.6m). Gross margin % increased from 60% to 61% reflecting margin improvements in recurring and non-recurring revenue. Non recurring margin increased by c.2.0% driven primarily by strong performance in H2 due to increased revenues from direct customers as vehicle availability improved. Recurring margin also saw a c.2.0% increase as a result of increased subscription revenues coupled with effective cost management and efficiency programmes.

Administrative Expenses

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

Administrative expenses before exceptional administrative charges, amortisation relating to acquisitions and share based payment charges, in the 12-month period ended 31 December 2023 increased 16% to £35.1m (FY22: £30.3m).

Staff costs in the 12 months ended 31 December 2023 increased 16% to £30m (FY22: £25.8m) reflecting our increase in headcount in line with our growth, the impact of the acquisitions of Vita Software and K-Safe, as well as annual pay awards and increased commissions/bonuses reflecting the increased new customer win rate and the Group's strong EBITDA performance. Average headcount in the Period was 715 (FY22: 661) overall, with 31 of the increase within operations, product and development reflecting our continued focus on the product roadmap, platform integration, enhanced user experience and enhanced security measures. A further 10 staff were added in sales & marketing including increases in staff numbers in Australia and France to drive growth in these regions. The increase in operations includes additional engineering resource to

support the strategy of bringing more installation work in-house which supports our margin enhancement strategy.

Marketing costs increased during the period by £0.1m to £1.1m as the Group has continued to focus on growth with targeted marketing spend in key strategic geographies. This includes an increased number of exhibitions globally, the implementation of global prospecting tools and the product launch of Microlise TMS (Vita software).

Administration costs increased during the period by a net £0.1m as the Group continues to invest significantly in its internal business systems to drive efficiencies and improvements in its security posture, this increased level of spend is offset by reduced spend in other areas.

Capitalised development costs in the period were £2.5m (FY22: £1.8m), reflecting the ongoing levels of investment into the product portfolio, whilst amortisation of capitalised development costs in the period ended 31 December 2023 was £1.2m (FY22: £0.8m).

EBITDA^[2] & Profit Before Tax

The growth in revenue and gross margin has enabled the Group to deliver an adjusted EBITDA ahead of market expectations at £9.4m in the 12 months ended 31 December 2023, an increase of 15% (FY22: £8.2m). Adjusted EBITDA margin has increased to 13.1% (FY22: 13.0%). To provide a better guide to the underlying business performance, adjusted EBITDA excludes exceptional costs in relation to acquisitions and restructuring costs, depreciation, amortisation, share of loss of associate, interest, tax and share based payments.

The adjusted profit before taxation excludes exceptional costs in relation to acquisitions and restructuring costs, amortisation charges of £2.2m as a result of business combinations (FY22: £2.1m), share of loss of associate and share based payments. Adjusted profit before taxation for the 12 months ended 31 December 2023 increased 17% to £5.6m (FY22: £4.8m). Reported profit before taxation in the period increased 74% to £2.5m (FY22: £1.4m).

Exceptional Costs

During FY23 the Group incurred a number of one-off charges relating to acquisition fees and subsequent restructuring. These are disclosed separately in note 2 of the financial statements to provide a better guide to the underlying financial performance of the Group. The total of these charges in the period ended 31 December 2023 was £0.4m (FY22: £0.2m).

Taxation

The tax charge in the 12 months ended 31 December 2023 increased to £0.9m (FY22: £0.1m). The principal factor driving this increase is deferred tax charges that relate to the reassessment of the likelihood of future deductions from the exercise of share options. Underlying deferred tax charges relate to the utilisation of accelerated allowances together with losses brought forward to reduce UK corporation tax for the 12 months, offset by the deferred tax credit relating to the amortisation of intangible assets. Due to these factors the effective tax rate for the period of 37% (FY22: 6%) which is higher than the main rate of corporation tax of 25%. For future periods we expect the effective rate to align more closely with the main corporation tax rate.

From 1 July 2020, Microlise has been classified as a large company for tax research and development purposes and benefits from the Research and Development Expenditure Credit scheme (RDEC) with any benefit being reflected as grant income within other operating income. In the period ended 31 December 2023 the pre tax value of the credit was £0.6m (FY22: £0.6m)

EPS and Dividend

The Group reported an increase in profit after taxation in the period of 17% to £1.6m (FY22: £1.4m). As a result, the reported basic earnings per share for the 12 month period ended 31 December 2023 was 1.359p (FY22: 1.167p) and diluted earnings per share was 1.358p for the 12 months period ended 31 December 2023 (FY22: 1.165). For further information on earnings per share, please refer to note 8 of the financial statements.

The Group is pleased to announce the introduction of its dividend policy and proposes a full year dividend of 1.72 pence per share that will be payable on 28 June 2024 to shareholders on the register at close of business on 7 June 2024.

Group Statement of Financial Position

The Group had net assets of £75.7m at 31 December 2023 (FY22: £73.5m). Intangible assets increased by £1.2m reflecting the £2.4m of acquired intangible assets and goodwill resulting from the acquisition of Vita Software Limited, capitalised development costs less amortisation charges. Current assets increased by £4.2m, primarily due to an increase in debtors driven by higher revenues in the year combined with the timing of several large receipts which have been received in full post period end. Total liabilities increased by £2.9m due to an increase in deferred income and trade payables. The Group typically invoices for software subscriptions monthly, quarterly, annually or for the life of the subscription in advance which drives a strong balance sheet with significant cash balances. Revenue is recognised in the month the service is provided with deferred income disclosed as contract liabilities in current and non current liabilities. As at the end of December 2023 total Trade and other payables was £48.3m (FY22: £46.1m) of this balance £34.5m (FY22: £33.3m) is deferred income and relates to future contracted revenue recognition.

Adjusted Cashflow⁽⁴⁾ & Net Cash

The Group ended the 12-month period to 31 December 2023 with cash and cash equivalents of £16.8m, a small increase on FY22 (FY22: £16.7m). This was partly due to the timing of several large receipts totalling £1.2m, which have been received in full post period end. Adjusted cash flows generated from operations (5) remains healthy at £9.3m in the period (FY22: £9.9m), this represents a cash conversion rate (6) of 98% (FY22: 121%). Reported cash flows generated from operations in the period was £8.8m (FY22: £9.7m)

During the period, the Group increased investment into product and development as well as plant, property and equipment, particularly IT infrastructure to support ongoing

advancements in both customer and internal business systems as well as security.

Banking Facility

The Group has renewed its facility with HSBC with an agreed £10.0m committed revolving cash flow facility and a £20m accordion. The Group has not utilised any of this facility to date. The Group's gross cash of £16.8m (FY22: £16.7m) and the undrawn £10.0m facility gives the Group £26.8m of cash, which the Directors believe provides ample headroom for Microlise to deliver against its strategic goals. Given the level of headroom in the business forecasts the board consider it appropriate to prepare the financial statements on the going concern basis. Details of the board's going concern assessment is provided in the basis of preparation note in the financial statements on page 98.

Additional Notes

1. OEM is an abbreviation for Original Equipment Manufacturers
2. Adjusted EBITDA excludes, exceptional costs in relation to acquisitions and restructuring costs, depreciation, amortisation, share of profit or loss of associate, interest, tax and share based payments.
3. Adjusted cash flow generated from operations adds back exceptional costs in relation to acquisitions and restructuring costs
4. Cash conversion is calculated by dividing adjusted cash flow generated from operations by adjusted EBITDA.

Nick Wightman, Chief Financial Officer

Market Overview

The Group has had a strong period, despite the challenges presented by the impacts of 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 2023, Microlise completed 2 acquisitions, Vita Software and K-Safe. Vita Software were a UK based company, Vita provides a SaaS Transportation Management System (TMS) for fleet operators. The software only system is applicable to fleets of all sizes, supporting the Group's strategy to expand its value proposition further into medium sized fleets, with an enriched product offering. K-Safe were the parent company to the road safety products Flare and Flare Aware. Flare is a multi-award-winning platform with over 3.5 million regular users of its app. A third acquisition was announced in November 2023, with completion post CMA approval in January 2024. Enterprise (ESS) is market leading TMS solution provider, who is utilised by a number of existing key Microlise customer already, including existing integration with Microlise products due to its combined customer base. These acquisitions provide the Group with a strong value proposition for transport & logistics customers to be able to operate from, with the product roadmap focusing strategically focused on completing the integration of all platforms, to create a seamless operating system.

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.

Principal Risks & Uncertainties

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

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



Platform Robustness

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



Dependence on Key Customers

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



Dependence on Key Suppliers

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



Technological Advances & Competition

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. AI technology poses a potential risk to technology companies by enabling their customers to develop technical products in-house with greater ease. As AI capabilities become more accessible and user-friendly, customers may opt to leverage these tools to undertake tasks traditionally outsourced to technology companies, such as software development or data analysis.
Mitigation:	The Group continues to update its products and to invest significantly in ongoing research and development, as well as anticipating and adapting to the impact of technological change. Evidence of this is the recent acquisition of the Transportation Management System providers Vita Software and Enterprise, which brings new high value services to the product portfolio. Microlise already harnesses AI technology within existing and future products, including within its operations. The inclusion of AI within our own product roadmaps enables the leverage that customers would seek to benefit from a lower level of competence, harnessed at a much higher level of expertise which customers look to receive from a technology partner.



Growth Strategy In New Geographies

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



Recruitment & Retention Of A Skilled Workforce

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



Data & Cyber Security

Potential Impact:

The Group relies on information technology systems to conduct its business and is therefore at risk from cyber-attacks. Cyber-attacks, whether because of global instability, or because of a deliberate or unintentional act, may include but not be limited to, third parties gaining unauthorised access to the Group's products, corrupting data, or causing operational disruption. If the Group suffers from a cyber-attack, whether by a third party or insider, it may incur significant costs and suffer other negative consequences, such as damage to the Group's network infrastructure and systems and/or fines from the Information Commissioner's Office or third-party claims. The Group may also suffer reputational damage and loss of investor confidence or be exposed to potential financial and reputational harm.

Mitigation:

The Group has continuous investment into the security of both its products and business, employing security testing measures for the software it deploys and for its internal systems. The Group's technology function manages strict security protocols and policies to mitigate against any potential security breaches, including obtaining and maintaining external IT and security certifications. The Group also communicates regularly with its employees to provide updates on IT risks and threats and to share best practice relating to data security. Future product platforms are being developed with market leading security architecture at their core, enabling the Group to mitigate future threats.



Inflationary & Exchange Rate Pressures

Potential Impact:

As is the case for many organisations, the Group is currently facing broad-based price inflation increases, ranging from salaries, wages, and utilities. As the Group's footprint continues to grow internationally, exchange rate fluctuations could have a material effect on the Group's profitability or the price competitiveness of its services

Mitigation:

We are realigning our talent recruitment strategies to reduce the impact of wage inflation by looking beyond 'traditional' talent pools to include freelancers, part-timers, and career restarters. The Group has actively looked to limit any costs passed on to customers, but RPI increases have been implemented to limit the impact of pressures. The Group is exposed to currency risk as a result of its operations.

However, given the size of the operation and level of foreign currency transactions, the cost of managing the exposure through the use of derivative financial instruments exceeds any potential benefits, and as such, no derivative financial instruments are used to hedge any risks. The Group minimises currency risk exposure by operating foreign company bank accounts to offset foreign currency receipts and payments, and makes timely currency exchanges based on the Group's financial currency, where appropriate.



Climate Change

Potential Impact:	Climate change is impacting global weather patterns such as increased levels of rain fall, flooding, heat waves and drought. Microlise recognises that this will have medium and long term impacts on businesses, infrastructure and the global population. The longer term impact is likely to include a continued focus on fossil fuel consumption and the transition to alternative fuels which will impact both customers and suppliers operating models and cost structures.
Mitigation:	We're committed to ongoing initiatives aimed at reducing both our customers and our own carbon footprint. Our products and services actively support our customers in reducing their carbon footprint through efficient use and management of their assets. This impact has been quantified in the ESG report section, in litres of fuel and subsequent carbon emissions saved. The impact of climate change on the various aspects of our business operations, including supply chain and component availability is reviewed on a continual basis through our risk management framework. The Microlise newly produced Climate-related Financial Disclosure (Regulations 2022) also enables the Group to analyse, indentify and mitigate the climate related impacts of its business operations.



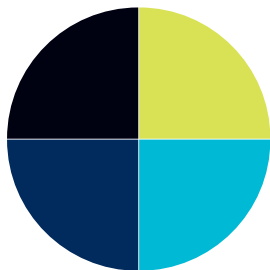
Macroeconomic Conditions

Potential Impact:	The Board and senior leadership continue to proactively monitor external geopolitical risks such as the impact of future pandemics, and the ongoing conflict in Ukraine, Gaza and China's recent aggression towards Taiwan, to respond and adapt at speed.
Business Community:	<p>An agile business model leaves us well placed to meet and overcome challenges as they arise. Covid-19 continues to be mitigated with the majority of existing and new staff on a hybrid working contract, enabling a more flexible workforce, with the senior leadership monitoring any new variants and new infectious diseases published by the government. Most of our customers continue to operate normally and our established business model, which is predicated on long term contracted revenues, solidifies our position.</p> <p>Microlise continues to monitor the ongoing global geopolitical events to make informed decisions on its business operations, including the upcoming elections for major global players such as the US, as well as the conflict in Gaza and growing tension with Russia. Microlise does not have any dependency on material supply from the Ukraine region.</p> <p>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.</p>
Mitigation - People Wellbeing:	A stringent set of safety procedures and protocols are in place for field staff and those who are office based. The business continues to manage internal outbreaks with regular onsite testing as well as 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

Section 172 statement

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

Our Key Stakeholders



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

Why We Engage

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

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

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

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

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



Investors

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

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

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

Focus areas

- Focus on sustainable growth
- Prioritise growth investment

● Customers & Suppliers

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

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

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

Customer focus areas

- 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 & flexibility

● Our People

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

Focus areas

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

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

● Community & Environment

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

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

Sound environmental practices and the impact of our operations are factors of great importance to Microlise. The Group's Environmental Policy seeks to adhere to local, state and national environmental legislation in all jurisdictions in which we operate and to promote the adoption of responsible environmental practices. We operate our facilities as efficiently as possible and have shared our current ESG objectives and outcomes on pages 36 and 58.

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 *£3.4 million and have won a number of prestigious awards for our products & solutions.

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

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

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

Focus areas

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

How We Conduct our Business

As a business, Microlise is committed to delivering to a high standard and seeks to benchmark itself against internationally recognised standards.

The business has held ISO9001 (quality management system) for a number of years and has more recently, also added ISO2000 (IT Service Management), ISO27001 (Information Security Management System)

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.

