Digital empowerment of the deskless workforce

Annual Report and Accounts 2023

Checkit plc

Registered number 00448274

Checkit is the augmented workflow solution for frontline workers, enabling large multinational and complex organisations to operate more safely, efficiently and sustainably – driving them towards achieving intelligent operations.

At Checkit, we have hundreds of customers across the globe, including Global Fortune 500 and public health organisations. Our customers are digitising their manual processes through our highly customisable workflow software and our top-of-the-line Internet of Things (IoT) sensors. More than 14 billion sensor readings and 42 million completed workflows per year are sent through our platform enabling our customers to become more efficient, ensure safety and deliver complete operational visibility.

Software + Sensors + Services = Intelligent Operations

Checkit is transforming how forward thinking and digital-first organisations execute frontline work, blending software, hardware, and event driven-actions to deliver value across every frontline business process.

We enable organisations to progress in their digital maturity journey towards achieving intelligent operations by connecting people, assets and processes to create rich performance data which directly informs efficient operational strategy, execution, and compliance.

Our proven reliable single-source digital solution drives fast and scalable efficiencies across the entire frontline workforce. Checkit has helped customers uncover operational insights that have led to transformational reductions in cost and risk and improved employee and patient experiences.

Intelligent operations make it simple for frontline workers to record their daily activities, share tasks, track progress and continually improve. Business and department leaders can quickly assess performance, visualise the entire operation and respond to changes by deploying enterprise-wide process improvements effortlessly.

Visit www.checkit.net to find out more

LinkedIn: checkit-ltd

Twitter: _checkit

HIGHLIGHTS

FY23 results ahead of market expectations

with annual recurring revenue (ARR) increasing 28% to £11.5m[1] (FY22: £9.0m)

Operational Highlights

ARR has doubled over the last two years

reflecting the Group's strategy to focus solely on subscription based sales, with recurring revenue accounting for 93% of total FY23 revenues

US footprint expansion

with 91% year-on-year ARR growth in US ARR to £2.8m (FY22: £1.5m)

Net revenue retention of 116%

(NRR)[2] reflecting continued success in retaining and growing the existing customer base

Completion of planned closure

of Building Energy Management Systems (BEMS) division

Path to profitability accelerated

with increased focus on cost efficiency, resulting in improving gross margins of 63% (FY22: 54%[3])

Financial Highlights

ARR run rate

£11.5m +28%

(FY22: £9.0m)[1]

Recurring revenue

£9.6m +41%

(FY22: £6.8m)

Total Group revenue from continuing operations

£10.3m +22%

(FY22: £8.4m[3])

Adjusted LBITDA[4]

£6.4m

(FY22: loss of £5.6m[3])

Net Cash at year end

£15.6m

(FY22: £24.2m)
with the emphasis in H2 on operational efficiency resulting in a 17% reduction in net cash outflows during H2, compared to H1

1 Annual Recurring Revenue (ARR) is defined as the annualised value of contracted recurring revenue from subscription services as at the period end, including committed annual recurring revenue from new wins. This has been restated from the prior year (reported ARR of £8.2m), where it related only to contracts that were installed.

2 Net retention revenue (NRR) is defined as the amount of recurring revenue from existing customers retained over the year, excluding new wins in the last twelve months.

3 Continuing operations only.

4 Adjusted LBITDA is the loss on operating activities before depreciation and amortisation, share-based payment charges and non-recurring or special items.

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COMPANY OVERVIEW

Our vision:

Empowering work without waste.

Our mission:

To make it easy for organisations and workers to understand what they need to do, when to do it, and how to do it more efficiently, keeping their customers and teams safe whilst lowering costs and reducing waste.

We empower dispersed teams with smart sensors and workflow software, providing the agility and visibility that leaders need to deliver a high-quality, safe and profitable service.

Our customers:

Some of our key customers include:

Intelligent Operations:

Intelligent Operations – provided by digitally enabled frontline workers – drives value and impact from the outset. Checkit enhances the activities performed by deskless workforces through its end-to-end platform, built to help organisations become digital and data-first.

Sensors

Software

Services

Software + Sensors + Services = Intelligent Operations

An end-to-end digital solution.

Sensors

- Top-of-the-line, smart sensors
- Effective, reliable and compliant technology
- Fully-installed and maintained by Checkit's team of experts

Software

- Tracks and records all mission-critical sensor data
- Digital alerts
- Task management and automated workflows
- Advanced analytics and dashboards

Services

- Expertise in how to move an organisation from manual labour dependency to a digitally-optimised automated workplace
- Responsive, experienced staff who know sensors and software in your environment and how to maintain reliable operations

Benefits of an end-to-end digital solution

At a glance:

Increased Productivity

- Get teams up to speed and productive quicker with automated workflows and training
- Remove bottlenecks to team productivity by digitally streamlining processes
- Gain operational insights into the work being performed across your enterprise

Lower Costs

- Reduce labour costs from manual processes and rework
- Drive down onboarding and training costs through automated workflows and task management
- Prevent equipment failure by prioritising maintenance with historical data
- Avoid costly stock loss and spoilage with alerts

Higher Quality

- Reduce levels of spoiled or compromised inventory
- Re-allocate labour spent on manual processes to impact quality metrics
- Identify gaps in work completion and proactively drive improvement through coaching and automated workflows

Benefits in practice:

Increased Productivity

"We view Checkit in terms of efficiency. The work still needs to be done, but it's now done in a way that makes every second count. Once we input the date into Checkit, it's there for everyone involved to make best possible use of. Whether that means reporting, analysis or spotting ways to improve how we work."

Caitlin McArthur, Contract Catering Team Manager, Sodexo

Lower Costs

"What Checkit put forward was a powerful solution to address a significant operational issue. Instead of staff having to fill in paperwork, the responsive actions of our teams are automatically logged when they tap on the screen of their mobile device."

Patrick Rix, Validation and Compliance Manager, Hallmark Care Homes

Higher Quality

"The dashboard gives me all the information I need, wherever I happen to be and whenever I need to check. This system puts everything in one place – and being web-based we can see which wards are doing well and which are not."

Nigel Barnes, Director of Pharmacy & Medicines Management, Birmingham and Solihull Mental Health NHS Foundation Trust

INVESTMENT CASE

Creating value in a new category

Checkit's investors are supporting the creation of a new industry category. **"The Augmented Enterprise for the deskless industry".** Our end-to-end digital solution is at the forefront of addressing the challenges of deskless workforces and enabling intelligent operations for this industry.

1

A real need

- Most large organisations today are still using manual, paper-based and other outdated processes to drive the performance and activity of their frontline workers, which significantly impedes their efficiency goals. Frontline work goes unmeasured and hidden, leading to inconsistent work, increased wastage and unnecessary risk.
- Knowledge is retained in those employees and leaves when they move jobs or retire. This is exacerbated by intensifying labour shortages.

2

Large, underserved market

- There are 2.7 billion people in the global deskless worker industry – 80% of the global workforce, but the majority of digital workplace solutions still focus on supporting deskbound employees.

3

Market remains untapped

- Deskless worker industries are large and fragmented, with no competitors offering the comprehensive end to end coverage of our platform.
- We currently serve three out of a potential seven markets – healthcare, retail and hospitality, catering to almost 800 million deskless workers.

73%

OF FRONTLINE EMPLOYEES ARE STILL USING PAPER FORMS[1]

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2.7

BILLION GLOBAL DESKLESS WORKER INDUSTRY

Market Overview Page 10

3

INDUSTRY SECTORS OUT OF A POTENTIAL SEVEN

Market Overview Page 10

1 Yoobic.

4

Competitive advantage

- Our unrivalled end-to-end solution is designed to connect a deeply fragmented market.
- Checkit's platform ingests billions of sensor readings and workflow tasks per year, creating meaningful insights and enabling data driven decisions, with fully automated connectivity between client assets (IoT) and the platform.
- Our credibility and customer trust comes from our status as a mature, listed, and regulated entity.

5

Strong growth ambitions

- Strong set of financial results in FY23, delivering a third consecutive year of high-quality recurring revenue growth.
- The Group is driving sustainable growth by investing in targeted, ROI-led sales and marketing to drive top line growth while developing the Checkit platform further to create a market leading product. There are significant expansion opportunities into adjacent markets, which we do not currently serve.

6

Accelerating path to profitability

- In order to drive the business towards profitability, we are optimising existing processes across the business and continuously assessing potential cost efficiencies with the aim of improving margins.
- In FY23, the Group delivered procurement savings in its platform costs and efficiencies across its cost base, bringing all software development capacity in-house and making targeted headcount reductions of 10% in its operations.

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BILLION SENSOR READINGS FEED REAL-TIME INFORMATION INTO THE CHECKIT PLATFORM

Platform Overview Page 12

£11.5m

ARR – DOUBLED OVER LAST TWO YEARS FROM £5.7M IN FY21

CEO Review Page 7

63%

GROSS MARGIN (FY22: 54%)[2]

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2 Continuing operations only.

NON-EXECUTIVE CHAIRMAN'S STATEMENT

Delivering a strong set of results

After another strong year, the Group is well placed to realise its ambitions.

Dear Shareholders,

Despite the economic uncertainty that has characterised the financial year ending 31 January 2023, Checkit has delivered a strong set of results ahead of Board and market expectations. I am particularly pleased that recurring revenues now account for more than 90% of total revenues. Following our successful transformation into a pure subscription business, we are focused on growing revenues within our core markets of Western Europe and North America. The Group continues to benefit from a strong balance sheet which will allow it to continue to execute against its growth strategy and develop its technology, whilst driving further operating efficiencies and accelerating the path to profitability.

I should like to thank Kit Kyte who led the Group effectively during what was a difficult macro-economic environment. You will read more about his vision in this Annual Report.

We have continued to examine Board composition particularly with a view to improving diversity and focus and recently announced the appointment of Alex Curran as a Non-Executive Director. Alex brings a wealth of experience from growing and scaling software businesses in North America, a primary growth region for us, where she is currently regional chief executive officer for Aptitude Software. At the same time, John Wilson, previously Senior Independent Non-Executive Director, made the decision to step down from the Board. I should like to pay tribute to the significant contribution that John has made to Checkit. In 2019 he led the disposal of Bulgin from the Group which enabled the return of £81m to shareholders. Since that time he remained as a Non-Executive Director and Chair of the Remuneration and Audit Committees. Shareholders have benefited greatly from the value he has created and I am personally grateful for his wise counsel over a long period.

Finally, and importantly I should like to thank all past and present employees of Checkit for their energy and dedication in creating value for shareholders which will ensure that the future for Checkit is bright.

"Checkit has delivered a set of results ahead of Board expectations."

Keith Daley
Non-Executive Chairman

21 April 2023

CHIEF EXECUTIVE OFFICER'S REVIEW

Sustainable growth: a balanced approach to ambition and profitability

Checkit has realised a positive set of financial results in FY23, delivering a third consecutive year of high quality recurring revenue growth.

I am delighted to present Checkit's annual report for FY23.

Checkit's financial results for FY23 were ahead of Board and market expectations, generating an overall increase in ARR of 28% to £11.5m (FY22: £9.0m)[1]. The results are reflective of the continuing success of the Group's strategy to transition the business exclusively to higher quality and higher value recurring revenues.

The results are all the more impressive in the context of a turbulent economic and political backdrop, in addition to growing inflationary pressures. These challenges have, so far, been navigated successfully with a focus on driving operational efficiencies and preserving cash. Together with the ongoing development of its technology, Checkit continues to accelerate its path to profitability.

Financial performance

Checkit has delivered a third consecutive year of high-quality recurring revenue growth. ARR has doubled over the last two years, from £5.7m in FY21 to £11.5m in FY23 and now accounts for over 90% of total revenue. The increase in ARR resulted in 41% growth in reported recurring revenues of £9.6m (FY22: £6.8m). Pleasingly, the Company continues to expand into the US market, achieving 91% year-on-year growth in US ARR contribution from £1.5m in FY22 to £2.8m in FY23.

This consistent growth reflects the quantifiable value we provide to customers through operational insight, increased staff retention, cost efficiencies and improved compliance. Through our "land and expand" customer strategy, we win new business in a discreet customer location or function and form close customer bonds that allow us to expand the services we offer over time. We do this by building trust through valuable insights and enhancing our customers' own operational performance. Our ability to grow with our customers is demonstrated by a net retention rate of 116% and provides great visibility on future ARR growth.

Our transition into a subscription-only business, with an emphasis on technology solutions, led to the planned closure of the BEMS business unit, which is now reported as a discontinued operation.

Adjusted LBITDA for the year increased to £6.4m (FY22: £5.6m), reflecting the ongoing investment in product development and sales and marketing capabilities to support the strong revenue growth. New product development spend increased to £4.2m (FY22: £3.4m), of which £1.8m was capitalised (FY22: £1.5m) with investments in the evolution of the platform and new analytics dashboards. Sales and marketing investment increased by 13% to £3.0m to maintain growth rates.

The economic environment has become more challenging and whilst the ongoing conflict in Ukraine has no direct impact on the Group's activities, the Board remains cautious about its indirect impact together with the potential for general inflationary cost pressures. As a result, we have weighed our growth ambitions with an increased emphasis on cost efficiency, as we execute an accelerated path to profitability. This is demonstrated by an increased gross margin of 63% (FY22: 54%), as well as operational cost savings across the business. Our cash burn peaked in H1 and has reduced by 17% in H2.

1 This has been restated from the prior year (reported ARR of £8.2m), where it related only to contracts that were installed.

Annual recurring revenue grew by 28% to

£11.5m

(FY22: £9.0m)[1]

1 This has been restated from the prior year (reported ARR of £8.2m), where it related only to contracts that were installed.

41% growth in reported recurring revenue of

£9.6m

(FY22: £6.8m)

Financial performance continued

The net cash position of £15.6m as at 31 January 2023 means we are well positioned to continue on our growth trajectory, and develop our technology at the same time as achieving further cost efficiencies.

New business pipeline

The Group's focus is around building sustainable and higher conversion rate pipeline across retail, healthcare, facilities management, franchise and biopharma verticals. Meanwhile, our "land and expand" sales strategy is focused on the quality of our pipeline with increased traction into mid and large-enterprise accounts.

The split of the sales pipeline by target organisation size at the end of the year between tier one (large enterprise), tier two (enterprise) and tier three (midsize) targets was 67%, 13% and 14% respectively. Checkit's new customer pipeline in the US – a key growth market – now includes a number of multi-site organisations across the healthcare, food retail and hospitality sectors. The US remains on course to be the largest contributor to Group revenues.

Growth strategy and ambitions

Our growth strategy is proving effective. We are meeting market demand with an unrivalled end-to-end solution with powerful data and analytics capabilities that provides meaningful insights and enables our customers to make data driven decisions.

We are on track to deliver our longer-term objective: to become the market leader in augmented workflow management for the deskless industry. We have had considerable success towards converting Checkit into a pure-subscription business – with non-recurring revenues now representing less than 10% of total revenue. This transition provides us with visibility over future revenue, enabling us to deepen customer relationships and opportunities to enhance contract values. We are facilitating our customer "stickiness" through continued investment in our platform, which has the ability to integrate third-party technology, to create a market leading platform. Our sales and marketing strategy is focused around developing higher quality, higher conversion rate sales pipelines across our target sectors as well as further expansion into the US. In the meantime we remain focused on optimising our operating costs so that we can pivot into profitability and deliver value to our investors.

Going forward, we will consider compelling partner opportunities as an additional scale opportunity. Of paramount importance will be our ability to balance cost and growth initiatives in order to cultivate and maintain a high achieving mentality across the Checkit workforce.

Positive outlook

Our purpose is to simplify and digitise operational activity for the deskless workforce – and never has that been more important. We know that simplifying how organisations manage operational performance has a transformative impact on organisational success, the wellbeing of employees and the outcomes for customers.

When we look back at what was a tumultuous year for us all, we are excited at the progress we have made as a business and proud of the support we have given our customers, providing them with the insight, tools, and methodology to thrive in these challenging times.

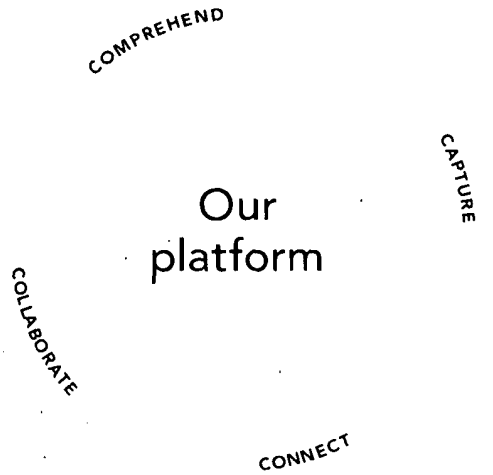
I join our Chairman and the rest of the management team in thanking our entire team around the world for their support through what has been a tough year for so many. I am incredibly proud of everything the team has achieved to date, building a market leading offering as well as a long-term, international, blue-chip customer base.

We are very much still at the start of our journey, but the opportunities ahead of us are immense. Global supply chain challenges, the rising cost of labour and increased compliance requirements mean that the premium on simplifying deskless operations has never been more relevant.

The Board expects to meet FY24 market expectations and remains confident that the Group is well positioned to deliver strong, sustainable organic growth.

Kit Kyte
Chief Executive Officer

21 April 2023



Capture

Our digital assistants replace paper checklists, spreadsheets, and makeshift legacy technology with digital workflows, and our IoT sensors capture environmental and telemetry data about assets and buildings.

Connect

Data captured from people, assets and buildings across different teams, workplaces, and locations are connected and mined for insight about productivity.

Collaborate

Teams collaborate, evidence, and annotate their tasks, alerts, and interactions with assets in eliminating duplicated effort, and human error.

Comprehend

Business intelligence and dashboard analytics stream actionable insights to leaders and managers driving behaviour change and highlighting performance improvements.

MARKET OVERVIEW

The market opportunity for augmented workflow technology

Our platform enables a large, underserved and available market in an unpredictable world to become digitally enabled, connecting and revealing their people and assets, and ready to meet future demands.

A large addressable market

The global deskless worker industry comprising of approximately 2.7 billion workers – or 80% of workers worldwide. Yet despite this, just fewer than six in ten frontline workers use mobile devices as part of their jobs and 73% are still using paper forms[1].

There is a compelling need for organisations to digitalise their deskless workforce practices enabling their leadership to: (i) track and optimise performance, (ii) reduce costs and wastage; and (iii) increase efficiency, especially against a backdrop of rising labour costs, rising energy costs and supply chain challenges which are significantly impacting service delivery.

The market for employee experience platforms is estimated to be $300 billion globally (approximately £210 billion)[2] and when estimating the size of the deskless worker industry, we have assumed it would be reasonable to apply a multiple of 2.7 times this amount, taking into account that this industry not only encompasses people, but also locations and assets (i.e. IoT). As a result, we estimate that the potential technology spend within the deskless worker industry could be approximately £570 billion with our target addressable market being 5% of this or approximately £27 billion.

£570 billion

Our total addressable market

£27 billion

Our target addressable market

1 Forbes – https://www.forbes.com/sites/lanxuezhao/2019/06/17/the-billion-dollarideas-that-could-transform-the-desklessworkforce/?sh=6cafc183a4fa.

2 Josh Bersin – https://joshbersin.com/2021/02/themassive-market-impact-of-microsoft-viva/.

Workforce Management

$5.8 billion

10% compound annual growth rate (CAGR) until 2026 to a market size of $5.8 billion

Field Service

$8.2 billion

15% CAGR until 2026 to a market value of $8.2 billion

Microlearning

$3.1 billion

13% CAGR until 2024 to a market size of $3.1 billion

Employee Communication

$2.0 billion

12% CAGR until 2027, valuing it at $2.0 billion

Global IoT

$1.9 billion

25% CAGR until 2027, valuing it at $1.9 billion

Digital Food Safety

$7.0 billion

8% CAGR until 2027, valuing it at $7.0 billion

Our target addressable market

Our target addressable market applies to both our sensor and software solutions – the augmented workflow offering – aimed at incorporating physical assets into a digital ecosystem and applying digital tools and monitoring to transform working practices.

Currently serving three out of seven potential sectors

We are currently serving customers within three out of a potential seven markets - the healthcare, retail and hospitality sectors, catering to almost 800 million deskless workers.

