checkit

Digital empowerment of the deskless workforce

Half-Year Report 2023

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.

HIGHLIGHTS

- Annual recurring revenue ("ARR"[1]) increased year on year by +24% to £12.6m at period end (H1 FY23: £10.2m), including US ARR, which grew 41% to £3.2m (H1 FY23: £2.3m)
- H1 recurring revenue increased by +22% to £5.4m (H1 FY23: £4.4m)
- Total Group revenue from continuing operations increased +19% to £5.7m (H1 FY23: £4.8m[2])
- Gross profit increased by +30% to £3.9m (H1 FY23: £3.0m) Improved cost of sales efficiency resulted in improved gross margins of 69% (H1 FY23: 63%[2])
- Operating efficiencies resulted in adjusted LBITDA[3] from continuing operations reducing by 47% to £1.9m (H1 FY23: £3.5m[2])
- Cash at 31 July 2023 was £12.8m (31 January 2023: £15.6m)
- The Board is confident of delivering an operating performance ahead of expectations in the current financial year[3]

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.

2 Continuing operations only.

3 Adjusted LBITDA is the loss on operating activities before depreciation and amortisation, share based payment charges and non-recurring or special items. Analysts' Adjusted LBITDA expectations for FY24 range from £3.7m to £3.8m.

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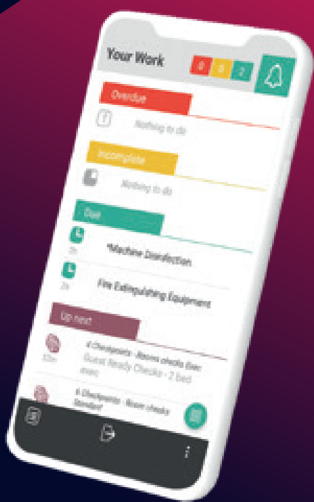

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CHIEF EXECUTIVE OFFICER'S REVIEW
with Kit Kyte

Sustainable growth balanced by a priority for profitability

Kit Kyte
Chief Executive Officer
14 September 2023

"Checkit is on an accelerated track to profitability. We're scaling growth through our land and expand model, while prioritising operational efficiency and cost reduction. Despite the challenges in the wider economy, our diverse customer base and a product suite that is built to deliver operational efficiency uniquely positions us for market capture."

Overview

Amidst a continuing difficult economic environment, Checkit has performed in line with our expectations in the first half of FY24, generating an overall increase in ARR of 24% to £12.6m (FY22: £10.2m). Checkit has continued to deliver against its land and expand strategy with an exclusive focus on higher quality and higher value recurring revenue growth.

Sales bookings have benefitted from a number of small wins with potential for future upsell, supported by a master service agreement signed with Compass Contract Services (U.K) Limited ("Compass") for the provision of CAM and CWM to their end users, primarily in the food services sector. Since signing the MSA with Compass, Checkit has entered into 3 new contracts with Compass and is in discussion over further opportunities.

We have also secured our largest contract renewal, with John Lewis plc, at £6m total contract value over three years. Although the sales cycle has lengthened as a result of customer caution in the current environment, our pipeline remains strong. We continue to develop new customer relationships globally with a focus on large multinational enterprise accounts and look for complementary partnerships to accelerate our expansion.

The inflationary pressures have been successfully navigated to date through the application of price increases and extending the length of customer terms. Checkit will continue to execute against its growth strategy and develop its cutting-edge technology, whilst also applying increased focus on reducing operating costs, preserving cash and accelerating its path to profitability.

The Augmented Worker – a platform to transform enterprise productivity

Checkit works with hundreds of organisations across the globe, ranging from the Global Fortune 500 to single site public health providers. We automate tasks to free up their frontline workers. We help them to do the right thing in the right place at the right time, quickly and accurately. We give their managers insights that pinpoint problems and drive improvements. The result: higher productivity and quality and increased regulatory compliance.