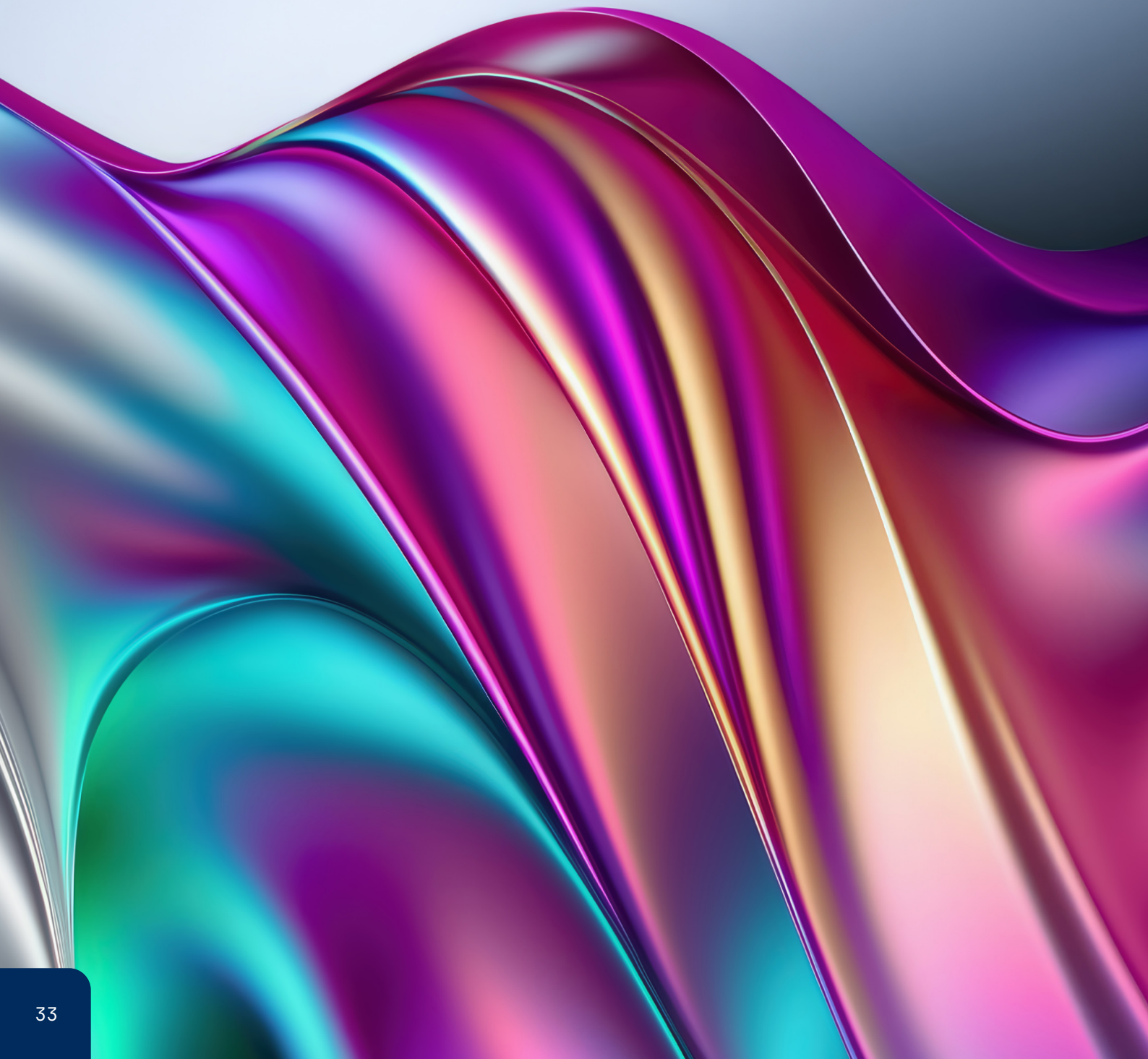
Our Ethics Policy has been developed to ensure that our business is conducted with adherence to the highest ethical and legal principles and sets standards of professionalism and integrity that is expected from all of our employees across all of our operations.

*This is value of qualifying spend under the RDEC scheme

Focus areas

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

Our People & Operations



Our people

We're dedicated to doing business the right way – with honesty, integrity, and a strong sense of social responsibility. Our Core Values are more than just words; they're woven into our everyday work life. They're the compass that helps us hire, evaluate, and reward our team members.

These values are the backbone of our company culture, shaping how we interact with our colleagues, customers, suppliers, and the local community. In the past year and looking ahead to 2024, we've made our people practices even better.

Our Core Values, 'We Care' and 'Continuously Improve,' are at the core of everything we do. And our efforts have paid off, with our Great Place to Work™ accreditation renewed in 2023.



Recruitment & Retention

Our team members drive our success, so we make sure everyone feels included and valued. We encourage growth and learning by giving our team the tools they need to succeed and keeping them motivated.

Regularly evaluating our offerings, we ensure that our career advancement programs and employee benefits remain competitive while catering to the diverse needs of our staff.

In our latest assessment, we introduced a new benefit for employees in the UK, providing dental, optical, and audiological insurance through Vitality and despite a challenging labour market, our average headcount increased by 8% globally.

Diversity & Inclusion

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

We support every member of our team, helping them to reach their full potential – and our targeted initiatives help to enhance diversity representation and social mobility.

In 2023, we expanded medical insurance in India to include LGBT+ partners, alongside enhanced maternity benefits and an extra week of paternity leave for our Indian employees.

Furthermore, we've established a dedicated team within our Employee Experience group to focus on LGBT+ inclusivity, organising outreach events at local schools.

And we're proud to have been recognised as the 82nd 'Best Large Workplace for Women' by Great Place to Work™.

Employee Engagement

We work closely with our employees to better understand and support them. In 2023, as a result of employee engagement surveys, we were listed in the top 50 'Best Large Places to Work' in the UK, and top 30 'Best Workplace in Tech (Large and Super Large)' by Great Place to Work™.

Our events program has also evolved to improve engagement in hybrid work settings, with employees actively involved in designing valued events. Last year, we offered 24 engagement activities in the UK and 10 in India.

In the Great Place to Work™ survey, we scored an impressive 94%, reflecting the culture of celebrating special events within our organisation.

Health & Wellbeing

Our wellbeing initiatives have received high praise from employees, and this is reflected in our ranking as the 29th 'Best Large Workplace for Wellbeing' by Great Place to Work™.

Moreover, we are proud to be listed as one of the UK's Best Workplaces™ for Wellbeing in 2023, underscoring our commitment to employee wellbeing. We now have 16 Mental Health First Aiders and 39 Mental Health Champions across the business.

In the UK and India, we offer free health checks, and in India specifically, we've implemented a new Wellbeing team and strategy to further enhance employee wellness.

ESG

Environmental

At the heart of everything we do lies our commitment to the environment, which shapes every aspect of our work, from product development to how we conduct business.

We work closely with our customers to streamline operations in the transport industry, while also helping them cut down on their environmental impact. Saving fuel is a big part of how our products add value.

With our Driver Excellence Monitoring software, drivers and operators get a direct look at their driving habits, from quick starts to sudden stops. Our customers use our software to encourage better driving, which not only saves fuel but also cuts down on accidents and wear and tear for their fleet vehicles.



4% average fuel saving per customer.



59,144,548 litres of fuel - the equivalent of 24 Olympic swimming pools.

And is the equivalent saving of:



2,611,154 trees planted over a ten-year period.



42 wind turbines running for one year.

The Sustainability of our Operations

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

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

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

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

In 2023, we successfully implemented the following initiatives that help to reduce our carbon consumption:

- The installation of 502 solar panels at our Head Office, with estimated savings of 55t CO2 per year
- New LED lighting in the UK Head Office, with an expected carbon saving of 8t CO2 per year

We continue to roll out lease renewal opportunities to replace our fleet of vans and cars with electric or hybrid vehicles, and in 2024 we plan to add more solar panels to our buildings in the UK. We will also have committed plans to expand onsite EV charging points at the HQ in Q1 2024.

Going forward, these initiatives will be managed by a new, cross-functional team that will focus on our carbon consumption.



Current Initiatives

Emissions reduction initiatives

Including:

- EV salary sacrifice scheme for all staff fully implemented. Suitable for cars under 75g/per kilometre, there's the opportunity for 68% of staff to benefit from this initiative.
- Implementation of new company regulation that prohibits the use of vehicles that exceed 130g/per kilometre CO2 emission is underway. This new regulation applies to engineers and field-based employees.
- We continue to offer an off-setting scheme for car fuel where our fuel card provider off-sets based on our per annum financial expenditure.

Energy reduction initiatives

Including:

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

Planned Initiatives for 2024

Emissions reduction initiatives

Including:

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

Energy reduction initiatives

Including:

- Plans to implement a further 85 to the currently installed 502 solar panel units at the HQ are underway. Once complete, the total energy generated is predicted to provide one third of our HQ's electrical energy requirements.
- Implementation of LED lighting at our Head Office, with an expected carbon saving of 8 carbon tonnes per year.

SECR Report

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

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

		Actual 12 Months June 30 2021	Actual 18 Months Dec 31 2021	Actual 12 Months Dec 31 2022	Actual 12 Months Dec 31 2023
Total energy use covering electricity, gas and transport	kWh	2,103,610	3,310,391	2,386,337	2,599,509
Total emissions generated through	tCO2e	24	40	27	16.3
Total emissions generated through use of purchased electricity	tCO2e	292	449	296	321.1
Total emissions generated through business travel	tCO2e	321	514	405	354.5
Total gross emissions	tCO2e	637	1,003	728	691.9
Intensity ratio (total gross emissions)	kgCO2e per sqft	13.6	19.61	14.2	11.2%

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

Climate-related Financial Disclosure [Regulations 2022]

The regulations requires disclosures on the following four elements within financial disclosures:

1. Governance – Top Management (the Board or equivalent) oversight and how management assesses climate-related risks and opportunities.
2. Strategy – Identified climate-related risks and opportunities, what their overall impact is and how the organisation is managing them.
3. Risk Management – How the organisation identifies, assesses and manages climate-related risks and how this is integrated into the organisations overall risk management.
4. Metrics and Targets – The metrics used by the organisation to assess climate-related risks and opportunities, disclosure of Scope 1, 2 and, if appropriate, Scope 3 carbon emissions and the climate-related targets currently in place.

Governance

a. Board Oversight of climate-related risks and opportunities

The Board, which includes the Non-Executive Chairman, the Chief Executive officer (CEO), the Chief Financial Officer (CFO), and two Non-Executive Directors, is responsible for directing the Group and developing the overall business strategy. The CEO and CFO are responsible for identifying and managing climate change risks and opportunities. They also lead the Senior Leadership Team (SLT), ensuring sustainability and climate change are central considerations among top management. The non-executive members of the Board have responsibility for reviewing and challenging the climate change strategy.

Our Microlise Board formally meets at least ten times per annum, with at least two meetings per annum discussing ESG, sustainability and climate change matters and four of these directly reviewing the identified corporate risks. The Board aims to increase the frequency of formally discussing climate-related issues to at least quarterly in FY24.

The SLT hold a monthly Integrated Management System (IMS) meeting where relevant standards and the company-wide risk register are reviewed. Climate-change risks and opportunities are discussed within this meeting to determine their ongoing severity and how they are appropriately managed. As members of the Board, the CEO and CFO then raise appropriate risks and opportunities discussed during SLT meetings at subsequent Board meetings.

The CEO and CFO are pivotal roles within Microlise in ensuring appropriate climate-change issues are understood at the most senior level and leading the SLT in implementing actions which address identified climate change risks and opportunities. They also have responsibility for assessing the effectiveness of these actions, making sure climate change risks are appropriately managed.

In the near future, to further enhance current climate change management practices, a new subcommittee will be formed which will focus on climate change risks and opportunities. The core members of this committee will include key departmental staff, ensuring that all aspects of the organisation are equally represented, and the potential impacts of climate-change are understood throughout the business. The frequency and content of the meetings are yet to be confirmed, this will be reported in future TCFD responses. However, the output from these meetings will be discussed in the monthly SLT IMS meetings and reported to the Board by the CEO and CFO.

Some good examples of how climate-related matters influence the business strategy include:

1. We are committing to reducing its climate impact through setting Net Zero targets for Scope 1 & 2 emissions by 2030.
2. The implementation of several carbon and energy saving initiatives, including the installation of a solar PV system at the Microlise Head Office in Nottingham, UK.
3. The development of a relocation and consolidation strategy to improve the resilience of the portfolio against inefficiencies and the effects of physical climate change events.
4. Linking a carbon reduction target with the Long-Term Incentive Plan (LTIPs).

We aim to expand its carbon measurement strategy (currently Scope 1, 2 and part Scope 3) to incorporate all relevant Scope 3 sub-categories. Following this, additional targets and climate change reduction strategies will be developed.

b. Management's role in assessing and managing climate-related risks and opportunities

Our Board is supported by a cross functional Senior Leadership Team (SLT) headed by the CEO and CFO. The SLT includes the following members:

- Chief Executive Officer (CEO)
- Chief Financial Officer (CFO)
- Product Director
- Operations Director
- Business Development Director
- Chief Technology Officer
- Human Resources Director
- Strategy & M&A Director

The SLT formally meet monthly to review the IMS and risk register. This regular meeting with these standing agenda points ensures climate change issues are regularly reviewed and assessed. The SLT identify climate change risks and opportunities through the following:

1. Continual professional development (CPD) from attendance at relevant exhibitions and conferences.
2. Supplier Engagement where climate change issues are discussed and raised. E.g., carbon reporting requirements and how potential climate-change impacts could impact service.
3. External specialists who provide compliance support with climate change related legislation such as SECR and ESOS.
4. Government bodies such as the Environment Agency who provide details and enforce climate-related regulations.
5. Other stakeholders including the local communities and investors who share and identify their climate change concerns.

We maintain a corporate risk register, which is populated and reviewed by the Senior Leadership Team. The risk register is reviewed periodically by the Board. Currently, the risk register is managed at a Group level. However, more recently a qualitative scenario analysis was undertaken where the different Microlise subsidiaries (e.g., Trutac, Microlise Pty Limited (Australia), Microlise SAS (France), Microlise Telematics Private Limited (India)) and the countries where they operate (UK, Australia, New Zealand, France and India) were reviewed to determine how climate change transitional and physical impacts and opportunities could potentially affect the organisation (See section “Strategy, c.” for further details). The results from this analysis are being assessed and are in the process of being incorporated into the corporate risk register.

In the near future, a climate-change subcommittee with representatives across all major business functions will be established. The main objective of this subcommittee will be to enhance climate change risk and opportunities identification and management throughout the business. The frequency and content of the meetings are yet to be confirmed, this will be reported in future TCFD responses.

Strategy

a. Climate-related risks and opportunities in the short, medium, and long term

Based on our business model, product life cycle, product development and typical length of customer contracts, it considers short, medium, and long-term as follows:

Time Horizon	Time (yrs)
Short-term	1 to 3 years
Medium-term	3 to 5 years

Climate-change risks and opportunities are assessed and reviewed by the Board at least quarterly. It is estimated that at least 40% of the currently identified risks are either partially or fully influenced by climate-change. Risks are assessed against two key criteria; probability and potential impact (which includes material financial impact). This assessment determines an appropriate rating for each risk from 1 (low) to 25 (high). Any identified risk with a rating of 10 or higher is prioritised and appropriate mitigation measures are then identified, assessed, and implemented.

To support climate change management, a qualitative scenario analysis was recently undertaken (See section “Strategy, c.” for further details). The results are currently being incorporated within the corporate risk register.

The following two tables provide a summary of the specific Transitional and Physical climate-related risks and opportunities that have been identified as being relevant to Microlise:

Transitional Climate Change Risk Summary Table

Ref.	Climate Change Impact	Short-Term	Medium-Term	Long-Term
1.	Policy and Legal	<p><u>Risks</u> Certain country specific legislation requires that Microlise reports on its carbon emissions, energy consumption and climate change impacts. Currently, climate change regulations which affect Microlise's operations appear to be UK centred (e.g., ESOS and SECR). However, in anticipation of increasing awareness of climate change reporting requirements in other countries, Microlise already reports voluntarily on its other global carbon emissions and energy consumption where possible.</p> <p>Non-compliance with climate change related regulations could potentially result in fines and reputational damage.</p> <p>In addition, climate change taxes and levies will also likely increase in number and overall cost for high energy users and carbon producers. This will not necessarily directly impact Microlise, however it could increase its suppliers' costs. In particular, data centre and telecommunication suppliers which are critical to Microlise's business offering. This could increase the cost of Microlise's products and services.</p>	<p><u>Risks</u> There could be an increase in the number of climate change related regulations. Examples include the Corporate Sustainability Reporting Directive (CSRD) which will require qualifying organisations to carry out double materiality assessments. This has the potential to impact over the medium to long-term.</p>	
		<p><u>Opportunities</u> Microlise's main product offering can help organisations with transport fleets to capture carbon emissions and help them comply with their own climate change regulatory requirements.</p>	<p><u>Opportunities</u> Microlise is introducing a number of key initiatives to better position itself against future regulatory requirements. This includes Microlise's commitment to implement appropriate management systems such as ISO 45001 and ISO 14001 by the end of 2025, incorporating Scope 3 into existing carbon measurement practices and establishing a subcommittee dedicated to reducing the business's climate-change impact. It is expected that these initiatives will strengthen Microlise's business offering.</p>	
2.	Technology	<p><u>Risks</u> Microlise's main offering is technology based. Potential climate change impacts could disrupt supplies through acute climate-change related weather events (e.g., severe storms). These disruptions could affect productivity and the ability to meet customer demands.</p> <p>Energy costs could potentially rise, which will increase Microlise's suppliers operating costs. For example, data centre providers, who are critical to Microlise's provision of services, may increase their costs.</p>		<p><u>Risks</u> Depending on the severity of the climate change impact, different products and services may need to be developed to operate within the more extreme climate conditions. This includes external equipment installed on customer vehicles e.g., camera housing units and sensors. Production costs could potentially increase as alternative materials may need to be used to operate within these extreme climate conditions.</p>

Ref.	Climate Change Impact	Short-Term	Medium-Term	Long-Term
		<u>Opportunities</u> There is an opportunity to enhance business offerings by investigating ways in which Microlise could develop technology. This could include enhancing ways to obtain data directly from customer assets, enabling pro-active diagnostics for a range of environmental factors.		<u>Opportunities</u> There is potential for Microlise to adapt and improve its business offering. Examples of future opportunities could include designing monitoring equipment for other applications, increasing the data capturing potential of installed equipment or developing alternative methods of data acquisition from existing customer technology and equipment.
3.	Market	<u>Risks</u> Due to carbon emission reduction demand, there is a noted increase in organisations investigating ways to improve their climate change impacts, e.g., utilising electric vehicles (EV) as main mode of travel. If Microlise does not keep up to date with these market changes, there is a chance they could potentially lose customers and revenue. However, due to Microlise's unique data acquisition business offering being adaptable to a variety of vehicle and non-vehicle applications, this risk is considered low.	<u>Risks</u> Potential climate-change impacts could see a decrease in the number of vehicles being utilised in favour of other lower carbon methods of transportation (e.g., rail). However, due to the versatility of Microlise's offering they will still be able to offer their data acquisition services for a variety of vehicular and non-vehicular applications.	
		<u>Opportunities</u> There has been a noted increase in demand for commercial vehicle carbon reporting. Therefore, there is an opportunity for Microlise to enhance and refine its main business offering to further meet this increasing demand.	<u>Opportunities</u> There is potential to diversify and identify other potential products and services which would benefit commercial and industrial customers. Diversification of product is already in progress (e.g., tracking of entries and exits for gates) and could provide alternative revenue streams for the business.	
4.	Reputation	<u>Risks</u> There has been an increased customer demand for Microlise to demonstrate good climate change management practices. If no action is taken there is potential to lose customers and revenue. Reporting requirements appear to be intensifying, therefore reputational climate change risk is considered applicable across all timescales.		
		<u>Opportunities</u> Microlise could generate a competitive advantage if it could support its customers in meeting their climate change needs. This could secure existing and new work. In addition, by reducing its own climate-change impact Microlise will also lower its energy consumption and associated costs. It is expected that the climate-change reporting demands will increase and therefore be applicable to all timescales.		

