checkit

Intelligent operations management for the deskless workforce

Checkit plc | Annual Report and Accounts 2021

Checkit is defining the future of intelligent operations management, transforming the way deskless work is done.

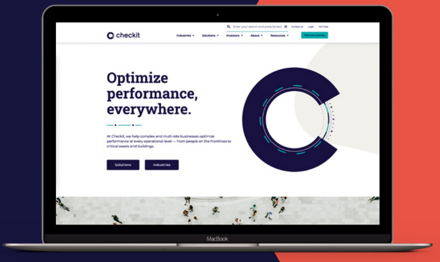
Last year, the world changed forever. Many businesses succumbed, but those that survived and went on to thrive did so by adapting fast. They invented new business models and put their frontline operations at the heart of their transformation.

Successful leaders asked questions like: Could retail stores become online outlets? Could restaurants become takeaways? Could health consultations become virtual meetings? They knew their work couldn't stop, and their customers would still expect the service they'd grown to trust. They recognised normal was over, and thinking differently was the only way forward.

The shock of COVID-19 accelerated digital transformation from decades to months, but there's a huge gap. For years, Silicon Valley and global counterparts have supplied deskbound workers with a torrent of transformative apps for operational productivity, performance and collaboration. But what about deskless workers? There are 2.7bn of them, many at the frontline of profitable growth, and they have all but been forgotten in the app equivalent of the space race.

It's time to bridge that gap.

Spreadsheets and paper-driven processes belong in the past.



www.checkit.net

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Strategic report

Corporate governance

Financial statements

Checkit in numbers

Checkit empowers its customers with powerful insights from sensor networks and frontline activity. During the past year, we have continued to expand the provision of digital capabilities and data.

27k
locations using Checkit technology

47k
workflows are being used by Checkit customers

7m
individual checks are managed within our platform

11bn
data points feed real-time information into the Checkit system

Figures extrapolated from Checkit system, 24 March 2021

Highlights

Corporate

- Despite the COVID-19 headwinds that affected Checkit's customers during 2020, it was possible to grow annual recurring revenue (ARR) significantly through a combination of new customer wins in the UK NHS and the food retail sector, as well as contract renewals with existing customers on enhanced terms.
- The Company embarked on a transformation of its own during FY21, adapting to the conditions of the COVID-19 pandemic and preparing for the opportunity to support new ways of working.
- A refreshed vision and strategy have reinvigorated the Group's transformation and global growth plans, with a new set of Company values that keep people at the heart of a transforming culture.
- A vision to lead the future of intelligent operations and to rapidly grow the business on a global scale brings excitement, together with a need for focus and unity.
- Additionally, the acquisition of Tutela LLC in February 2021 provides a new launchpad for US growth and early signs are encouraging. Checkit appointed Steve Peck, an experienced SaaS executive, previously at Oracle Netsuite, to drive revenue generation in the Americas.
- An encouraging FY21 performance has set the foundations for global growth and gives the Board confidence going into FY22.

Outlook

- The accelerated pace of digital transformation in the market brought on by COVID-19 validates Checkit's core value proposition around harnessing digital and data capabilities for the deskless workforce, positioning Checkit well for the age of agile working.
- The Checkit platform is constantly evolving to provide further functionality and support increased adoption. Areas of development during the year included teamworking, enhanced business intelligence, label printing and internationalisation.
- Plans for increased investment in sales, marketing and product during FY22 will enable Checkit to accelerate its growth programme and make progress towards its vision of being a global leader in this underserved space.

Financial

Total revenue from continuing operations

£13.2m

(+3% compared to prior year)[1]

Annual recurring revenue closed at

£5.7m

(+46% compared to prior year)

Operating loss before non-recurring or special items

£(3.1)m

(2020: loss of £6.5m)[2]

Operating loss

£(5.3)m

(2020: loss of £9.2m)

Cash at year end

£11.5m

(2020: £14.3m)

1 Normalised revenue refers to revenue that would have been included in the Group's financial results had Checkit UK Limited, which was acquired on 14 May 2019, been owned by the Group throughout both periods.

2 Non-recurring or special items include such items as restructuring, acquisition costs, impairments and amortisation of acquired intangibles and other non-recurring items incurred outside the normal course of business.

Our vision

To be the world's leading intelligent operations management platform for the deskless workforce.