We are on a mission to deliver technology that gets the most out of people, augmenting their capacity to do what people are good at – problem solving, customer service, decision making. We do this by:

- Integrating: connecting users to the real world using IoT sensors. We process 14 billion readings a year, monitoring critical items like blood and millions of pounds worth of food stocks.
- Assisting: prompting users with intuitive workflows and the information they need to do their job, allowing them to collaborate in real-time. Mobile apps prompt when an action is due or when an event detected by a sensor needs action. They provide a library of guidance to be used as needed.
- Managing: providing intelligence to help track compliance and identify high and lowlights of performance across many locations. Advanced data technology provides dashboards and uses artificial intelligence to help optimise the performance of people, assets and processes.

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, customer and patient experience.

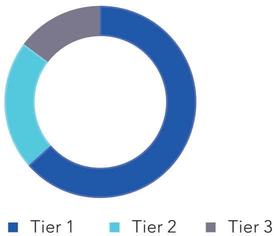
CHIEF EXECUTIVE OFFICER'S REVIEW

Growth strategy and ambitions

We are meeting market demand with an unrivalled end-to-end solution with powerful AI and predictive 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 work management for the deskless industry. We have successfully converted Checkit into a pure-subscription business – with recurring revenues now representing 95% 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 improving our customer value proposition through continued investment in our data platform, which has the ability to integrate third party technology, to create a market leading AI solution. This is reflected in our loyal customer base, with a gross retention rate at 98%. Our sales and marketing strategy is focused around developing a higher quality sales pipeline across our target sectors as well as further expansion into the US. In the meantime, we remain focused on optimising our operating costs to accelerate 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 execute and scale the growth opportunity ahead of us whilst targeting breakeven in FY26.

New business pipeline

The Group's focus is to continue building a high quality pipeline across food retail, healthcare, facilities management, care homes 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 half year between tier one (large enterprise), tier two (enterprise) and tier three (mid-size) targets was 64%, 22% and 15% 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 is expected to become the largest contributor to Group revenues.



Revenue growth

ARR has continued to grow in line with market expectations during H1 FY24, despite the uncertain economic environment, driven by consistent execution of our "land and expand" strategy, as well as high net retention rates.

Checkit's ability to grow with its customers is seen in a net retention rate of 113%* and a gross retention rate of 98%*. Over 50% of H1 FY24 ARR growth resulted from upsell and cross sell within our current customer base, as customers continue to see the productivity and efficiency benefits which the Checkit platform enables, with the balance coming from new customer wins and pricing.

The Group has also continued its strong performance in the US, with 41% growth in ARR to £3.2m (H1 FY23: £2.3m).

ARR growth of 24% resulted in a consequent 22% growth in reported recurring revenue of £5.4m (FY23: £4.4 m). Recurring revenue growth reflects bookings achieved in FY23. A breakdown of H1 FY24 revenue from continued operations is shown below.

	Six months ended		
£m reported	**31 July 2023 Actual £m**	31 July 2022 Actual £m	Change %
ARR	**12.6**	10.2	+24%
Revenue			
Recurring	**5.4**	4.4	+22%
Non-recurring	**0.3**	0.4	(21)%
Total Group	**5.7**	4.8	+19%

* Net retention revenue ("NRR") is defined as the amount of recurring revenue from existing customers retained over the period, excluding new wins in the period. Gross retention revenue ("GRR") is defined as the amount of recurring revenue from existing customers retained over the period, excluding new wins or upsell / expansion in the period.

CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

Operating performance

Checkit's adjusted LBITDA for H1 FY24 of £1.9m reflects a reduction of 47% vs. the prior year (H1 FY23: £3.6m). This reflects both the strong growth in revenue in the period, as well as unit cost efficiencies achieved.

Gross profit increased from £3.0m to £3.9m, with gross margins improving from 63% to 69%, reflecting the increased efficiency in hardware costs and procurement savings in platform costs. Despite the increase in revenue, delivery cost was flat year on year, as the Group was able to support its customers with existing headcount.

Operating expenses in the period decreased by £0.7m to £5.8m, a reduction of 12%. New product development spend totalled £1.8m in H1 FY24 (H1 FY23: £2.0m), of which £0.9m was capitalised (H1 FY23: £0.9m). Savings year on year reflected the initiative to bring all work in-house, ceasing the use of outsourced software development capacity, which resulted in increased productivity.