Ref.	Climate Change Impact	Short-Term	Medium-Term	Long-Term
5.	People	<u>Risks</u> Effective climate change management is becoming more of a necessity for organisations to attract and retain a talented workforce. Not being able to demonstrate good climate change management practices could encourage staff to source working opportunities elsewhere and reduce the interest received when Microlise advertises job opportunities.	<u>Risks</u> As climate change impacts worsen over time, transportation costs will likely increase. This will reduce the acceptable commuting distance for employees which could encourage them to look for work opportunities closer to their homes. This also could potentially reduce the catchment area for new employees should role opportunities arise. Climate change could result in negative impacts on staff health making it difficult for them to get to work and increasing the amount of notable sick days they take, resulting in greater costs for the organisation. The impact of this risk is reduced by Microlise's utilisation of hybrid working.	
		<u>Opportunities</u> Good climate change management will likely increase the potential pool of talent Microlise would be able to draw from when advertising job opportunities. In addition, this will help with employee retention.	<u>Opportunities</u> Being able to effectively mitigate the potential negative impacts of climate change will likely secure the workforce and attract more people should job opportunities arise. Mitigation measures could include the working from home policy.	

Physical Climate Change Risk Summary Table

Ref.	Climate Change Impact	Short-Term	Medium-Term	Long-Term
6.	Acute	<u>Risks</u> Severe weather incidents resulting from climate-change have been increasing in recent years. These events have the potential to impact the supply and delivery of Microlise's products and services to its customers. Due to existing business continuity plans, this potential impact has been minimised in the short-term.	<u>Risks</u> It is anticipated that climate-change acute weather incidents will continue to increase in frequency as global temperatures rise. The impact of these incidents could also potentially increase in size and magnitude which could disrupt supply routes or impact data centre operation. Therefore, mitigation costs would likely increase.	
		<u>Opportunities</u> Ensuring that the service to customers is not severely impacted by climate change is one of the many reasons why Microlise is considered a leader in telematics and technological transport solutions for fleet management. Maintaining this market position will likely attract new customers, secure business and increase revenue.	<u>Opportunities</u> Acute climate change risk management encourages research and development into providing alternative products and services which are less dependent on hardware solutions, thereby reducing dependency on supply chains. This could provide additional markets that Microlise could operate within, generating additional revenue streams.	

7.	Chronic	<u>Risks</u> Chronic climate-change weather conditions, such as increases in seasonal extreme temperature variations, are being experienced in the short-term and have the potential to worsen in the medium to long term. These impacts could cause disruptions to data centres which are utilised by Microlise to provide its services to its customers. It could also increase the operational costs of facilities due to the increased energy consumed by HVAC systems to mitigate these changing conditions. Technological advances and current remote working practices could potentially offset the impact of these identified chronic climate change issues.
		<u>Opportunities</u> Similarly to the acute climate change risk section above, chronic climate change risks encourage research and development into alternative products and services. This will likely generate alternative revenue streams.

b. Impact of climate-related risks and opportunities on business, strategy, and financial planning

The impacts of the previously identified climate change issues and how they impact across multiple business areas have been summarised in the following table. This demonstrates how climate change risks and opportunities impacts the business, its strategy and financial planning.

Business / Strategy Area	Impacts on businesses, strategy, and financial planning	Related Climate Change Impact Ref.
Products and Services	<p>As the carbon reporting requirements expand for all large commercial and industrial organisations, there is potential for an increased need for the products and services offered by Microlise. Microlise's technological transport solutions include capturing and reporting fuel consumption and driver behaviour data. This information would provide accurate carbon emission information for organisations with transportation fleets and identify ways to improve them. This opportunity is a core element to the Microlise business strategy as it aims to continue to achieve "Best in Class".</p> <p>The largest impact this will have on business, strategy, and financial planning is research and development. Maintaining competitive pricing whilst providing improved service offering which enables customers to reduce carbon emissions is a continual process.</p>	1. Policy and Legal 2. Technology
Supply Chain / Value Chain	<p>A number of stakeholders have been identified as part of Microlise's value chain. These include but are not limited to:</p> <ol style="list-style-type: none"> 1. Customers 2. Employees 3. Suppliers 4. Shareholders 5. Local community <p>Each identified stakeholder has their own climate-change requirements e.g., customers expect ethical business practices from their suppliers. In order to meet the needs of the value chain Microlise is establishing a subcommittee dedicated to sustainability and climate-change impact improvement. The committee will consist of key divisional representatives and their findings will be discussed during Board meetings as appropriate. This strategic decision will ensure alignment of the business with the needs of the value chain.</p>	3. Market 4. Reputation 5. People 6. Acute 7. Chronic

Adaption and Mitigation Activities	<p>Development and efficient use of facilities is part of Microlise's business strategy. Recent examples of capital investments to mitigate Scope 1 and 2 carbon emissions can be seen with the installation of a solar PV system on the main head office building, replacement of lighting with LED energy efficient type and currently the investigation of optimising the onsite data centre.</p> <p>Compliance with the ESOS Phase 3 legislation has identified a number of energy saving opportunities. These are currently being investigated to develop a prioritised list.</p> <p>Future consideration is being given to replacing the current transportation fleet with more energy efficient alternatives e.g., electric and hybrid.</p>	1. Policy and Legal 2. Technology 6. Acute 7. Chronic
Investment in Research and Development	<p>The main Microlise business offering centres around transport, delivery and journey management, safety, health and compliance, and tracking solutions for HGVs. As such, hardware and software improvement is a key aspect of the business strategy. Investment into research and development is a continual practice to ensure that customer needs are being met.</p> <p>Future technological advancements which are currently being explored include ways to reduce the need for hardware to obtain the necessary information required by customers. This would reduce the carbon emissions associated with the manufacturing, transportation, installation, and servicing of equipment.</p>	1. Policy and Legal 2. Technology 3. Market
Operations	<p>Reviewing climate change impact on business operations has caused the following strategic impacts:</p> <ol style="list-style-type: none"> 1. Transportation fleet replacement – Microlise is currently reviewing viable options to replace the existing vehicles to reduce carbon emissions and climate change impact. This must be balanced with customer expectations and being able to keep or exceed current levels of service. 2. Consolidation of offices – utilising remote working has reduced the office space size requirement. This will likely reduce the amount of energy needed to operate facilities resulting in reduced Scope 1 and 2 carbon emissions. <p>Once the Scope 3 carbon emissions measurement exercise has been completed then additional operational carbon emissions performance improvement opportunities will be identified.</p>	1. Policy and Legal 5. People 6. Acute 7. Chronic
Acquisitions and Divestments	<p>Microlise incorporates climate-change in the consideration process of any major acquisition or divestments. Some recent examples are the purchases of Vita Software and Enterprise Software Systems, which strengthen Microlise's Transportation Management System solutions. These acquisitions will enable Microlise to offer its customers enhanced order management solutions including fleet logistics, operators, resource and transport costing, subcontractor management and invoicing solutions. This improved transparency could help customers better understand their Scope 1, 2 and 3 carbon emissions.</p> <p>Moving forward, as the businesses grows, more commercial space could potentially be required for Microlise's operations. The energy performance of any future building acquisition will be more heavily considered, ensuring that climate-change impact is continually reviewed and reduced where possible.</p>	2. Technology 3. Market 4. Reputation 5. People 6. Acute 7. Chronic

Business / Strategy Area	Impacts on businesses, strategy, and financial planning	Related Climate Change Impact Ref.
Access to Capital	<p>It was noted that there is a significant lack of access to capital based on improving a business's climate change impact alone. However, it is noted that certain major retail banks are now focusing on Environmental, Social and Governance (ESG) credentials and are offering preferential rates to organisations with good ESG performance. It is expected in the medium to long term, that more capital options will be provided to help organisations reduce carbon emissions.</p> <p>Another access to capital consideration which is currently being explored, is utilising Energy Performance Contracts in order to raise the investment needed to implement energy saving opportunities. Suppliers will use industry accepted practices (e.g., IMPVP) in order to quantify the potential impact of the identified energy saving opportunity, provide the capital investment and take a proportion of the savings over a period of time. After which the implemented equipment / solution will be owned by the organisation.</p>	<p>2. Technology</p> <p>5. People</p> <p>6. Acute</p> <p>7. Chronic</p>

As discussed previously, circa 40% of all currently identified risks are partially or fully influenced by climate change. These are reviewed by the Board twice a year and are assessed over the short, medium, and long term. We are planning to increase the frequency of the climate change Board reviews to quarterly. This high-level oversight of potential climate change issues ensures a proactive approach is taken by Microlise to reduce its carbon emissions. To improve the climate change management practices, we are in the process of establishing a dedicated climate-change subcommittee that will periodically review climate change issues, support the implementation of any agreed climate change impact mitigation measure and provide the Board with greater oversight of how climate change issues could potentially impact the business.

Currently, climate change issues are assessed based on probability of occurrence and potential impact. These are then given a rating between 1 (low) and 25 (high) and captured within a central risk register. A risk that receives a score of 10 or higher is prioritised and appropriate mitigation measures are identified and implemented. These measures are further assessed in subsequent Board meetings to ensure that the desired outcome is being achieved.

The impact of climate-change on our financial performance is currently difficult to determine. This is due to the main product and service offering already incorporating climate-change reduction solutions (vehicle tracking of fuel consumption and driver behaviour). Microlise is looking to potentially capture this information in future customer engagement. However, Microlise was awarded the London Stock Exchange Green Economy Mark by being able to demonstrate that more than 50% of its revenue from products and services has been identified as contributing to the achievement of customers' environmental objectives.

We have set a Scope 1 and 2 Carbon Net Zero target to be achieved by 2030. To transition to a low carbon economy, it is also undertaking the following:

1. Improved measurement of Scope 1, 2 and 3 carbon emissions to establish an appropriate baseline and to begin to quantify the investment required to achieve Carbon Net Zero.
2. Implementation of management systems (ISO 45001 and ISO 14001) to enhance risk management practices and to ensure environmental performance remains central to Microlise's business.

c. Resilience of the strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

A qualitative scenario analysis was recently undertaken using the International Panel on Climate Change Assessment Report 6 (IPPC AR6). The IPPC AR6 provides details on five global Shared Socio-Economic Pathways (SSPs) over the near (2021 to 2040), medium (2041 to 2060) and long term (2081 to 2100). The information summarised within the APPC AR6 complements the Representative Concentration Pathways (RCPs) which expresses global warming in terms of radiative forcing (W/m²) rather than °C. This model was chosen as the basis of the scenario analysis as it provides a good overview of how the climate (temperature, wind, precipitation, snowfall, and air quality) will potentially change in the countries in which Microlise operates (including the UK, Australia, New Zealand, France and India) as well as detailing the potential socio-economic impacts. This expanded view of assessing the likely physical and transitional impacts resulting from climate change provides a good understanding of how we would likely need to adapt or mitigate.

Of the five scenarios used:

- SSP 1 – 2.6 (Sustainable Development Scenario or below 2°C). This assumes that carbon emissions worldwide rapidly reduce, however, 'Net Zero' is achieved after 2050. Global temperatures increase but by less than 2°C. Societies adopt environmentally friendly practices, where there is a noted shift from economic growth to general well-being. Investments in education and health increase and inequality decreases. Severe weather events are more frequent, and the world has avoided some consequences of climate change.
- SSP 3 – 7.0 (Regional Rivalry Scenario). This assumes that carbon emissions and global temperatures continue to increase and by 2100 they have risen by circa 3.6°C. Countries become more competitive with each other, prioritizing issues of national and food security.

In addition, only near-term (to 2040) and medium-term (2041 to 2060) were reviewed. These two scenarios and two timeframes were considered a good basis for our first climate change scenario analysis as they provide an overview of extreme scenarios. When the exercise is repeated in 2024, the number of scenarios reviewed will increase and quantitative assessment may also be used.

A summary of the key findings has been presented below:

Term	SSP 1 (Sustainable Development Scenario)	SSP3 (Regional Rivalry Scenario)
Near-Term (to 2040)	<p>Negative impact on transport infrastructure from weather and climate change could increase costs of importing goods and services from overseas. This could result in the need to source more local suppliers. This is currently being reviewed and appropriate mitigation measures are being determined.</p> <p>Adaption of current hardware offering could be required as weather conditions worsen. This is needed to preserve the longevity of products and services. Mitigation of this potential risk is embedded into existing research and development strategies.</p> <p>Increase in surface water and fluvial flooding could potentially disrupt operations at some sites. This risk is currently being reviewed to determine the viability of increasing remote working.</p> <p>Increases in energy costs could also cause data centre operational costs to rise. This in turn could potentially increase the cost of Microlise's products and services.</p> <p>Carbon taxes, levies, and prices will also likely increase. This may have more of an impact on Microlise's suppliers who are larger energy users and carbon producers. This in turn could increase Microlise's own costs to mitigate supplier increases. In addition, these carbon taxes will likely promote the implementation of carbon reduction initiatives.</p> <p>It is also likely that Scope 3 carbon emission reduction will become even more relevant. This will include</p>	<p>Increased carbon emissions and pollution could negatively impact the health of staff, customers, and the local community. In the near-term, this would not necessarily be too severe but would start showing in the amount of sick leave staff would be taking. This could potentially impact overall business performance and negatively impact revenue. This risk is currently being reviewed and appropriate mitigation measures are being determined. This climate change issue impact is reduced due to Microlise's utilisation of hybrid working.</p> <p>The amount and intensity of extreme weather events will likely increase, causing disruption to transport networks. This could potentially impact Microlise by increasing the amount of remote working being utilised. In contrast, it also provides opportunity for additional services which will help customers navigate disrupted travel routes in order to deliver goods and services on time.</p> <p>Adaption methods could include sourcing more local suppliers to reduce the risk of potential disruptions to the supply chain. This would increase costs.</p>

Term	SSP 1 (Sustainable Development Scenario)	SSP3 (Regional Rivalry Scenario)
	engagement with suppliers to better understand their carbon emissions and how this impacts Microlise.	
Medium-Term (from 2041 to 2060)	<p>It is expected that achieving Carbon Net Zero by 2050 will become a mandatory requirement for organisations. This will require significant investment into greener technologies, renewable energy and potentially adapting current business offerings. This is part of the current business strategy and is currently being implemented e.g., Solar PV system installed on the main Microlise Head Office.</p> <p>In addition, not achieving Carbon Net Zero status could negatively impact Microlise's reputation and reduce revenue.</p>	<p>More disruptive global climate conditions could potentially increase Microlise's operational costs e.g., sourcing local suppliers.</p> <p>In addition, energy security could potentially become an issue as resultant changes in climate could cause power cuts, disrupting business operations. Therefore significant investment would be needed to install self-generating alternatives.</p> <p>Buildings may need to be redesigned / refurbished to deal with harsher environments. This will likely result in increased costs either from relocation or refurbishment of existing building stock.</p>

In summary, the SSP1 scenario analysis showed that many of the climate change issues are being addressed or will be addressed through existing risk management strategies. As such, many of the mitigation measures identified have or will be budgeted for in the near future. There is an acceptance that energy and carbon costs will rise worldwide, subsequently increasing costs for both our business and its suppliers. However, this may also lead to an increased demand of our products and services.