We believe that by evolving both the product and the go-to-market functions, there are significant expansion opportunities to adjacent markets – education, manufacturing, transport and logistics and construction.

Targeting the US market

The US remains the largest and most appealing market for the digitalisation of deskless working practices, accounting for over 5 times more technology spend than the EU. We continue to believe that the US is a key demographic for further expansion and growth with the Group having made excellent progress in the region following the Tutela acquisition in February 2021.

PLATFORM OVERVIEW

A human-centric workflow platform

We enable customers to move away from the chaos of paper logs and checklists to full visibility of what needs to be done, when, and where by combining IoT sensors, mobile workflow apps, and powerful cloud-based analytics.

Checkit's platform ingests billions of sensor readings and workflow tasks each year: as our business grows, we continue to invest in keeping our systems scalable, resilient, and performant, as well as (crucially) highly-secure.

Innovation is at the forefront of our efforts: Checkit's Connected Workflow Management is now available on both Apple iOS and Android platforms, paving the way for continued expansion particularly in the US. Our unique real-time collaboration functionality, enabling multiple team members at a single location to collaborate in real time is seeing increasing adoption. And our new analytics dashboards have already received very positive feedback from trial customers, many of whom are using them daily.

Over the past year we have ceased to use outsourced software development capacity and brought all work in-house. In doing so, we have embraced remote working and hired the best talent from across the UK, increasing the speed at which we work, and ensuring knowledge is kept within the business. This in turn benefits our products and increases the support we provide to our customers.

We place great stock in understanding our customers' business problems before we write a line of code: this enables us to create new capabilities that add value first time.

Our platform is evolving. Customers need a broad range of sensors, and part of our work has been to integrate with third-party "best of breed" technologies, such as tiny sensors from Disruptive Technologies, or support for a wide range of handheld probes from ETI. At Checkit, we see a platform where IoT data can be fused with data from the best sensors companies have: humans. By harnessing the power of workflow software in the palm of people's hands and automatic readings from sensors, we can generate insights that prevent unplanned maintenance, save energy, and make people safer.

Much is made of automation replacing jobs. But in many cases we will see people having to work alongside more and more automation, delivering care and service complemented, not replaced, by technology. We foresee a role for Checkit as a smart intermediary between the human and the automated – allowing people to work effectively in this increasingly complex environment.

We want our platform to become more human-centric: to be a tool that individuals find enhances their work rather than polices it. Checkit's future is in moving from prescriptive work to becoming an intelligent, contextual assistant, helping to supply the right information at the right time. We see significant potential in using our understanding of how people perform different tasks to allocate work within teams, which is key in a world of shift patterns and high staff turnover. We also see a future where Checkit can not only help with established processes, but also capture knowledge about undocumented (or incorrectly written) tasks, helping in industries where ageing workforces are resulting in knowledge "retiring". These types of problems are ones that will become ever more important to solve, and that Checkit's approach can be a natural fit for.

We're only scratching the surface of what's possible: we see the Checkit platform integrating into new devices such as augmented reality glasses, surfacing real-time sensor readings exactly when needed to the person on the ground, and helping to micro-target training based on how staff perform. The future's bright.

Designed for the speed and scale of deskless operations

Rapid time-to-value, with unique features that help teams as they grow.

Drag and drop workflow builder

No code workflows can be built and deployed rapidly using a simple who, what, where, and when wizard.

Powerful IoT devices

Broad range of first and third-party sensors that can monitor and alert on critical assets.

Alert to workflow technology

Prompt frontline workers from their mobile device to carry out actions triggered by sensor alerts from equipment or buildings ensuring remediation and risk prevention.

Real-time collaboration

Allow multiple staff to collaborate on a single set of actions reducing duplicated effort.

Business Intelligence dashboards

Out of the box dashboards and intuitive business intelligence report builder mean reports and insights can be correlated with other sources to create rich actionable insights.

BUSINESS MODEL

Our business model

Resources & relationships

People and domain expertise

Deep domain knowledge from our Enterprise Technology Partners (ETPs) of the industries we serve.

Enterprise-grade end-to-end platform

We empower dispersed teams with smart sensors and workflow software, which combine to help organisations become digital and data-first.

Growing IoT ecosystem

A growing ecosystem of IoT sensors and devices to understand the surrounding environment.

Strong financials

Our business model is based on high quality recurring revenue growth from landing new customers and expanding existing relationships.

Our value creation process

Seed

Land

Impact Assessment

We partner with our customers to uncover and rapidly digitalise single use cases to demonstrate impact and ROI.

Design and onboard

Working with the customer, our ETPs and delivery teams will work to identify and deploy additional digitalisation use cases to increase,impact and value.

Initial relationship

Customers will often start building their sensor network and workflows using individual use cases.

Initial implementations are typically focused on proof-of-concept workflows or existing processes that are challenging to the business.

Support

Our support team operate 24/7/365 days a year to answer customer calls. Increased automation to address sensor alarms allows rapid response times.

Expand

Growth

Customer Success work alongside the customer to identify and champion additional digitalisation opportunities and improve efficiencies by driving product usage and aligning the platform to the customer's strategic goals.

Platform

Intelligent Operations

Customers achieve full Intelligent operations by capturing and connecting their entire deskless workforce, assets, and buildings, unlocking true business insight.

Customer Success

Our customer success team partner with the customer to understand their strategic objectives associated with process automation and work alongside them to deliver ongoing product education and deliver value.

Platform enhancements

Our platform continuously delivers features and enhancements designed to improve usability, insights and unlock new use cases.

Revenue generation

Peace of mind subscriptions

We sell software and sensor subscriptions for our intelligent operations platform as well as the right to future software updates, standard maintenance, sensor calibration and support. We also sell enhanced maintenance and support, on top of the base package.

Professional services

We provide professional services, including how to move to a digital workplace; and training and consultancy on intelligent operations and digitalisation.

Stakeholder value

Employees

160+

We have over 160 employees globally.

Investors

CKT.LN

Our investors can invest in the creation of a new industry category with a large underserved market.

BUSINESS STRATEGY

Putting Checkit on the path to profitability

1

We're systematically evolving every aspect of Checkit to capture our target market including turning our attention to operating as sustainably as possible with a view to breaking even by FY26.

Converting Checkit into a pure subscription business and pursuing optimum sustainable growth rates

- We aim to create a fully integrated data platform with the ability to accommodate third party IoT use cases within its ecosystem.
- The improved Checkit platform will also be the core of our end-to-end insights, analytics and dashboarding functionality that separates us from competition.

Progress in FY23:

93%

recurring revenue of total FY23 revenues (FY22: 81%)

2

Accelerating scale and sustainable growth

- The Company will invest in a targeted, ROI led basis into sales and marketing efforts to help drive top line growth coupled with further development of the Checkit platform to create a market leading product.
- The Company will also consider compelling partner opportunities as an additional scale opportunity.

Progress in FY23:

41%

recurring revenue growth vs. FY22 (FY22: 31% vs. FY21)

3

Reduce operating costs and accelerate our path to profitability

- In order to improve the prospects of achieving our pivot to profitability, we will seek to optimise the Company's existing processes across its business and continuously assess potential cost efficiencies with the aim of improving margins.
- Of paramount importance will be our ability to balance cost and growth initiatives in order to cultivate and maintain a high-achieving mentality across the Checkit workforce.

Progress in FY23:

9%

expansion in gross margin of 63% (FY22: 54%)

STAKEHOLDER ENGAGEMENT AND SECTION 172

Engaging with our stakeholders

Section 172

Engaging with stakeholders is crucial to the long-term success of the Company.

In FY23, Checkit implemented an ambitious ESG strategy, which began by asking all key stakeholders to complete an ESG materiality assessment. The Board and leadership team have reviewed the assessment results, prepared a roadmap and selected metrics and initiatives to track across FY24. A more detailed ESG update shall be provided in next year's annual report.

More widely, stakeholder engagement is coordinated consistently in line with our fundamental principles, values and culture and informs better decision-making at every level of the Company. We provide examples of how we build and maintain relationships with key stakeholder groups on these pages.

Section 172 of the Companies Act 2006 requires a director of a company to act in a way that the directors, in good faith, would most likely promote the success of the company for the benefit of shareholders. In doing so, consideration is given to a series of important matters, including:

- the likely consequences of any decisions in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers, and others;
- the impact of the company's operations on the community and environment; and
- the company's reputation for high standards of business conduct.
- the need to act fairly.

Shareholders

We are committed to engaging with shareholders using consistent and effective communication. Key considerations include the Company's financial performance, long-term strategy, corporate governance, and stewardship. The CEO and CFOO have regular meetings with investors for formal and informal consultations.

Formal meetings coincide with full-year and half-year results, including the Annual General Meeting. These are viewed not only as opportunities to present on recent performance and future development but to engage in conversation and answer questions.

Employees

We recognise our diverse, skillful and experienced workforce of 160+ employees as our most important asset. The pandemic has led to a renewed focus on how best to engage with our employees. With an emphasis on flexible working, we are reviewing how to balance the benefits of remote working with the value of in-person collaboration. Regular off-site meetings and online Company-wide meetings allow the leadership team to present progress, listen to feedback and answer questions. Regular eNPS surveys are carried out to measure employee sentiment and ensure that strategic principles, news, and values are understood.

An enhanced HR portal (Checked In) provides employees with continually updated information and knowledge sharing.

Customers

We look to engage collaboratively with our customers and their end-to-end experience is essential to our success.

In FY23, the Company started to, for the first time, consult its customers using NPS surveys to obtain contemporaneous feedback. Utilising data insights will be a core tenet of understanding our customers and the completion of our digital transformation project in FY23 has consolidated our customer relationship management (CRM) system with operational and finance activity to provide employees with a single view of the customer. We are now refining how we harness this to deliver an improved customer experience.

In FY23 we redeveloped our customer success function with the appointment of a new Head of Customer Success to ensure customers enjoy the best possible partnership with Checkit and that any issues are proactively addressed. This builds on the dedicated account managers in place to support the interests of key customers.

Suppliers

Checkit places a high value on its relationships with suppliers, including contractors and service providers. Trusted, collaborative partnerships facilitate efficient and effective business performance.

The Company operates in a way that guards against unfair business practices and encourages suppliers and contractual partners to adopt responsible policies. All suppliers are asked to sign Checkit's Code of Conduct, which details the standards of business conduct and ethics the Company expects of its suppliers. Regular meetings and audits are held with key suppliers to gather feedback and continually improve relationships.

Community and environment

Our platform directly enables customers to reduce operational waste, such as food, medicines and supplies. Our technology also helps customers reduce their energy consumption and improve remote operations management. We refurbish our equipment wherever possible.

Checkit is committed to a flexible, hybrid working model, which benefits the environment through reduced transport requirements and an increasingly paperless environment. This extends to most of our shareholders.now receiving all documentation electronically.

In addition, Checkit has leased hybrid vehicles for our engineers to travel in and sought to reduce engineer mileage by strategically reviewing geographical equipment and engineer distribution.

STRATEGY IN ACTION

CASE STUDY: JOHN LEWIS PARTNERSHIP

How Checkit Delivers Over £28m of Annual Savings for the John Lewis Partnership

Company profile: John Lewis Partnership

Two of Britain's most loved retail brands – John Lewis and Waitrose – are owned and operated by the John Lewis Partnership. In the UK, John Lewis operates 34 home retail stores and one outlet. Waitrose, an upscale supermarket chain, has 331 shops in England, Scotland, Wales and the Channel Islands, including 59 convenience branches, and another 27 shops at Welcome Break locations.

With over 74,000 employees serving millions of customers every week, they are a market leader in the premium sector of food and home retail.

Challenge: driving safety, efficiency and compliance across hundreds of locations

Running several hundred stores in disparate locations across the UK, John Lewis and Waitrose leaders faced many logistical challenges.

They needed to maintain a safe and compliant business environment for their employees and customers, efficiently delivering high-quality products and an excellent customer experience while maintaining operating margins consistently across locations.

Like most retailers, they faced challenges around rising store energy costs, asset maintenance issues, and stock wastage, all of which negatively impacted operating expenditures.

It was inefficient, time-consuming, and costly to manage safety and compliance processes for thousands of refrigeration devices across hundreds of locations with handheld sensors and paper-based processes. Additionally, it was more likely to result in errors, inaccuracies, and rework.

As a business, they needed to focus on finding operating and productivity efficiencies without impacting the overall customer experience. To drive improved performance, they also needed to develop proactive processes that give them increased control and visibility.

Solution: replacing costly manual processes with Checkit

By partnering with Checkit, John Lewis and Waitrose replaced their manual, inefficient procedures and checks with digitised and automated ones. Over 22,000 refrigeration assets are now monitored 24/7 by advanced sensors, real-time asset monitoring and alarming software, and comprehensive food safety monitoring services.

They armed their store maintenance and food service team members with Checkit digital assistants to prompt, guide and capture team members' daily activity, ensuring all key compliance, safety and maintenance tasks are completed and recorded digitally.

Management staff were able to view asset and energy performance via Checkit and identify negative cost drivers before they impact the bottom line.

With enhanced visibility into compliance processes and dashboards at their fingertips, they were able to hold their teams accountable around key safety and quality deliverables while providing coaching and guidance to improve performance from wherever they were.

Results: £28m of annual savings

Using our sensors, software and services, together with our web-based dashboards, managers of different levels of seniority across the business have significantly improved control and visibility of major cost variables.

Driven by actionable insight, the Checkit platform delivers more than £28m of annual savings and repurposed staff time:

- £24m worth of repurposed staff time;
- £3.6m of food wastage averted; and
- £0.8m from optimised energy usage.

Expansion opportunities: new use cases, £7m in additional savings

Checkit foresees the opportunity to deliver further tangible business benefit in future, via the expansion of John Lewis's existing sensor ecosystem and additional workflow automation through new software use cases.

We predict that the efficiencies and actionable insight these potential opportunities can deliver would equate to a further £7m of annual savings.

£24m

worth of repurposed staff time

£3.6m

of food wastage averted

£0.8m

from optimised energy usage

"The Checkit workflow system is intuitive, and it helps us manage tasks that would have otherwise been paper-based. With all of the information now being managed electronically using the cloud, we have seen efficiencies in our day-to-day operations, supporting both our Partners' time and compliance activities. We are actively exploring future developments in how the Checkit platform can support our operations and activities."

Jim Burnett, Technical Services Lead, John Lewis Partnership

STRATEGY IN ACTION
CASE STUDY: OCTAPHARMA

How Checkit Drives Massive Efficiency Gains and Accuracy at Scale for Octapharma

Company profile: Octapharma

Headquartered in Lachen, Switzerland, Octapharma is one of the largest human protein manufacturers in the world, developing and producing human proteins from human plasma and human cell lines.

With more than 190 donation centres around the world and over 11,000 employees globally, they serve hundreds of thousands of patients a year in over 118 countries.

Challenge: tackling high costs and inefficiencies in temperature compliance

The plasma industry is a highly regulated industry with strict temperature requirements.

With over a hundred locations within the United States using the Checkit system to protect valuable plasma products, managing temperature safety at scale at Octapharma is a complex and vital undertaking.

Prior to Checkit, Octapharma had been using paper chart records and manual interpretations. The process was inefficient, costly, time-consuming, and prone to technical issues.

Staff members were spending hours taking multiple manual temperature readings and dealing with frequent errors inherent with the use of analog, paper-based processes.

Maintenance and calibration services were a hassle, requiring frequent, costly calls to multiple vendors and managing scheduled visits from a variety of technicians. If something didn't work, it could take 24 to 48 hours for technicians to address and get replacement parts needed, which resulted in an increased risk of issues.

Solution: digitisation, automation, and dedicated support from Checkit

Checkit provides Octapharma with a digital temperature safety solution to replace the manual processes which were previously in place. The solution gives Octapharma access to automated and fully calibrated sensors, digitised reporting, cloud-based compliance records storage, and highly responsive, certified customer support.

Checkit automatically provides clear, continuous graph tracings as well as data tables with exact temperatures, dates, and times. Therefore, Octapharma spends less time with manual, paper-based reporting, and calibration.

Checkit allows Octapharma to dramatically cut down maintenance times and associated costs by providing a responsive services team.

Results

Driven by actionable insights and automation, the Checkit platform delivers significant annual savings for Octapharma via:

- hundreds of hours' worth of repurposed staff time;
- significant reduction in management auditing time;
- reduced costs from system consolidation; and
- minimised potential for spoilage reduction.

"Checkit has replaced a process that was inefficient and helped bring us into the digital era. Using their accurate temperature monitoring systems, they've saved us countless man hours making us much more efficient. Having live customer service representatives at both the corporate and local levels has resulted in fewer delays in resolving potential issues and less downtime. We are able to phase out stem thermometers in 2021, allowing us to eliminate those costs and work towards eliminating a duplicate system – all due to the trust we've built up with Checkit."

Joseph Ranne, Project Manager, Octapharma

Expansion opportunities: driving efficiencies across the Octapharma

"We do trust Checkit because we're transitioning our current monitoring systems in our Sample Testing Lab and our Corporate Storage Warehouse. We're transitioning to Checkit from our current systems because of the level of trust we've built up in our Plasma Centers."

Joseph Ranne, Project Manager, Octapharma

CHIEF PEOPLE OFFICER'S REVIEW

Success through our people

We seek to foster a culture where our people can grow, challenge themselves and excel. We believe that every employee has the right to work in an inclusive environment that supports their wellbeing and personal growth and so we strive to provide a work place with employee wellbeing at its heart.

Our people

The closure of all BEMS activity in the summer of 2022 allowed us to focus our attention on the employee experience and wellbeing of the work force. The drive to enhance our positive culture was also top of mind and we brought in initiatives to improve the employee experience throughout their Checkit journey.

We introduced a new HR portal that automates all day-to-day HR processes. Key to this is the improvements made to the employee onboarding experience which streamlines the process from recruitment to induction.

In order to attract and retain the best talent, we expanded the employee benefits package introducing paid mental wellbeing days for all staff, birthdays off, a "working from anywhere" policy and increased parental leave entitlements. In addition, we created a wellbeing team who are all trained Mental Health First Aiders.

In FY24, we will strive to further enhance our parental leave entitlements and will develop clear policies to support all generational cohorts, including the introduction of a menopause policy. Furthermore, the creation of an ESG programme, spearheaded by senior leadership and an ESG working group, will see our culture improve further with environmental and social considerations integrated throughout our business processes and decision making.

In FY23, we reviewed and refreshed the Company's principles with the aim of bringing our objectives and key results (OKRs) in-line with our core values. Additionally, we have initiated a more robust OKR review programme to ensure that we deliver against our key objectives and measure progress against them throughout the year.

With the pandemic now fully in the rear-view mirror, we are currently seeking to balance the benefits of homeworking against the value of in-person collaboration and knowledge sharing. Part of this process involves examining our property footprint and considering how to use office space and remote working in a way that attracts and retains talent.

Talent acquisition

In FY23, we significantly reduced our reliance on recruitment agencies, embedding the in-house talent acquisition function, initially introduced in FY22. The rationale for this approach is to improve the quality of candidates applying for positions whilst reducing the cost of appointing the best people.

Looking to FY24, we will further enhance our activities with a focus on direct outbound sourcing of talent and developing content and activity on all relevant social channels.

Learning and development

We continue to utilise the financial support from the Apprenticeship Levy with four team members completing their courses in Project Management and People Leadership. We will continue this focus in the coming year with a Leadership development programme targeted at our supervisor and team leader levels.

We have continued our investment in upskilling our teams by providing access to online portals to support self-curated learning; LinkedIn Learning for the wider business and Pluralsight for our Technology teams.

Diversity, inclusion and belonging

Checkit believes that an inclusive workforce is essential for our continued growth and for our reputation as an employer of choice. This will be a big area of focus for FY24. Whilst some progress has been made during FY23 , there is still work to be done.