The Group is reviewing the opportunities presented by outsourcing for other areas of the business and plans to offshore part of its customer support team in H2. This is expected to increase the quality and performance of its service, while delivering operational savings. This builds on the operational efficiencies already delivered from automated call handling and improved systems.

Cash

Cash at 31 July 2023 was £12.8m (£15.6m at 31 January 2022).

In H1 FY24, Checkit has followed a programme of controlled investment, with the intention of achieving further ARR growth alongside an accelerated path to profitability.

Cash outflows reduced significantly in the period, by almost 40% to £2.9m (H1 FY23: £4.7m). This is in spite of an increase in inventory of £1.0m, as the Group ensures its supply chain remains resilient in face of global competition for components.

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 on its path to profitability.

Product

Checkit's products help organisations to do frontline work better, giving workers and managers tools that "augment" their capabilities. We use AI and analytics to guide improvements and identify opportunities, IoT sensors to automate previously manual tasks and apps to support and record workflows. To date, applications have focused on food service operations and ensuring compliance in the storage of medical products and samples. However, our capabilities are applicable across industries. Our collaborative workflow has, for example, recently been adopted by facilities managers in care homes to ensure that high levels of safety are ensured and maintenance is performed efficiently. We are currently investigating applications and developing propositions in further sectors.

We have increased investment in our data platform over the last year and are now applying the resulting capabilities, testing machine learning models to help managers take proactive steps to improve their operational efficiency. The resulting features are expected to set us apart from competitors and to increase the value created for customers. Our R&D team is now working on applying the rapid developments in broader AI technologies, including large language models, to our customers' problems.

As our solutions are sold further afield, it is essential that third parties are able to implement our sensor solutions without direct Checkit involvement. Accordingly, we have invested in simplifying installation procedures and are using Checkit workflow tools to guide and manage installations.

Elsewhere, we have continued to invest in improving our app functionality across iOS and Android, as well as further improving our resilience and performance to support our growth.

Outlook

We continue to execute against our growth strategy, with an exclusive focus on high quality, high value subscription revenues in our target verticals and geographies. The picture for the business remains positive; high net revenue retention rates underpin our land and expand strategy and continued contract momentum. With an accelerated focus on operational efficiency, the Board is confident in delivering an operating performance for FY24 ahead of current market expectations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

unaudited interim results to 31 July 2023

	Unaudited Half year to 31 July 2023 £m	Restated* Unaudited Half year to 31 July 2022 £m	Audited Year to 31 January 2023 £m
Revenue (Note 2)	**5.7**	4.8	10.3
Cost of sales	**(1.8)**	(1.8)	(3.8)
Gross profit	**3.9**	3.0	6.5
Operating expenses	**(5.8)**	(6.5)	(12.9)
Adjusted LBITDA**	**(1.9)**	(3.5)	(6.4)
Depreciation and amortisation	**(0.6)**	(0.4)	(1.0)
Share-based payment charge	**(0.2)**	(0.1)	(0.2)
Non-recurring or special items (Note 3)	**—**	(0.5)	(4.8)
Operating loss	**(2.7)**	(4.5)	(12.4)
Finance income	**0.2**	—	0.1
Loss before taxation	**(2.5)**	(4.5)	(12.3)
Taxation (Note 4)	**0.1**	0.1	0.3
Loss from continuing operations	**(2.4)**	(4.4)	(12.0)
Loss from discontinued operations (Note 5)	**—**	(0.2)	(0.3)
Loss for the period attributable to equity shareholders	**(2.4)**	(4.6)	(12.3)
Other comprehensive expense			
Exchange differences on translation of foreign operations	**—**	—	—
Total other comprehensive income	**—**	—	—
Total comprehensive expense for the period attributable to equity shareholders	**(2.4)**	(4.6)	(12.3)
Loss per share (Note 6)			
Continuing	**(2.3)p**	(4.1)p	(11.2)p
Discontinued	**—**	(0.2)p	(0.3)p

The accompanying notes form an integral part of this consolidated interim financial information.

* See Note 8.

