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Microlise Group PLC
30 March 2023

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MICROLISE GROUP PLC

("Microlise", "the Company" or "the Group")

Final Results for the 12 Months ended 31 December 2022

Strong organic ARR growth and cash generation

Microlise Group plc (AIM: SAAS), a leading provider of transport management software to fleet operators, announces its results for the 12 months ended 31 December 2022.

Financial Overview

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

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

Financial and Operating Highlights

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

Current Trading and Outlook

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

Nadeem Raza, CEO of Microlise, said: *"We are pleased to report another strong year of growth for Microlise, together with significant operational enhancements. We continued to strengthen our business through international growth, numerous major customer renewals and new contract signings, alongside several innovative new product launches. All of which has ensured we start the year with a record order book and healthy pipeline of opportunities across all the markets in which we operate."*

For further information, please contact:

Microlise Group plc Nadeem Raza, CEO / Bill Wynn, CFO	c/o SEC Newgate
Singer Capital Markets (NOMAD & Broker) Steve Pearce / James Moat / Harry Gooden	Tel: +44 20 7496 3000
SEC Newgate (Financial Comms) Bob Huxford / Molly Gretton / Harry Handyside	Tel: 020 3757 6880 Email: microlise@secnewgate.co.uk

About Microlise

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

Established in 1982, Microlise is an award-winning business with over 400 enterprise clients. With 463 employees based at the Group's headquarters in Nottingham in the UK, the Company also has offices in France, Australia, and India, with a total global staff base of over 670.
Microlise is listed on the AIM market of the London Stock Exchange (AIM: SAAS) and qualifies for the London Stock Exchange's Green Economy Mark.

Chairman's Statement

I am delighted to report that Microlise delivered a strong performance for the full year 2022. The Company achieved 5% Revenue growth to £63.2m for the 12-month period ended 31 December 2022 (CY21[1]: £60.3m), and 10% Annual Recurring Revenue growth to £42.6m for the 12-month period ended 31 December 2022 (CY21: £38.9m). The Company also achieved record profitability and cash generation, with cash 18% ahead of market expectations, up 27% to £16.7m.

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

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

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

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

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

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

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

John Lee, Non-Executive Chairman

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

CEO's Statement

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

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

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

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

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

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

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

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

Financial Performance

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

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

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

A Growing Business

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

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

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

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

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

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

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

Our People

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

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

We were also delighted be awarded the 'Great Place to Work' accreditation, a reliable and globally respected recognition for excellent employee experience, trust-based work culture, and commitment to building a great workplace. This award recognises our commitment to providing a supportive and inclusive workplace for employees and we will endeavour to maintain this standard across the business.

Strategic Focus

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

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

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

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

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

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

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

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

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

Outlook

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

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

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

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

to shareholders.

Nadeem Raza, Chief Executive Officer

CFO's Statement

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

Key Performance Indicators

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

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

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2. Adjusted EBITDA excludes exceptional costs in relation to the IPO, exceptional costs in relation to acquisitions, depreciation, amortisation, share of loss of associate, interest, tax and share based payments.
3. Adjusted Profit / (loss) before taxation excludes IPO costs of £3.4m (CY21), exceptional costs in relation to acquisitions of £0.2m (FY22), share based payments and loss of share of associate.
4. ARR run rate change figure and % compare the annualised recurring revenue figure for December 2022 with the annualised recurring revenue figure for December 2021.
5. Like-for-like subscriptions change figure and % compare the subscriptions as at 31 December 2022 with the subscriptions as at 31 December 2021

Group Results

Revenue

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

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

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

Gross Profit

Gross profit for the 12 months ended 31 December 2022 increased by 9% to £37.6m (CY21 £34.5m) with gross margin % increasing to 60% (CY21 57%). The Group has benefited from the increased proportion of high margin SaaS revenues and also improved non-recurring margins despite cost inflationary pressures and the ongoing challenges with microchip shortages resulting in premium pricing.