The SSP3 scenario analysis showed little costs associated with implementing mitigation measures. However, the long-term potential negative impacts of the "business as usual approach" were identified as being significant enough to cause disruption to both the supply chain and customer services. A need for our services was still evident however, a significant increase in operational costs could potentially be less than revenue increases.

a. The processes for identifying and assessing climate-related risks

Identification and assessment of climate change risks are incorporated into the existing risk management practices and processes. Climate change risks are initially identified from a number of internal and external sources including attendance at relevant exhibitions and conferences, and interaction with suppliers, customers, employees, external specialists and government bodies. These identified risks are then presented at the monthly IMS meeting and assessed to determine their overall potential impact on the business. If deemed significant, these are then presented to the Board during their review of the Risk Register, where appropriate mitigation strategies are discussed, developed, and implemented. To enhance this existing process further, a climate-change subcommittee is currently being established involving relevant senior employees from each department. Their periodic meetings will not only help with the identification and quantification of climate-change risks, but also support with the implementation of agreed mitigation measures.

Existing and emerging climate-change related regulations are identified as part of the company risk management process. Examples of relevant climate-change related regulations includes the UK ESOS and SECR legislation which require the periodic assessment and reporting of energy and carbon emissions. The compliance requirements are discussed during the quarterly Board meetings to determine if compliance can be managed through existing internal resources or whether external specialist support will be needed. The success of the existing risk management system can be seen with Microlise being fully compliant with the SECR and ESOS regulations.

Climate change risks are assessed on probability of occurrence and potential impact. These are then given a rating between 1 (low) and 25 (high) and captured within a central risk register. A risk that receives a score of 10 or higher is prioritised and appropriate mitigation measures are identified and implemented.

d. The processes for managing climate-related risks

Climate Change Issue Category	Process for managing Climate Change Risk
Policy and Legal	Policy and legal climate related issues are first assessed to determine the compliance need. This leads to the identification of the resource requirements and whether external support would be needed. A plan is then developed, taking into consideration relevant compliance requirements. Following the implementation of the action plan, an assessment is carried out to determine whether the compliance requirement has been met. Microlise is in the process of implementing relevant management systems (ISO 45001 and ISO 14001) which will further support how climate change related policy and legal issues are managed. They are on track to have these fully implemented by the end of 2025.

Technology	<p>Central to Microlise's business offering is technology. As customer needs expand, and the impact of chronic and acute climate change worsens, there could be a potential constraint on technological requirements e.g., disruption to data centres through power outages or extreme weather events. To ensure that these issues are fully understood Microlise regularly engages customers through its Product Strategy and Customer Success Teams. This combined with Microlise's other climate change and risk gathering processes provides them with efficient "horizontal scanning" to predict potential issues and when they will likely have an impact. This information is then used by the product development team to research potential ways Microlise's offerings could be improved and adapted. Once these changes have gone through necessary testing, they are then released to market.</p>
Market	<p>As stated earlier within this TCFD response, Microlise's main product and service offering helps its customers to better manage their vehicle fleets and assets. One of the benefits of this is reduced fuel consumption and associated carbon emissions. This green position not only attracts customers but also investors. This has been recognised by the London Stock Exchange where Microlise received the Green Economy Mark. In order to receive this more than 50% of Microlise's revenue from products and services have been identified as contributing to the achievement of customers' environmental objectives.</p> <p>If business operations do not align with the company's products' green image, there is potential for loss of revenue. Microlise is managing this by:</p> <ol style="list-style-type: none"> 1. Calculating its Scope 1, 2 and 3 carbon emissions. 2. Implementing appropriate management systems (ISO 45001 and ISO 14001) 3. Setting challenging Carbon Net Zero Targets
Reputation	<p>Very much linked to the Market section above, Microlise wants to continue to develop its reputation as a Green organisation. The processes used to develop this include utilisation of the Sales and Product teams to engage customers to not only identify how goods and services can be developed to better meet their needs but to also confirm the green credential requirements they expect from their suppliers.</p> <p>In addition, Microlise has an ISO 9001:2015 Quality Management System, which provides a framework to engage customers, ensuring that high quality of its products and services is achieved. This is also being used to manage customers' needs and expectations.</p>

Acute	<p>The business continuity plan addresses the processes Microlise utilises in order to mitigate the potential impacts of acute climate related events. A good example of this is the potential for data centres to be negatively affected by power cuts or flooding. Provisions have been made to ensure that if part of the data centres are unable to function, then another data centre located elsewhere can be utilised to ensure no / limited disruption to the customer's service. In addition, Microlise can also utilise cloud-based services like AWS or Microsoft Azure to further manage this climate change issue.</p> <p>In addition, there is also potential to protect customers from the negative impacts from acute climate change events which could cause disruptions to fleet travel routes. Providing detail on how to navigate around negatively affected areas ensures good fuel management for their customers which ultimately reduces carbon emissions and climate change impact.</p>
Chronic	<p>Chronic climate change impacts have been identified as those that would potentially affect the day-to-day operations of the business. E.g. greater variance in seasonal extremes will negatively impact sites' heating ventilation and air conditioning (HVAC) systems, causing increased energy consumption and greater mechanical strain.</p> <p>Microlise manages this climate-change issue by critically planning for building enhancement. Recent examples include the installation of a Solar PV system on the main head office site. This reduces the electrical draw from the national grid and reduces carbon emissions. Future considerations include expansion of the existing Solar PV array, redesign of data centres controlled by Microlise and implementing building fabric improvements to reduce overheating in the summer.</p>

e. How processes for identifying, assessing, and managing climate-related risks are integrated into overall risk management

As previously mentioned, we identify, assess, and manage climate change related risks using the following process:

1. Identification of climate change risks through a variety of external and internal sources including liaising with customers, employees, external specialists and government bodies and attending relevant exhibitions and conferences events.
2. Identified climate change risks are reviewed in the monthly SLT IMS meeting. The severity and magnitude are determined, and appropriate actions are proposed.
3. The CEO and CFO (who lead the SLT) raised the climate change risks, and opportunities and suggested mitigation measures at least quarterly during Board meetings. Climate change risks are then incorporated within the central corporate risk register.

4. The CEO and CFO present identified climate change risks, mitigation and adaption strategies at least quarterly to the Board. The non-executive members review and challenge these to ensure the robustness of the proposed actions.
5. Risks are given a risk rating of between 1 (low) and 25 (high) based on probability and severity. Any risk which receives a score of 10 or higher is prioritised and appropriate mitigation measures are identified.
6. Specifically with regards to climate change risks, mitigation measures are planned and given to the SLT to be implemented as appropriate. The mitigation progress, successes and challenges are reported back to the CEO and CFO during the monthly IMS meeting who in turn present these findings to the Board as appropriate.
7. Subsequent quarterly Board meetings review implemented climate change mitigation measures to ensure that the desired outcome is achieved. Where needed, these plans are adapted.

Metrics and Targets

- a. The metrics used to assess climate-related risks and opportunities in line with strategy and the risk management process

We utilise intensity metrics to compare carbon emissions and measure their climate change impact. The preferred intensity metric for measuring carbon is number of employees (FTE). The following table demonstrates the FY23 results and how they compare to the baseline year of FY22:

Metric tons CO ₂ e per unit FTE			
Scope	Baseline Year (FY22)	Reporting Year (FY23)	% change to baseline year
Scope 1	0.53	0.39	-26.4%
Scope 2 (Location Based)	0.45	0.45	0%
Scope 3 - Grey Fleet & Hire Car	0.12	0.14	16.7%
Total	1.10	0.98	-10.9%

In FY23, we grew through additional work and acquisitions, and nearly 50 additional employees joined the Microlise team. Despite this growth, there were some significant reductions in the carbon emissions we had direct operational control over (e.g., natural gas consumption at the Microlise locations). This can be seen in the reductions to the Scope 1 intensity metric from FY22 to FY23.

Intensity metrics are also utilised in interim targets. As previously mentioned in the Governance section, SLT members have climate-related targets and KPIs that are linked to additional remuneration. Progress made towards these targets are linked to and therefore measured with metrics, including the above identified tCO₂e/FTE metric.

At least 50% of our revenue is generated from products and services that contribute to climate change mitigation and adaptation, as verified and evidenced by the awarding of a Green Economy Mark from the London Stock Exchange.

b. Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions and the related risks

We have calculated our greenhouse gas (GHG) emissions for our global operations, in accordance with the GHG Protocol methodology and for Streamlined Energy Carbon Reporting (SECR) compliance for Scope 1, 2 and part Scope 3 (Grey Fleet and Hire Cars). FY22 and FY23 carbon emissions have been summarised below:

Scope	FY22 GHG Emissions (tCO ₂ e)	FY23 GHG Emissions (tCO ₂ e)	% change to previous year
Scope 1	348.7	276.9	-20.6%
Scope 2 (Location Based)	297.9	319.5	7.3%
Scope 3, Grey Fleet & Hire Car	79.8	100.3	25.7%
Total	726.4	696.7	-4.1%

To improve future carbon emission monitoring and reporting, we have committed to calculating their full Scope 3 emissions starting in FY24. Additional metrics and targets will likely be developed and included within the existing remuneration schemes once the full carbon footprint has been calculated.

c. Targets to manage climate-related risks and opportunities, and performance against targets

We have committed to achieve Carbon Net Zero in both Scope 1 and 2 carbon emissions by 2030. We define Carbon Net Zero as initially reducing carbon emissions through energy efficiency improvements, then using renewable energy tariffs and carbon offsetting to address the remaining emissions.

Using 2030 as the desired target deadline clearly demonstrates our desire to reduce its climate change impact well before the “less than 2oC” widely accepted target of 2050.

In addition, to cement the target within the organisation, an intensity target has also now been incorporated within the Long-Term Investment Plan (LTIPs). A portion of the company's Performance Share Plan is now linked on achieving relative Scope 1, 2 and 3 (Grey Fleet and Hire Car) Carbon Net Zero (tCO₂e/FTE).

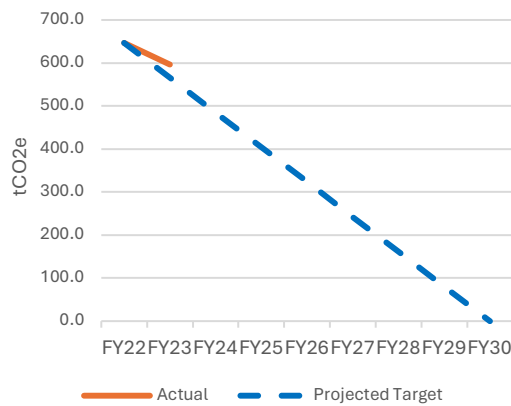
Achieving these targets reduces the likely impact from increases in energy and carbon costs, allowing us to continue to be competitive by keeping its operational costs as low as possible. It will enhance the organisations image, thus improving its market performance and reputation. It shows internal and external stakeholders that climate change management is becoming a central part of our business strategy.

The 2023 results from these two targets have been summarised in the following tables and line graphs:

Target Reference	Carbon Net Zero AB1.	Carbon Net Zero IT1.
Type of target	Absolute	Intensity
Target and Coverage	100% reduction of Scope 1 and 2 emissions by 2030	100% reduction of Scope 1, 2 and part 3 (Grey Fleet & Hire Cars) compared to FTE by 2030
Base year (FY22) result	646.6 tCO ₂ e	1.10 tCO ₂ e / FTE
Expected result in target year (FY30)	0 tCO ₂ e	0 tCO ₂ e / FTE
% of target achieved in FY23, relative to base year	7.8%	10.5%

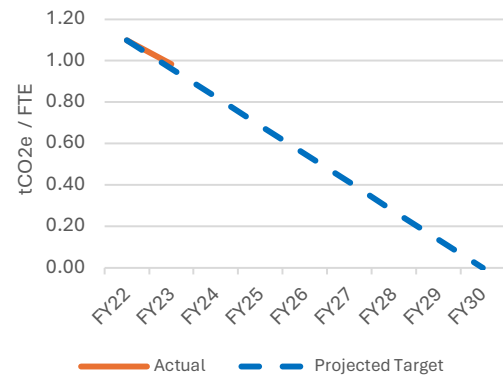
Carbon Net Zero Absolute Target

100% reduction in Scope 1 and 2 carbon emissions by FY30



Carbon Net Zero Intensity Target

100% reduction in Scope 1, 2 and 3 (Grey Fleet & Hire Car) carbon emissions vs FTE by FY2030



We can demonstrate a reduction in both its absolute and intensity targets of 7.8% and 10.5% respectively. We have also recently engaged an external specialist to support with the calculation of its complete Scope 1, 2 and 3 carbon footprint and to help develop its Carbon Net Zero strategy. Following this support, additional targets will likely be implemented further addressing the climate change risks and opportunities.



Social

In upholding our fundamental principle of 'We Care,' we ensure that every action we take positively impacts our community and stakeholders. Notably, in 2023, we upheld our Great Place to Work™ accreditations for the entire Microlise Group.

This continued recognition is significant and offers valuable insights into our workforce's perspectives, guiding our future strategies.

During the 2023 assessment conducted by Great Place to Work™ (GPTW), our UK employees rated us as follows:

96% of participants believe that Microlise is a physically safe place to work

95% of participants were made to feel welcome when they joined the company

97% of participants said that people are treated fairly, regardless of their sexual orientation.

95% of participants said that people are treated fairly, regardless of their race.

95% of participants said they are treated fairly, regardless of their gender.

Health & Wellbeing Initiatives:

In 2023, we introduced free health checks in the UK and India and hosted a number of wellbeing events for employees in both countries.

Governance

At Microlise, we place a high priority on good governance and are committed to upholding the highest standards of corporate governance in all areas of our operations. Our commitment to good governance is demonstrated through our adherence to the 10 principle QCA code, which provides a framework for transparent, accountable, and responsible operations. Microlise's Corporate Governance Statement section can be found on pages 64 to 67.

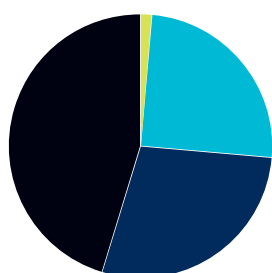
To ensure that all of our employees operate in a responsible and sustainable manner, we provide comprehensive iHasco training covering ethical decision-making, risk management, and compliance with laws and regulations. This training promotes a culture of responsibility and accountability throughout our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

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

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

At Microlise, we believe that good governance is essential for building trust and confidence among our stakeholders, and for achieving our strategic objectives over the long term. We are committed to continually improving our governance practices and processes to ensure that we operate in a responsible, sustainable, and ethical manner.

Learning & Development



Training Investment

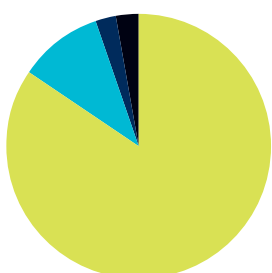
- £183,000 includes £94K of apprenticeship levy (2020)
- £276,000 includes £104K of apprenticeship levy (2021)
- £318,000 includes £130K of apprenticeship levy (2022)
- £502,000 includes £104K of apprenticeship levy (2023)

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

The Academy offers skills development for all departments, as well as an early-stage talent programme that provides both learning and practical experience to develop our people.

In 2023, a total of 39 people with 'Graduate' in their job title worked at Microlise, with zero leavers from this group. Of these 39, 10 started during 2023.

'Graduate' job titles include:



- Graduate Engineer (33)
- Product & Operations Graduate (4)
- Graduate Data Scientist (1)
- HR Graduate (1)

We currently employ 11 Apprentices in the UK, 1 who started in 2023 and 10 who joined prior to this.

In India:

Year	Joined	Still with us
2021	13	10
2022	0	0
2023	8	7

At the end of 2023, the combined number of Graduates and Apprentices employed by Microlise was 102 (FY22: 83), up 22% on the previous year.