Julie Webbe
Chief People Officer

21 April 2023

FINANCIAL REVIEW

Executing on our strategy

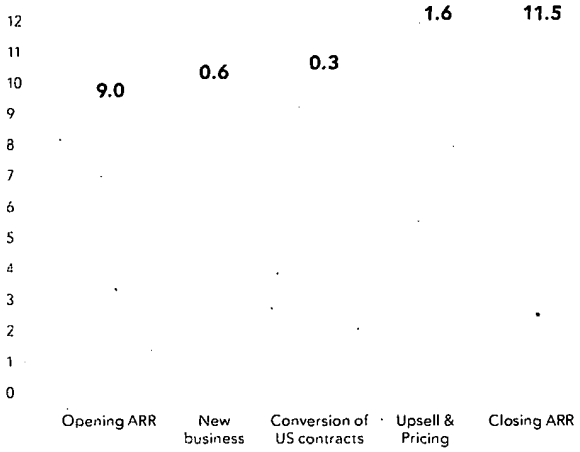
FY23 saw another year of strong performance for Checkit, continuing to deliver consistent top line growth, while making operational efficiencies to accelerate the path to profitability.

I am very pleased to report a set of financial results for FY23 ahead of market expectations.

ARR has doubled over the last two years to £11.5m, reflecting the Group's decision to focus solely on recurring revenues from our technology solutions and to invest in its growth. The success of this strategy can be seen through recurring revenue, which now represents 93% of total revenue, and in the US where ARR grew by 91% year-on-year.

Adjusted LBITDA of £6.4m (2022: £5.6m) reflects ongoing investment in the Group's product development and sales and marketing capabilities. At the same time, the Group has recognised the changing and challenging economic environment it is operating within and so has sought to balance its longer term vision with a focus on cash preservation, delivering cost savings which have resulted in gross margin expansion to 63% (2022: 54%).

The Group continues to benefit from a strong balance sheet and in light of market conditions, will continue to execute against its growth strategy and develop its technology, whilst also driving further operating efficiencies and accelerating its path to profitability.



ARR and revenue

The table below shows ARR and revenue for the year ended 31 January 2023.

ARR grew by 28% to £11.5m (FY22 £9.0m), driven by consistent sales momentum, despite a challenging economic and political environment.

Revenue from continuing operations for FY23 was £10.3m, an increase of 22% compared to the prior year.

	Twelve months to		
£m	**31 January 2023 Actual**	31 January 2022 Actual	% change
ARR[1]	**11.5**	9.0	28%
Revenue from continuing operations			
Recurring	**9.6**	6.8	41%
Non-recurring	**0.7**	1.6	(58)%
Total Group	**10.3**	8.4	22%

1 Annual Recurring Revenue (ARR) is defined as the annual value of contracted recurring revenue as at the period end date. This has been restated from the prior year (reported ARR of £8.2m), where it related only to contracts that were installed.

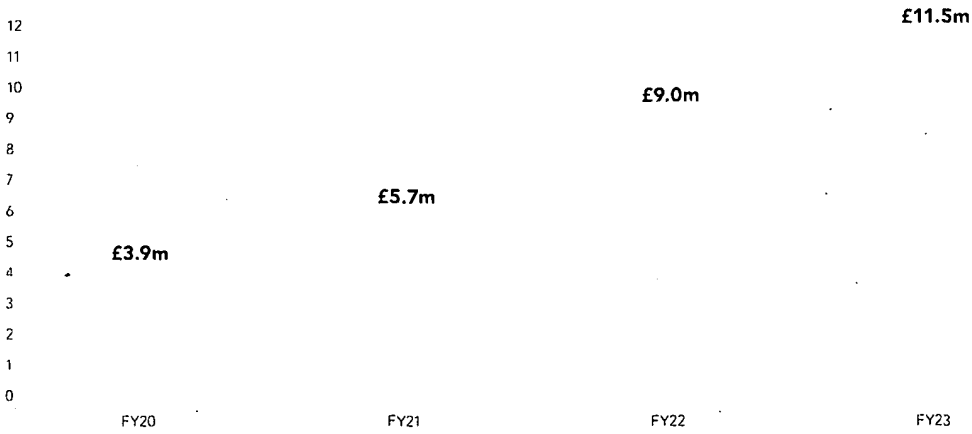
ARR Growth

ARR growth benefited from both sales to new customers, as well as upsell with existing customers and improved pricing.

New business reflects the attractiveness of our technology with new customers, where we look to secure an initial relationship and then build over time. This "land and expand" strategy has allowed us to grow with our customers, identifying additional use cases and, extending our footprint and driving pricing initiatives, resulting in a net retention rate of 116%.

The Group has continued to grow in the US market, achieving 91% year-on-year ARR growth to £2.8m as a result of a number of contract wins, including continued growth in its footprint with its biopharma customers and a new contract with a large resort and casino operator. These new contract wins have the potential to grow significantly over time. Our US business is on track to be the largest revenue contributor of the Group.

ARR growth progression



Checkit has also renewed one of its largest existing enterprise contracts with an integrated energy company in the UK to provide real time operations management capability to over 300 sites, which evidences the value and stickiness of the platform and IoT offering. This stickiness is reflected in the low churn experienced by the Group, with a gross retention rate of 99%.

Recurring revenue growth has exceeded 30% for the third consecutive year and now accounts for 93% of total revenue, demonstrating Checkit's successful transition into a subscription-based model.

While recurring revenue grew by 41%, non-recurring revenue declined in line with management's expectations, driven by the ongoing conversion of US customers from maintenance contracts to subscription income during the year.

Following the decision to close the BEMS business unit, this is now reported as a discontinued operation. Revenue from discontinued operations in the year amounted to £0.6m (FY22: £4.9m). The Group is now wholly focused on delivering recurring revenue from its technology solutions.

LBITDA

Checkit's adjusted LBITDA for the year was £6.4m (FY22: £5.6m), reflecting the strong growth in revenue in the year, alongside continuing investment behind this growth.

Investment in sales and marketing has identified new solution areas and use cases across several industries, including hospitality, facilities management and senior living. Investment in sales and marketing grew by 13% in the year to £3.0m (FY22: £2.6m).

New product development (NPD) spend totalled £4.2m (FY22: £3.4m), of which £1.8m was capitalised (FY22: £1.5m), as the Group invested in the evolution of the platform and new analytics dashboards.

At the same time, the Group has balanced its growth strategy with an increased focus on operational efficiency, as it pursues a clear path to profitability.

This has resulted in gross margin improvement to 63% (FY22: 54%), as the Group was able to reduce the cost of delivery and secure procurement savings in its platform costs.

The Group was also able to deliver efficiencies in operating costs, especially in H2 where operating costs reduced by £0.5m from H1, as the Group undertook targeted headcount reductions of 10% in its operations and ceased to use outsourced software development capacity for NPD, bringing all work in-house.

Non-recurring or special items

Non-recurring or special items in the year of £4.8m related to the impairment of goodwill and amortisation of acquired intangible assets. These are non-cash items:

	FY23 £m
Impairment of goodwill	4.3
Amortisation of acquired intangible assets	0.5
Total non-recurring or special items	**4.8**

Following the decision to close the BEMS business unit, the Group carried out a thorough impairment review of the goodwill relating to the acquisition of Checkit UK Limited (formerly Next Control Systems Limited) and concluded that this goodwill should be fully impaired. This business unit is now reported as a discontinued operation.

Taxation

The Group is currently loss making and therefore no corporate tax charge is reported for the year FY23. A tax credit of £0.3m arises from R&D tax credits claimed and the amortisation of intangible assets arising on the acquisition of Checkit UK Limited. There remains over £25m in group carried forward taxable losses and therefore there is no expectation of tax payments in the short to medium term.

EPS – continuing operations

Following the successful placing in November 2021, where the Group raised net proceeds of approximately £20.0m, the weighted average number of shares in issue in FY23 increased to 108.0 million (FY22: 68.1 million). Loss per share (basic & diluted) was 11.24 pence (FY22: 12.0 pence).

Cash

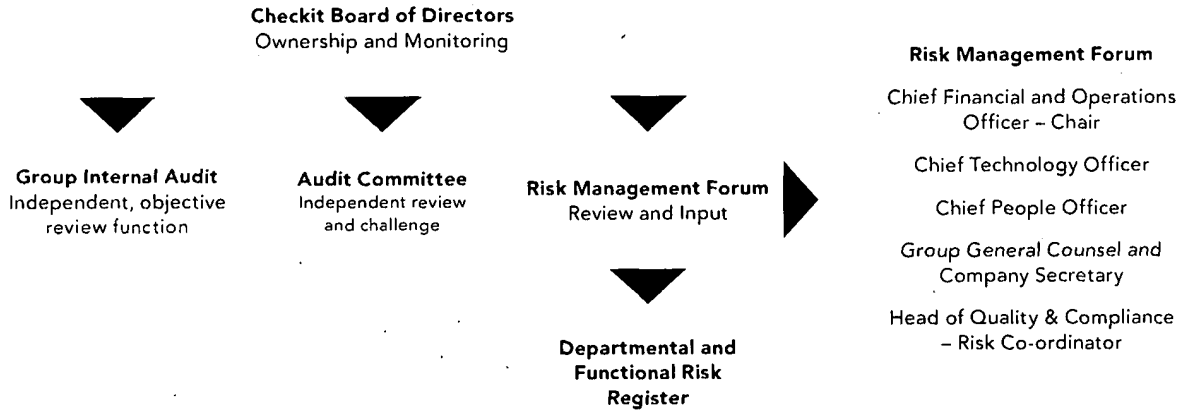
The Group cash position at 31 January 2023 was £15.6m (31 January 2022: £24.2m; 31 July 2022: £19.5m). As a result of the strong revenue growth and increased focus on operational efficiency seen in FY23, the average cash burn per month peaked in H1 and reduced by 17% in H2. The Group is consequently well placed to execute against its growth strategy and develop its technology, whilst also driving further operating efficiencies and accelerating its path to profitability.

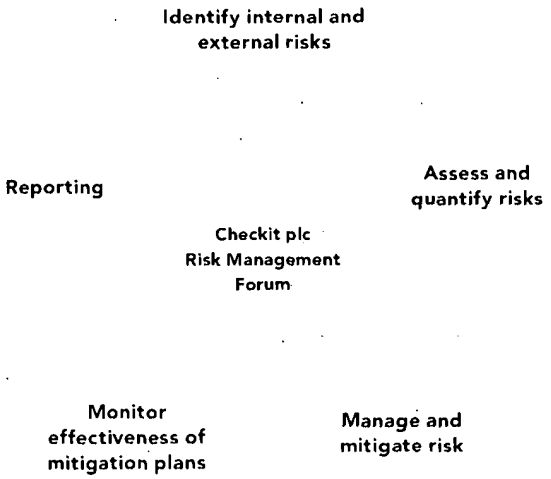
Greg Price
Chief Financial and Operations Officer

21 April 2023

Principal risks and uncertainties

Effective risk management is a key priority for the Checkit Group to achieve its strategic goals.





Risk Management

The Board has overall responsibility for the maintenance of systems and processes to manage risk and ensure delivery of the business strategic priorities.

Risk management responsibility is set out in the displayed organisation structure to the left.

Senior management within each department identify and record risks, with agreed mitigation plans, in line with Group strategic priorities and risk appetite.

The Risk Management Forum (RMF) meets quarterly to ensure risks are being identified, assessed, and mitigated. Executive Directors have responsibility for the overall management and delivery of the strategy and regularly attend and review the output of the RMF.

The Audit Committee provides an independent review of the effectiveness of the RMF and internal controls and ensures that the Group is in full compliance with relevant regulations and laws, supported by the Company Secretary.

A bottom-up risk analysis is undertaken considering detailed individual risks that fit into eight main categories:

- corporate;
- commercial;
- operational;
- financial;
- legal & compliance;
- people;
- data/IT; and
- external/environmental.

This is combined with a strategic top-down review by the RMF to ensure that all appropriate risks are identified, assessed and quantified. Mitigation plans and actions are then put in place to ensure risks are reduced to a level that is as low as reasonably practicable.

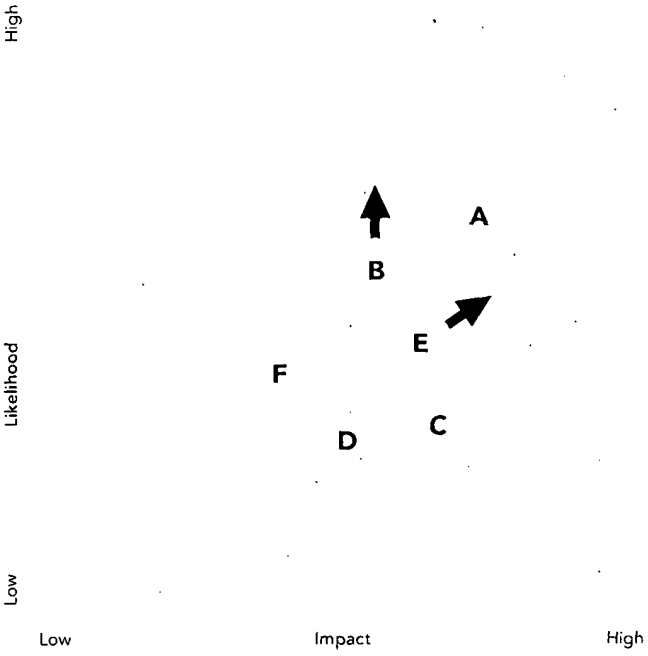
The RMF reviews a consolidated Group risk register Quarterly. Risks are assessed both pre and post-mitigation to identify the overall risk level based on a combination of probability of occurrence (likelihood) and the magnitude of potential consequences (impact).

Checkit Risk Heat Map

The risk heat map shows a representation of the Group's principal risks, including an assessment of their relative impact and likelihood (after mitigation). These risks are not intended to illustrate a full analysis of all risks that could arise in the ordinary course of business or otherwise.

More detail on the Group's principal risks and uncertainties and how they are being managed, is set out below. In FY23, additional mitigations have been introduced to address the principal risks facing Checkit. However, these has been partly offset by the impact of the changes seen in the global economy. The principal financial risks are separately disclosed in Note 1 to the financial statements on page 60.

FY22 Principal Risks heat map



A Growth

B People & Culture

C Software/Product Development

D Customer Dependency

E Information & Cyber Security

F Business Transformation

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk description	Mitigation
A Growth	
The Group's growth strategy may result in a number of challenges for the business, including: ▶ increased demand on business resources, including people, processes, and cash; ▶ dependence on new sales to achieve financial and strategic objectives; ▶ supply chain pressure, exacerbated by a global lack of hardware availability; and ▶ increased burden on operational, financial, and technical infrastructures.	▶ Resource allocation and ROI processes ▶ Strategy to grow customer relationships over time, reducing the barrier to adoption ▶ Increased automation and efficiency in operational delivery ▶ Regular Board reviews on progress ▶ Strategic and financial planning processes ▶ Business performance management reviews ▶ Advanced hardware procurement to offset supply chain pressures ▶ Regular Sales and Operations Planning (S&OP) meetings
B People and culture	
Checkit is dependent on access to the right talent to deliver on its strategic goals. With a dependency on a core group of individuals for critical knowledge, loss of key personnel could impact the business' ability to deliver on its plans. As the business grows, there is also pressure to attract new talent to deliver key roles quickly to support the existing team. Due to the increasing risk from the economic environment, with inflationary pressures leading to cost-of-living increases, this risk is an increasing focus.	▶ Employee engagement programmes, including enhanced benefit offering ▶ Improved talent acquisition infrastructure ▶ Employee share option plans ▶ Single Point of Failure and key role identification ▶ Recruitment processes ▶ Business continuity plans
C Software/product development	
Checkit's proposition is targeted at an evolving market. The Group's offer may be disrupted by competitors with a similar or better proposition if they develop more innovative technology. Product reliability and performance is essential to customers' business activities. Any long-term outage or underperformance could impact the Group's reputation. Platform cost effectiveness is essential to ensuring a sustainable product. Increases in per user or per sensor costs could impact margin.	▶ Level of investment in product development, with clearly defined roadmap in place ▶ Regular external analysis and PESTEL assessment ▶ Software testing/Q&A processes ▶ Customer usage monitoring ▶ Platform load testing ▶ Cost efficiency initiatives

Risk description	Mitigation
D Customer dependency	
The Group has a concentrated customer base, particularly in the healthcare and food retail sectors. While the Group's growth agenda means this risk continues to reduce, any loss of business from its largest customers could significantly impact business performance.	▶ Long-term contracts ▶ Customer Excellence programmes and retention plans ▶ Commercial operations and contracting processes ▶ Net Promoter Scores ▶ Customer relationship management ▶ Increased number of Tier 1 customers
E Information governance and cyber security	
The Group holds significant amounts of personal data. This carries risks associated with information governance and data protection. The Group is also reliant on cloud-based IT infrastructure, where any loss of key systems could impact the business' ability to operate. While most security breaches are due to errors in disclosing data, cyber-attacks and malware increasingly threaten the integrity of Checkit's own data and systems, as well as the data it holds on behalf of customers.	▶ ISO 27001 accredited framework of data security processes ▶ Cyber essentials certification ▶ Regular employee training and awareness ▶ Data management policies and incident management system ▶ Increase in SSO applications, asset management capabilities and delivery of security roadmap ▶ Relevant insurances ▶ Use of large global providers ▶ Business continuity/disaster recovery plans ▶ DPO officer and DPO Centre (3rd Party for EU)
F Business transformation	
Checkit is undergoing rapid change and transformation. This could distract management, impact employee engagement, and require excessive resource to complete. Inconsistent communication across all stakeholder groups could also impact the Group's ability to execute its plans.	▶ Employee communication programme ▶ Clear ownership of transformation plans ▶ Regular Board review on progress and impact ▶ Completion of closure of BEMS business unit ▶ Introduction of new Salesforce, ERP and HR systems

Corporate Governance

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46 Directors' responsibilities statement

EXECUTIVE LEADERSHIP

Leading into the future

Kit Kyte
Chief Executive Officer

Kit was appointed in February 2021 to head up the Company's growth function, which combines sales, marketing, and commercial operations. He was formerly Vice President of Sales at global professional services firm Genpact. Before his business career, he served as a Captain in the Royal Gurkha Rifles.

Greg Price
Chief Financial and Operations Officer

Joining Checkit as Director of Finance in 2020, Greg was appointed CFOO a year later, recognising his strategic contribution. He spent almost ten years at Diageo before fulfilling financial roles at the AA, Monarch Airlines and Northgate Public Services.

Keith Daley
Non-Executive Chairman

R

Keith is an experienced entrepreneur and chairman with deep knowledge of sales and marketing. Originally a corporate banker, he bought, invested in, managed, and sold numerous businesses over almost 40 years.

Key

- Board member
- Executive leadership
- A Audit committee
- R Remuneration committee

Simon Greenman
Non-Executive Director

R A

Simon has over 25 years of global technology leadership experience. He has worked with and consulted for brands including B&W, AOL, and Accenture. Simon sits on the WEF's Global AI Council and is a partner at Best Practice AI.

Alex Curran
Non-Executive Director

A R

Alex joined Aptitude Software Group plc in 2008 and has held a number of roles within the group before she transferred to their North American operation in 2010. Since October 2022, Alex has been responsible for leading Aptitude Software's North America region as Regional Chief Executive Officer, which represents over 50% of the Group's total revenue including software and professional services. Aptitude Software is a global financial software provider that helps complex organisations automate and transform their financial business models.

CORPORATE GOVERNANCE REPORT

Applying the principles of governance

The Board recognises the value of robust corporate governance and can confirm that it has complied with the Quoted Company Alliance's Corporate Governance Code (the Code, which was first adopted in 2019). The Board continues to believe that the Code provides the most suitable framework of governance arrangements for the Company, considering the size and stage of development of the Company's business. Checkit regularly reviews the ten principles set out in the Code and updates the Corporate Governance page on our website to explain how Checkit complies with each principle. Our statement of compliance can be found at https://www.checkit.net/investor-relations/corporate-governance/. By complying with the Code and maintaining a strong governance structure, Checkit aims to promote the long-term success of the Company and its shareholders.

Principle 1: establish a strategy and business model which promotes long-term value for shareholders

Checkit is transitioning to a dynamic subscription-based global business model focused on annual recurring revenue driven by the provision of real-time operations management capability to our customers. In the past year, Checkit has won significant new business in the US market and has appointed a US based Non-Executive Director (Alex Curran) to assist with the acceleration of the Company's presence in the US. More detail can be found in the Strategic report at pages 1 to 31.