Adjusted Administrative Expenses [1]

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

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

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

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

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

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

Adjusted(1) EBITDA & Profit Before Tax

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

The adjusted profit before taxation includes an amortisation charge of £2.1m (CY21: £2.1m) as a result of business combinations. Profit before taxation in the period increased to £2.7m (CY21: £2.6m) combinations. Profit before taxation in the period increased to £2.7m (FY21: £2.0m)

EPS and Dividend

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

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

Group Statement of Financial Position

The Group had net assets of £73.5m at 31 December 2022 (FY21: £71.5m). Current assets increased by £5.1m, primarily due to an increase in debtors driven by higher revenues in the year combined with increased cash balances. Total liabilities increased by £2.9m due to an increase in deferred income and trade payables. The Group typically invoices for software subscriptions monthly, quarterly, annually or for the life of the subscription in advance which drives a strong balance sheet with significant cash balances. Revenue is recognised in the month the service is provided with deferred income disclosed as contract liabilities in current and non current liabilities. As at the end of December total Trade and other payables was £46.1m (FY21: £43.1m) of this balance £33.3m (FY21: £31.5m) is deferred income and relates to future contracted revenue recognition.

Cashflow (2) & Net Cash

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

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

Banking Facility

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

Additional Notes

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

Bill Wynn, Chief Financial Officer

Consolidated Statement of Comprehensive Income

For the twelve months period ended 31 December 2022

	Year ended 31 December 2022	18 month period ended 31 December 2021

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

Consolidated Statement of Financial Position

as at 31 December 2022

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

Equity			
Issued share capital	20	116	116
Share premium account		17,630	17,630
Retained earnings		55,722	53,802
Total equity		73,468	71,548

Consolidated Statement of Changes in Equity

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

Company Statement of Financial Position

as at 31 December 2022

	Note	31 December 2022 £'000	31 December 2021 £'000
Assets			
Non-current assets			
Property, plant and equipment	9	4,838	4,940
Investments	11	79,192	79,943
Loan to associate		1,000	-
Deferred tax	12	111	-
Total non-current assets		85,141	84,883
Current assets			
Trade and other receivables	14	26	253
Cash and cash equivalents	15	69	1,090
Total current assets		95	1,343
Total assets		85,236	86,226
Current liabilities			
Trade and other payables	17	(17,928)	(18,298)
Total current liabilities		(17,928)	(18,298)
Non current liabilities			
Trade and other payables	17	-	(1,000)
Total non current liabilities		-	(1,000)

Total non current liabilities		-	(1,000)
Total liabilities		(17,928)	(19,298)
Net assets		67,308	66,928
Equity			
Issued share capital	20	116	116
Share premium account		17,630	17,630
Retained earnings		49,562	49,182
Total equity		67,308	66,928

Company Statement of Changes in Equity

	Share Capital £'000	Share Premium Account £'000	Merger Reserve £'000	Retained earnings £'000	Total Equity £'000
At 30 June 2020	44	-	55,172	(595)	54,621
Comprehensive income for the 18 month period to 31 December 2021					
Loss for the period	-	-	-	(5,466)	(5,466)
Other comprehensive income	-	-	-	-	-
Total comprehensive expense for the period	-	-	-	(5,666)	(5,666)
Share based payment (note 21)				129	129
Bonus issue of shares (note 20)	55,172	-	(55,172)	-	-
Reduction of share capital (note 20)	(55,114)	-	-	55,114	-
Shares issued in the period (note 20)	14	17,630	-	-	17,644
Total transactions with owners	72	17,630	(55,172)	55,243	17,773
At 31 December 2021	**116**	**17,630**	**-**	**49,182**	**66,928**
Comprehensive income for the year to 31 December 2022					
Loss for the year	-	-	-	(182)	(182)
Other comprehensive income	-	-	-	-	-
Total comprehensive expense for the year	-	-	-	(182)	(182)
Share based payment (note 21)	-	-	-	561	561
Total transactions with owners	-	-	-		
At 31 December 2022	**116**	**17,630**	**-**	**49,561**	**67,307**

Consolidated Statement of Cash Flows

for the year ended 31 December 2022

	Note	Year ended 31 December 2022 £'000	18 month period ended 31 December 2021 £'000
Cash flows from operating activities			
Cash generated from operations	A	9,719	9,132
Tax (paid)/received		(34)	660
Net cash generated from operating activities		9,685	9,792
Cash flows from investing activities			
Purchase of property, plant and equipment		(979)	(1,499)
Additions to intangible assets		(2,080)	(2,166)
Loan advanced to associate		(1,000)	-
Purchase of subsidiaries, deferred consideration paid		(1,000)	(1,000)
Interest received		45	-
Net cash used in investing activities		(5,014)	(4,665)
Cash flows from financing activities			
Issue of share capital		-	18,600
Share issue expenses paid		-	(956)