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

CONSOLIDATED BALANCE SHEET
unaudited at 31 July 2023

	Unaudited 31 July 2023 £m	Unaudited 31 July 2022 £m	Audited 31 January 2023 £m
Assets			
Non-current assets			
Goodwill arising on acquisition	**0.2**	4.5	0.2
Capitalised development costs	**3.7**	2.3	3.0
Other intangible assets	**0.6**	0.9	0.8
Property, plant and equipment	**0.8**	1.0	0.9
Total non-current assets	**5.3**	8.7	4.9
Current assets			
Inventories	**3.4**	2.0	2.4
Trade and other receivables	**3.1**	4.1	4.5
Cash and cash equivalents	**12.8**	19.5	15.6
Total current assets	**19.3**	25.6	22.5
Total assets	**24.6**	34.3	27.4
Current liabilities			
Trade and other payables	**7.0**	6.8	7.5
Lease liabilities	**0.2**	0.3	0.3
Total current liabilities	**7.2**	7.1	7.8
Non-current liabilities			
Long-term provisions	**0.4**	0.3	0.4
Lease liabilities	**0.3**	0.4	0.3
Deferred tax	**—**	—	—
Total non-current liabilities	**0.7**	0.7	0.7
Total liabilities	**7.9**	7.8	8.5
Net assets	**16.7**	26.5	18.9
Equity attributable to equity holders of the parent			
Called-up share capital	**5.4**	5.4	5.4
Share premium	**23.3**	23.3	23.3
Capital redemption reserve	**6.4**	6.4	6.4
Other reserves	**0.5**	0.2	0.3
Retained earnings	**(18.9)**	(8.8)	(16.5)
Total equity	**16.7**	26.5	18.9

The accompanying notes form an integral part of this consolidated interim financial information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

unaudited interim results to 31 July 2023

	Share capital £m	Share premium £m	Capital redemption reserve £m	Other reserves £m	Retained earnings £m	Total £m
At 1 February 2022	5.4	23.3	6.4	0.1	(4.2)	31.0
Loss for the period	—	—	—	—	(4.6)	(4.6)
Total comprehensive income/(expense) for the period	—	—	—	—	(4.6)	(4.6)
Share-based payments	—	—	—	0.1	—	0.1
Transaction with owners	—	—	—	0.1	—	0.1
At 31 July 2022	5.4	23.3	6.4	0.2	(8.8)	26.5
Loss for the period	—	—	—	—	(7.7)	(7.7)
Total comprehensive income/(expense) for the period	—	—	—	—	(7.7)	(7.7)
Share-based payments	—	—	—	0.1	—	0.1
Transaction with owners	—	—	—	0.1	—	0.1
At 1 February 2023	5.4	23.3	6.4	0.3	(16.5)	18.9
Loss for the period	—	—	—	—	(2.4)	(2.4)
Total comprehensive income/(expense) for the period	—	—	—	—	(2.4)	(2.4)
Share-based payments	—	—	—	0.2	—	0.2
Transactions with owners	—	—	—	0.2	—	0.2
At 31 July 2023	**5.4**	**23.3**	**6.4**	**0.5**	**(18.9)**	**16.7**

The accompanying notes form an integral part of this consolidated interim financial information.