The Checkit Connect platform is the central operating system for deskless workforces. By digitally capturing and connecting frontline activities across multiple workplaces, Checkit provides unabated visibility and control of daily operations.

Checkit's digital processes are simple to find, fast to update, and easy to follow. Tracked daily activities combined with Checkit's reporting and dashboards give operations leaders real-time insight allowing them to make informed decisions on how work should be carried out.

The result? Continual improvement in profitable operations, customer experience, employee engagement and consistent service quality.

Over 70% of deskless workers want access to technology to help improve their job. By recognising and embracing this fact, Checkit delivers clear benefits to both leadership teams and frontline workers[1].

1. Guide the execution of daily operations and unlock insight to enable rapid response to change.
2. Provide visibility and control to capitalise on revenue generating opportunities.
3. Ensure full reporting, audit and compliance to avoid the risk of human error and wastage.

We have a diverse customer base, including some of the largest and most complex organisations worldwide. Thanks to Checkit's modular design, many of these customers began with several small projects. In partnership with Checkit these organisations are now looking to scale up their deployment and realise the full potential of enterprise-wide intelligent operations.

Checkit's platform and sensors help enable organisations to achieve intelligent operations by:

- Guiding the execution of daily operations and unlocking insight to enable rapid response to change.
- Providing complete visibility and control of deskless activities, allowing them to capitalise on revenue-generating opportunities.
- Ensuring full reporting, audit and compliance to avoid the risk of human error and wastage.

The Checkit platform provides real-time intelligence on key performance metrics. Live data flows in from multi-site operations tracking task completion rates, safety checks, temperatures, and energy utilisation. Dashboards provide operational insight 24/7 on any device.

The Connect platform is at the core of our intelligent operations – a user-friendly, no-code system that makes process digitisation fast and simple to deploy. Supplemented by plug and play sensors, the Connect platform brings real-time activity – visibility and responsiveness to critical equipment and infrastructure.

1 Source: The State of Technology for the Deskless Workforce 2020 – Emergence Capital.

An underserved category calling out for digital transformation.

Checkit investors benefit from our presence in a fast-growing market calling out for digital transformation, accelerated by COVID-19. Our product vision and go-to-market strategy are designed to capitalise on this increased demand.

A category to be owned

- Large, underserved software category with increasing demand due to COVID-19 and accelerated digital transformation projects.
- Top-down demand for operational efficiency is combining with bottom-up requests for access to better digital tools.
- Our platform and sensors provide a scaling return on investment, starting with single projects and expanding to vast multi-site enterprise operations.
- Intelligent operations management is regarded as an innovation trigger.
- With a global deskless workforce of 2.7bn[1] the addressable market for Intelligent operations is significant.

An intelligent platform and sensors

- Deskless workers deliver huge operational efficiencies if they have access to the right technology and sensors to augment and improve their work.
- The legacy incumbent market has focused more on compliance and audit rather than connecting cross-site processes and driving collaborative process improvement.
- Our combination of intelligent platform and smart sensors allows deskless workers to focus on value-adding activity rather than mundane tasks, directly driving improvement in the organisation.

A no-code approach to change

- Our no-code approach to change means organisations can respond to the demands of the frontline in a fraction of the time compared with paper, spreadsheets and coded solutions.
- As challenges or opportunities arise on the frontline, rapid responses can be quickly communicated, designed and deployed to all sites, ensuring operational efficiency and consistency.
- Process can be captured and stored in libraries to share across sites, further improving onboarding and set-up efficiencies.

Peace of mind subscription model

- Our peace of mind contracts combine continuous professional services and software licensing in a simple subscription pricing and contract model for all recurring customers.
- It is the commercial model for all new business subscribers and a conversion and renewal programme is underway with existing customers.
- The introduction and rollout of peace of mind has revolutionised our revenue structure into a true SaaS subscription model fit for future growth.
- Customers see the benefit of transparency and certainty over future costs.