Interest paid		(283)	(676)
Lease liability payments		(915)	(1,219)
Repayment of bank loans		-	(16,975)
Repayment of other loans		-	(729)
Net cash generated used in financing activities		(1,198)	(1,955)
Net increase in cash and cash equivalents		3,473	3,172
Cash and cash equivalents at beginning of year/period		13,210	10,061
Foreign exchange losses		-	(23)
Cash and cash equivalents at end of year/period	B	16,683	13,210

Notes to the cash flow statements

A. Cash generated from operations

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

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

B. Analysis of net funds/(debt)

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

	At 1 July 2020 £'000	Cash flow £'000	Non-cash changes £'000	At 31 December 2021 £'000

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

Major non cash items

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

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 financial information for the year ended 31 December 2022 and the year ended 31 December 2021 does not constitute the company's statutory accounts for those years.

The statutory accounts for the year ended 31 December 2022 will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The auditors' reports on the accounts for 31 December 2022 and 31 December 2021 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

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

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

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

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

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

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

Going concern

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

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

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

B. Accounting policies

Consolidation

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

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

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

Associates

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

Revenue recognition

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

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

Each performance obligation is allocated a transaction price based on the stand-alone selling prices. Where stand-alone prices are not directly observable, they are based on expected cost plus margin. Revenue is recognised depending upon the revenue stream to which it relates, as follows:

- The fair value of hardware and installation revenue is recognised at a point in time when control is transferred to the customer on despatch and/or upon installation;
- Revenue from the SaaS arrangement is recognised over a period of time, based on the term of the contract on a straight line basis. Revenue recognition over time is considered appropriate based on provisions of IFRS 15 paragraph 35 as the customer simultaneously receives and consumes the benefits provided by the Group. The contractual term for average SaaS agreements are approximately 5 years;
- Professional services typically include implementation, configuration, training and other similar services to create optimised interfaces between the Group's software and customers systems.

Revenue from professional services is recognised over a period of time using the input method as professional services are being performed, as this best depicts the timing of how the value is transferred to the customer; 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 contact liability is recognised for the sales value of the performance obligations that have not been provided. If payment is received in advance of the delivery of the associated performance obligation a contract liability is recognised. When an invoice is not due for payment at the statement of financial position date and the associated performance obligation has not been fulfilled no amounts are recognised in the financial statements.

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

Contract costs

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

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

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

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

Employee benefits

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

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

Share based payment

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

Taxation

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

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

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

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

Exceptional items

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

Government grants

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

Foreign exchange

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

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

Intangible assets

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

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

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

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

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

Research and development expenditure

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

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

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

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

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

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

Financial assets

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

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

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

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

Financial liabilities

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

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

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

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

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

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

Property, plant and equipment

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

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

Investments

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

Inventories

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

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

Share capital and reserves

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

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

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

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

New or revised accounting standards and interpretations

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

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

C. Critical accounting estimates and assumptions

Critical judgements in applying the accounting policies

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

Estimates and assumptions

Useful economic lives of intangible assets

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

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

Capitalisation of development expenditure

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

Impairment of intangible assets including goodwill and investments

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

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

Right-of-use assets and lease liabilities

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

Share based payment

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

Notes to the financial statements for the year ended 31 December 2022

1. Revenue and segmental analysis

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

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

	Year ended 31 December 2022 £'000	18 month period ended 31 December 2021 £'000
By type		
Revenue recognised at a point in time	19,975	29,336

Supply of hardware and installation	19,975	29,336
	19,975	**29,336**
Revenue recognised over time		
Professional services including project management	2,721	4,817
Managed service agreement income	37,360	48,912
Other support and maintenance services	3,155	5,103
	43,236	**58,832**
	63,211	**88,168**
By destination:		
UK	58,037	78,230
Rest of Europe	1,195	2,677
Rest of the World	3,979	7,261
Total revenue	**63,211**	**88,168**