CONSOLIDATED STATEMENT OF CASH FLOWS

unaudited interim results to 31 July 2023

	Unaudited Half year to 31 July 2023 £m	Unaudited Half year to 31 July 2022 £m	Audited Year to 31 January 2023 £m
Net cash flows from operating activities			
Loss before taxation			
– From continuing operations	**(2.5)**	(4.5)	(12.3)
– From discontinued operations	**—**	(0.2)	(0.3)
Adjustments for:			
Depreciation	**0.2**	0.2	0.5
Amortisation	**0.4**	0.6	1.0
Impairment of intangible assets and goodwill	**—**	—	4.3
Finance income	**(0.2)**	—	—
Share-based payments	**0.2**	0.1	0.2
Operating cash flows before working capital changes	**(1.9)**	(3.8)	(6.6)
Decrease/(increase) in trade and other receivables	**1.4**	(1.2)	(1.7)
Increase in inventories	**(1.0)**	(0.2)	(0.6)
(Decrease)/increase in trade and other payables	**(0.5)**	1.6	2.3
Operating cash flows after working capital changes	**(2.0)**	(3.6)	(6.6)
Increase in provisions	**—**	—	0.1
Cash used in operations	**(2.0)**	(3.6)	(6.5)
Tax credit received	**0.1**	—	0.1
Net cash flows from operating activities	**(1.9)**	(3.6)	(6.4)
Investing activities			
Interest received on bank deposits	**0.2**	—	0.1
Purchase of property, plant and equipment	**(0.1)**	—	(0.2)
Investment in product development projects	**(0.9)**	(0.9)	(1.8)
Investment in other intangibles	**—**	(0.2)	(0.2)
Purchase of business (net of cash acquired)	**—**	—	—
Disposal of businesses (net of cash sold)	**—**	0.2	0.2
Net cash used in investing activities	**(0.8)**	(0.9)	(1.9)
Financing activities			
Issue of own shares	**—**	—	—
Repayment of contract lease liabilities	**(0.1)**	(0.2)	(0.3)
Net cash utilised by financing activities	**(0.1)**	(0.2)	(0.3)
Net decrease in cash and cash equivalents	**(2.8)**	(4.7)	(8.6)
Cash and cash equivalents at the beginning of the period	**15.6**	24.2	24.2
Cash and cash equivalents at the end of the period	**12.8**	19.5	15.6

The accompanying notes form an integral part of this consolidated interim financial information.

NOTES TO THE UNAUDITED INTERIM RESULTS
to 31 July 2023

1. Accounting policies

The unaudited interim Group financial information is for the six months ended 31 July 2023 and does not comprise statutory accounts within the meaning of S.435 of the Companies Act 2006. The unaudited interim Group financial statements have been prepared in accordance with the AIM rules. This report should be read in conjunction with the Group's Annual Report and Accounts for the year ended 31 January 2023, which have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. Fixed annual charges are apportioned to the interim period on the basis of time elapsed. Other expenses unless disclosed otherwise are accrued in accordance with the same principles used in the preparation of the annual accounts.

2. Segmental reporting – continuing operations

Revenues

The following table presents the different revenue streams of Checkit:

	Half year to 31 July 2023 £m	Half year to 31 July 2022 £m	Year to 31 January 2023 £m
Recurring revenues from subscription services	**5.4**	4.4	9.6
Consultancy & other services	**0.3**	0.4	0.7
Total	**5.7**	4.8	10.3

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

Geographic	**Half year to 31 July 2023 £m**	Half year to 31 July 2022 £m	Year to 31 January 2023 £m
United Kingdom	**4.1**	3.7	7.5
Rest of Europe	**0.1**	0.1	0.2
The Americas	**1.5**	1.0	2.6
Total	**5.7**	4.8	10.3

3. Non-recurring or special items

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

Management has defined such items as costs associated with the acquisition or disposal of businesses, restructuring, impairment of goodwill, amortisation of acquired intangible assets and other non-recurring items incurred outside the normal course of business.

	Half year to 31 July 2023 £m	Half year to 31 July 2022 £m	Year to 31 January 2023 £m
Cash items			
Restructuring and integration costs	**—**	—	—
	—	—	—
Non-cash items			
Impairment of goodwill	**—**	—	4.3
Amortisation of acquired intangible assets	**—**	0.5	0.5
	—	0.5	4.8
Total non-recurring or special items	**—**	0.5	4.8

NOTES TO THE UNAUDITED INTERIM RESULTS CONTINUED

to 31 July 2023

4. Taxation

The tax credit on the loss from continuing operations before taxation has been estimated at £0.1m (H1 FY23: £0.1m; FY23: £0.3m). The Group has in excess of £28m of tax losses carried forward.

5. Discontinued operations

During the year ended 31 January 2023, the Group discontinued its activity in Building Energy Management Systems. Consequently, the results from this revenue stream are included as discontinued operations.

	Half year to 31 July 2023 £m	Half year to 31 July 2022 £m	Year to 31 January 2023 £m
Revenues	**—**	0.6	0.6
Expenses	**—**	(0.8)	(0.9)
Profit before tax	**—**	(0.2)	(0.3)
Attributable tax	**—**	—	—
Profit after tax	**—**	(0.2)	(0.3)
Profit from discontinued operation attributable to equity shareholders	**—**	(0.2)	(0.3)
Foreign currency reserve reclassification	**—**	—	—
Other comprehensive income from discontinued operations	**—**	(0.2)	(0.3)

NOTES TO THE UNAUDITED INTERIM RESULTS CONTINUED
to 31 July 2023

6. Earnings per share

Earnings per share (EPS) are the amounts 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 period attributable to equity shareholders divided by the weighted average number of shares in issue during the period.