Trusted by the most prestigious brands

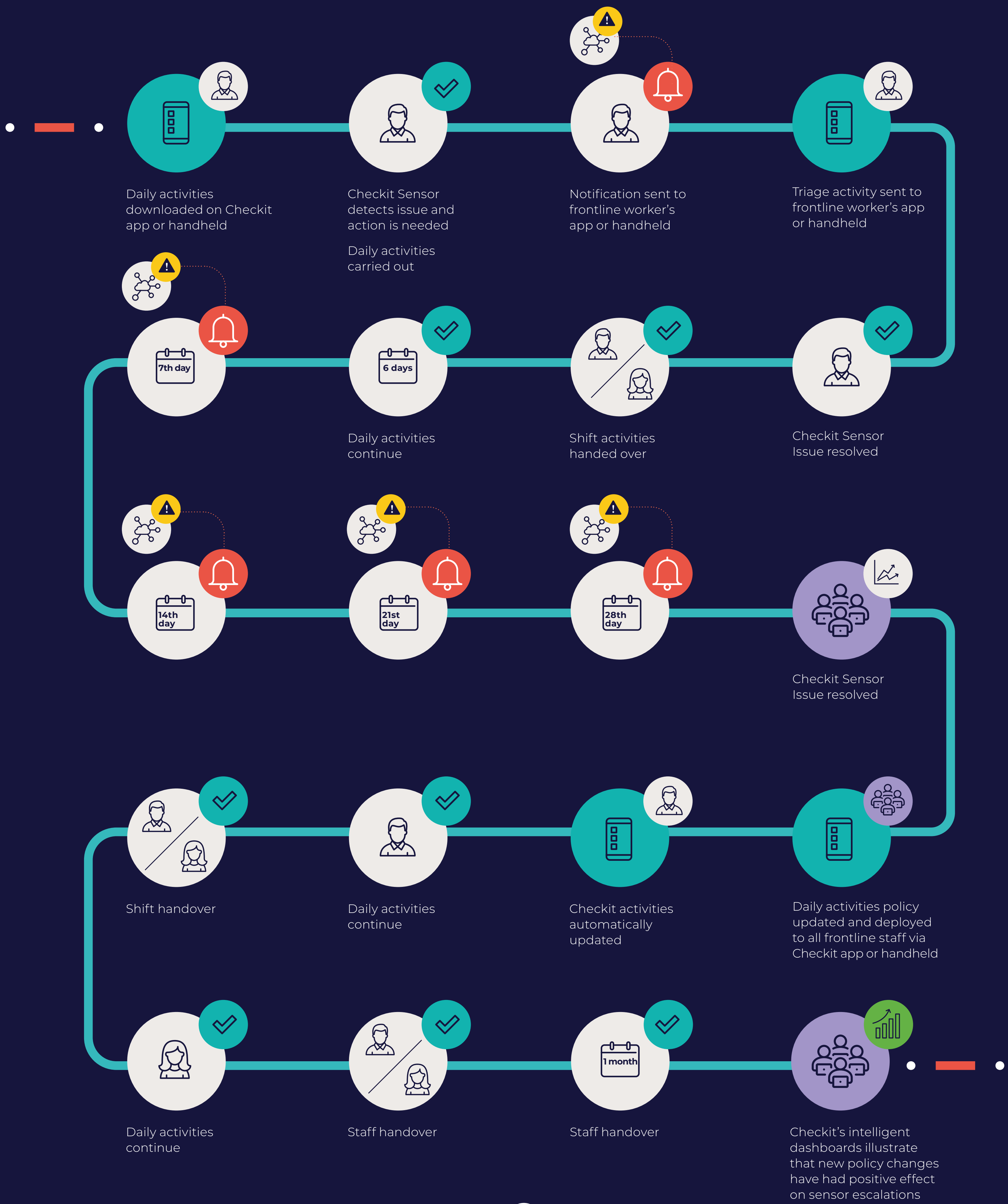
- Waitrose, John Lewis, bp, the NHS. Checkit is trusted by some of the world's largest and most respected organisations, each with a significant focus on operational efficiency and excellence.
- Many of our customers start with project-based implementations, utilising one or more of our smart sensors. As value is quickly realised, these project-based implementations grow in popularity within the organisation leading to multi-site agreements and adoption of further Checkit solutions.

Modular platform to start small and grow

- Checkit Connect's modular design allows customers to start small and grow at their own pace.
- We understand that big bang approaches are challenging, and the platform has been architected to allow phased implementations of sites, users and activities.

1 Source: Emergence Capital – The State of Technology for the Deskless Workforce. (Survey of 1,532 deskless workers in association with Centiment).