Learning & Development Opportunities:

Our focus on learning and development is all about connecting with our HR strategy to attract and keep great people.

We need skilled employees to stay ahead and keep on innovating. And by developing talent, we are also paving the way for our expansion plans and preparing future leaders through our Leaders of Tomorrow programme.

In 2023 we:

- Hosted a 'Leader of Tomorrow' programme for 17 employees.
- Introduced a new online learning platform, Datacamp, to deliver advanced skills to Data Engineers and Scientists

In total, we invested £502,000 into learning and development – including £104,000 of apprenticeship levy – delivering 2,563 hours of face-to-face learning, 1,530 hours of that via LinkedIn Learning.

APPROVAL

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

Nadeem Raza, Chief Executive Officer, Microlise Group 8th April 2024



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.



Nick Wightman
Chief Financial
Officer

Nick joined Microlise in 2012 & joined the Board of Microlise as Chief Financial Officer in April 2023. Nick played a leading role in the Group's refinancing & reorganisation in 2018, its acquisition of TruTac in 2020, the IPO in 2021, acquisitions of Vita Software, Enterprise Software Systems and K-Safe in 2023 & 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 and has an ACCA Diploma in International Financial Reporting.



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 Chairman at Segura Systems Limited. Dino is a Fellow of the Chartered Institute of Logistics & Transport and 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.



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.

Our Senior Leadership team



Shenny Remtulla

Strategy & M&A
Director



Stephen Watson

Product Director



Trevor McGahan

Operations Director



Paul Jurevicius

Business Development
Director



Duncan McCreadie

Chief Technology
Officer



Jackie Mitchell

Human Resources
Director

Corporate Governance Statement

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

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

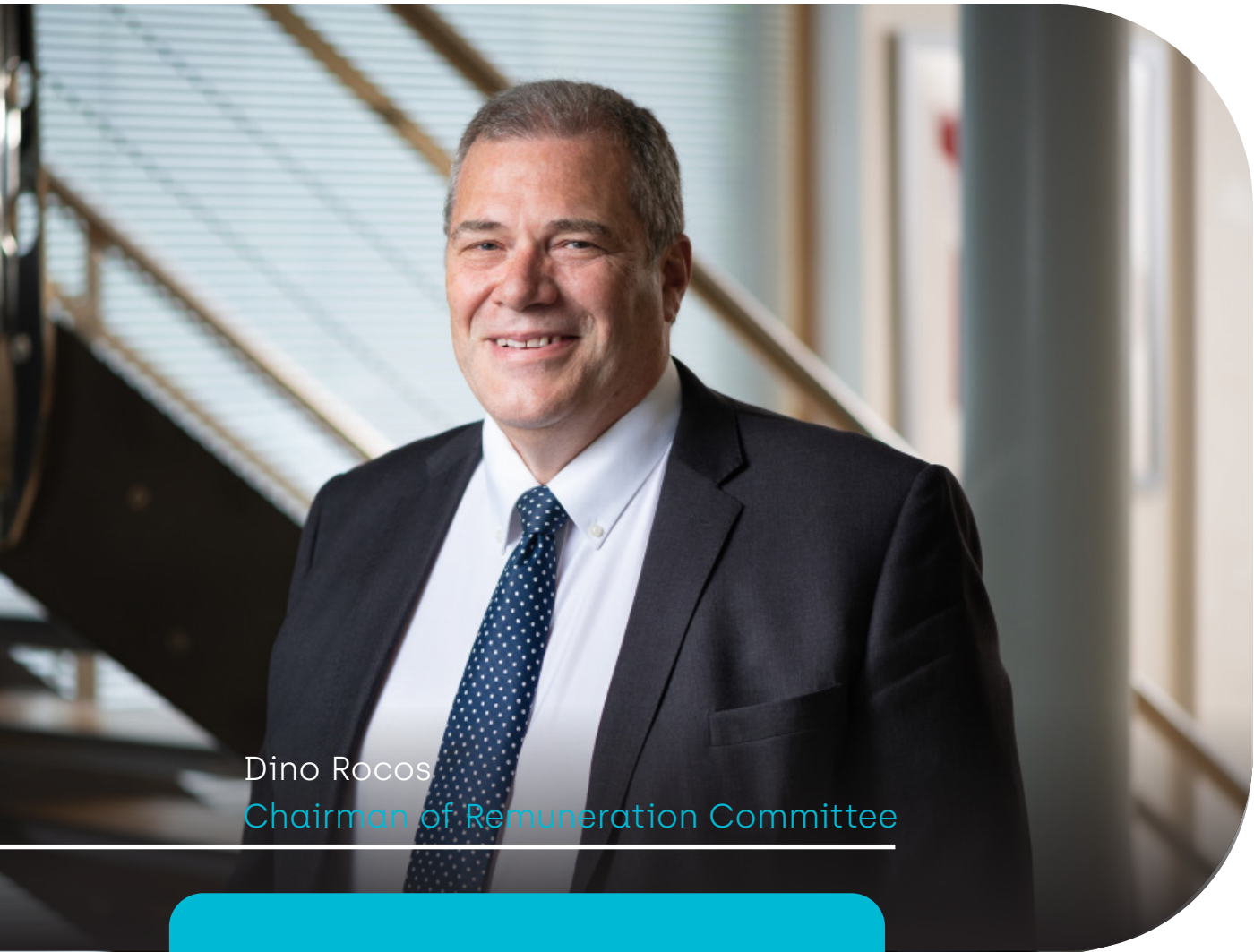
<p>1.</p> <p>Establish a strategy and business model which promote long-term value for shareholders</p>	<p>The Board is responsible for delivering shareholder value by developing the overall strategy and supporting the development and direction of the Group. The Board works to organise and direct the affairs of the Group in a manner most likely to promote the success of the Company for the benefit of all of its stakeholders, whilst complying with legal and regulatory frameworks.</p> <p>The Group's business model is predicated on developing and maintaining strong relationships with our employees, customers, investors, and other sectoral interest groups. The Board is conscious of its responsibility towards all stakeholders and believes this is an important consideration for the long-term growth of the business.</p> <p>The diverse experience and background of the Non-Executive Directors ensures that they can provide rigorous debate and constructively challenge management, both in relation to the development of strategy, and when reviewing the Group's operational and financial performance.</p> <p>Responsibility for developing and implementing strategy within the Group and for the day-to-day management of the business is delegated to the Chief Executive Officer (CEO) who, as the head of the Senior Leadership team, cascades this responsibility through the Group. The CEO is empowered by the Board to handle all business activities up to a designated level of authorisation and to report to the Board for guidance, support and approval on other matters which require Board input. The members of the Senior Leadership team are listed on page 63.</p>
<p>2.</p> <p>Seek to understand and meet shareholder needs and expectations</p>	<p>The Board is accountable to its shareholders & seeks to balance these interests with those of a wider range of stakeholders. The Board has ultimate responsibility for the Group's internal control procedures & for reviewing their effectiveness to guide & direct the Group's activities to support delivery of its strategic, financial, operational & other objectives.</p> <p>Stakeholder engagement & feedback is prioritised throughout the Group. In addition to engaging through the Company's annual general meeting (AGM) & through stock exchange announcements, the Executive Directors, supported by the Company's broker, also meet with institutional shareholders & analysts during the year, particularly after the announcement of full-year & half-year results. These meetings cover topics including the Group's strategy, performance & objectives, & provide a valuable forum for investor feedback. Investors & other stakeholders can also access information about the Group on our website. The Group places considerable value on the involvement of our employees and keeps them informed on matters affecting them & on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, & through information available on the Company's website and Intranet. The Group also uses virtual & social media channels to engage with its internal & external stakeholders.</p>

<p>3.</p> <p>Take into account wider stakeholder and social responsibilities and their implications for long-term success</p>	<p>The Board recognises that it is responsible to shareholders and to a wider group of stakeholders, both internally (members of staff) and externally (customers, suppliers, regulators and others).</p> <p>The Group acts with integrity and values its people and the communities with which it engages.</p> <p>The Board has a range of processes and systems in place to ensure there is close oversight and contact with key stakeholders and takes this feedback into account when in discussions relating to the Group's strategy.</p> <p>The Group's Section 172 statement can be reviewed at page 30.</p>
<p>4.</p> <p>Embed effective risk management, considering both opportunities and threats, throughout the organisation</p>	<p>The Board does not delegate overall responsibility for the approval of the risk management policy to either the Audit Committee or management.</p> <p>Through weekly meetings at both an operational and senior leadership level, the management framework ensures that the identification and management of risks is something that is ingrained into the day-to-day running of the business.</p> <p>The business maintains departmental risk registers based on a consistent 5 x 5 rating system with any high impact or highly probable risks captured on our corporate risk register, which is owned by the Executive directors and is reviewed quarterly.</p> <p>There is a robust financial planning process in place that ensures all cost drivers and revenue streams are thoroughly reviewed as part of the annual budget setting process, which is reviewed and approved by the Board. Monthly financial results are reported with key variances against budget identified and investigated. We review our financial projections on a regular basis to ensure we will meet our financial targets.</p> <p>Microlise has held the ISO9001:2015 standard for a number of years which requires us to take a risk-based approach to our quality management system. Furthermore, we hold ISO27001 standard, which requires the relevant risks to be captured in the statement of applicability. This is managed by the information security team and reviewed with the executive Board and senior management team on a quarterly basis.</p>
<p>5.</p> <p>Maintain the board as a well-functioning, balanced team led by the chair</p>	<p>The Board's role is to provide effective leadership of the Group and to establish and align the Group's purpose, strategy, values and culture. It is the primary decision-making body for all material matters affecting the Group, providing leadership and guidance, and setting our strategic direction.</p> <p>The Board is satisfied that the size of the Board and its committees, and the balance of Executive and Non-executive members is appropriate. At the date of this report the Board comprised Jon Lee, Nadeem Raza, Constantino (Dino) Rocos, Lucy Sharman-Munday and Nick Wightman (please see page 62 for further information).</p>

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

<p>9.</p> <p>Maintain governance structures and processes that are fit for purpose and support good decision-making by the board</p>	<p>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.</p>
<p>10.</p> <p>Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</p>	<p>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 investors took place immediately after our results for the period ended 31 December 2022 were announced.</p> <p>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.</p> <p>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.</p> <p>The AGM will be held at Microlise’s head office at 9:00am on 22nd May 2024. 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.</p> <p>Answers to questions will be published on the website following the AGM.</p>

Remuneration Report



Dino Rocos
Chairman of Remuneration Committee

As chair of the Remuneration Committee of the Board, I am pleased to present the Microlise Directors' Remuneration Report for the year ended 31 December 2023.

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.

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

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

Remuneration Policy For The Year Ended 31 December 2023

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 FY2023	Annual Salary FY2022
Nadeem Raza, CEO	£285,000	£250,000
Nick Wightman, CFO*	£150,000	N/A
Bill Wynn, CFO*	£200,000	£200,000
Jon Lee, Chairman	£84,000	£80,000
Dino Rocos, NED	£57,500*	£55,000*
Lucy Sharman-Munday, NED	£57,500*	£55,000*

*Nick Wightman was appointed to the Board of Microlise as an Executive Director in the role of Chief Financial Officer (CFO) on April 16th 2023. Nick replaced Bill Wynn, who retired after 15 years with the Company on 31st May 2023. Lucy Sharman-Munday's salary includes an additional fee of £5,000 for chairing the Audit Committee. Dino Rocos' salary contains an additional fee of £5,000 for chairing the Remuneration Committee.

Performance Bonus

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

For FY 2024 the maximum performance bonus opportunity for Executive Directors is 100% of their annual salary. There are performance conditions attached to this bonus including EBITDA, Annual Recurring Revenue, Cash and also personal targets linked to the Group's strategic aims.

Long Term Incentives

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

On 22nd December 2023, the Company granted 464,151 nominal cost options under the PSP to Nadeem Raza and Nick Wightman. 90% of these awards are subject to a performance condition requiring achievement of total shareholder return ("TSR") targets (growth in share price plus dividends). In order for a maximum number of awards to vest in full, compound annual TSR of 18 (eighteen) %. must be achieved over a period of three years (starting on January 1st 2023, being the commencement of the Performance Period). In respect of the TSR condition, 25% of the Award will vest on achievement of 8% compound annual TSR, with the remainder of the Award vesting on a straight-line basis between 8% and

18%. The baseline share price for the TSR performance condition for FY2023 options is 133p, being the share price on the day immediately prior to the commencement of the Performance Period of January 1st 2023. The remaining 10% of the award is linked to the achievement of net zero carbon emissions by 2030. The maximum 10% of the award will vest if the Company achieves a target of TC02e / FTE of 0.7 from the 2022 base line year of 1.1. However, the award will start vest if the Company achieves a trigger point of 0.9 TC02e / FTE with straight line vesting between those points (0.9 – 0.7). Vesting against both performance conditions will be measured at the end of the Performance Period and a further two year holding period will apply to any shares that vest (subject to the ability of the option holders to sell sufficient shares to meet any tax arising at exercise). Further details of employee share schemes are set out in note 21 to the financial statements.

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

A breakdown of all of the current outstanding Director's long term incentives awards is set out below:

Name	Date of Grant	Number of options	Exercise price per share (£)	Vesting Date	Lapse Date	Performance
Nadeem Raza	22nd July 2021	277,778	£0.001	22nd July 2024	22nd July 2034	Yes
Nadeem Raza	28th July 2022	283,019	£0.001	28th July 2025	28th July 2035	Yes
Nadeem Raza	22nd December 2023	322,642	£0.001	31st December 2025	31st December 2035	Yes
Nick Wightman	22nd December 2023	141,509	£0.001	31st December 2025	31st December 2035	Yes
Jon Lee	22nd July 2021	59,259	£0.001	22nd July 2024	22nd July 2034	No
Dino Rocos	22nd July 2021	40,741	£0.001	22nd July 2024	22nd July 2034	No
Lucy Sharman-Munday	28th July 2022	41,509	£0.001	28th July 2025	28th July 2036	No

A total of 373,864 nominal cost options granted to Bill Wynn lapsed when he retired from the Board on May 31st 2023. A proportion of the awards pro rata to the normal vesting period would have been exercisable to the extent which the Performance Condition had been satisfied. Nick Wightman holds 283,277 options in total.

Name and Position	Salary	Bonus	Benefits ¹	Pension Contribution	Long Term Incentives ²	2023 Total
Nadeem Raza CEO	£267,500	£116,173	£10,143	£10,700	£0	£404,516
Bill Wynn CFO*	£83,333	£0	£5,697	£4,253	£0	£93,283
Nick Wightman CFO**	£112,500	£62,791	£1,243	£5,004	£0	£181,538
Jon Lee Chairman	£82,000	£0	£0	£3,280	£0	£85,280
Dino Rocos NED	£56,250	£0	£0	£0	£0	£56,250
Lucy Sharman-Munday NED	£56,250	£0	£0	£0	£0	£56,250

* Bill Wynn retired from the Board on May 31st and these figures represent his remuneration for the period he was in office.

**Nick Wightman was formally appointed to the Board on April 16th, these figures represent his remuneration from April 1st 2023.

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

¹This figure includes car allowance and medical insurance.

²No long term incentives vested in the period (FY22 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



Lucy Sharman-Munday,
Chairperson of the Audit Committee

As the Chairperson of the Audit Committee of the Company ["Committee"], I present my Committee Report for the period ended 31 December 2023, which has been prepared by the Committee and approved by the Board.

Committee Meetings & Attendance

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

The CEO, CFO and FD attend by invitation, together with the Auditors, BDO LLP.

Committee Activities

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

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

Responsibilities & Objectives

In fulfilment of these objectives the Committee:

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

Board & Sub Committee Meeting Attendance

	Board Meeting (BM)		Remuneration Committee (RC)		Audit Committee (AC)	
	Possible	Attended	Possible	Attended	Possible	Attended
Lucy Sharman-Munday (AC Chair)	10	10	4	4	3	3
Jon Lee (BM Chair)	10	10	4	4	3	3
Dino Rocos (RC Chair)	10	10	4	4	3	3
Nadeem Raza*	10	10	4	4	3	3
Bill Wynn**	5	3	1	1	1	1
Nick Wightman	10	10	4	4	3	3

- *Nadeem Raza, Bill Wynn & Nick Wightman attended Remuneration Committee and Audit Committee by invitation
- **Bill Wynn retired from role of CFO on 31st May 2023.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the 12-month period ending 31 December 2023.