Strategy is the responsibility of the Board Chief Executive Officer, Chief Financial and Operations Officer, and the Global Leadership Council. The business model is designed to achieve Checkit's growth and profitability ambitions by ensuring ability to scale and maximising operating efficiency.

Principle 2: seek to understand and meet shareholder needs and expectations

The Board is committed to engaging with shareholders to ensure that the business strategy, operating model, and performance are clearly understood and communicated. The Executive Directors are in contact with the Company's major shareholders in relation to strategic decisions and regularly pass feedback to the Board. In addition, Checkit's nominated adviser and broker (Singer Capital Markets) and investor relations adviser (Yellowstone Advisory) keep the Executive Directors appraised of shareholder expectations and reactions.

The Board looks to maximise opportunities to communicate and actively encourages feedback from the investor community For example, this year the Board has engaged with its major shareholders in relation to the Company's developing ESG programme. The Board places great emphasis on having constructive relationships with all shareholders. The AGM is the main forum for dialogue with private shareholders and the Board. Shareholders are given the opportunity to raise questions during the AGM.

In addition, Checkit has a regular programme of investor engagement which includes product and trading updates, and presentations to shareholders immediately following the publication of the half-year and full-year results. The half-year and full-year presentations give shareholders an opportunity to raise questions with the Executives.

Feedback from shareholders is reviewed by the Board following presentations, and Non-Executive Directors are also available to meet major shareholders, if required.

Checkit's main point of contact for shareholder engagement is the Company Secretary and general contact details are also available on Checkit's website to support communication and feedback.

Principle 3: take into account wider stakeholder and social responsibilities and their implications for long-term success

In addition to its shareholders, the Company's other key stakeholder groups are:

- employees;
- customers;
- suppliers;
- regulators: and
- local communities.

Checkit takes its responsibility to these stakeholders seriously and seeks to actively engage with them regularly to inform and influence better decision making. For example, this year the Board has engaged with its key stakeholders in relation to the Company's ESG programme, which is currently under development. A register of all interested parties is maintained and assessed regularly by management as part of the Quality Framework. More detail can be found in the S172 statement at pages 18 to 19.

Principle 4: embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board has responsibility for ensuring Checkit has effective risk management processes and that a system of internal control is embedded within the organisation. The principal risks identified by the Board including mitigating controls are shown on pages 28 to 31 of this annual report. Checkit has an established framework of internal financial controls which is subject to review by the Executive Directors and the Audit Committee considering the ongoing risks faced by the Group. The Audit Committee are bound by formal terms of reference (which can be found on the Company's website). In addition, Checkit's auditor is encouraged to raise with the Audit Committee any comments it may have in relation to risk management on an ad hoc basis and in its management letter following its audit.

The key elements of Checkit's internal control environment include:

- close involvement of the Executive Directors in the day-to-day running of the Group;
- clear lines of authority and reporting established;
- regular internal audits of all departments within the business;
- centralised control and decision-making over key areas such as capital expenditure and financing; and
- a suite of regular reports focusing on the key performance and risk areas. Such reports include detailed annual budget setting with monthly monitoring and daily reporting including reports on sales, orders and cash balances compared with budget.

The Group undertakes regular updates and reviews of its business processes, co-ordinated by the Group quality and compliance function to ensure that it not only addresses basic financial controls but that non-financial controls are also in place over areas such as information security, calibration and certification, health and safety, environmental issues and adherence to law and regulations.

Mitigation can only provide reasonable, but not absolute, assurance against material misstatement or loss. As such the Group maintains appropriate insurance cover for the Group's activities, with the types of cover and insured values being reviewed on a regular basis by the Board.

The Group maintains a risk register which not only highlights risks relevant to its businesses but also details the actions being taken to mitigate these risks. These registers are reviewed regularly at Executive leadership team level and are subject to scrutiny by the Board at least twice a year.

More detail can be found in the principal risks and uncertainties report at pages 28 to 31.

Principle 5: maintain the Board as a well-functioning, balanced team led by the Chairman

The Board regularly reviews its composition and is satisfied that it has an effective and appropriate balance of skills between the Directors to deliver the strategy of the Company for the benefit of its shareholders.

The Board comprises the Non-Executive Chairman, Chief Executive Officer, Chief Financial and Operations Officer and two Non-Executive Directors. Biographies are set out on page 33 and illustrate the range of experience which the Board believes enables it to provide effective business leadership. All Board Directors are put forward for re-election at each AGM.

Where new Board appointments are considered, the search for candidates is conducted and appointments are made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board, including but not limited to gender balance.

The Chairman takes responsibility for a calendar of regular Board meetings and at least 6 times per year. The Board met 13 times in FY23. The Chairman ensures that Board agendas reflect good corporate governance and concentrate on the key strategic, operational and financial issues.

The Board is aware of the backgrounds and other interests of the Directors and changes to these are reported and where appropriate agreed with the rest of the Board. Procedures are in place to manage potential conflict of interest.

The Board is supported by an Audit Committee and Remuneration Committee. The Remuneration Committee is comprised of Non-Executive Directors Keith Daley (Chair of Remuneration Committee), Simon Greenman and Alex Curran. The Audit Committee is comprised of Simon Greenman (Chair of the Audit Committee) and Alex Curran. Keith Daley's financial background and in-depth knowledge of Checkit, Simon Greenman's senior leadership expertise and Alex Curran's mixture of UK and US high-growth orientated experience provide the necessary level and combination of skills and knowledge to the respective Committees.

Principle 6: ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Directors keep their skill set up to date with ongoing training and are informally regularly assessed. All Directors are put forward for re-election at each AGM.

The Directors are required to keep their relevant experience, skill and capabilities up to date and are regularly assessed on an informal basis.

The Board is supported by the Company Secretary and every Director is aware of the right to have concerns added to minutes and to seek independent advice at the Group's expense where appropriate.

Principle 7: evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board conducted an evaluation of its effectiveness during the year ending 31 January 2023 and no major issues were identified. A further evaluation is expected to be conducted in the third quarter of the year ending 31 January 2024.

Principle 8: promote a corporate culture based on ethical values and behaviours

The Board understands that a healthy corporate culture based on sound ethical values and behaviours is essential to creating a working environment in which employees feel valued and can be most effective.

The employee handbook is updated regularly and provides guidance to all business employees alongside a Company provided employee assistance programme to ensure ongoing employee wellbeing. Employee feedback and cultural tone are regularly reviewed by the Board alongside regular employee communication programmes. During FY21, a social committee was formed to drive greater social interaction and to promote socially focused initiatives. In addition, the Company has started to offer additional time off around birthdays and for wellbeing reasons and has enhanced its maternity/paternity provisions.

Principle 8: promote a corporate culture based on ethical values and behaviours continued

Throughout the COVID-19 pandemic, Checkit supported employees who are able to work remotely and the Company has introduced a remote-working policy to embed flexible ways of working within the Company.

The Company has a strict share dealing policy covering insider trading/inside information, the AIM Rules and Market Abuse Regulations which apply to Checkit and individuals. This policy is circulated to all individuals who qualify for share options and who fall within the categories of insiders, PDMRs and restricted persons.

Principle 9: maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The long-term success of the Group is the responsibility of the Board. Two Executive Directors have responsibility for the operational management of the Group's activities and development of the Group strategy. Three Non-Executive Directors are responsible for bringing independent and objective judgement to Board decisions. The Company Secretary is responsible for ensuring that Board procedures are followed, and applicable rules and regulations are complied with.

A corporate calendar is set at the beginning of the financial year and includes provisional dates for all Board and Committee meetings, ensuring an appropriate spread throughout the year. Standing agenda items are agreed at the beginning of each year and will include a schedule of matters which allow the Board to carry out its duties effectively.

Agendas are finalised and circulated with relevant supporting information and papers to Board members ahead of the meetings. In addition, senior managers are regularly invited to attend meetings to update on business performance as appropriate.

The Company Secretary is responsible for ensuring that a corporate calendar is available to the Board which sets out activities including but not limited to, Board and Committee meetings dates, issue of key reports, business performance cycle, key compliance activities, audits and key stakeholder communication points.

The Board has two sub-committees as follows:

Audit Committee:

The Audit Committee oversees the integrity of the financial results and risk management strategy of the Company.

It engages and works with the external financial auditor and Group management. It reviews and reports to the Board on significant issues including estimates and judgements made in connection with the preparation of the Group financial statements.

Full details of the Report of the Audit Committee are set out on pages 37 to 38. The Audit Committee met three times during FY23.

Remuneration Committee:

This Committee ensures that the Group's Executive remuneration policy is aligned to the implementation of the Company strategy and shareholder interests. The Committee seeks to establish a remuneration policy that is designed to motivate, retain and attract Executives of the calibre necessary to achieve the Group's strategic ambitions. Full details of the Report of the Remuneration Committee can be found on pages 39 to 43. The Remuneration Committee met 5 times during FY23.

Given the current size and complexity of the Group, the Board does not currently consider that a nominations committee is required.

Principle 10: communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Engagement with our stakeholders is key to a successful business and is an ongoing part of managing our business. We summarise why and how we engage with our stakeholders including our shareholders on pages 18 to 19.

The Group communicates with shareholders in a number of ways, including:

- the Group's annual report and accounts;
- full year and half-year result announcements;
- other regulatory announcements;
- the Annual General Meeting and outcomes;
- meetings with existing shareholders;
- webinars or roadshows; and
- one to one meetings with major (or potential) shareholders.

Corporate information available on the Company website includes:

- annual reports for the last six completed financial years;
- full and half year results announcements;
- notices of general meetings for the last six completed financial years; and
- other regulatory announcements.

The Company engages its broker (Singer Capital Markets) and investor relations advisers to assist in shareholder interaction and feedback. The Board receives regular updates on the views of shareholders from these advisers.

Regular on-line Company wide meetings, off-site events and video updates from the Executive ensure that important updates are communicated to employees. All employees are invited to watch the presentation by the Executive which follow the release of our half and full year results.

Employees are also directed to the Company website, internal HR portal and encouraged to keep up to date with Company reports. For further and more detailed explanations of how the Group maintains a dialogue with shareholders and other relevant stakeholders see the Company's S172(1) statement on pages 18 to 19.

AUDIT COMMITTEE REPORT

Audit Committee report

Dear Shareholders,

I am pleased to present my first report as Chair of the Audit Committee (the "Committee") for the financial year ended 31 January 2023.

Composition

The Committee consists of the Non-Executive Director Alex Curran and myself. I was appointed Chair of the Committee in January 2023 and am grateful for the support I have received from the Committee in assisting with the preparation of this report. The biographies of the Committee members can be found on page 33 and the Company's website.

The Board considers that for the size and complexity of the Company, the Committee is properly constituted and has a sufficient level of competence.

External Independent Auditor

The detailed independent report of the auditor is shown on pages 47 to 50.

Re-appointment

The appointment of the independent external auditor is approved by shareholders annually. The audit of the financial statements is conducted in accordance with International Standards on Auditing (UK) (ISAs), issued by the Auditing Practices Board.

There are no contractual obligations that act to restrict the Committee's choice of external auditor.

Grant Thornton UK LLP was appointed as independent auditor for FY21, with re-appointment for FY22 approved by shareholders at the Annual General Meeting held on 9 June 2022.

In FY23, the Committee recommended to the Board the appointment of a new auditor. The Committee ran a competitive tender exercise to ensure that the Company receives value for money and the Company's auditor for FY23 is better suited to the profile of the Company. Following the tendering exercise, the Company appointed Cooper Parry Group Limited as independent auditor for FY23.

Services, independence and fees

The independent auditor provides the Committee with:

- a report to the Committee giving an overview of the results, significant contracts and judgements and observations on the control environment; and
- an opinion on the truth and fairness of the Group and Company accounts.

The Committee monitors the cost effectiveness of audit and assesses if any non-audit work performed by the independent auditor could result in a conflict of interest.

The Committee has reviewed the controls in place to ensure Audit independence, which include:

- Group policies around Committee approval requirement for significant non-audit work;
- Group policy prohibiting the provision of bookkeeping services;
- regulations around appointment of Auditor ex-employees;
- regular reviews of non-audit fees to independent auditor; and
- Grant Thornton UK LLP recommended internal controls that have been implemented to prevent a conflict of interest.

FY23 non-audit fees amounted to £nil (FY22: £26,000).

Governance

The Group applies the Quoted Companies Alliance Corporate Governance Code.

The Committee's terms of references are available on request from the Company Secretary and on the Company website https://www.checkit.net/investor-relations/committees/.

Main activities

The Committee met three times during the financial year.

Grant Thornton attended one of the meetings. Subsequent to the year end, the Committee has met once with the new independent auditor to discuss the findings of the year-end audit and contents of the Audit report.

The Executive Directors are not members of the Committee but attend Committee meetings by invitation, in particular, attending the meetings at which the interim and annual results are reviewed.

The key activities carried out by the Committee include:

- monitoring the integrity of the financial statements and reporting of the Group;
- reviewing financial reporting significant issues, accounting policies and disclosures;
- reviewing the effectiveness of the Group's risk management framework;
- reviewing the appropriateness and effectiveness of Group internal controls;
- making recommendations to the Board on the appointment, re-appointment and removal of the Group's independent auditor;
- reviewing the independent auditor's audit strategy and implementation plan;

AUDIT COMMITTEE REPORT CONTINUED

Main activities continued

- reviewing auditor findings in relation to the annual reports;
- overseeing the Board's relationship with the independent auditor; and
- reviewing the Group's procedures for detecting and responding to possible wrongdoing, fraud and bribery.

The Committee reports on all such matters to the Board.

The Committee's work also included reviewing the financial statements, key financial policies, including accounting, tax and treasury, and significant issues of judgement, detailed as follows:

Going concern

The Group continues to prepare its financial statements on a going concern basis, as set out in Note 1 to the financial statements. The Committee has reviewed the financial forecasts prepared by management as at the date of this report, and has concluded that it was appropriate for the Group to prepare its financial statements on a going concern basis.

Revenue recognition

The revenue recognition accounting policies across the business are set out in Note 1 to the financial statements.

Impairment of goodwill

Following the decision to close the BEMS business unit, the Group carried out a thorough impairment review of the goodwill relating to the acquisition of Checkit UK Limited (formerly Next Control Systems Limited) and concluded that this goodwill should be fully impaired. This business unit is now reported as a discontinued operation.

Deferred taxation

The Committee reviewed the appropriateness of the recognition of deferred taxation. The level of deferred tax asset recognition in relation to accumulated tax losses is underpinned by a range of judgements. The Committee was satisfied that no recognition of deferred tax asset is included. Further details on these are disclosed in Notes 1, 8 and 14 respectively.

Internal financial control systems

The Audit Committee is required to assist the Board in its annual assessment of the effectiveness of risk management and internal control systems.

The Committee approved the continued use of a Group risk management framework and regularly reviews the risk register and profile, as managed by the Board members and senior management.

The internal control framework is reviewed for effectiveness using an assessment framework to ensure the following are in place:

- risk mitigation controls can be evidenced and supported;
- issues are raised appropriately, documented and followed up, including those raised by the external auditor;
- clearly defined lines of responsibility are in place;
- appropriate segregation of duties is built into processes;
- appropriate delegation of authority is in place, including Board approval of budgets and forecasts;
- a process of results comparison and financial performance management is in place, and variances are followed up and investigated;
- the Group appoints staff of the required calibre to fulfil their allotted responsibilities; and
- annual management reviews of controls and risk are evidenced and actions are completed.

The Committee was satisfied that it was appropriate for the Board to make the statements regarding internal controls included in the Report of the Directors and the Directors' responsibilities statement.

Quality accreditations and internal audit

The Group has policies and processes in place, which meet the requirements of ISO 9001 and ISO 27001. These standards are audited annually and the Group is accredited with both as of 31 January 2023.

The standard illustrates Group compliance with industry standards around the framework of Group processes and data security.

The Company employs a compliance manager with responsibility for facilitating audits and maintaining a programme of internal audit, ensuring effective risk management throughout a time of business transformation. The Committee is confident in the internal audit activity and that the framework is effective.

Reporting to the Board

The Committee reports back to the Board regularly on matters under its purview.

Approval

This report was approved by the Committee, on behalf of the Board, on the date shown below and signed on its behalf by:

Simon Greenman
Chair of the Audit Committee

21 April 2023

Remuneration report

Dear Shareholders,

The following Remuneration report for FY23 has been prepared by the Remuneration Committee and approved by the Board. Shareholders will be invited to approve this report at the forthcoming Annual General Meeting.

Composition

The Remuneration Committee currently consists of Simon Greenman, Alex Curran and myself. I took up the post of Remuneration Committee Chair in January 2023, replacing John Wilson, following his resignation from the Board in January 2023. Alex Curran was appointed on 26 January 2023. The biographies of Committee members can be found on page 33 of this report and on the Company's website.

No member of the Committee has or has had any personal financial interest (other than as shareholder) or conflicts of interest from cross directorships.

Role

The Committee sets policy on Directors' remuneration and determines the remuneration packages of each of the Group's Executive Directors.

The Committee also reviews and determines elements of remuneration related to:

- any employee with a base salary of more than £150k; and
- all employee schemes involving equity-related incentive.

Governance

Companies with securities listed on AIM are not required to comply with either the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 or the UKLA Listing Rules.

The Company has adopted the QCA Code and applied the regulations and guidelines as far as is practical, given the size of the Group.

This reflects its commitment to maintaining high standards of corporate governance and open communication with shareholders.

Terms of reference reflect the adoption of the QCA Code and are available on our website or from the Company Secretary on request.

The Committee regularly reviews Group remuneration and ensures an appropriate balance between fixed and variable elements. Director packages are benchmarked against market norms and independent advisers engaged where appropriate.

It is the responsibility of the Committee to ensure the policy is effectively implemented and that shareholders' interests are at the core of any remuneration policy design.

Unaudited information

The independent auditor is not required to audit and has not, except where indicated, audited the information included in the Remuneration report. The audited information meets the remuneration disclosure requirements of Rule 19 of the AIM Rules for Companies.

REMUNERATION REPORT CONTINUED

Executive Directors' remuneration policy

The purpose of the policy is to motivate and incentivise appropriately experienced senior Executives of high calibre, who are best placed to ensure the Company achieves its strategic goals and delivers medium- to long-term shareholder value.

The table below illustrates the policy to operate until the next AGM in 2024:

Purpose	Principles and application
Basic salary	
To attract and retain high calibre Executives who are expected to design and execute an ambitious growth strategy	Salaries are reviewed annually in light of benchmarking data and competitor intelligence
Pension	
To offer the opportunity for Executives to accrue pension rights in line with maximum HMRC limits	Executives are eligible to join the Group Pension scheme immediately on joining at an enhanced rate of Company contributions
Benefits	
To offer a benefits package in line with best market practice	Executives are offered income protection, family private medical cover and in-service death cover
Short Term Incentive Plans (STIP)	
To incentivise strong short-term financial performance in each year	Plans are reviewed and set annually with financial performance targets being set in Q1. Payment may be in either cash or Company shares. Maximum payment will not normally exceed 125% of base salary
Long Term Incentive Plans (LTIP)	
To incentivise long-term performance and sustained improvement in shareholder value	An LTIP has been established for the CEO to provide a meaningful reward over a period of five years by incentivising the delivery of shareholder value. The LTIP is linked to growth and profit metrics and a share price target
Options plan: Enterprise Management Incentive Scheme (EMI)	
To incentivise long-term performance and sustained improvement in shareholder value	Option grants are made at Remuneration Committee discretion. No EMI total award shall relate to shares exceeding a value of £250,000 measured at time of grant

Notes

Basic salary

FY23:

In light of current inflationary pressures, the Committee awarded an increase in base salaries of 4% effective from 1 August 2022.

FY24:

Due to continuing inflationary pressures, the Committee may consider a review of base salaries in August 2023.

Annual bonus plan

Bonuses are not contractual and remain at the discretion of the Remuneration Committee.

FY23:

In FY23 bonuses were awarded to Kit Kyte of £202k and Greg Price of £50.5k based on the achievement of targets set at the start of the year.

FY24:

An FY24 in year Executive bonus plan has been agreed per below:

Executive Director	Metrics	Earning potential
K Kyte	Financial Performance	125% average of base
G Price	Financial Performance	50% average of base

Detailed financial targets and performance metrics have been agreed. Payment of any bonus is dependent on Remuneration Committee assessment and approval.