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

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

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

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

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

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

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

	31 December 2022		**31 December 2021**	
	Non-current assets	**Net assets**	**Non-current assets**	**Net assets**
	£'000	**£'000**	**£'000**	**£'000**
United Kingdom	88,434	71,895	88,729	70,367
France	29	22	3	34
Australia	2	80	3	12

India	304	1,471	381	1,135
	88,769	73,468	89,116	71,548

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

	Year ended 31 December 2022 £'000	**18 month period ended 31 December 2021 £'000**
Operating profit before interest and share of associate	2,184	960
Exceptional transaction and IPO costs	202	3,415
Depreciation	2,212	3,085
Amortisation of intangible assets	3,036	3,803
Share based payment	561	129
Adjusted EBITDA	**8,195**	**11,263**

3. Operating profit

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

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

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

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

4. Information regarding directors and employees

Employees

The aggregate remuneration of employees comprised:

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

Average number of employees

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

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

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

Directors' remuneration

	Year ended 31 December 2022	**18 month period ended 31 December 2021**
	£'000	**£'000**
Directors' remuneration - aggregate emoluments	904	1,074
Group pension contributions in respect of 3 (2021: 4) directors	24	24
Share based payment	246	69
	1,174	1,167
Remuneration of the highest paid director	306	461
Group pension contributions	10	7
Share based payment	116	31
	432	499

Full information by director is disclosed in the remuneration report.

Key management compensation

	Year ended 31 December 2022	**18 month period ended 31 December 2021**
	£'000	**£'000**
Short term employee benefits	1,910	2,596

Post employment benefits	70	71
Share based payment	430	129
Total key management remuneration	2,410	2,796

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

5. Interest receivable

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

6. Interest payable

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

7. Taxation on profit/(loss)

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

Factors affecting the tax charge for the year/period

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

	Year ended 31 December 2022 £'000	**18 month period ended 31 December 2021 £'000**
Profit/(loss) before taxation	1,437	(5)
Corporation tax at standard rate	273	(1)
Factors affecting charge for the year/period:		
Disallowable expenses	168	781

Disallowable expenses	168	781
Research and development allowances	-	36
Other differences including capital superdeductions	(93)	-
Overseas tax rates	27	27
Adjustments in respect of previous periods	(200)	(46)
(Credit)/charge due to change in tax rate	(89)	1,416
Tax charge on profit	**86**	**2,213**

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

8. Earnings per share

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

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

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

9. Property, plant and equipment

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

Depreciation						
At 1 January 2022	331	1,699	169	916	3,596	6,711
Charge for the year	102	558	67	338	1,147	2,212
Disposals		(1,689)	-	(612)	(19)	(2,320)
Reclassification		88	-	(88)	-	-
Exchange adjustments		-	1	1	2	3
At 31 December 2022	433	656	237	554	4,726	6,606
Net book value						
At 31 December 2022	4,838	1,224	71	463	1,696	8,292

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

10. Intangible assets

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

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

	31 December 2022 £'000	31 December 2021 £'000
Microlise	49,686	49,686
TruTac	3,092	3,092
	52,778	52,778

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

The Microlise goodwill has been tested by reference to a 4 year management approved plan and TruTac by reference to a 3 year plan with a 2% long term growth rate considered applicable to the UK market applied to the terminal period. This includes consideration of the impact of cost inflationary pressures in the December tests and forecasts at that date and taking account of the corresponding inflationary price terms within the group's contracts with customers. The businesses achieved the FY22 forecasts used in the prior year test and no impairment is indicated although they are sensitive to forecast increases in EBITDA. The Microlise NPV exceeds carrying values by £8.8m (2021: £19.9m) and TruTac NPV exceeds carrying values by £1.1m (2021: £2.5m) with this reduction primarily a result of increased discount rates being applied for equity returns. Reasonable changes in the discount rate or terminal growth rate do not result in a risk of impairment of Microlise or TruTac goodwill.