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 (Retired 31st of May 2023)

Nick Wightman (Appointed 16th of April 2023)

Jon Lee

Dino Rocos

Lucy Sharman-Munday

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

The market price of the Company's shares at the end of the financial year was £1.02 and the range of the market price during

Substantial Shareholdings

At 31 December 2023, the Directors have been notified of the following beneficial interests in excess of 3% of the issued share capital of the Company (excluding those shares held in treasury).

Shareholders By Holding

31 December 2023					
Rank	Shareholder	Shares	%IC	%FF	Cum %FF
1	Mr. Nadeem Raza	58,032,442	50.05	50.05	50.05
2	Liontrust Asset Mgt	13,864,344	11.96	11.96	60.01
3	Mr Robert Harbey	6,479,481	5.59	5.59	67.6
4	BGF Investments	5,925,926	5.11	5.11	72.71
5	Columbia Threadneedle Investment	5,076,781	4.38	4.38	77.09
6	Canaccord Genuity Wealth Mgt	4,797,500	4.14	4.14	81.22
7	Mr. Roy Allum	4,287,751	3.7	3.7	84.92
8	Stonehage Fleming Family & Partners	2,455,301	2.12	2.12	87.04
9	Rowan Dartington & Co	2,231,628	1.92	1.92	88.96
10	Mr William Wynn	1,874,208	1.62	1.62	90.58

Research & Development

Details of the Group's policy for the recognition of expenditure on research and development are set out in pages 100 and 101 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 18 of the consolidated financial statements.

Related Party Transactions

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

Dividends

The Directors recommend an ordinary dividend of 1.725 pence per share (FY22: nil) payable on 28 June 2024 to shareholders on the register at close of business on 7 June 2024.

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 04 - 60. Information required to be contained in the Directors' Report by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7, where not already disclosed in the Directors' Report.

Statement As To Disclosure Of Information To The Auditor

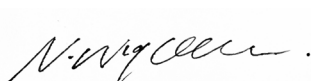
The Directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditor

BDO LLP was appointed for the year ended 31 December 2023 and have indicated their willingness to continue in office.

By Order Of The Board

Nick Wightman, Company Secretary



8th April 2024

Farrington Way, Eastwood, Nottingham NG16 3AG

Statement Of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

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

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

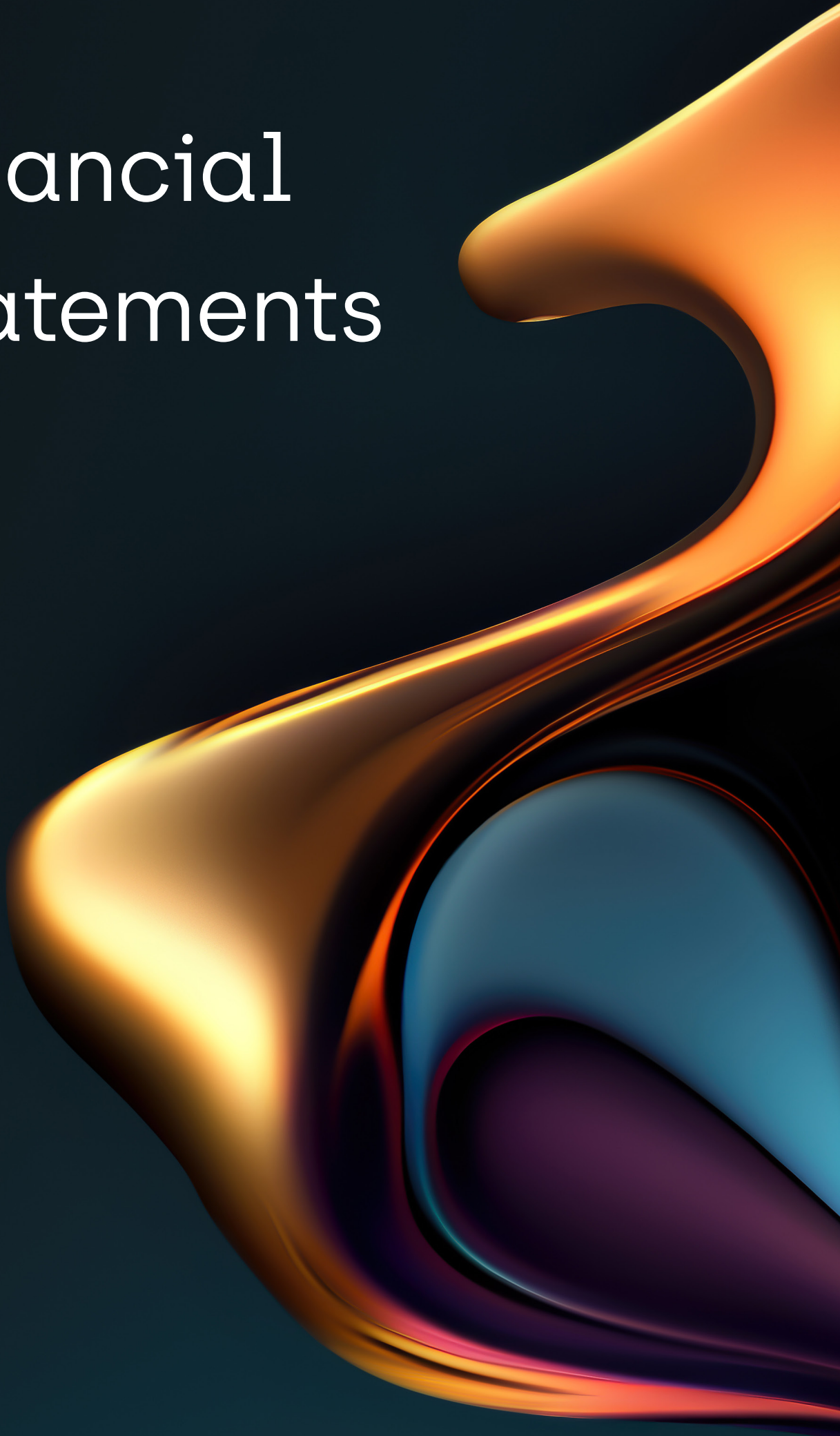
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the Group financial statements have been prepared in accordance with UK adopted international accounting standards subject to any material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

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

Website publication

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

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 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Microlise Group PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise the Consolidated statement of comprehensive income, the Consolidated and Company statements of changes in equity, the Consolidated statement of financial position, the Company statement of financial position, the Consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of how the Directors undertook the going concern assessment process to determine if we considered it to be appropriate for the circumstances by way of enquiry with the Directors in regards to who prepared the assessment and the information and individuals consulted in the process
- Obtaining the Directors' trading forecasts underlying the going concern assessment and challenging the Directors on the key estimates and assumptions within the forecasts around the forecast levels of revenue, gross profit and working capital cycles, through analysis and comparison of forecasts with prior year actuals;
- Performing data verification and logic checks to confirm the mathematical accuracy of the forecast model;
- Analysing post period end trading results compared to forecast and current period to evaluate the accuracy and

achievability of forecasts;

- Obtaining the new banking facilities and agreeing the disclosures are consistent with the contracted facilities at the date of approval of the financial statements;
- Assessing the sensitivities undertaken against the level of available cash and level of banking 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 the wider macro-economic implications of the high inflation and rising interest rates; 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	76% (2022: 94%) of Group profit before tax 91% (2022: 99%) of Group revenue 94% (2022: 97%) of Group total assets		
Key audit matters		2023	2022
	Fraud or error in recognition of revenue	✓	✓
Materiality	Group financial statements as a whole £0.72m (2022:£0.63m) based on 1% (2022: 1%) of total annualised revenue		

An overview of the scope of our audit

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

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

The UK trading subsidiary, Microlise Limited is considered to be the only significant component of the Group. The Group engagement team carried out a full scope audit on this significant component of the Group.

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

Climate change

Our work on the assessment of potential impacts of climate-related risks on the Group's operations and financial statements included:

- Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector; and
- Review of the minutes of Board and Audit Committee meeting and any other relevant party and other papers related to climate change and performed a risk assessment as to how the impact of the Group's actions may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments, if applicable, have been reflected, where appropriate, in the Directors' going concern assessment.

We also assessed the consistency of managements disclosures included as Statutory Other Information on page 128 with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks and related commitments.

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. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Fraud or error in recognition of revenue. (See accounting policies and note 1)</p> <p>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.</p> <p>The nature of the services therefore increases the inherent risk of error in the revenue recognition due to the complexity. The application of relevant accounting standards 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.</p> <p>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:</p> <ul style="list-style-type: none"> 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 classification and presentation of the revenue to increase the amount of managed service revenue (recurring) compared to non-recurring revenue streams. <p>We have therefore determined that revenue recognition is a key audit matter.</p>	<p>We obtained a breakdown of the recurring revenue earned in the period. To verify the accuracy of the breakdown we agreed a sample of entries to supporting contracts and payment from customers, agreeing the inputs to the calculation of revenue recognised and deferred income and checking the integrity of the calculation.</p> <p>For all customers that contributed a material amount of recurring revenue and a sample of other customers that recurring revenue was earned from in the year we obtained the customer contract. We identified the different performance obligations relevant for the period and checked that the allocated selling price for each performance obligation was appropriate and in line with our understanding of the contract. We checked that revenue for each performance obligation delivered in the period had been recognised in financial records in accordance with the Group's accounting policy and was supported and had not been manipulated or overstated.</p> <p>For each customer contract reviewed we reperformed the calculation of deferred revenue and agreed this to management's calculation and checked the presentation included in the financial statements was in accordance with the relevant accounting standards.</p> <p>We selected a sample of credit notes raised during the period, and after the period end substantiating to supporting evidence to check the reasons for the credit note were valid and were not indicative of manipulation of revenue. For credit notes raised after the year end we checked that revenue in the period had been correctly reversed.</p> <p>For non-recurring revenue we selected a sample of revenue transactions and agreed to evidence of service delivery in the period to check that revenue had been earned in period.</p> <p>Key observations: Based on the procedures performed we are satisfied that revenue has been accurately recognised in accordance with Group's accounting policy and relevant accounting standards and that there is no evidence of manipulation nor bias.</p>

Our application of materiality

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

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

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

	Group financial statements		Parent company financial statements	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Materiality	720	630	440	424
Basis for determining materiality	1% of 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 nonrecurring revenue in assessing the performance of the business. Based on industry analysis carried out revenue is regularly used as the benchmark for assessing materiality in the sector.		The total assets were considered an appropriate benchmark as the main purpose of the Parent Company was to hold investment in subsidiaries.	
Performance materiality	540	424	330	318
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.			
Rationale for the percentage applied for performance materiality	Our rationale is that it is the third year of our appointment as auditor and the history of unadjusted differences over our period of appointment is low. Performance materiality of 75% of financial statement materiality was considered to give suitable level to determine the nature of and extent of testing required.			

Component materiality

We separately considered the benchmark amount of each significant component while setting their materiality. We set the materiality for the trading subsidiary (Microlise Limited) as 1% of the revenue. Component materiality is £670,000 (2022: £81,000 to £580,000), we further applied performance materiality levels of 75% (2022: 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 £36,000 (2022: £31,500). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none">> the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and> the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none">> adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or> the Parent Company financial statements are not in agreement with the accounting records and returns; or> certain disclosures of Directors' remuneration specified by law are not made; or> we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations

We considered the significant laws and regulations to be the applicable accounting framework, UK tax legislation, the AIM Listing Rules.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be health and safety legislation, employment law and data protection regulations.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud were:

- 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 thereby increasing reported profit;
- Manipulation of the classification and presentation of the revenue to increase the amount of managed service revenue (recurring) compared to non-recurring revenue streams which may influence user assessment of the performance;
- Manipulation of development cost capitalised as intangible assets and there is judgement required in relation to the point at which development costs are capitalised, which would increase reported earnings; and

- Inappropriate journals posted in to the financial system to manipulate the reported results or conceal inappropriate activity.

Our procedures in respect of the above included:

- Testing journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Verification, on a sample basis, of costs capitalised as product development to check that the relevant recognition criteria had been met and costs were not being capitalised to manipulate reported earnings;
- Review sample of contracts and identify the different performance obligations relevant for the period and agree that the allocated selling price for each performance obligation appeared appropriate in line with our understanding of the contract and that it had been recognised in accordance with the Group's accounting policy;
- For non-recurring revenue testing sample of revenue transactions and agreed to evidence of service delivery in the period to check that revenue had been earned in period; and
- Review of revenue nominal accounts for unusual transactions.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Gareth Singleton

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Gareth Singleton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham, UK
8th April 2024

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

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2023

		Year ended 31 December 2023	Year ended 31 December 2022
	Note	£'000	£'000
Revenue	1	71,716	63,211
Cost of sales		(28,132)	(25,577)
Gross profit		43,584	37,634
Other operating income	3	973	876
Administrative expenses		(42,302)	(36,326)
Operating profit	3	2,255	2,184
Interest income	5	360	45
Interest expense	6	(333)	(312)
Share of profit/(loss) of associate net of tax	11	225	(478)
Profit before taxation		2,507	1,439
Taxation	7	(931)	(86)
Profit for the year		1,576	1,353
Other comprehensive (expense)/ income for the year			
Currency translation differences		(102)	6
Total comprehensive income for the year attributable to the equity shareholders of Microlise Group plc		1,474	1,359
Basic earnings per share (pence)	8	1.36	1.17
Diluted earnings per share (pence)	8	1.36	1.17

The notes on pages 104 to 126 form part of these financial statements.

Consolidated Statement of Financial Position
as at 31 December 2023

		31 December 2023 £'000	31 December 2022 £'000
	Note		
Assets			
Non-current assets			
Property, plant and equipment	9	8,947	8,292
Intangible assets	10	76,228	75,031
Investments in associate	11	1,593	1,368
Loan to associate	11	-	1,000
Trade and other receivables	14	2,841	3,078
Total non-current assets		89,609	88,769
Current assets			
Inventories	13	3,348	2,635
Loan to associate	11	1,000	-
Trade and other receivables	14	18,757	16,760
Corporation tax recoverable		1,665	1,289
Cash and cash equivalents	15	16,800	16,683
Total current assets		41,570	37,367
Total assets		131,179	126,136
Current liabilities			
Lease liabilities	16	(907)	(821)
Trade and other payables	17	(32,630)	(29,183)
Total current liabilities		(33,537)	(30,004)
Non current liabilities			
Lease liabilities	16	(646)	(926)
Trade and other payables	17	(15,701)	(16,898)
Deferred tax	12	(5,622)	(4,840)
Total non current liabilities		(21,969)	(22,664)
Total liabilities		(55,506)	(52,668)
Net assets		75,673	73,468
Equity			
Issued share capital	20	116	116
Share premium account		17,630	17,630
Retained earnings		57,927	55,722
Total equity		75,673	73,468

The notes on pages 104 to 126 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 08/04/2024



Group Chief Financial Officer

Microlise Group plc Registered number 11553192

Consolidated Statement of Changes in Equity

	Share Capital £'000	Share Premium Account £'000	Retained earnings £'000	Total Equity £'000
At 31 December 2021	116	17,630	53,802	71,548
Comprehensive income for the year ended 31 December 2022				
Profit for the year	-	-	1,353	1,353
Other comprehensive income	-	-	6	6
Total comprehensive income for the year	-	-	1,359	1,359
Share based payment (note 21)	-	-	561	561
Total transactions with owners	-	-	561	561
At 31 December 2022	116	17,630	55,722	73,468
Comprehensive income for the year ended 31 December 2023				
Profit for the year	-	-	1,576	1,576
Other comprehensive expense	-	-	(102)	(102)
Total comprehensive income for the year	-	-	1,474	1,474
Share based payment (note 21)	-	-	731	731
Total transactions with owners	-	-	731	731
At 31 December 2023	116	17,630	57,927	75,673

Company Statement of Financial Position

as at 31 December 2023

		31 December 2023 £'000	31 December 2022 £'000
	Note		
Assets			
Non-current assets			
Property, plant and equipment	9	4,736	4,838
Investments	11	83,005	79,192
Loan to associate	11	-	1,000
Deferred tax	12	1	111
Total non-current assets		87,742	85,141
Current assets			
Loan to associate	11	1,000	-
Trade and other receivables	14	158	26
Cash and cash equivalents	15	86	69
Total current assets		1,244	95
Total assets		88,986	85,236
Current liabilities			
Trade and other payables	17	(15,434)	(17,928)
Total current liabilities		(15,434)	(17,928)
Total liabilities		(15,434)	(17,928)
Net assets		73,552	67,308
Equity			
Issued share capital	20	116	116
Share premium account		17,630	17,630
Retained earnings		55,806	49,562
Total equity		73,552	67,308

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 profit for the parent Company for the year was £5,529,000 (2022: loss of £182,000).