Long Term Incentive Plans

In March 2022, Kit Kyte was granted options under an LTIP. The LTIP was designed to provide a meaningful reward over a period of five years by incentivising the delivery of shareholder value. The LTIP is linked to growth and profit metrics and a share price target.

Enterprise Management Incentive Plan

In May 2020, the Board approved a tax-advantaged Enterprise Management Incentive (EMI) Plan (the Plan) to grant options to staff. The Plan was drafted with input from Deloitte LLP and complies with the provisions of the EMI Code of the Income Tax (Earnings & Pensions) Act 2003.

Under the Plan, the Company may grant share options to staff over shares with a value up to a limit of £250,000 (measured at time of grant) per employee as part of the Company's reward and retention policy.

Company Share Option Plan

In March 2022, the Board approved a tax-advantaged Company Share Option Plan (CSOP) as a schedule of the EMI Plan.

Under the Plan, the Company may grant share options to staff over shares with a value up to a limit of £60,000 per employee as part of the Company's reward and retention policy.

Non-Executive Directors are not eligible for the EMI or CSOP scheme. Share options may be exercised between years three and ten and will lapse if employment ceases.

The Remuneration Committee is responsible for approving all awards of EMI and CSOP share options and its current policy is to issue options to all employees with the minimum award being over 5,000 shares.

EMI and CSOP options in issue as at 31 January 2023 are per below:

Employee	Exercise date	Option price	Options at 31 January 2023
K Kyte	17 February 2024	55.5p	**225,000**
K Kyte	19 February 2024	55p	**227,500**
K Kyte	25 March 2025	40p	**1,500,000**
K Kyte	9 January 2026	23p	**500,000**
G Price	17 February 2024	55.5p	**100,000**
G Price	9 July 2025	23p	**845,653**
Other employees	7 July 2023	40.5p	**945,000**
Other employees	17 February 2024	55.5p	**320,000**
Other employees	12 July 2024	57p	**530,000**
Other employees	9 January 2026	23p	**150,000**
Other employees	9 July 2025	23p	**360,000**
Other employees	18 March 2025	40p	**917,500**
Other employees	9 January 2026	23p	**450,000**
US Sub Plan	17 February 2024	55.5p	**347,500**
US Sub Plan	19 February 2024	55p	**227,500**
US Sub Plan	12 July 2024	57p	**5,000**
US Sub Plan	18 March 2025	40p	**75,000**
US Sub Plan	9 January 2026	23p	**5,000**
K Kyte total			**2,452,500**
G Price total			**945,653**
Employees total			**4,312,500**
Total			**7,730,653**

Notes continued

Employment contracts

Executive Directors

All Executive Directors are employed on service contracts terminable on six months' notice by the Company or the Director.

Non-executive Directors

All Non-Executive Directors serve under letters of appointment terminable on three months' written notice by the Company or the Director. Their remuneration is determined by the Board (excluding the Non-Executive Directors) within the limits set by the Articles of Association and is based on fees paid in similar companies and the skills and expected time commitment of the individual concerned.

The basic fees were reviewed during FY23 and fees were increased by 4% at the mid-year point. The Non-Executive Directors receive no remuneration or benefits in kind other than their basic fees and are not eligible for any equity-based incentive schemes.

Total emoluments and the single figure of total remuneration emoluments for the Executive and Non-Executive Directors are set out below.

The figures represent amounts earned during the relevant financial year. Such emoluments are charged in the same financial year.

Audited information

Year to 31 January 2023	Basic pay £'000	Benefits[1] £'000	Bonuses £'000	Total £'000	Pension contribution[2] £'000	LTIPs vested or options exercised in year £'000	Single figure remuneration £'000
Executive Directors							
K Kyte	306	2	202	510	23	—	533
G Price	153	—	51	204	11	—	215
Non-Executive Directors							
K Daley	102	—	—	102	—	—	102
J Wilson	41	—	—	41	—	—	41
S Greenman	41	—	—	41	—	—	41
A Curran	—	—	—	—	—	—	—
Total	**643**	**2**	**253**	**898**	**34**	—	**932**

Year to 31 January 2022	Basic pay £'000	Benefits[1] £'000	Bonuses £'000	Total £'000	Pension contribution[2] £'000	LTIPs vested or options exercised in year £'000	Single figure remuneration £'000
Executive Directors							
K Daley	196	6	—	202	—	—	202
A Muir	173	7	80	260	18	—	278
K Kyte	155	6	225	386	12	—	398
G Price	60	1	15	76	4	—	80
Non-Executive Directors							
J Wilson	40	—	—	40	—	—	40
R Neaman	14	—	—	14	—	—	14
S Greenman	26	—	—	26	—	—	26
Total	664	20	320	1,004	34	—	1,038

[1] Includes payments made in lieu of pension contributions.

The emoluments of the highest paid Director in FY23 were £533,000 compared to £398,000 in FY22.

The annual basic pay for each current serving Director as at 31 January 2023 is as follows:

Year to 31 January	**Basic pay at 31 January 2023 £'000**	Basic pay at 31 January 2022 £'000
K Daley	**104**	189
K Kyte	**312**	275
G Price	**156**	150
J Wilson	**—**	40
S Greenman	**41**	40
A Curran	**41**	—
Total	**654**	505

Unaudited information

Directors' share ownership

The shares owned by the current Directors serving as at 31 January 2023 are as follows:

	Shares owned outright at date of this report	**Shares owned outright at 31 January 2023**	Shares owned outright at 31 January 2022
K Daley	20,925,366	**20,925,366**	20,925,366
S Greenman	56,347	**56,347**	56,347
A Curran	—	**—**	—
K Kyte	124,684	**108,695**	108,695
G Price	54,350	**54,350**	54,350
Total	21,160,747	**21,144,758**	21,144,758

Amounts payable to outside advisers in respect of Directors' remuneration:

Independent remuneration advisers were engaged during FY23 at a cost of £9k (FY22: £4k).

Approval

This report was approved by the Board of Directors on the date shown below and signed on its behalf by:

Keith Daley
Chair of Remuneration Committee

21 April 2023

Report of the Directors

The Directors present their annual report and accounts, together with the audited financial statements for the year ended 31 January 2023.

Principal activity

Checkit plc is the holding company of Checkit Europe Limited, Checkit UK Limited, Checkit Inc, Checkit LLC and three other non-trading companies detailed on page 57 (together "Checkit") which is a leading provider of an intelligent operations management platform for deskless workforces, enabling operational agility and intelligent decision-making in large multinational and complex national organisations.

Checkit's subscription business model offers optional plugins for smart sensor networks and workflow task management. Checkit's solutions apply digital tools and monitoring to transform workforce management, and incorporate physical assets into a digital ecosystem using Internet of Things (IoT) sensors and monitoring devices.

A detailed review of the business, its results and future direction is included in the Strategic report set out on pages 2 to 33.

Results and future developments

The Group's loss on ordinary activities after taxation for the year was £12.3m compared to £6.8m last year. The Group's results are set out in the consolidated income statement on page 51 and are explained in the Chief Financial and Operations Officer's statement on pages 26 to 27.

The subsidiaries of the Group as at 31 January 2023 are listed in Note 13.

The Directors do not propose a dividend in respect of the year ended 31 January 2023 (2022: £nil).

Going concern

The Group's business activities, performance and position are set out in the Strategic report. The financial position of the Group is described on pages 26 to 27. Details of the key risks and uncertainties in the business along with the mitigation actions in place, has been presented in the risks and uncertainties on pages 28 to 32.

The Directors have considered the going concern assumption and have reviewed detailed budgets for the next two years. Having considered the Group's cash flows and liquidity position, the Directors have concluded that the Group has adequate resources to continue operations for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

Health, safety and environment

The Group recognises and accepts its responsibilities for maintaining high standard of health and safety management for all its operations to safeguard its employees, customers and the local community. The Group strives to minimise its impact on the environment and is committed to the maintenance of environmental controls as they relate to the business and aims to ensure that its activities comply at all times with relevant environmental legislation.

Streamlined energy and carbon reporting

The Group has chosen not to report data from any of its UK subsidiary undertakings as none of them are large companies and, therefore, are not required to report such information on a stand-alone basis. The parent company is exempt from reporting as given the nature of its activities it is a low energy user consuming less than 40MWh during the year.

Financial instruments

Principal financial risks and mitigating activities have been set out within the Strategic report. Additionally, Note 24 to the financial statements provides further details in respect of financial risk management and objectives.

Directors and their interests

The present membership of the Board is as follows:

- Christopher Kyte, Chief Executive Officer;
- Gregory Price, Chief Financial and Operations Officer;
- Keith Daley, Non-Executive Chairman (who moved to a Non-Executive role on 1 February 2022);
- Simon Greenman, Non-Executive Director; and
- Alex Curran, Non-Executive Director (appointed 9 January 2023).

The following Directors resigned during the year:

- John Wilson (resigned 26 January 2023).

Biographical details of the current Directors are set out on page 33 and details of Directors' beneficial interests in the shares of the Company as at 31 January 2023 are set out in the Remuneration report on pages 39 to 43.

The Board follows best practice recommendations and, accordingly, the whole Board will be offering itself for re-appointment or appointment as appropriate.

Directors' indemnity arrangements

The Company has granted indemnities to each of its Directors of all losses arising out of or in connection with the execution of their powers, duties and responsibilities as Directors to the extent permitted by the Companies Act 2006 and the Company's articles.

Such qualifying third-party indemnity provisions remain in force at the date of this report.

The Group has purchased and maintained throughout the year Directors' and Officers' liability insurance in respect of itself and its Directors.

Directors' remuneration

Details of Directors' remuneration are contained in the Remuneration report on pages 39 to 43.

Share capital

As at the date of this report, the total number of shares in issue (being ordinary shares of 5 pence each) is 108,008,562 (2022: 108,008,562).

Details of the share capital are given in Note 20 to the financial statements.

Substantial shareholdings

As at 31 March 2023 (being the latest practicable date before the publication of this report), the Company has been notified in accordance with Chapter 5 of the Disclosure Transparency Rules, of the following interests of 3% or more in its issued ordinary share capital:

D&A(UK) Holdings Limited	21.76%
Mr K Daley	19.37%
Herald Investment Management Limited	9.42%
Ruffer LLP	8.24%
Chelverton Asset Management	5.09%
EdenTree Investment Management	3.92%

As far as the Directors are aware, there were no other interests above 3% of the issued ordinary share capital.

The Company's website, www.checkit.net, provides updated information on substantial shareholdings.

Employees

The Group's policies are designed to provide for the welfare, health and safety of its employees. The Group is committed to ensuring there are equal opportunities for all employees, *regardless of gender, race, age, disability, religion or sexual* orientation, where it is reasonable and practicable within existing legislation. The Group offers training (through LinkedIn learning, for example) to employees enabling them to enhance their skill base and assist the business in meeting future challenges. The *Group continues to keep its staff informed of matters affecting* them as employees and of the various factors affecting the performance of the Group through regular communications including fortnightly videos from the Chief Executive Officer.

Disclosure of information to the auditor

The Directors confirm that there is no relevant audit information of which the Group's auditor is unaware and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with Section 418 of the Companies Act 2006.

Annual General Meeting

The Company's AGM will be held at noon on 8 June 2023 at the offices of Fieldfisher LLP, Riverbank House, 2 Swan Lane, London, EC4R 3TT. Accompanying this annual report and accounts is a *letter from the Chairman and a Notice of AGM that sets out the* resolutions to be considered and approved at the meeting.

On behalf of the Board

Hugh Wooster
Group General Counsel and Company Secretary

21 April 2023

Registered number
00448274

Directors' responsibilities statement

The Directors are responsible for preparing the annual report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards (IFRSs) and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report and a Directors' report that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibilities statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the annual report includes a fair review of the development and performance of the business, the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces; and
- the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Greg Price
Chief Financial and Operations Officer

21 April 2023

INDEPENDENT AUDITOR'S REPORT

to the members of Checkit plc

Opinion

We have audited the financial statements of Checkit plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 January 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 January 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our approach to the audit

We adopted a risk-based audit approach. We gained a detailed understanding of the Group's business, the environment it operates in and the risks it faces.

The key elements of our audit approach were as follows:

In order to assess the risks identified, the engagement team performed an evaluation of identified components and to determine the planned audit responses based on a measure of materiality, calculated by considering the significance of components as a percentage of the Group's total revenue and profit before taxation and the Group's total assets.

From this, we determined the significance of each component to the Group as a whole and devised our planned audit response. In order to address the audit risks described in the key audit matters section which were identified during our planning process, we performed a full-scope audit of the financial statements of the parent company, Checkit Europe, Checkit UK and Checkit LLC. The operations that were subject to full-scope audit procedures made up 100% of consolidated revenues and 99% of consolidated loss after tax. Entities subject to review-scope audit procedures made up 0% of the consolidated revenue and 1% of consolidated loss after tax. We applied analytical procedures to the Balance Sheets and Income Statements of the entities comprising the remaining operations of the Group, focusing on applicable risks identified as above, and their significance to the Group's balances.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT CONTINUED
to the members of Checkit plc

Key audit matters continued

Risk Description	Our response to the risk
Revenue recognition As detailed in Note 1 to the financial statements, Summary of significant accounting policies, the Group's revenue is generated from a number of streams, as follows: ▸ software as a subscription services (SaaS; ▸ consultancy and other services; ▸ projects, installations and maintenance of building energy and mangement systems (BEMS) (discontinued operations); and ▸ sale of engineered and ophthalmic products (discontinued operations). Given the material nature of revenue and the variety of methods it is generated through, the appropriateness of revenue recognition and management's application of the Group's revenue recognition accounting policies represents a key risk area of significant judgement in the financial statements. In particular, we consider that a significant risk arises on the occurrence of revenue for new SaaS contracts as there is greater potential for fraud and error than on existing contracts where revenues primarily arise from the release of contract liabilities recognised in the prior year. We also consider that a significant risk arises on the occurrence of revenue for building energy management systems projects which are still in progress at the year-end date. This requires management to make assumptions to determine the level of revenue and profit that it recognises, as well as the associated contract assets and liabilities. The most significant of those assumptions is the stage of completion of certain contracts. These assumptions are subject to error and management bias due to their subjective and complex nature.	We have assessed accounting policies for consistency and appropriateness with the financial reporting framework and in particular that revenue was recognised when performance obligations were fulfilled. In addition, we reviewed for the consistency of application as well as the basis of any recognition estimates. We have obtained an understanding of processes through which the businesses initiate, record, process and report revenue transactions. We performed walkthroughs of the processes as set out by management, to ensure controls appropriate to the size and nature of operations are designed and implemented correctly throughout the transaction cycle. A sample of contracts have been reviewed and tied through to sales transactions throughout the year. These have been vouched to invoice, signed contracts, sales quotes and purchase orders and nominal posting. A complete listing of journals posted to revenue nominal codes has been obtained. We have tested unexpected manual adjustments to supporting evidence on a sample basis. We performed cut-off procedures to test transactions around the year end and verified a sample of revenue to originating documentation to provide evidence that transactions were recorded in the correct year. Our procedures did not identify any material misstatements in the revenue recognised during the year.
Impairment of goodwill The Group had a significant goodwill balance. The Group's assessment of carrying value requires significant judgement, in particular regarding cash flows, growth rates, discount rates and sensitivity assumptions.	We challenged the assumptions used in the impairment model for goodwill, which is described in Note 11 to the financial statements. We considered accuracy of forecasts by comparing historical budgets to recent trading performance. We assessed the appropriateness of the assumptions concerning growth rates and inputs to the discount rates against latest market expectations. We performed sensitivity analysis to determine whether an impairment would be required if bookings growth was lower than forecast rate. We concur with the assessment that there is an impairment of £4.3m in relation to the goodwill recognised for the Checkit UK cash-generating unit. There is no identified impairment of the goodwill balance remaining (£0.2m) in relation to the Checkit LLC cash-generating unit.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in determining the nature, timing and extent of our audit procedures, in evaluating the effect of any identified misstatements, and in forming our audit opinion.

The materiality for the Group financial statements as a whole was set at £615,000. This has been determined with reference to the benchmark of the Group's loss before tax which we consider to be an appropriate measure for a group of companies such as these. Materiality represents 5% of Group loss before tax. Performance materiality has been set at 75% of Group materiality.

The materiality for the parent company financial statements as a whole was set at £555,000 and performance materiality represents 75% of materiality. This has been determined with reference to the parent company's net assets, which we consider to be an appropriate measure for a holding company with investments in trading subsidiaries. Materiality represents 1% of net assets as presented on the face of the parent company's balance sheet.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group and parent company's ability to continue to adopt the going concern basis of accounting included:

- reviewing management's cash flow forecasts for a period of at least twelve months from the date of approval of these financial statements;
- challenging management on key assumptions included in their forecast scenarios;
- considering the potential impact of various scenarios on the forecasts;
- reviewing results post year end to the date of approval of these financial statements and assessing them against original budgets; and
- reviewing management's disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 46, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group the parent company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT CONTINUED
to the members of Checkit plc

Auditor's responsibilities for the audit of the financial statements

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

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

Our assessment focused on key laws and regulations the Group and parent company have to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Companies Act 2006, AIM listing rules, UK adopted international accounting standards, United Kingdom Generally Accepted Accounting Practice (UK GAAP) and relevant tax legislation in the jurisdictions in which the Group operates.

We are not responsible for preventing irregularities. Our approach to detecting irregularities included, but was not limited to, the following:

- obtaining an understanding of the legal and regulatory framework applicable to the Group and parent company and how the Group and parent company is complying with that framework by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through review of Board minutes for instances of non-compliance;
- obtaining an understanding of the Group and parent company's policies and procedures and how the Group and parent company has complied with these, through discussions and sample testing of controls;
- obtaining an understanding of the Group and parent company's risk assessment process, including the risk of fraud;
- designing our audit procedures to respond to our risk assessment;
- performing audit testing over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness with a focus on manual journals and those posted directly to the consolidation that increased revenue or that reclassified costs from the statement of comprehensive income to the balance sheet, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias specifically those in relation to goodwill and development costs intangible assets; and
- reviewing a sample of software contracts, understanding the rationale for the stage of completion and assessing the profit take on them.

Whilst considering how our audit work addressed the detection of irregularities, we also consider the likelihood of detection based on our approach. Irregularities arising from fraud are inherently more difficult to detect than those arising from error.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

The engagement partner assessed whether the engagement team collectively had the appropriate competence and capabilities to identify and recognise non-compliance with laws and regulations through the following:

- understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation; and
- knowledge of the industry in which the client operates.

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

Use of our report

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

Melanie Hopwell
Senior Statutory Auditor
For and on behalf of Cooper Parry Group Limited
Chartered Accountants and Statutory Auditor

Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby DE74 2SA
21 April 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

year ended 31 January 2023

	Notes	2023 £m	Restated 2022 £m
Revenue	2	**10.3**	8.4
Cost of sales		**(3.8)**	(3.8)
Gross profit		**6.5**	4.6
Operating expenses	3	**(12.9)**	(10.2)
Adjusted LBITDA*		**(6.4)**	(5.6)
Depreciation and amortisation		**(1.0)**	(0.5)
Share-based payment charge		**(0.2)**	—
Non-recurring or special items	4	**(4.8)**	(2.4)
Operating loss	4	**(12.4)**	(8.5)
Finance income	5	**0.1**	—
Loss before taxation		**(12.3)**	(8.5)
Taxation	8	**0.3**	0.3
Loss from continuing operations		**(12.0)**	(8.2)
(Loss)/profit from discontinued operations	26	**(0.3)**	1.4
Loss for the year attributable to equity shareholders		**(12.3)**	(6.8)
Other comprehensive income/(expense)			
Exchange differences on translation of foreign operations		**—**	—
Reclassification of exchange differences to income statement for discontinued items		**—**	—
Total comprehensive income for the financial year attributable to equity shareholders		**(12.3)**	(6.8)
Loss per share from continuing operations			
Basic EPS		**(11.2)p**	(12.0)p
Diluted EPS.	10	**(11.2)p**	(12.0)p

The above statement should be read in conjunction with the accompanying notes on pages 55 to 74.