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

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

11. Investments and loan receivables

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

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

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

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

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

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

The primary business of Trakm8 Holdings plc is the development, manufacture, distribution and sale of telematics devices, services and optimisation solutions. The principal place of business is 4 Roman Park, Roman Way, Coleshill, Birmingham, West Midlands, B46 1HG.
The Group also has an interest of £1 in a jointly controlled not for profit community investment company, Road to Logistics C.I.C. This had commenced activity funded by a government grant and incurs neither a profit nor a loss. The principal place of business is Farrington Way, Eastwood, Nottingham, NG16 3AG.

Summarised financial information (material associates)

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

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

	Year ended 30 September	18 months ended 30 September

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

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

Group and company

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

12. Deferred tax assets and liabilities

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

Company

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

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

13. Inventories

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

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

14. Trade and other receivables

	Group		Company	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	£'000	£'000	£'000	£'000
Current				
Trade receivables	13,247	11,533	-	-
Provision for impairment of trade receivables	(402)	(303)	-	-
Trade receivables net	12,845	11,230	-	-
Contract cost assets	1,466	1,449	-	-

Contract cost assets	1,466	1,449	-	-
Amounts owed by group undertakings		-	-	-
Other receivables	163	206	-	28
Prepayments	2,286	2,258	26	225
Total	**16,760**	**15,143**	**26**	**253**
Non-current				
Trade receivables	593	344	-	-
Contract cost assets	2,485	2,366	-	-
Total	**3,078**	**2,710**	**-**	**-**
Total	**19,838**	**17,853**	**26**	**253**

Analysis of expected credit losses is included in note 19.

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

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

15. Cash and cash equivalents

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

16. Lease liabilities

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

Leases

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

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

Other amounts relating to leases were as follows:

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

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

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

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

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

17. Trade and other payables

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

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

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

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

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

	Year ended 31 December 2022	18 month period ended 31 December 2021
	£'000	£'000
Revenue related contract liabilities		
Opening balance	(31,465)	(28,606)

Invoiced in the period	(39,178)	(50,423)
Recognised as revenue in the period	37,360	47,564
Closing balance	(33,283)	(31,465)

18. Financial Instruments

Financial risk management

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

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

Categories of financial instruments

The Group has the below categories of financial instruments:

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

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

Credit risk

Credit risk refers to the risk that a 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 27% (2021: 31%) of the trade receivable invoiced balance, credit risk with respect to accounts receivable is dispersed due to the large number of customers. Collateral is not required for accounts receivable. The credit worthiness of customers with balances in trade receivables not yet due has been assessed as high.

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

Past due	**31 December 2022 £'000**	**31 December 2021 £'000**

0-60 days	3,903	3,076
60-120 days	443	186
121+ days	499	1,014
Expected credit loss provision	(402)	(303)
Total	**4,443**	**3,973**

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

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

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

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

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

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

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

Oher 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:

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

At 31 December 2021	**Less than one year £'000**	**1-2 years £'000**	**2-5 years £'000**	**Total £'000**

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

Interest rate risk

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

Currency risk

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

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

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

Capital management

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

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

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

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

19. Pensions

Defined contributions pension scheme

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

20. Share capital

Group and Company

Allotted, called up and fully paid	**At 31 December 2022**	**At 31 December 2021**

	£	£
115,945,956 ordinary shares of £0.001 each	115,946	115,946

Movements in share capital have been as follows:

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

On 18 June 2021, 51,043,537 bonus shares were issued as above utilising the merger reserve. This was followed by a share capital reduction on 7 July 2021 reducing the nominal value from £1 for A,C and D ordinary shares and from £1.55 for B ordinary shares to £0.002 per share with the reduction in capital transferred to retained earnings.
On 14 July 2021, all A,B,C and D £0.002 ordinary shares were subdivided and redesignated as £0.001 ordinary shares with equal rights.

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

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

21. Share based payments

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

1,132,160 options were granted to employees on 23 May 2022 at an exercise price of £1.45 subject to a 3 year vesting period only. The fair value was assessed as £0.515 per option using a Black Scholes model with a volatility of 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 average vesting period is estimated at 3 years and the share based payment charge was £561,000 (2021: £129,000 for the period).

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

22. Capital commitments

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

23. Related party transactions

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

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

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

24. Subsequent events

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

Acquisition costs of £60k were incurred relating to the acquisition of which £60k was expensed in the period. Other than the acquisition costs the acquisition was not included in the reported results for the year ended 31 December 2022.

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