The notes on pages 104 to 126 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 08/04/2024



Group Chief Financial Officer

Microlise Group plc Registered number 11553192

Company Statement of Changes in Equity

	Share Capital £'000	Share Premium Account £'000	Retained earnings £'000	Total Equity £'000
At 31 December 2021	116	17,630	49,183	66,929
Comprehensive expense for the year to 31 December 2022				
Loss for the year	-	-	(182)	(182)
Other comprehensive income	-	-	-	-
Total comprehensive expense for the year	-	-	(182)	(182)
Share based payment (note 21)	-	-	561	561
Total transactions with owners	-	-	561	561
At 31 December 2022	116	17,630	49,562	67,308
Comprehensive income for the year to 31 December 2023				
Profit for the year	-	-	5,529	5,529
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	5,529	5,529
Share based payment (note 21)	-	-	715	715
Total transactions with owners	-	-	715	715
At 31 December 2023	116	17,630	55,806	73,552

Consolidated Statement of Cash Flows
for the year ended 31 December 2023

		Year ended 31 December	Year ended 31 December
	Note	2023	2022
		£'000	£'000
Cash flows from operating activities			
Cash generated from operations	A	8,906	9,719
Tax paid		(144)	(34)
Net cash generated from operating activities		8,762	9,685
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,195)	(979)
Proceeds from disposals of tangible fixed assets		54	-
Additions to intangible assets		(2,543)	(2,080)
Loan advanced to associate		-	(1,000)
Purchase of business net of cash acquired		(1,966)	-
Purchase of subsidiaries deferred consideration paid		(1,000)	(1,000)
Interest received		360	45
Net cash used in investing activities		(7,290)	(5,014)
Cash flows from financing activities			
Interest paid		(283)	(283)
Lease liability payments		(1,056)	(915)
Net cash used in financing activities		(1,339)	(1,198)
Net increase in cash and cash equivalents		133	3,473
Cash and cash equivalents at beginning of year		16,683	13,210
Foreign exchange losses		(16)	-
Cash and cash equivalents at end of year	B	16,800	16,683

The notes on pages 104 to 126 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:

	Year ended 31 December	Year ended 31 December
	2023	2022
	£'000	£'000
Profit for the year	1,576	1,353
Adjustments for:		
Depreciation	2,585	2,212
Amortisation	3,492	3,036
Profit on disposal of tangible fixed assets	(19)	-
Share based payments	731	561
Foreign exchange movements	(65)	-
Net interest costs	(27)	267
Share of (profit)/loss of associate	(225)	478
Tax charge	931	86
	8,979	7,993
(Increase)/decrease in inventories	(713)	306
Increase in trade and other receivables	(2,315)	(2,545)
Increase in trade and other payables	2,955	3,965
Cash generated from operations	8,906	9,719

B. Analysis of net funds

	At 1 January	Cash flow	Non-cash changes	At 31 December
	2023			2023
	£'000	£'000	£'000	£'000
Lease liabilities	(1,747)	1,163	(969)	(1,553)
Liabilities arising from financing activities	(1,747)	1,163	(969)	(1,553)
Cash and cash equivalents	16,683	133	(16)	16,800
Net funds	14,936	1,296	(985)	15,247

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

Major non cash items

£862,000 of additions to right of use assets and lease liabilities are included in non cash movements in the year ended 31 December 2023 (2022: £951,000).

Summary of Significant Accounting Policies

General information

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

Accounting policies

A. Basis of preparation

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

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

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

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

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

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

Going concern

The directors have considered working capital forecasts prepared for the period to December 2025. The Group had cash balances of £16.8m at the year end, of which a net £6.2m was utilised to make an acquisition in January, no borrowings and a £20m undrawn working capital facility which is not forecast to be utilised. The current working capital facility term was due to run to July 2024. On the 5th April 2024, a replacement facility was been agreed with HSBC, with £10.0m committed revolving cash flow facility and a £20m accordion on more favourable terms, which is available until 5th April 2027. 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 international conflicts 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, Trakm8 Holdings plc is accounted for as an associate using the equity method. The initial investment was accounted for at cost and the subsequent share of associate profits or losses reported in the Statement of Comprehensive Income and are added to or deducted from the carrying value of the investment.

Revenue recognition

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

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

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

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

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

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

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

Contract costs

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

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

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

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

Employee benefits

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

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

Share based payment

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

Taxation

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively 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 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 13 years
Software	3-5 years

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

Research and development expenditure

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

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

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

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

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

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

Financial assets

Financial assets, including trade and other receivables, cash and cash equivalent balances are initially recognised at transaction price. 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 consolidated statement of financial position, and with a corresponding lease liability from the date at which the leased asset is available for use by the Group. This has been adopted and applied on a full retrospective basis.

Assets and liabilities arising from a lease are initially measured at the present value of the lease payments and payments to be made under the terms of the lease. Reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the in-

cremental borrowing rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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

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

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

Property, plant and equipment

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

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

Investments

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

Inventories

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

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

Share capital and reserves

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

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

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

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

New or revised accounting standards and interpretations

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2024 and which the Group has chosen not to adopt early. These include the following standards which may be relevant to the Group:

- Amendment to IAS 1 regarding the classification of liabilities being based on an entity's rights at the end of a reporting period and disclosure in respect of post period end covenants that have to be met in the 12 months post period end;
- IAS 7/IFRS 7 amendments in respect of supplier finance arrangements and disclosures that allow an investor to understand the nature of these;

- IFRS 16 Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions.

As a result of initial review of the new standards, interpretations and amendments which are not yet effective in these financial statements, none are expected to have a material effect on the Company or Group's future financial statements. All IFRS effective at the reporting date of 31 December 2023 have been applied.

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 judgements and estimates used in the preparation of these financial statements that could result in a material change in the carrying value of assets or liabilities within the next twelve months are as follows:

Useful economic lives of intangible assets

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

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

Capitalisation of development expenditure

Management have used their judgement in respect of the capitalisation of development costs against the criteria in the policy. The viability of the new technology and know-how is supported by the results of testing and by forecasts for the overall value and margins from future sales to support the approach taken.

Impairment of intangible assets including goodwill and investments

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

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

Right-of-use assets and lease liabilities

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

Share based payment

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

Notes to the financial statements for the year ended 31 December 2023

1. Revenue and segmental analysis

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

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

	Year ended 31 December 2023	Year ended 31 December 2022
	£'000	£'000
By type		
Revenue recognised at a point in time	23,707	19,975
Supply of hardware and installation		
	23,707	19,975
Revenue recognised over time		
Professional services including project management	2,987	2,721
Managed service agreement income	41,614	37,360
Other support and maintenance services	3,408	3,155
	48,009	43,236
	71,716	63,211
By destination:		
UK	65,670	58,037
Rest of Europe	1,514	1,195
Rest of the World	4,532	3,979
Total revenue	71,716	63,211

Revenue in respect of one customer amounted to £23.1m representing 32% of the revenue for the year (2022: £20.9m representing 33% of the revenue).

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	Year ended 31 December 2023	Microlise	TruTac	Year ended 31 December 2022
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	66,526	5,190	71,716	59,147	4,064	63,211
Depreciation and amor- tisation	5,369	708	6,077	4,645	603	5,248
Operating profit	1,278	977	2,255	1,559	625	2,184
Net interest	(15)	42	27	(263)	(4)	(267)
Share of associate profit/ (loss)	225	-	225	(478)	-	(478)
Profit before tax	1,488	1,019	2,507	818	621	1,439
Segment assets	118,805	12,374	131,179	115,216	10,920	126,136
Segment liabilities	(52,327)	(3,179)	(55,506)	(50,059)	(2,609)	(52,668)
Additions to non-current assets	7,573	430	8,003	3,037	973	4,010

All of TruTac's revenue relates to the UK. TruTac's revenue is primarily from managed service agreements with the exception of £659,000 of hardware revenue in 2023 (2022: £562,000). All remaining revenue relates to the Microlise business.

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

	31 December 2023		31 December 2022	
	Non-current assets	Net assets	Non-current assets	Net assets
	£'000	£'000	£'000	£'000
United Kingdom	89,316	73,787	88,434	71,895
France	15	25	29	22
Australia	7	150	2	80
India	271	1,711	304	1,471
	89,609	75,673	88,769	73,468

2. Adjusted results

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

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

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

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Operating profit before interest and share of associate	2,255	2,184
Exceptional transaction and subsequent restructuring costs	374	202
Depreciation	2,585	2,212
Amortisation of intangible assets	3,492	3,036
Share based payment	731	561
Adjusted EBITDA	9,437	8,195

3. Operating profit

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

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Auditors remuneration:		
Audit of the Group and Company financial statements	279	251
Depreciation of property, plant and equipment	1,553	1,316
Profit on disposal of tangible fixed assets	(19)	-
Depreciation of right-of-use assets	1,032	896
Amortisation of intangible assets	3,492	3,036
Cost of inventory sold	15,520	14,198
Research and development costs	2,021	3,292
Foreign exchange losses/(gains)	211	(259)
Acquisition evaluation costs	196	202
In other operating income:		
Other income	(158)	(161)
Government innovation grants	(170)	(111)
Research and Development Expenditure Credit	(645)	(604)

The Group 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	
	Year ended 31 December 2023	Year ended 31 December 2022	Year ended 31 December 2023	Year ended 31 December 2022
	£'000	£'000	£'000	£'000
Wages and salaries	31,353	26,636	864	863
Social security costs	3,071	2,685	108	88
Pensions	1,149	1,046	25	29
Share based payment	731	561	334	561
Total	36,304	30,928	1,331	1,541

Average number of employees

The average number of employees in the year was:

	Group		Company	
	Year ended 31 December 2023	Year ended 31 December 2022	Year ended 31 December 2023	Year ended 31 December 2022
Sales and distribution	101	87	-	-
Operations and development	528	492	-	-
Administration	86	82	6	6
Total	715	661	6	6

Directors' remuneration

	Year ended 31 December 2023	Year ended 31 December 2022
	£'000	£'000
Directors' remuneration – aggregate emoluments	852	749
Group pension contributions in respect of 4 (2022: 3) directors	23	24
Share based payment	334	246
	1,209	1,019
Remuneration of the highest paid director	393	306
Group pension contributions	11	10
Share based payment	162	116
	566	432

Full information by director is disclosed in the remuneration report on pages 71 to 73.

Key management compensation

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Short term employee benefits	2,346	1,910
Post employment benefits	71	70
Share based payment	559	430
Total key management remuneration	2,976	2,410

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

5. Interest receivable

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Interest receivable		
Bank interest receivable	240	21
Loan interest receivable	120	-
Unwinding of discount on financing transactions	-	24
	360	45

6. Interest payable

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Interest payable		
Interest on bank and other borrowings	220	248
Lease liability financing charges	107	64
Other interest	6	-
	333	312

7. Taxation on profit

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Current taxation		
UK corporation tax charge	104	-
Foreign tax	135	126
Adjustments in respect of previous periods	8	5
	247	131
Deferred taxation		
Origination and reversal of timing differences	732	249
Credit due to change in tax rate	-	(89)
Adjustments in respect of previous periods	(48)	(205)
	684	(45)
Tax charge on profit	931	86

Factors affecting the tax charge for the year

The tax charge on the profit for the year differs from applying the average standard rate of corporation tax in the UK of 23.5% (2022: 19%). The differences are reconciled below:

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Profit before taxation	2,507	1,439
Corporation tax at standard rate	589	273
Factors affecting charge for the year:		
Disallowable expenses	235	168
Share of associate profit not taxed	(53)	-
Reassessment of share option related deferred tax	172	-
Other differences including capital superdeductions	(26)	(93)
Overseas tax rates	(15)	27
Adjustments in respect of previous periods	(40)	(200)
Differing corporate and deferred tax rates	69	-
Credit due to change in tax rate	-	(89)
Tax charge on profit	931	86

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 2022 and 2023.

8. Earnings per share

	Year ended 31 December 2023	Year ended 31 December 2022
Profit used in calculating EPS (£'000)	1,576	1,353
Weighted average number of shares for basic EPS ('000)	115,946	115,946
Weighted average number of shares for diluted EPS ('000)	116,087	116,104
Basic earnings per share (pence)	1.36	1.17
Diluted earnings per share (pence)	1.36	1.17

There were 3,701,954 unexercised share options in place at 31 December 2023 (2022: 3,088,969) of which 141,509 (2022: 1,159,383) were potentially dilutive in respect of the year and are included in the weighted average for diluted EPS.

9. Property, plant and equipment

Group	Freehold property	Right-of-use property	Leasehold building improvements	Right-of-use equipment	Equipment, fixtures and fittings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Net book value						
At 1 January 2022	4,940	1,303	137	329	1,864	8,573
Cost						
At 1 January 2022	5,271	3,002	306	1,245	5,460	15,284
Additions	-	567	-	384	979	1,930
Disposals	-	(1,689)	-	(612)	(19)	(2,320)
Exchange adjustments	-	-	2	-	2	4
At 31 December 2022	5,271	1,880	308	1,017	6,422	14,898
Depreciation						
At 1 January 2022	331	1,699	169	916	3,596	6,711
Charge for the year	102	558	67	338	1,147	2,212
Disposals	-	(1,689)	-	(612)	(19)	(2,320)
Reclassification from intangible assets	-	88	-	(88)	-	-
Exchange adjustments	-	-	1	-	2	3
At 31 December 2022	433	656	237	554	4,726	6,606
Net book value						
At 31 December 2022	4,838	1,224	71	463	1,696	8,292
Cost						
At 1 January 2023	5,271	1,880	308	1,017	6,422	14,898
Additions	-	176	-	686	2,219	3,081
Acquisitions	-	-	-	-	14	14
Disposals	-	-	-	-	(1,712)	(1,712)
Reclassification from intangible assets	-	-	-	-	246	246
Exchange adjustments	-	-	(19)	-	(31)	(50)
At 31 December 2023	5,271	2,056	289	1,703	7,158	16,477
Depreciation						
At 1 January 2023	433	656	237	554	4,726	6,606
Charge for the year	102	673	52	359	1,399	2,585
Disposals	-	-	-	-	(1,653)	(1,653)
Reclassification from intangible assets	-	-	-	-	27	27
Exchange adjustments	-	-	(14)	-	(21)	(35)
At 31 December 2023	535	1,329	275	913	4,478	7,530
Net book value						
At 31 December 2023	4,736	727	14	790	2,680	8,947

Company	Freehold property
	£'000
Cost	
At 31 December 2022 and 2023	4,965
Accumulated depreciation	
At 31 December 2022	127
Charge for the year	102
At 31 December 2023	229
Net book value	
At 31 December 2022	4,838
At 31 December 2023	4,736

10. Intangible assets

	Goodwill	Customer relationships	Technology – business combinations	Brands	Total business combination assets	Developed technology	Software	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net book value								
At 1 January 2022	52,778	14,266	4,096	2,136	73,276	2,047	664	75,987
Cost								
At 1 January 2022	52,778	17,780	6,422	2,711	79,691	2,951	791	83,433
Additions	-	-	-	-	-	1,780	300	2,080
At 31 December 2022	52,778	17,780	6,422	2,711	79,691	4,731	1,091	85,513
Amortisation								
At 1 January 2022	-	3,514	2,326	575	6,415	904	127	7,446
Charge for the year	-	1,138	773	181	2,092	760	184	3,036
At 31 December 2022	-	4,652	3,099	756	8,507	1,664	311	10,482
Net book value								
At 31 December 2022	52,778	13,128	3,323	1,955	71,184	3,067	780	75,031
Cost								
At 1 January 2023	52,778	17,780	6,422	2,711	79,691	4,731	1,091	85,513
Additions	-	-	-	-	-	2,523	20	2,543
Acquisitions (note 24)	1,513	406	446	-	2,365	-	-	2,365
Reclassification to property, plant & equipment	-	-	-	-	-	-	(246)	(246)
Exchange adjustments	-	-	-	-	-	-	(1)	(1)
At 31 December 2023	54,291	18,186	6,868	2,711	82,056	7,254	864	90,174
Amortisation								
At 1 January 2023	-	4,652	3,099	756	8,507	1,664	311	10,482
Charge for the year	-	1,185	818	181	2,184	1,152	156	3,492
Reclassification to property, plant & equipment	-	-	-	-	-	-	(27)	(27)
Exchange adjustments	-	-	-	-	-	-	(1)	(1)
At 31 December 2023	-	5,837	3,917	937	10,691	2,816	439	13,946
Net book value								
At 31 December 2023	54,291	12,349	2,951	1,774	71,365	4,438	425	76,228

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

	31 December 2023 £'000	31 Decem- ber 2022 £'000
Microlise	51,199	49,686
TruTac	3,092	3,092
	54,291	52,778

The Group tests goodwill annually for impairment, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The acquired Vita Software business has been hived across and fully integrated into the Microlise business, forming part of that cash generating unit. 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 17% (2022: 15%) and for the TruTac business at a pre-tax rate of 17% (2022: 15%).