* Adjusted loss before interest, tax, depreciation and amortisation "LBITDA" is calculated by taking operating profit and adding back depreciation & amortisation, share-based payment charge and non-recurring or special items.

CONSOLIDATED BALANCE SHEET

as at 31 January 2023

	Notes	2023 £m	2022 £m
Assets			
Non-current assets			
Goodwill arising on acquisition	11	**0.2**	4.5
Other intangible assets	11	**3.8**	2.8
Property, plant and equipment	12	**0.9**	1.0
Total non-current assets		**4.9**	8.3
Current assets			
Inventories	15	**2.4**	1.8
Trade and other receivables	16	**4.5**	3.0
Cash and cash equivalents		**15.6**	24.2
Total current assets		**22.5**	29.0
Total assets		**27.4**	37.3
Current liabilities			
Trade and other payables	17	**7.5**	5.2
Contract lease liabilities	22	**0.3**	0.5
Total current liabilities		**7.8**	5.7
Non-current liabilities			
Deferred tax liabilities	14	**—**	0.1
Long-term contract lease liabilities	22	**0.3**	0.2
Long-term provisions	19	**0.4**	0.3
Total non-current liabilities		**0.7**	0.6
Total liabilities		**8.5**	6.3
Net assets		**18.9**	31.0
Equity attributable to the owners of the Company			
Called up share capital	20	**5.4**	5.4
Share premium	20	**23.3**	23.3
Capital redemption reserve	20	**6.4**	6.4
Other reserves	20	**0.3**	0.1
Retained earnings	20	**(16.5)**	(4.2)
Total equity		**18.9**	31.0

The above statement should be read in conjunction with the accompanying notes on pages 55 to 74.

The financial statements of Checkit plc (registered no. 00448274) were approved by the Board of Directors on 21 April 2023 and were signed on its behalf by:

Kit Kyte
Chief Executive Officer

Greg Price
Chief Financial and Operations Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

year ended 31 January 2023

	Share capital £m	*Share premium* £m	Capital *redemption* reserve £m	Other reserves £m	Translation reserve £m	Retained earnings £m	Total £m
At 31 January 2021	3.1	5.4	6.4	0.1	—	2.6	17.6
Loss for the year	—	—	—	—	—	(6.8)	(6.8)
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**(6.8)**	**(6.8)**
Issue of new shares	2.3	17.9	—	—	—	—	20.2
Share-based payments	—	—	—	—	—	—	—
Transaction with owners	2.3	17.9	—	—	—	—	20.2
At 31 January 2022	**5.4**	**23.3**	**6.4**	**0.1**	**—**	**(4.2)**	**31.0**
Loss for the year	—	—	—	—	—	(12.3)	(12.3)
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**(12.3)**	**(12.3)**
Share-based payments	—	—	—	0.2	—	—	0.2
Transaction with owners	—	—	—	0.2	—	—	0.2
At 31 January 2023	**5.4**	**23.3**	**6.4**	**0.3**	**—**	**(16.5)**	**18.9**

The above statement should be read in conjunction with the accompanying notes on pages 55 to 74.

CONSOLIDATED STATEMENT OF CASH FLOWS

year ended 31 January 2023

	Notes	2023 £m	2022 £m
Net cash outflow from operating activities	6	**(6.4)**	(4.9)
Investing activities			
Interest received on bank deposits		**0.1**	—
Purchase of property, plant and equipment		**(0.2)**	(0.1)
Investment in product development projects		**(1.8)**	(1.5)
Investment in other intangibles		**(0.2)**	(0.7)
Purchase of business (net of £0.2m cash acquired)	27	**—**	(0.4)
Sale of businesses (net of cash sold)	26	**0.2**	0.4
Net cash used in investing activities		**(1.9)**	(2.3)
Financing activities			
Issue of new shares		**—**	20.2
Repayment of contract lease liabilities		**(0.3)**	(0.3)
Net cash (utilised)/generated by financing activities		**(0.3)**	19.9
Net (decrease)/increase in cash and cash equivalents		**(8.6)**	12.7
Cash and cash equivalents at the beginning of the year		**24.2**	11.5
Cash and cash equivalents at the end of the year		**15.6**	24.2

The above statement should be read in conjunction with the accompanying notes on pages 55 to 74.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended 31 January 2023

General information

Checkit plc (the "Group" or "Checkit") is a public limited liability company incorporated in England and Wales and domiciled in the UK. The address of its registered office is Broers Building, J J Thomson Avenue, Cambridge CB3 0FA. The nature of the Group's operations and its principal activities are set out in the Report of the Directors on pages 44 and 45.

These financial statements are presented in Sterling, the currency of the primary economic environment in which the Group operates, and all values are rounded to the nearest hundred thousand (£0.1m) except where otherwise stated.

1. Summary of significant accounting policies

The particular accounting policies adopted by the Directors in the preparation of these consolidated financial statements are described below:

Basis of accounting

The consolidated financial statements of Checkit plc have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The principal accounting policies adopted are set out below. These policies have been applied consistently to all years presented, unless otherwise stated.

New standards, interpretations and amendments effective from 1 February 2022

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 February 2022, which had a significant effect on the Group's financial statements.

Critical accounting judgements

Development costs – Under IAS 38, research and development costs and internally generated technology should be capitalised if the capitalisation criteria are met. Assumptions and judgements are made with regard to assessing the expected future economic benefits, the economic useful life and the level of completion of the project. Under IAS 38, at the point where activities no longer relate to development but to maintenance, capitalisation is to be discontinued. In accordance with IAS 38 the Group will only recognise the costs of an intangible asset if and only if it is more likely than not that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

The key judgement is reliably measuring the expenditure attributable to development projects and determining whether the project meets the criteria to recognise an asset. An assessment is made when looking at the costs incurred and criteria for development costs, *including the commercial and technical viability of the costs being assessed. The main* costs attributed to development costs are that of payroll and dedicated third party resources.

Estimation of the useful economic life for development costs is considered with regard to the future economic benefits which will be derived. Development costs are amortised over a range of two to five years, determined on an asset-by-asset basis.

Goodwill impairment CGU Groups – determining whether goodwill is impaired requires management's judgement in assessing cash-generating unit (CGU) Groups to which goodwill should be allocated. Management allocates a new acquisition to a CGU Group based on which one is expected to benefit most from that business combination. The allocation of goodwill to existing CGUs is generally straightforward and factual, however over time as new businesses *are acquired and management reporting structures* change management reviews the CGU Groups to ensure they are still appropriate.

Sources of estimation uncertainty

- IFRS 3 (revised) "Business Combinations" requires that goodwill arising on the acquisition of subsidiaries is capitalised and included *in intangible assets. IFRS 3 (revised) also requires* the identification and valuation of other separable intangible assets at acquisition. The assumptions involved in valuing these intangible assets require the use of management estimates.
- The estimates include identification of relevant assets, future growth rates, expected inflation rates and the discount rate used. Management also make estimates of the useful economic lives of the intangible assets.
- The value in use calculation used to test for impairment of goodwill involves an estimation of the present value of future cash flows of CGUs. The future cash flows are based on annual budgets and forecasts, *as approved by the Board, which include management's* expectation of growth. The present value is then calculated based on management's estimate of future discount and long-term growth rates. The Board reviews these key assumptions (market-share, long-term growth rates, and discount rates) and the sensitivity analysis around these assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
year ended 31 January 2023

1. Summary of significant accounting policies continued

Going concern

The Strategic report sets out the Group's business activities and headline results, together with the financial statements and notes which detail the results for the year, net current asset position and cash flows for the year ended 31 January 2023.

The Directors have prepared cash flow forecasts for the Group for a review period of twelve months from the date of approval of the 2023 financial statements and consider the assumptions used therein to be reasonable and reflective of its long-term subscription contracts and contracted recurring revenue. These forecasts reflect an assessment of current and future market conditions and their impact on the Group's future cash flow performance. Alternative scenarios have also been prepared to consider sensitivities for a reduction in revenue to the end of the review period. Forecasts indicate the Group would have sufficient funds to continue as a going concern.

Should sales reduce further than the sensitised case, the Group has a number of mitigating actions such as reducing discretionary spend, delaying capital expenditure and research and development costs to protect the Group's cash position.

The Directors remain confident in the long-term future prospects for the Group and therefore the Directors have a reasonable expectation that the Group has adequate resources to continue for the foreseeable future. As a result, they continue to adopt the going concern basis in preparing the financial statements.

Consolidation

The consolidated financial statements incorporate the financial statements of Checkit plc and all subsidiary undertakings drawn up to 31 January each year. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies so as to obtain benefit from their activities. The results of businesses acquired during the year are included from the effective date of acquisition. The results of businesses discontinued during the year are included until the date of disposal. Balances between Group companies are eliminated, and no profit is taken on intra-Group sales.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair value (at the date of exchange) of assets given, liabilities incurred or assumed, equity instruments issued and cash paid by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the statement of comprehensive income as incurred.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are re-measured to fair value at the acquisition date.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognised at their fair value at the acquisition date.

Goodwill

Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill has an indefinite expected useful life and is not amortised but is tested annually for impairment.

Goodwill is recognised as an intangible asset in the consolidated balance sheet. Goodwill therefore includes non-identified intangible assets including business processes, buyer-specific synergies, know-how and workforce-related industry-specific knowledge and technical skills. Negative goodwill arising on acquisitions would be recognised directly in the consolidated income statement. On closure or disposal of an acquired business, goodwill would be taken into account in determining the profit or loss on closure or disposal.

Other intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably;
- the project is technically and commercially feasible;
- the Group intends to and has sufficient resources to complete the project; and
- the Group has the ability to use or sell the services and product developed.

The cost of acquiring software (including associated implementation costs where applicable) that is not specific to an item of property, plant and equipment is classified as an intangible asset.

Other intangible assets that are separately acquired by the Group are stated at fair value.

Amortisation of intangible assets is charged on a straight line basis over the estimated useful lives of intangible assets determined on an asset-by-asset basis. The estimated useful lives are as follows:

- Computer software 3–10 years
- Marketing, customer and technology-related assets 3 years
- Development costs 2–5 years

1. Summary of significant accounting policies continued

Property, plant and equipment

The cost of property, plant and equipment is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated on the cost of each property, plant and equipment asset individually on a straight line basis and is designed to write off the costs of the assets less any residual value over their estimated useful lives. The estimated useful lives are:

▸ Plant, equipment and tools	3–15 years
▸ Motor vehicles	4 years
▸ Fixtures and fittings	8–16 years
▸ Leasehold improvements	Term of the lease

Reviews are made periodically of the estimated remaining lives of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear. The carrying value is reviewed for impairment in the period if events or changes in circumstances indicate the carrying value may not be recoverable.

Impairment of tangible and intangible assets

The carrying amount of the Group's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount with the impairment loss recognised as an operating expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all direct expenditure and, where appropriate, production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow-moving and defective stocks. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs to completion.

Employee benefits

Pensions to employees are provided through defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions to an independent entity. The Group has no legal obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

Share-based employee remuneration

The Group's management awards certain employee incentives from time to time on a discretionary basis and through its Company Enterprise Management Incentive Plan (EMI) and Long Term Incentive Plan (LTIP). In March 2022, the Board approved a tax-advantaged Company Share Option Plan (CSOP) as a schedule of the EMI Plan. Under the CSOP, the Company may grant share options to employees over shares with a value up to a limit of £60,000 per employee as part of the Company's reward and retention policy.

In accordance with IFRS 2 "Share-based Payments", the Group reflects the economic cost of awarding shares and share options to employees by recording an expense in the statement of comprehensive income equal to the fair value of the benefit awarded, fair value being estimated using the Black-Scholes option pricing model or the Monte Carlo method, as appropriate. The expense is recognised in the statement of comprehensive income over the vesting period of the award. Equity-settled share-based payments to employees, and others providing similar services, are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 20.

Leases

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
year ended 31 January 2023

1. Summary of significant accounting policies continued

Leases continued

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

In addition, the Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate; or
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfer's ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group does not have any leases that transfer ownership of the underlying asset. The Group does not have any leases with a purchase option where there is a reasonable expectation that the option will be exercised. The right-of-use assets are presented within the same line item as that within which the corresponding underlying assets would be presented if they were owned – for the Group this is property, plant and equipment.

For short-term leases (lease term of twelve months or less) and leases of low value assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight line basis as permitted by IFRS 16.

Financial liabilities/assets

The Group's financial liabilities are trade and other payables and finance leasing liabilities. They are included in the balance sheet line items "trade and other payables".

All interest-related charges are recognised as an expense in "finance costs" in the statement of comprehensive income.

Trade payables are stated at their amortised cost.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides goods directly to a debtor. Receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the statement of comprehensive income.

Provision against trade receivables represents the expected lifetime credit losses for all trade receivables. The expected lifetime credit loss reflects assumptions on the ageing of overdue debts that may become unrecoverable, based upon historical observed default rates, adjusted for current economic environment.

Equity instruments

Share capital is determined using the nominal value of shares that have been issued. Equity-settled share-based employee remuneration is credited to other reserves until the related equity instruments are realised by the employee.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts, and include cash at bank and in hand and bank deposits available at less than 24 hours' notice. Bank overdrafts and invoice discounting advances are presented as current liabilities to the extent that there is no right of offset with cash balances. The carrying value of these assets is approximately equal to their fair value.

Accounting for taxes

Current tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

Where an item of income or expense is recognised in the statement of comprehensive income, any related tax generated is recognised as a component of tax expense in the statement of comprehensive income. Where an item is recognised directly to equity and presented within the statement of comprehensive income, any related tax generated is treated similarly.

1. Summary of significant accounting policies continued

Deferred taxation

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred taxation liabilities are generally recognised on all taxable temporary differences. Deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. The carrying value of deferred taxation assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available against which taxable temporary differences can be utilised. Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Revenue recognition

The Group sells subscription services for workflow software and IoT sensors. In respect of discontinued operations revenue arises from installation and maintenance of building energy management systems and the manufacture and sale of engineered and ophthalmic products. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

To determine whether to recognise revenue, the Group follows a five-step process:

1. identifying the contract with a customer;
2. identifying the performance obligations;
3. determining the transaction price;
4. allocating the transaction price to the performance obligations; and
5. recognising revenue when/as performance obligation(s) are satisfied.

Subscription services

The Group recognises revenue depending on the substance and legal form of the contracts with its customers. Revenue is recognised once a legally binding contract between the Group and its customers has been established and the delivery of the service including support and maintenance has commenced. Service delivery is triggered once the customer has been provided access to the software. The Group has assessed that the provision of these goods and services represent a single combined performance obligation over which control is considered to transfer over time as the respective elements are considered as being intertwined and therefore inseparable due to their value together.

Revenues are recognised monthly as the Group has an enforceable right to payment for contracted services provided.

The Group recognises liabilities for consideration received in respect of unsatisfied performance obligations under the service contracts and reports these amounts as part of other creditors.

Consultancy and other services

Consultancy or training service revenues are recognised at the point when the service has been delivered and are considered as separate performance obligations.

A receivable is recognised when the performance obligations are satisfied, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Projects, installations and maintenance (discontinued operations)

Revenue arising on contracts where the customer has control over the project, and for which the Group has a right to payments for work performed, is recognised over time. Revenue and costs are recognised over time with reference to the stage of completion of the contract activity at the balance sheet date where the outcome of a contract can be estimated reliably. This is normally measured by surveys of work performed to date. Variations in contract work, claims and incentive payments are included to the extent that it is probable that they will result in revenue and they are capable of being reliably measured. When goods to be installed are delivered to site at the start of contract, revenue is recognised but no profit is recognised at that point in time for these goods. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Maintenance revenue is recognised evenly over the period the maintenance support is contracted to cover.

Sale of engineered and ophthalmic products (discontinued operations)

Revenue from the sales of these products for a fixed price is recognised when the Group transfers control of the assets to the customer. Invoices for goods fall due for settlement upon dispatch to the customer, the customer has full discretion over the use of the components and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Transfer of control does not occur until the risks of obsolescence and loss have been transferred, and either the products have been accepted in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
year ended 31 January 2023

1. Summary of significant accounting policies continued

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in Sterling, which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation.

Financial risk management

In the course of its business, the Group is mainly exposed to liquidity risk and credit risk. Financial risk management is an integral part of the way the Group is managed. Financial risk management policies are set by the Board. Further details are included in the Report of the Directors.

The Group does not hold or use derivative financial instruments.

(i) Liquidity risk

Liquidity risk represents the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages this risk by maintaining adequate levels of cash resources.

(ii) Credit risk

Credit risk arises because a counterparty may fail to perform its obligations. The Group is exposed to credit risk on financial assets such as cash balances, trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts recognised in the balance sheet are net of appropriate allowances for doubtful receivables, estimated by the Group's management based on prior experience and its assessment of the current economic environment. Trade receivables are subject to credit limits and control and approval procedures in the operating companies. Due to its large geographic base, number of customers and mixed billing frequencies, the Group is not exposed to material concentrations of credit risk on its trade receivables.

Credit risk associated with cash balances is managed by transacting with financial institutions with high-quality credit ratings. Accordingly, the Group's associated credit risk is limited. The Group has no significant concentration of credit risk.

The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Group balance sheet.

Capital management

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Details of share-based payments are disclosed in Note 20.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

From time to time the Group purchases its own shares in the market; the timing of these purchases depends on market prices. Buy and sell decisions are made on a specific transaction basis by the Board.

There were no changes to the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

1. Summary of significant accounting policies continued

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate line of business or geographical area of operation that has been disposed of, has been abandoned or meets the criteria to be classified as held for sale.

Discontinued operations are presented on the statement of comprehensive income as a separate line and are shown net of tax.

Restatement of prior year

During the year the Group discontinued its activity in Building Energy Management Systems, consequently the results from this revenue stream are included as discontinued operations.

The prior year consolidated statement of comprehensive income and related notes have been restated to show continuing activities, allowing for suitable comparison between periods. The overall operating loss for the year for the Group remains unchanged.

Quantitative impact of restatement on financial results.

Year ended 31 January 2022	As originally reported £m	Discontinued operations (Note 26) £m	As restated £m
Consolidated statement of comprehensive income			
Revenue	13.3	4.9	8.4
Cost of sales	(7.1)	(3.3)	(3.8)
Gross profit	6.2	1.6	4.6
Operating expenses	(10.4)	(0.2)	(10.2)
Adjusted LBITDA	(4.2)	1.4	(5.6)
Depreciation and amortisation	(0.5)	—	(0.5)
Share-based payment charge	—	—	—
Non-recurring or special items	(2.4)	—	(2.4)
Operating loss	(7.1)	1.4	(8.5)

Assets and businesses held for sale

Assets and businesses classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and gains or losses on subsequent re-measurements are included in the income statement. No depreciation is charged on assets and businesses classified as held for sale.

Assets and businesses are classified as held for sale if their carrying amount will be recovered or settled principally through a sale transaction rather than through continuing use. The asset or business must be available for immediate sale and the sale must be highly probable within one year.

Non-GAAP measures

These financial statements contain references to earnings before depreciation and amortisation, share-based payment and non-recurring or special items. These financial measures do not have any standardised meaning prescribed by IFRS and are therefore referred to as non-GAAP measures. The non-GAAP measure used by the Company may not be comparable to similar measures used by other companies.

In line with the way the Board and Chief Operating Decision Maker review the business, non-recurring or special items are separately identified. Management has defined and reports such items as restructuring and integration costs, costs associated with acquisitions, amortisation of acquired intangible assets and other non-recurring and non-operating items.

The Board believes that this is a useful supplemental metric as it provides an indication of the results generated by the Company's principal business activities prior to consideration of how the results are impacted by one-time exceptional charges.

Non-recurring items or special items

Non-recurring items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material one-off items of income or expense that have been shown separately due to the significance of their nature or amount and do not reflect the ongoing cost base or revenue generating ability of the Group. In addition, management has defined charges in respect of amortisation of acquired intangibles as a special item requiring separate disclosure, if material.

2. Segmental reporting

Management provides information reported to the Chief Operating Decision Maker (CODM) as a single operating segment for the purpose of assessing performance and allocating resources. The CODM is the Chief Executive Officer.

The Group's main activities are the supply of Connected Workflow Management, automated monitoring and building management, Internet of Things (IoT), and operational insight-based products and services.