Diluted EPS take 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. However, in this case, as set out in IAS 33, the potential ordinary shares cannot be treated as dilutive as their conversion to ordinary shares would decrease loss per share from continuing operations, resulting in basic and diluted measures being the same.

	Key	**31 July 2023 Million**	31 July 2022 Million	31 January 2023 Million
Weighted average number of ordinary shares for the purposes of basic earnings per share	A	**108.0**	108.0	108.0

(Loss)/earnings for the period	Key	**31 July 2023 £m**	31 July 2022 £m	31 January 2023 £m
Loss for the period	B	**(2.4)**	(4.6)	(12.3)
Loss from discontinued operations, net of tax	C	**—**	0.2	0.3
Continuing loss for the period	D	**(2.4)**	(4.4)	(12.0)
Total non-recurring or special items net of tax		**—**	0.4	4.5
Continuing loss adjusted for EPS	E	**(2.4)**	(4.0)	(7.5)

	Key	**31 July 2023**	31 July 2022	31 January 2023
Continuing EPS measures				
Basic and diluted	D/A	**(2.3)p**	(4.1)p	(11.2)p
Adjusted continuing EPS measures				
Basic and diluted	E/A	**(2.3)p**	(3.7)p	(6.9)p
Discontinued EPS measures				
Basic and diluted	(C)/A	**—**	(0.2)p	(0.3)p
Total EPS measures				
Basic and diluted	B/A	**(2.3)p**	(4.3)p	(11.5)p

NOTES TO THE UNAUDITED INTERIM RESULTS CONTINUED

to 31 July 2023

7. Contingent liabilities

Further to the note included in the annual report for the year ended 31 January 2023, Checkit plc and HMRC continue to be in correspondence 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 in July 2019 to August 2022 is £1.2m. The focus of correspondence relates to Checkit plc's intention to make taxable charges of management fees to its subsidiaries at the time. Specialist tax advice has been sought throughout the correspondence and management does 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 continue to disclose it as a contingent liability.

8. Restatement

To align the presentation of discontinued operations in the consolidated statement of comprehensive income as at 31 July 2022 with the treatment in the audited accounts as at 31 January 2023, revenue and cost of sales have been reduced by £0.6m and operating expenses have been reduced by £0.8m, with the overall loss from continuing operations reducing by £0.2m. The overall loss for the period attributable to equity shareholders remains unchanged as a result of this reclassification.

9. Cautionary statement

This interim financial information has been prepared only for the shareholders of Checkit plc as a whole and its sole purpose and use is to assist shareholders to exercise their governance rights. Checkit plc and its Directors and employees are not responsible for any other purpose or use or to any other person in relation to this report.

The report contains indications of likely future developments and other forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries, sectors and business segments in which the Group operates. Key risks and their mitigation have not changed materially in the period from those disclosed on pages 28 to 31 of the annual financial statements for the year ended 31 January 2023.

These and other factors could adversely affect the Group's results, strategy and prospects. Forward-looking statements involve risks, uncertainties and assumptions. They relate to events and/or depend on circumstances in the future which could cause actual results and outcomes to differ materially from those currently anticipated. No obligation is assumed to update any forward-looking statements, whether as a result of new information, future events or otherwise.

10. Other information

The financial information in this statement does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The financial information in respect of the year ended 31 January 2023 has been extracted from the statutory accounts, which have been filed with the Registrar of Companies. The independent auditor's report on those accounts was unqualified and did not contain a statement under Sections 498(2) or 498(3) of the Companies Act 2006.

WEB PROPERTY AND ADVISERS

Keith Daley
Non-executive Chair

Kit Kyte
Chief Executive Officer

Greg Price
Chief Financial Officer

Alex Curran
Non-executive Director

Simon Greenman
Non-executive Director

Hugh Wooster
Group Company Secretary

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