The Microlise goodwill has been tested by reference to a 3 year management approved plan and TruTac by reference to a 3 year plan with a 2% long term growth rate considered applicable to the UK market applied to the terminal period. This includes consideration of the impact of cost inflationary pressures in the December tests and forecasts at that date and taking account of the corresponding inflationary price terms within the group's contracts with customers. The businesses achieved the FY23 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 £5m (2022: £8.8m) and TruTac NPV exceeds carrying values by £8.6m (2022: £1.1m) with this increase reflecting an increase in overall growth over the forecast period. 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 2023, the Microlise plan subject to the impairment test to support the carrying value of goodwill, forecast over £11.5m and a required £11m of recurring EBITDA which compares with £7.8m on the same basis recorded for 2023 and an expected increase to over £9.7m for FY25 as a result of the growth trends in the Microlise revenues, supported by significant investment in the development of technology (2022: forecast £8.9m and required £7.9m of recurring EBITDA in the long term).

The 31 December 2023 TruTac plan assessed for the impairment test to support the carrying value of goodwill forecast over £2m and a required £1.4m compared to the current EBITDA of some £1.5m. 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 (2022: forecast £1.25m and required £1.1m of recurring EBITDA).

11. Investments and loan receivables

Group	Associate
	£'000
At 1 January 2022	1,846
Share of loss for the year	(478)
At 31 December 2022	1,368
Share of profit for the year	225
At 31 December 2023	1,593

Company	Subsidiary undertakings	Associate	Total
	£'000	£'000	£'000
At 1 January 2022	77,693	2,250	79,943
Additions – fair value of share options held by subsidiary company employees	249	-	249
Decrease in fair value	-	(1,000)	(1,000)
At 31 December 2022	77,942	1,250	79,192
Additions (note 24)	3,132	-	3,132
Additions – fair value of share options held by subsidiary company employees	381	-	381
Increase in fair value	-	300	300
At 31 December 2023	81,455	1,550	83,005

Subsidiary undertaking	Principal activity	Class of shares held	% share holding
Microlise Limited	Transport management technology solutions	Ordinary	100%
Microlise Holdings Limited	Intermediate holding company	Ordinary	100%
Microlise Midco Limited	Dormant company	Ordinary	100%
Microlise Engineering Limited	Non trading company	Ordinary	100%
TruTac Limited	Transport management technology solutions	Ordinary	100%
Microlise Pty Limited (Australia)	Transport management technology solutions	Ordinary	100%
Microlise SAS (France)	Transport management technology solutions	Ordinary	100%
Microlise Telematics Private Limited (India)	Transport management technology solutions	Ordinary	100%
Microlise India Private Ltd	Non trading company	Ordinary	100%
Vita Software Limited	Transport management technology solutions	Ordinary	100%
TruTac Training Limited	Dormant company (Dissolved 6 February 2024)	Ordinary	100%
Trucontrol Ltd	Dormant company (Dissolved 6 February 2024)	Ordinary	100%
Trulogix Limited	Dormant company (Dissolved 6 February 2024)	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, Microlise Telematics Private Limited and Microlise India 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), Microlise Engineering Limited (02211125), TruTac Limited (02521511) and Vita Software Limited (08230638) 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 2023 the market value of the shareholding was £1.55m (2022: £1.25m).

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

The Group also has an interest of £1 in a jointly controlled not for profit community investment company, Road to Logistics C.I.C. This had commenced activity funded by a government grant and incurs neither a profit nor a loss. The principal place of business is Market Chambers, 2b Market Place, Shifnal, Shropshire, England, TF11 9AZ.

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 2022 and 2023 together with interim financial statements to 30 September 2022 and 2023, prepared under IFRS.

	30 September 2023	30 September 2022
	£'000	£'000
Assets – non-current	26,516	26,101
Assets – current	10,910	10,834
Liability – non-current	(14,936)	(10,190)
Liability – current	(3,255)	(8,616)
Net assets (100%)	19,235	18,129
Group share of book net assets (20%)	3,847	3,626

The differing carrying value above reflects the equity accounting policy applied.

	Year ended 30 September 2023	Year ended 30 September 2022
	£'000	£'000
Revenues	19,722	18,102
Profit/(loss) from continuing operations	1,103	(1,863)
Other comprehensive (expense)/income	(8)	8
Total comprehensive income/(expense)	1,095	(1,855)

Group and company

£'000

At 1 January 2022	-
Cash subscribed for loan notes	1,000
At 31 December 2022 and 2023	1,000

12. Deferred tax assets and liabilities

Group	Intangible assets	Accelerated capital allowances	Freehold property	Tax losses	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2022	(5,468)	(79)	(1,156)	1,828	(116)	(4,991)
RDEC credit	-	-	-	-	106	106
Credit for the year	124	(152)	19	(303)	357	45
At 31 December 2022	(5,344)	(231)	(1,137)	1,525	347	(4,840)
On acquisition	(172)	(4)	-	-	-	(176)
RDEC credit	-	-	-	-	84	84
Foreign exchange movement	-	-	-	-	(6)	(6)
Credit/(charge) for the year	182	(240)	24	(641)	(9)	(684)
At 31 December 2023	(5,334)	(475)	(1,113)	884	416	(5,622)

Company

**Share
based
payment
£'000**

At 31 December 2022	111
Charge for the year	(111)
At 31 December 2023	-

Deferred tax has been recognised at an average rate of 25% (2022: 25%).

13. Inventories

Group	31 December 2023	31 December 2022
	£'000	£'000
Raw materials and consumables	1,331	1,146
Work in progress	28	18
Finished goods and goods for resale	1,989	1,471
	3,348	2,635

An impairment release of £425,000 in respect of inventory was recorded in the year ended 31 December 2023 (2022: charge of £209,000).

14. Trade and other receivables

	Group		Company	
	31-Dec 2023	31-Dec 2022	31-Dec 2023	31-Dec 2022
	£'000	£'000	£'000	£'000
Current				
Trade receivables	15,288	13,247	-	-
Provision for impairment of trade receivables	(457)	(402)	-	-
Trade receivables net	14,831	12,845	-	-
Contract cost assets	1,431	1,466	-	-
Other receivables	222	163	-	-
Prepayments	2,273	2,286	158	26
Total	18,757	16,760	158	26
Non-current				
Trade receivables	353	593	-	-
Contract cost assets	2,488	2,485	-	-
Total	2,841	3,078	-	-
Total	21,598	19,838	158	26

Analysis of expected credit losses is included in note 18.

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

	Year ended 31 December 2023	Year ended 31 December 2022
Contract cost assets	£'000	£'000
Opening balance	3,952	3,815
Amortised to income statement	(1,774)	(1,115)
Incurred in the year	1,741	1,252
Closing balance	3,919	3,952

15. Cash and cash equivalents

	Group 31 December 2023 £'000	31 December 2022 £'000	Company 31 December 2023 £'000	31 December 2022 £'000
Cash at bank and in hand	16,800	16,683	86	69

16. Lease liabilities

	Group 31 December 2023 £'000	31 December 2022 £'000	Company 31 December 2023 £'000	31 December 2022 £'000
Current	907	821	-	-
Non-current	646	926	-	-
Total	1,553	1,747	-	-

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 2023 £'000	31 December 2022 £'000
Short term lease expense	46	11
Total cash outflow for leases	1,163	979

The maturity of lease liabilities at 31 December 2023 were as follows:

	Property	Equipment and vehicles	Total
	£'000	£'000	£000
Within 1 year	711	196	907
1-2 years	370	85	455
2-5 years	174	17	191
Total	1,255	298	1,553

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

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

17. Trade and other payables

	Group		Company	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	£'000	£'000	£'000	£'000
Current				
Trade payables	6,372	4,637	63	7
Taxation and social security	2,612	1,963	33	34
Amounts owed to group undertakings		-	14,231	16,206
Other payables	556	1,447	205	1,006
Accruals	4,195	4,316	902	675
Contract liabilities	18,895	16,820	-	-
Total	32,630	29,183	15,434	17,928
Non-current				
Contract liabilities	15,587	16,463	-	-
Deferred grant income	114	152	-	-
Accruals	-	283	-	-
Total	15,701	16,898	-	-
Total	48,331	46,081	15,434	17,928

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 2023	£'000	£'000	£'000	£'000	£'000	£'000
Contract liabilities	19,448	9,134	4,112	1,364	424	34,482

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

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

	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
Revenue related contract liabilities		
Opening balance	(33,283)	(31,465)
Invoiced in the year	(42,813)	(39,178)
Recognised as revenue in the year	41,614	37,360
Closing balance	(34,482)	(33,283)

18. Financial Instruments

Financial risk management

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

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

Categories of financial instruments

The Group has the below categories of financial instruments:

	31 December 2023 £'000	31 December 2022 £'000
Recognised at amortised cost	£'000	£'000
Cash and bank balances	16,800	16,683
Trade receivables - net	15,184	13,438
Other receivables	1,222	1,163
Total financial assets	33,206	31,284
Trade payables	6,372	4,637
Other payables	4,751	6,046
Lease liabilities	1,553	1,747
Total financial liabilities	12,676	12,430

There were no assets or liabilities at 31 December 2023 or 2022 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 and trade accounts receivable including accrued income.

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

Trade receivables

Trade accounts receivable are derived primarily from non-recurring hardware sales and monthly service income and generally have 30-60 day terms. With the exception of one large customer who accounts for 24% (2022: 27%) of the trade receivable invoiced balance, credit risk with respect to accounts receivable is dispersed due to the large number of customers. Collateral is not required for accounts receivable. The credit worthiness of customers with balances in trade receivables not yet due has been assessed as high.

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

	31 December	31 December
	2023	2022
	£'000	£'000
Past due		
0-60 days	5,202	3,903
60-120 days	833	443
121+ days	1,000	499
Expected credit loss provision	(457)	(402)
Total	6,578	4,443

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

As at 31 December 2023 the lifetime expected loss provision for trade receivables is as follows:

	Expected loss rate	Gross carrying amount £'000	Loss provision £'000
Past due			
0-60 days	0%	5,202	-
60-120 days	0%	833	-
121+ days	46%	1,000	457
Total	7%	7,035	457

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

	Expected loss rate	Gross carrying amount £'000	Loss provision £'000
Past due			
0-60 days	0%	3,903	-
60-120 days	0%	443	-
121+ days	81%	499	402
Total	8%	4,845	402

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

	Year ended 31 December 2023 £'000	Year period ended 31 December 2022 £'000
At 1 January	402	303
Provision charged	55	99
At year end	457	402

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

Liquidity risk

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

	Less than one year	1-2 years	2-5 years	Total
At 31 December 2023	£'000	£'000	£'000	£'000
Trade and other payables	11,123	-	-	11,123
Lease liabilities	1,021	521	193	1,735
Total	12,144	521	193	12,858

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

Interest rate risk

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

Currency risk

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

The net exposure to the dollar is offset by significant purchases made in dollars. 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 2023	4,608	710	183	18	5,519
At 31 December 2022	8,317	673	913	559	10,462

Capital management

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

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

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

The Group sets the amount of capital it requires in proportion to risk in conjunction with the retained earnings. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

19. Pensions

Defined contributions pension scheme

The group operates a number of defined contribution pension schemes. Contributions totalling £278,000 (2022: £223,000) were included in payables and due to the defined contribution scheme at the end of the year. The total contributions are disclosed in note 4.

20. Share capital

Group and Company

Allotted, called up and fully paid	At 31 December 2023 £	At 31 December 2022 £
115,945,956 ordinary shares of £0.001 each	115,946	115,946

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

21. Share based payments

Options	Weighted average exercise price	Number
At 1 January 2023	£0.51	3,088,969
Granted in the year	£0.001	1,049,226
Lapsed in the year	£0.21	(436,221)
At 31 December 2023	£0.38	3,701,974

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

1,132,160 options were granted to employees on 23 May 2022 at an exercise price of £1.45 subject to a 3 year vesting period only. The fair value was assessed as £0.515 per option using a Black Scholes model with a volatility of 60% and risk free rates of 2%.

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

The Company granted 1,049,226 options on 22 December 2023 to executive employees at an exercise price of £0.001 per share. They are exercisable from 31 December 2025 with 10% subject to carbon reduction targets and 90% subject to a 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 of the carbon reduction target options has been assessed at an average fair value of £0.17 per option using a Black Scholes model and the TSR options at £0.88 using a Monte Carlo model, both applying a volatility of 45%, risk free rates of 3.58% and a dividend yield of 1.93%

The average vesting period for all options is estimated at 3 years and the share based payment charge was £731,000 for the year (2022: £561,000). The weighted average vesting period is 1.7 years (2022: 2.2 years).

22. Capital commitments

The Group had capital commitments contracted but not provided for of £119,000 at 31 December 2023 (2022: £1,105,000). The company had no capital commitments (2022: £nil).

23. Related party transactions

The remuneration of key management personnel and directors is set out in note 4 and transactions with the associate in note 11.

24. Business combinations

On 13 March 2023, the Group acquired the entire share capital of Vita Software Limited, a provider of fleet logistics services for consideration of £3,123,000. The goodwill arising of £1,513,000 is attributable to the workforce, synergies 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 £283,000 in respect of the technology and £406,000 of customer relationships together with the related deferred taxation liability of £172,000.

The Vita software business has been transferred and integrated into Microlise Limited and as such it is not possible to separately identify the post acquisition results.

Had Vita been consolidated from 1 January 2023 it would have contributed another £104,000 of revenue and a further profit before tax of £60,000 to the year (excluding acquisition expenses and amortisation of intangible assets arising on consolidation).

	Book value	Fair value adjustments	Fair value
	£'000	£'000	£'000
Intangible assets	-	689	689
Property, plant and equipment	14	-	14
Cash and cash equivalents	1,120	-	1,120
Receivables	94	-	94
Payables	(45)	-	(45)
Corporation tax	(86)	-	(86)
Deferred taxation liability	(4)	(172)	(176)
Net assets acquired			1,610
Goodwill			1,513
			3,123
Consideration satisfied by:			
Cash			2,923
Deferred consideration (payable March 2024)			200
			3,123

The Group incurred acquisition related costs of £0.1m 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.

The Group also acquired another small business in the year comprising only intangible assets of £163,000.

25. Subsequent events

On 10 January 2024, the group acquired 100% of Enterprise Software Systems Limited, a leading provider of transportation management system solutions. The acquisition is expected to further expand Microlise's suite of transport technology solutions. The total consideration of £11.4m includes £0.85m of deferred consideration payable six months from the date of acquisition. The acquisition was funded from the Group's cash resources and the identifiable assets acquired included £4.4m cash of which £3.5m is considered to be excess cash. Synergies are expected to arise by combining the management of operations and providing a broader service offering to all Group customers. The draft initial fair value of the assets and liabilities acquired are as follows:

	Fair value £'000
Intangible assets – customer, tradename, technology	3,708
Property, plant and equipment	998
Cash and cash equivalents	4,373
Receivables	1,032
Payables	(3,044)
Lease liabilities	(500)
Corporation tax	(124)
Deferred taxation liability	(1,017)
Net assets acquired	5,426
Goodwill	6,010
	11,436
Consideration satisfied by:	
Cash	10,586
Deferred consideration	850
	11,436

Acquisition costs of £0.2m were incurred relating to the acquisition and expensed in the year ended 31 December 2023. Other than the acquisition costs the acquisition was not included in the reported results for the year ended 31 December 2023.

Company Information



Notice of AGM

The AGM will be held at Microlise's head office at 9:00am on 22nd May 2024.

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

Answers to questions will be published on the website following the AGM.

Other Information

Directors

Nadeem Raza
Nick Wightman
Jon Lee
Dino Rocos
Lucy Sharman-Munday

Company Secretary

Nick Wightman

Company Number

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