Revenue by type of the continuing operations

The following table presents the different revenue streams of Checkit:

	2023 £m	Restated 2022 £m
Recurring revenues from subscription services	**9.6**	6.8
Consultancy & other services	**0.7**	1.6
Total	**10.3**	8.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
year ended 31 January 2023

2. Segmental reporting continued

Geographical information

The Group considers its operations to be in the following geographical regions:

	Revenue from external customers	
	2023 £m	Restated 2022 £m
United Kingdom	**7.7**	6.8
The Americas	**2.6**	1.6
Total	**10.3**	8.4

Information about major customers of the continuing operations

During FY23, the Group had one customer who generated revenues of 16% of total revenue (FY22 restated: 22%).

Revenue expected to be recognised

The Group expects to recognise revenue amounting to £4.1m (2022: £2.3m) in FY24 relating to performance obligations from existing contracts that are unsatisfied or partially satisfied as at 31 January 2023.

3. Net operating expenses

	2023 £m	Restated 2022 £m
Net operating expenses		
Selling and distribution costs	**3.0**	2.6
Administrative expenses	**9.9**	7.6
Total operating expenses	**12.9**	10.2

Non-recurring or special items are disclosed separately to improve visibility of the underlying business performance.

Management has defined such items as restructuring, amortisation of acquired intangibles and other non-recurring items incurred outside the normal course of business.

4. Operating loss – continuing operations

	2023 £m	2022 £m
Operating loss is after charging:		
Product development costs expensed	**2.4**	1.9
Depreciation on owned property, plant and equipment	**0.1**	0.2
Depreciation on right-of-use assets	**0.4**	0.3
Amortisation on development costs	**0.3**	—
Amortisation on computer software	**0.2**	—
Auditor's remuneration:		
– fees payable to the Company's auditor for the audit of the Company's annual accounts	**—**	—
– fees payable to the Company's auditor for the audit of the Company's subsidiaries pursuant to legislation	**0.1**	0.2
Total audit fees for audit services	**0.1**	0.2
Tax services	**—**	—
Total auditor's remuneration	**0.1**	0.2
Non-recurring or special items:		
– restructuring and integration costs	**—**	0.7
– costs incurred in issue of new shares	**—**	0.1
– disposal costs of India operations	**—**	0.2
– impairment of goodwill	**4.3**	—
– amortisation of acquired intangible assets	**0.5**	1.4
Total non-recurring or special items	**4.8**	2.4

Included within auditor's remuneration for audit services in FY23 is a sum for less than £0.1m (2022: less than £0.1m) for the audit of overseas subsidiaries carried out by an auditor other than Cooper Parry Group Limited.

Cooper Parry Group Limited was paid £nil for tax advisory and compliance services (2022: Grant Thornton UK LLP, less than £0.1m).

5. Finance income

Finance income comprised:

	2023 £m	2022 £m
Interest receivable on cash and bank balances, and treasury deposits	**0.1**	—

The Group incurred finance costs in relation to IFRS 16 right-of-use contract liabilities of less than £0.1m (2022: less than £0.1m).

6. Net cash flows from operating activities

	Notes	2023 £m	Restated 2022 £m
(Loss)/profit before taxation			
- from continuing operations		**(12.3)**	(8.5)
- from discontinued operations (before tax)	26	**(0.3)**	1.4
Adjustments for:			
Depreciation	12	**0.5**	0.5
Amortisation	11	**1.0**	1.4
Impairment of intangible assets and goodwill		**4.3**	—
Share-based payments		**0.2**	—
Operating cash flow before working capital changes		**(6.6)**	(5.2)
Increase/(decrease) in trade and other receivables		**(1.7)**	1.6
Increase in inventories		**(0.6)**	(0.6)
Increase/(decrease) in trade and other payables		**2.3**	(0.8)
Operating cash flow after working capital changes		**(6.6)**	(5.0)
Increase in provisions		**0.1**	—
Cash utilised by operations		**(6.5)**	(5.0)
Tax credit received		**0.1**	0.1
Net cash outflow from operating activities		**(6.4)**	(4.9)

7. Staff information (including Directors)

Employee costs were:

		2023			2022		
	Note	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
Wages and salaries		**10.1**	**0.3**	**10.4**	8.7	1.4	10.1
Social security costs		**1.1**	**—**	**1.1**	0.9	0.2	1.1
Other pension costs	23	**0.4**	**—**	**0.4**	0.3	—	0.3
		11.6	**0.3**	**11.9**	9.9	1.6	11.5

Redundancy costs of less than £0.1m (2022: less than £0.1m) were incurred in the year within operating costs. Employee costs of the discontinued businesses are included within the discontinued result for the year.

The average monthly number of people employed by the Group during the year, including Executive Directors, was as follows:

	2023			2022		
	Continuing Number	Discontinued Number	Total Number	Continuing Number	Discontinued Number	Total Number
Administration and sales	**97**	**—**	**97**	98	15	113
Development	**44**	**—**	**44**	33	—	33
Field service	**22**	**4**	**26**	26	11	37
	163	**4**	**167**	157	26	183

Details of Directors' remuneration are included in the Remuneration report on pages 39 to 43. Employee costs of the discontinued businesses are included within the discontinued result for the year.

8. Taxation

(a) Analysis of tax (credit)/charge for the year – continuing operations

	2023 £m	2022 £m
Current taxation:		
UK corporation tax charge on loss for the year	**(0.1)**	—
Adjustment in respect of prior periods	**(0.1)**	—
Total current taxation	**(0.2)**	—
Deferred tax:		
On separately identifiable acquired intangibles (as a result of amortisation)	**(0.1)**	(0.3)
Total deferred taxation	**(0.1)**	(0.3)
Tax charge on continuing operations	**(0.3)**	(0.3)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
year ended 31 January 2023

8. Taxation continued

(b) Analysis of tax charge for the year – discontinued operations

	2023 £m	2022 £m
Current taxation:		
UK corporation tax charge on profit for the year	—	—
Overseas corporation tax charge on profit for the year	—	—
Overprovision for prior year – UK	—	—
Total current taxation	—	—
Deferred tax:		
Origination and reversal of temporary differences	—	—
Under provision in respect of prior years	—	—
Total deferred taxation	—	—
Tax charge on discontinued operations	—	—

(c) Factors affecting taxation charge for the year – continuing operations

The effective tax rate for the year was 19%.

	2023		2022	
	Tax rate	£m	Tax rate	£m
Loss on ordinary activities before taxation		(12.0)		(7.1)
Loss on ordinary activities multiplied by weighted average standard rate of corporation tax in the UK of 19%	19.0%	(2.3)	19.0%	(1.3)
Effects of:				
Expenses not deductible for tax purposes	(7.5%)	0.9	(1.3)%	0.1
Prior year adjustments	1.0%	(0.1)	—	—
Temporary differences not recognised	(1.6)%	0.2	(2.1)%	0.1
Tax losses not recognised	(9.2)%	1.1	(11.3)%	0.8
R&D tax credit	1.0%	(0.1)	—	—
Surrender of losses to discontinued operations	0%	—	0%	—
	(2.5)%	(0.3)	(4.3)%	(0.3)

(d) Factors affecting taxation charge for the year – discontinued operations

	2023		2022	
	Tax rate	£m	Tax rate	£m
Loss on ordinary activities before taxation		(0.3)		—
Loss on ordinary activities multiplied by weighted average standard rate of corporation tax in the UK of 19%	19.0%	(0.1)	—	—
Effects of:				
Profit not subject to tax	—	—	—	—
Temporary differences not recognised	19.0%	0.1	—	—
Surrender of losses from continuing operations	—	—	—	—
Prior year adjustments	—	—	—	—
	—	—	—	—

(e) Factors that may affect future taxation charges

Deferred taxation assets amounting to £6.5m (2022: £4.1m) have not been provided in respect of unutilised income tax losses of £25.8m (2022: £22.0m) that can only be carried forward against future taxable income of that same trade as there is currently insufficient evidence that these assets will be recovered.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were substantively enacted at the balance sheet date and hence, any deferred tax balances have been calculated as at 25%.

9. Dividends paid

No interim or final dividend was paid for the year ended 31 January 2023 (2022: £nil).

10. Earnings per share

Earnings per share (EPS) is the amount of post-tax profit attributable to each share (excluding those held by the Company). Basic EPS measures are calculated as the Group profit for the year attributable to equity shareholders divided by the weighted average number of shares in issue during the year. Diluted EPS takes into account the dilutive effect of all outstanding share options priced below the market price, in arriving at the number of shares used in its calculation.

Both of these measures are also presented on an adjusted basis, to remove the effects of non-recurring or special items, being items of both income and expense which are sufficiently large, volatile or one-off in nature, to assist the reader of the financial statements to get a better understanding of the underlying performance of the Group. The note below demonstrates how this calculation has been performed.

	Key	2023 m	Restated 2022 m
Weighted average number of shares for the purpose of basic earnings per share	A	**108.0**	68.1
Dilutive effect of employee share options[1]		**—**	—
Weighted average number of shares for the purpose of diluted earnings per share	B	**108.0**	68.1

	Key	£m	£m
Loss for the year	F	**(12.3)**	(6.8)
Loss/(profit) from discontinued operations, net of tax	E	**0.3**	(1.4)
Continuing loss for the year attributable to equity shareholders	C	**(12.0)**	(8.2)
Total non-recurring or special items net of tax		**4.5**	2.1
Loss for adjusted EPS	D	**(7.5)**	(6.1)

	Key	2023	Restated 2022
EPS measures			
Basic and diluted[1] continuing EPS	C/A	**(11.2)p**	(12.0)p
Adjusted EPS measures			
Adjusted basic and diluted[1] continuing EPS	D/A	**(6.9)p**	(9.0)p

The adjusted EPS information is considered to provide a fairer representation of the Group's trading performance.

Discontinued earnings per share

	Key	2023	Restated 2022
EPS measures			
Basic EPS	E/A	**(0.3)p**	2.1p
Diluted EPS[1]	E/B	**(0.3)p**	2.1p

Total earnings per share for the year attributable to equity shareholders

	Key	2023	2022
EPS measures			
Basic EPS	F/A	**(11.5)p**	(10.0)p
Diluted EPS[1]	F/B	**(11.5)p**	(10.0)p

1 In the current and prior year, the dilutive impact of employee share options is ignored since there is no dilutive impact on continuing operations EPS measures given the continuing loss for the year.

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year ended 31 January 2023

11. Intangible assets

	Development costs £m	Computer software £m	Acquired intangible assets £m	Goodwill £m	Total £m
Cost					
At 1 February 2021	6.5	0.1	4.0	4.3	14.9
Additions	1.5	0.7	—	—	2.2
Businesses acquired	—	—	0.3	0.2	0.5
Disposals	—	—	—	—	—
At 31 January 2022	8.0	0.8	4.3	4.5	17.6
Additions	1.8	0.2	—	—	2.0
Disposals	—	—	—	—	—
At 31 January 2023	**9.8**	**1.0**	**4.3**	**4.5**	**19.6**
Amortisation					
At 1 February 2021	6.5	0.1	2.3	—	8.9
Charge for the year	—	—	1.4	—	1.4
Disposals	—	—	—	—	—
At 31 January 2022	6.5	0.1	3.7	—	10.3
Charge for the year	0.3	0.2	0.5	—	1.0
Impairment	—	—	—	4.3	4.3
Disposals	—	—	—	—	—
At 31 January 2023	**6.8**	**0.3**	**4.2**	**4.3**	**15.6**
Carrying amount					
At 1 February 2021	—	—	1.7	4.3	6.0
At 31 January 2022	1.5	0.7	0.6	4.5	7.3
At 31 January 2023	**3.0**	**0.7**	**0.1**	**0.2**	**4.0**

Acquired intangible assets are made up of the separately identified intangibles acquired with the purchase of Next Control Systems in May 2019 and those acquired with the purchase of Checkit LLC in February 2021.

Impairment testing for goodwill

The Group identifies cash-generating units (CGUs) at the operating company level, as this represents the lowest level at which cash inflows are largely independent of other cash inflows. Goodwill acquired in a business combination is allocated, at acquisition, to the Groups of CGUs that are expected to benefit from that business combination.

Goodwill at 31 January 2021 all relates to the acquisition of Checkit UK Limited in May 2019. Goodwill at 31 January 2022 includes the acquisition of Checkit LLC in February 2021.

Goodwill values have been tested for impairment by comparing them against the "value in use" in perpetuity of the relevant CGU Group. The value in use calculations were based on projected cash flows, derived from the latest forecasts prepared by management and budgets approved by the Board, discounted at CGU specific, risk adjusted, discount rates to calculate their net present value.

Key assumptions used in "value in use" calculations

The calculation of "value in use" is most sensitive to the CGU specific operating and growth assumptions, that are reflected in management forecasts for the five years to January 2028. CGU specific operating assumptions are applicable to the forecasted cash flows and relate to revenue forecasts and forecast operating margins in each of the operating companies and are based on the strategic plans for the Group. Long-term growth rates are capped at 1%.

The revenue growth rates used in the cash flow forecast are based on management's expectations of the future opportunities for the Checkit platform and the ability to upsell to existing customers on a global basis, including the planned US expansion. The forecasts include the costs associated with delivering the Checkit platforms, which are directly linked to the forecast sales growth.

Discount rates are based on estimations of the assumptions that market participants operating in similar sectors would make, using the Group's economic profile as a starting point and adjusting appropriately. Sensitivity to the discount rate has been applied to evaluate impairment testing using discount rates ranging from 10% to 20%.

Following the decision to close the BEMS business unit, management has assessed that the carrying value of the goodwill associated with the acquisition of Checkit UK should be fully impaired.

The carrying value in relation to the acquisition of Checkit LLC has not identified any impairment.

12. Property, plant and equipment

	Property £m	Plant and machinery £m	Equipment, fixtures, fittings and vehicles £m	Total £m
Cost				
At 1 February 2021	1.2	0.3	1.5	3.0
Additions	0.6	—	0.1	0.7
Disposals	(0.9)	(0.1)	(0.7)	(1.7)
At 31 January 2022	0.9	0.2	0.9	2.0
Additions	0.2	0.1	0.1	0.4
Disposals	—	—	—	—
At 31 January 2023	**1.1**	**0.3**	**1.0**	**2.4**
Depreciation				
At 1 February 2021	1.0	0.2	1.0	2.2
Charge for the year	0.2	—	0.3	0.5
Disposals	(0.9)	(0.1)	(0.7)	(1.7)
At 31 January 2022	0.3	0.1	0.6	1.0
Charge for the year	0.3	0.1	0.1	0.5
Disposals	—	—	—	—
At 31 January 2023	**0.6**	**0.2**	**0.7**	**1.5**
Net book value				
At 31 January 2022	0.6	0.1	0.3	1.0
At 31 January 2023.	**0.5**	**0.1**	**0.3**	**0.9**

The net book value of tangible fixed assets held as right of use assets was £0.6m (2022: £0.8m) (see Note 22).

13. Investment in subsidiary undertakings

The subsidiary undertakings at 31 January 2023 were:

Name	Registered office	Country of incorporation	Nature of business	Shares held by parent	Shares held by Group
Checkit Europe Limited	Broers Building, JJ Thomson Avenue, Cambridge, UK	England and Wales	Web-based service for work management and automated monitoring	100%	100%
Checkit UK Limited	Broers Building, JJ Thomson Avenue, Cambridge, UK	England and Wales	Building energy management and automated monitoring systems	100%	100%
Checkit LLC	485 Mariner Blvd, Spring Hill, Florida 34609, USA	USA	Web-based service for work management and automated monitoring	100%*	100%
Checkit Inc	11849 Telegraph Road, Santa Fe Springs, California 90670, USA	USA	Holding Company	100%	100%
Elektron Eye Technology Ltd	Broers Building, JJ Thomson Avenue, Cambridge, UK	England and Wales	Design, manufacture and sale of ophthalmic products	100%	100%
Hartest Precision Instruments Limited	Broers Building, JJ Thomson Avenue, Cambridge, UK	England and Wales	Dormant company	100%	100%
Hartest Precision Instruments India Private Limited	304, Plot No.7, Mahajan Tower LSC, Shreshtha, Vihar, Delhi-110092	India	Dormant company	100%	100%

* Includes holdings held indirectly through Checkit Inc.

All subsidiary undertakings are operated primarily in the country of incorporation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
year ended 31 January 2023

14. Deferred tax

	Deferred tax asset		Deferred tax liability	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Deferred tax	**—**	—	**—**	0.1

The gross movement on the deferred tax is as follows:

	Notes	**2023 £m**	2022 £m
Deferred tax asset/(liability) at 1 February		**(0.1)**	(0.3)
Businesses sold		**—**	—
Businesses acquired including on separately identifiable acquired intangibles		**—**	(0.1)
Deferred tax on amortisation of separately identifiable acquired intangibles	8	**0.1**	0.3
Origination and reversal of other temporary differences		**—**	—
Deferred tax asset/(liability) at 31 January		**—**	(0.1)
Analysed as follows:			
Depreciation in excess of capital allowances		**—**	(0.3)
Deferred tax on capitalised development costs		**—**	—
Separately identifiable acquired intangibles		**—**	(0.1)
Other short-term temporary differences		**—**	—
Taxation losses		**—**	0.3
		—	(0.1)

Deferred taxation assets have only been recognised for subsidiaries with a past history of profitable trends where there is persuasive and reliable evidence in the form of management accounts and financial projections that taxable profits are anticipated to arise in the foreseeable future. Deferred taxation assets have not been provided in respect of unutilised income tax losses that can be carried forward against future taxable income as there is currently uncertainty over their offset against future taxable profits and therefore their recoverability.

No deferred tax liabilities have been provided in respect of the unremitted earnings of the overseas subsidiaries. The amount of such unremitted earnings is estimated to be a retained profit of less than £0.1m (2022: less than £0.1m).

15. Inventories

	2023 £m	2022 £m
Raw materials	**—**	0.3
Finished goods and goods for resale	**2.4**	1.5
	2.4	1.8

In the ordinary course of business, the Group makes provision for slow-moving, excess and obsolete inventory as appropriate. Inventory is stated after charging impairments of £0.4m in the year (2022: £0.3m), which are included within operating profit.

The amount of inventory recognised as an expense within the cost of sales for continuing operations amounted to £1.6m (2022: £2.7m).

16. Trade and other receivables

	2023 £m	2022 £m
Gross trade receivables	**3.2**	1.5
Less: expected credit losses	**(0.2)**	(0.1)
Trade receivables – net	**3.0**	1.4
Other receivables	**1.0**	1.2
Prepayments	**0.5**	0.4
	4.5	3.0

The fair values of trade and other receivables are considered to be as stated above.

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables, as these do not have a significant financing component. The expected lifetime credit losses reflect assumptions on the ageing of the overdue debts that may become unrecoverable, equivalent to a total Group rate of 4.0% (2022: 2.0%). The provision is based upon historical observed default rates over the expected life of trade receivables, adjusted for an assessment of the current economic environment.

Trade receivables are normally due within 30 to 90 days and do not bear any effective interest rate. Failure to receive payment within 180 days of payment due date is considered indication of no reasonable expectation of recovery. One customer makes up 16% of Group annualised revenues (FY22: 29%) but based on the Group's assessment of its credit rating the risk of failure is considered low.

Trade receivable days are 108 days (2022: 40 days normalised). Trade debtors include significant sales invoices for subscriptions due annually in advance, sales which are consequently included in deferred income on the balance sheet and are not recognised revenue. Excluding January 2023 invoicing, trade receivable days are 32 days.

16. Trade and other receivables continued

Ageing of balances with expected credit losses is as follows:

	Expected credit loss	
	2023 £m	2022 £m
Not past due	**—**	—
Between one month and two months past due	**—**	—
Over two months past due	**0.2**	0.1
	0.2	0.1

Movements on the provision for impairment of trade receivables are as follows:

	Expected credit loss	
	2023 £m	2022 £m
At 1 February 2022	**0.1**	0.1
Increase in provision	**0.1**	—
At 31 January 2023	**0.2**	0.1

The gross carrying amounts of trade and other receivables are denominated in the following currencies:

	2023 £m	2022 £m
Sterling	**4.1**	3.0
US Dollar	**0.6**	0.1
Euro	**—**	—
Other	**—**	—
	4.7	3.1

17. Trade and other payables

	2023 £m	2022 £m
Trade payables	**1.1**	0.9
Other payables	**0.5**	0.4
Accruals	**1.8**	1.6
Deferred service and subscription income	**4.1**	2.3
	7.5	5.2

Management considers the carrying amounts of trade and other payables recognised in the balance sheet to be a reasonable approximation of their fair value.

Trade payable days are 41 days (2022: 45 days).

Service and subscription income contracts vary from 12–48 months in length, however, customers are only required to pay in advance for each successive 12–month period.

The amounts recognised as a contract liability will generally be utilised within the next reporting period.

18. Borrowings

The Group has no borrowings or facilities as at 31 January 2023.

19. Provisions

	2023 £m	2022 £m
Current	**—**	—
Non-current	**0.4**	0.3
	0.4	0.3

	Dilapidation costs £m	Total £m
At 1 February 2022	0.3	0.3
Utilised	—	—
Increase in provision	0.1	0.1
At 31 January 2023	**0.4**	**0.4**
Anticipated utilisation		
Within one year	—	—
Beyond one year	0.4	0.4

The dilapidation costs relate to redecoration, maintenance and reinstatement costs required to meet the terms of property leases held by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
year ended 31 January 2023

20. Share capital and reserves

Share capital

	2023 £m	2022 £m
Authorised		
200,000,000 (2022: 200,000,000) ordinary shares of 5 pence each	**10.0**	10.0
Allotted, called up and fully paid		
108,008,562 (2022:108,008,562) ordinary shares of 5 pence each	**5.4**	5.4

During the prior year, on 17 December 2021, the Company completed a placing of 45,561,020 ordinary shares to raise gross proceeds of approximately £21.0m (£20.0m net of expenses) at a price of 46 pence per share.

Share options

			Number of options	
Year of grant	Exercise period	Option price	2023 '000	2022 '000
FY21	2023–2030	40.50p	**905**	1,315
FY22	2024–2031	56.03p	**1,983**	2,533
FY23	2025–2032	30.29p	**4,786**	—

The weighted average exercise price of all options in 2023 was 39.0 pence (2022: 50.7 pence).

Movement in share options during the year:

	2023		2022	
	No. of shares '000	Weighted average	No. of shares '000	Weighted average
Outstanding at beginning of the year	**3,848**	**50.7p**	2,625	40.5p
Granted during the year	**4,898**	**31.8p**	3,153	56.0p
Exercised during the year	**—**	**—**	—	—
Forfeited during the year	**(1,015)**	**44.3p**	(1,930)	(45.3)p
Outstanding at the year end	**7,731**	**39.0p**	3,848	50.7p
Exercisable at the end of the period	**—**	**—**	—	—

During the year 4,898,000 (2022: 3,153,000) share options were granted to the following schemes:

- 1,425,000 to the Company Share Option Plan (CSOP) scheme launched March 2022;
- 1,393,000 to the existing EMI scheme launched in 2020;
- 2,000,000 unapproved share options granted to the Chief Executive Officer, under a Long Term Incentive Plan (LTIP); and
- 80,000 unapproved share options to the USA Subplan.
- No share options were eligible to be exercised during the year.

As at 31 January 2023 7,731,000 (2022: 3,848,000) share options remain outstanding as follows:

- 1,368,000 (2022: nil) shares in a CSOP;
- 3,703,000 (2022: 3,263,000) shares in an EMI Plan;
- 2,000,000 (2022: nil) shares under a LTIP; and
- 660,000 (2022: 585,000) shares in a USA Subplan.
- For further details see page 41 of the Remuneration Report.

Valuation of share awards

Share-based payments, including awards under the EMI, CSOP and LTIP, are valued using an independent probability valuation model and take account of performance criteria (if any).

The Group recognised a charge of £0.2m in the year (2022: less than £0.1m).

Reserves

The nature of the reserves shown in the consolidated balance sheet and consolidated statement of changes in equity is as follows:

Share premium

Amount subscribed for share capital in excess of nominal value.

Capital redemption reserve

The cumulative nominal value of own shares acquired by the Company.

Translation reserve

Gains and losses arising on retranslating the net assets of overseas operations into Sterling of less than £0.1m (2022: less than £0.1m).

Other reserves

A reserve arising from the application of IFRS 2 "Share-based Payments".

20. Share capital and reserves *continued*

Reserves continued

Retained earnings

Cumulative gains and losses recognised in the consolidated statement of comprehensive income not included above.

21. Capital commitments

Expenditure sanctioned but not contracted for amounted to £nil (2022: £nil), and expenditure contracted but not provided for in the financial statements amounted to £nil (2022: £nil).

22. Leases

The right-of-use assets recognised and the movement during the year is as follows:

	Property £m	Motor vehicles and equipment £m	Total £m
Cost			
At 1 February 2021	1.2	0.5	1.7
Additions	0.6	0.1	0.7
Disposals	(0.9)	(0.1)	(1.0)
At 31 January 2022	0.9	0.5	1.4
Additions	0.2	—	0.2
Disposals	—	—	—
At 31 January 2023	**1.1**	**0.5**	**1.6**
Depreciation			
At 1 February 2021	1.0	0.3	1.3
Charge for the year	0.2	0.1	0.3
Disposals	(0.9)	(0.1)	(1.0)
At 31 January 2022	0.3	0.3	0.6
Charge for the year	0.3	0.1	0.4
Disposals	—	—	—
At 31 January 2023	**0.6**	**0.4**	**1.0**
Net book value			
At 1 February 2022	0.6	0.2	0.8
At 31 January 2023	**0.5**	**0.1**	**0.6**

The movement on the lease liability during the year is summarised as follows:

	£m
As at 1 February 2022	0.8
New leases entered into during the year	0.1
Disposals	—
Payments made during the year	(0.3)
At 31 January 2023	**0.6**
Presented as:	
Lease liability within one year	0.3
Lease liability in more than one year	0.3
At 31 January 2023	**0.6**

The table below summarises the maturity profile of the Group's financial liabilities based upon the contractual undiscounted payments as at 31 January 2023.

	2023 £m
No later than one year	**0.3**
Later than one year and no later than five years	**0.3**
Later than five years	**—**
	0.6

23. Retirement benefit schemes

The Group operates a Group Personal Pension Plan (which is a defined contribution scheme) for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of the trustees.

Contributions to the Group Personal Pension Plan and to other personal pension plans are charged to the statement of comprehensive income as they become payable. The pension cost charge for the year for continuing operations was £0.4m (2022: £0.3m) and outstanding contributions at the year end amounted to less than £0.1m (2022: less than £0.1m).

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year ended 31 January 2023

24. Financial assets and liabilities

(i) Financial instruments

The Group's financial instruments comprise cash and cash equivalents, and various items such as trade receivables and payables that arise directly from its operations. The main purpose of these instruments is to raise finance for operations. The Group has not entered into derivative transactions nor does it trade in financial instruments as a matter of policy. The main risk arising from the Group's financial instruments is liquidity risk. The Board's policy on each is described in Note 1 and is subject to regular monitoring and review, and remains unchanged since 2021. Operations are financed through working capital management and existing cash resources.

Treasury matters are dealt with on a Group basis and are approved by the Board.

(ii) Financial assets

Details of trade and other receivables are provided in Note 16. The only other current financial asset held is cash and cash equivalents. The cash balances as at 31 January 2023 are detailed below:

	2023 £m	2022 £m
US Dollar	**1.4**	0.3
Indian Rupee	**—**	—
Euro accounts	**—**	—
Pound Sterling	**14.2**	23.9
	15.6	24.2

(iii) Financial liabilities

At 31 January 2023 the Group had no borrowings.

(iv) Maturity

All financial liabilities are contractually due within six months.

(v) Fair value of financial assets and liabilities

IFRS 7 "Financial Instruments" requires disclosure of fair value measurements by the level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets (Level 1);
- inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (Level 2); and
- inputs for the asset or liability that are not based on observable market data (Level 3).

There are no applicable financial assets at the end of 31 January 2023 (2022: £nil).

(vi) Committed undrawn borrowing facilities

At the year end the Group had committed undrawn facilities of £nil (2022: £nil).

(vii) Currency risk

The Group's principal functional currency remains Pound Sterling with transactions in Euro and US Dollar.

The Group does not trade in derivatives or make speculative hedges. At 31 January 2023 the Group had no commitments under non-cancellable forward contracts (2022: £nil).

(viii) Categories of financial instruments

Financial assets held at amortised cost	2023 £m	2022 £m
Cash and bank balances	**15.6**	24.2
Trade and other receivables (Note 16)	**5.4**	2.6
	21.0	26.8

Financial liabilities held at amortised cost	2023 £m	2022 £m
Trade and other payables (Note 17)	**1.5**	1.3

25. Related party transactions

(a) Transactions between Group companies, which are related parties, have been eliminated on consolidation and have therefore not been disclosed.

(b) Key management of the Group are the Directors and other members of the Executive Leadership Team of the Group business segments.

Key management personnel remuneration was:

	2023 £m	2022 £m
Short-term employee benefits:		
Salaries including bonuses	**2.0**	1.8
Social security costs	**0.2**	0.2
Company benefits (car, PMI, etc.)	**—**	—
Post-employment benefits:	**2.2**	2.0
Defined contribution pension plans	**0.1**	—
Total remuneration	**2.3**	2.0

Share-based payments to key management amounted to £nil (2022: £nil).

26. Discontinued operations

During the year the Group discontinued its activity in Building Energy Management Systems, consequently the results from this revenue stream are included as discontinued operations.

During the prior year, the Group sold assets relating to its Elektron Eye Technology business. Consequently, the business has continued to be included as discontinued operations.

Total discontinued operations comprise:

	2023 £m	2022 £m
Revenue	**0.6**	5.1
Cost of sales	**(0.7)**	(3.5)
Gross (loss)/profit	**(0.1)**	1.6
Operating expenses	**(0.2)**	(0.2)
(Loss)/profit before tax	**(0.3)**	1.4
Attributable tax	**—**	—
(Loss)/profit from discontinued operations before gain on disposal	**(0.3)**	1.4
Gain on disposal and loss on re-measurement	**—**	—
Attributable tax to gain	**—**	—
(Loss)/profit from discontinued operations attributable to equity shareholders	**(0.3)**	1.4
Foreign currency reserve reclassification	**—**	—
Other comprehensive income from discontinued operations	**(0.3)**	1.4

Building Energy Management Systems

The results of ceasing operations of Building Energy Management Systems, which have been included in the consolidated statement of comprehensive income, were as follows:

	2023 £m	2022 £m
Revenue	**0.6**	4.9
Cost of sales	**(0.7)**	(3.3)
Gross (loss)/profit	**(0.1)**	1.6
Operating expenses	**(0.2)**	(0.2)
(Loss)/profit before tax	**(0.3)**	1.4
Attributable tax	**—**	—
(Loss)/profit from Building Energy Management Systems	**(0.3)**	1.4
Gain on sale and loss on re-measurement to fair value	**—**	—
(Loss)/profit from Building Energy Management Systems discontinued operation attributable to equity shareholders	**(0.3)**	1.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
year ended 31 January 2023

26. Discontinued operations continued

Cash flows from Building Energy Management Systems

	2023 £m	2022 £m
Net cash inflow from operating activities	**(0.3)**	1.4
Net cash inflow/(outflow) from investing activities		
Cash received on sale of assets	—	—
Expenditure on intangible assets	—	—
Total net cash inflow/(outflow) from investing activities	—	—
Interest payable	—	—
Total net cash outflow from financing activities	—	—

Elektron Eye Technology

The results of the Elektron Eye Technology discontinued operation, which have been included in the consolidated statement of comprehensive income, were as follows:

	2023 £m	2022 £m
Revenue	—	0.2
Cost of sales	—	(0.2)
Gross profit	—	—
Operating expenses	—	—
Profit before tax	—	—
Attributable tax	—	—
Profit from Elektron Eye Technology	—	—
Gain on sale and loss on re-measurement to fair value	—	—
(Loss)/profit from Elektron Eye Technology discontinued operation attributable to equity shareholders	—	—

Cash flows from Elektron Eye Technology

	2023 £m	2022 £m
Net cash inflow from operating activities	—	—
Net cash inflow/(outflow) from investing activities		
Cash received on sale of assets	**0.2**	0.4
Expenditure on intangible assets	—	—
Total net cash inflow/(outflow) from investing activities	**0.2**	0.4
Interest payable	—	—
Total net cash outflow from financing activities	—	—

On 1 July 2020 and 13 January 2021, the Group disposed of assets relating to its Elektron Eye Technology business for a total net proceeds of £0.9m, with £nil (2022: £0.2m) payable as deferred consideration at the end of the year.

27. Businesses acquired – Checkit LLC

In the prior financial year, the Group acquired 100% of the equity of Checkit LLC (formerly Tutela Monitoring Systems LLC), a US-based business. The results for the comparative year ended 31 January 2022 incorporate results from the date of acquisition, being 4 February 2021.

Checkit LLC generated a loss of £0.2m on sales of £1.6m for the period from 4 February 2021 to 31 January 2022. If Checkit LLC had been acquired on 1 February 2021, revenues and profits would have been unchanged for the comparative period.

28. Contingent liabilities

Checkit plc and HMRC have been in correspondence since early 2022 regarding matters of input tax recoverability. The matter remains ongoing and no VAT assessment has been made. The total amount of input tax claimed since VAT registration to 31 January 2023 is £1.2m. Specialist tax advice has been sought throughout the correspondence and management do not consider there to be merit in HMRC's position. Given the uncertainty and materiality of the issue, we do not consider it appropriate at this stage to provide for this and are disclosing as a contingent liability.

29. Non-GAAP performance measures

A reconciliation of non-GAAP performance measures to reported results is set out below:

Profit measures – LBITDA – continuing operations

	2023 £m	2022 £m
LBITDA	**(6.4)**	(5.6)
Depreciation and amortisation	**(1.0)**	(0.5)
Share-based payment charge	**(0.2)**	—
Non-recurring or special items	**(4.8)**	(2.4)
Operating loss for the year	**(12.4)**	(8.5)

PARENT COMPANY BALANCE SHEET

as at 31 January 2023

	Notes	2023 £m	2022 £m
Fixed assets			
Investments in subsidiary undertakings	3	**14.5**	14.5
Intangible assets		**0.5**	0.5
Tangible fixed assets	4	**0.4**	0.4
		15.4	15.4
Current assets			
Debtors	5	**21.9**	5.4
Cash in hand and at bank		**12.4**	22.0
		34.3	27.4
Creditors: amounts falling due within one year	6	**10.8**	(4.4)
Net current assets		**23.5**	23.0
Total assets less current liabilities		**38.9**	38.4
Long-term contract lease liabilities		**(0.2)**	(0.1)
Long-term provisions	7	**(0.3)**	(0.2)
Net assets		**38.4**	38.1
Capital and reserves			
Called up share capital	8	**5.4**	5.4
Share premium		**23.3**	23.3
Capital redemption reserve		**6.4**	6.4
Other reserves		**0.2**	—
Profit and loss account		**3.1**	3.0
Shareholders' funds		**38.4**	38.1

The parent company's profit for the financial year amounted to less than £0.1m (2022: £2.5m profit).

The notes form an integral part of the financial statements.

The financial statements were approved by the Board of Directors on 21 April 2023 and were signed on its behalf by:

Kit Kyte
Chief Executive Officer

Greg Price
Chief Financial and Operations Officer

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

year ended 31 January 2023

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Profit and loss account £m	Total £m
At 1 February 2021	3.1	5.4	6.4	—	0.5	15.4
Profit for the year	—	—	—	—	2.5	2.5
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**2.5**	**2.5**
Issue of new shares	2.3	17.9	—	—	—	20.2
Total transaction with owners	2.3	17.9	—	—	—	20.2
At 31 January 2022	**5.4**	**23.3**	**6.4**	**—**	**3.0**	**38.1**
Profit for the year	—	—	—	—	—	—
Total comprehensive income for the year	**5.4**	**23.3**	**6.4**	**—**	**3.0**	**38.1**
Own shares	—	—	—	0.2	0.1	0.3
Total transaction with owners	**—**	**—**	**—**	**0.2**	**0.1**	**0.3**
At 31 January 2023	**5.4**	**23.3**	**6.4**	**0.2**	**3.1**	**38.4**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
year ended 31 January 2023

1. Accounting policies

Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, the financial statements have therefore been prepared in accordance with Financial Reporting Standard 101 (FRS 101) "Reduced Disclosure Framework" as issued by the Financial Reporting Council.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement and certain related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in Note 1 to the consolidated financial statements except as noted below:

Investments

Investments in subsidiaries and associates are stated at cost less, where appropriate, provisions for impairment.

2. Profit for the financial year

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year amounted to £0.1m (2022: £2.5m profit).

3. Investments in subsidiary undertakings

	2023 £m	2022 £m
At 1 February	**14.5**	9.5
Acquisitions – external	**—**	—
Acquisitions – intra-group	**—**	—
Disposals	**—**	—
Provisions	**—**	5.0
At 31 January	**14.5**	14.5

Investment in subsidiary undertakings are made up as follows:

			Net book value	
	Cost £m	Impairment £m	2023 £m	2022 £m
Checkit Europe Limited	9.0	—	**9.0**	9.0
Checkit UK Limited	10.5	(5.0)	**5.5**	5.5
Elektron Eye Technology Limited	2.6	(2.6)	**—**	—
Checkit Inc	—	—	**—**	—
Hartest Precision Instruments India Private Limited	—	—	**—**	—
Hartest Precision Instruments Limited	—	—	**—**	—
	22.1	(7.6)	**14.5**	14.5

The Group is loss making and this is an indicator for potential impairment of its investments. Management has completed impairment reviews through estimating the recoverable value of these assets and concluded that impairments should remain unchanged as set out above.

4. Tangible fixed assets

	Property – right-of-use asset £m
Cost	
At 1 February 2022	0.8
Additions	0.1
Disposals	—
At 31 January 2023	**0.9**
Depreciation	
At 1 February 2022	0.4
Charge for the year	0.1
Disposals	—
At 31 January 2023	**0.5**
Net book value	
At 1 February 2022	0.4
At 31 January 2023	**0.4**

Amounts owed by subsidiary undertakings are repayable on demand and do not bear interest.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED
year ended 31 January 2023

5. Debtors: amounts falling due within one year

	2023 £m	2022 £m
Amounts owed by subsidiary undertakings	**21.1**	4.8
Other debtors and repayments	**0.8**	0.6
	21.9	5.4

Amounts owed by subsidiary undertakings are repayable on demand and do not bear interest.

6. Creditors: amounts falling due within one year

	2023 £m	2022 £m
Amounts owed to subsidiary undertakings	**9.0**	3.2
Other creditors	**1.6**	0.8
Contract lease liabilities	**0.2**	0.4
	10.8	4.4

Amounts owed to subsidiary undertakings are repayable on demand and do not bear interest.

7. Provisions

	Dilapidation costs £m
At 1 February 2022	0.2
Utilised	—
Increase in provision	0.1
At 31 January 2023	**0.3**
Anticipated utilisation	
Within one year	—
Beyond one year	0.3

8. Share capital and reserves

Details of the share capital and reserves are given in Note 20 of the notes to the consolidated financial statements.

9. Capital expenditure commitments

Expenditure sanctioned but not contracted for amounted to £nil (2022: £nil), and expenditure contracted but not provided for in the financial statements amounted to £nil (2022: £nil).

10. Contingent liabilities

Details of contingent liabilities are given in Note 28 of the notes to the consolidated financial statements.

11. Related party transactions

Related party transactions are the same for the Company as for the Group. Details can be found in Note 25 of the notes to the consolidated financial statements.

WEB PROPERTY AND ADVISERS

Web property

Checkit

www.checkit.net

Advisers

Group General Counsel and Company Secretary

Hugh Wooster

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Barclays Bank plc

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Checkit plc's commitment to environmental issues is reflected in this Annual Report, which has been printed on Symbol Freelife Satin, an FSC® certified material.

This document was printed by L&S using its environmental print technology, which minimises the impact of printing on the environment, with 99% of dry waste diverted from landfill. Both the printer and the paper mill are registered to ISO 14001.

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