Connected Workflow Management



Market opportunity: The deskless workforce

Intelligent operations management defines a new, more valuable future for deskless workers. For too long, these critical teams at the frontline of operational excellence have been starved of digital capabilities. As a result, their operational leaders may have been in charge, but not in control.

Checkit continues to define what is possible for an intelligent operations management platform. Today, our platform and sensors create billions of data points, empowering operations leaders to make better decisions and enabling deskless workers to deliver meaningful value consistently.

For us, this dedication to connecting people, processes and experiences on the frontline creates a more productive future. In this future, organisations are better prepared to respond to the challenges around them, seize the moment of opportunity, and provide their frontline workers with the technology they need to deliver value.

Total addressable market

Checkit's intelligent operations management platform has prevented hundreds of thousands of Dollars of wastage, reduced the huge risks of compliance and regulatory breaches, returned thousands of hours back to work, and helped frontline workers deliver more value from their roles.

Over 80% of the global workforce are deskless, equating to 2.7bn workers. The majority are split across several core markets: agriculture, education, healthcare, retail, restaurants and hospitality, manufacturing, transportation and logistics, and construction.

We estimate the vast majority of our existing customers are in the infancy of their adoption of Intelligent operations management and we believe there is huge potential to expand these relationships.

Our focus in the market

Our focus is on capturing demand from five segments: healthcare, food and retail, facilities management, pharmaceutical and franchisors. Checkit is presently working with 43% of NHS trusts and is widely respected for both our commercial and charitable endeavours supporting the rapid response to COVID-19.

Each of these segments has been split into four tiers. We have produced specific go-to-market strategies, aligning products and data insights with valuable customer use cases in each segment. This level of focus allows us to marry the CXO perspective – revenue and cost decisions – with the frontline experience, and is already leading to increased commercial success.

Industry breakdown

Agriculture	Education	Healthcare	Retail
858m	226m	148m	497m
Restaurants and hospitality	**Manufacturing**	**Transportation and logistics**	**Construction**
122m	427m	189m	265m

Source: desklessworkforce2018.com

Technology strategy

How does Checkit fit in the broader technology landscape and what future developments can we look forward to as Checkit's intelligent operations management platform evolves?

What would marketing be without Marketing Automation Platforms (MAP)? Sales without Customer Relationship Management (CRM) software? Or accounting without Enterprise Resource Planning (ERP) software?

Error-prone, slow, inflexible?

Software as a Service (SaaS) platforms and devices, and sensors continue to revolutionise deskbound workers' productivity and performance. By aggregating swathes of actionable data about customer behaviour, product inventory and revenue, they unlock previously hidden efficiencies and potential revenue-generating opportunities.

Spoiled for choice, deskbound knowledge workers have modern digital Swiss army knives, yet their deskless frontline counterparts cannot say the same.

Customer service staff, technicians, retail assistants, nurses and cleaners are among 2.7bn people in the world who don't have a desk and lack access to technology.

It's far too common for those on the frontline to rely on spreadsheets and paper-based processes. For their leaders, productivity information is disjointed and difficult to analyse, making change slow to recognise and difficult to execute.

Connected Workflow Management enables the digital transformation of distributed frontline operations. By empowering deskless workers with tools to prompt, guide and log their key activity, organisations benefit from 360-degree insight. Combined with predictive analysis, they're able to drive operational changes back to their teams for continuous improvement.

Technology Q&A

With David Davies
Chief Product Officer

Q Why are Checkit solutions so important to organisations?

A We make operations intelligent by extending digitisation to frontline workers. How? Firstly, we provide teams with powerful applications that prompt, guide and record activities, while automating routine tasks. Secondly, we provide managers with data analytics to continuously improve performance in a way that would not otherwise be possible. Thirdly, we enable agility with tools that drive bottom-up innovation, rapid scaling and easy innovation.

Q What problems do they solve?

A For too long, frontline staff have been working with spreadsheets or paper checklists, doing everything manually, untouched by digital evolution. It's estimated that 80% of the world's workers are deskless, but they typically lack the level of system support that people get in desk-based roles, in call centres or finance, for example. That limits how effective frontline teams can be. It also creates a blind spot. It leaves organisations without live data on what is happening – and limits their ability to control or change the processes these people perform.

When you acknowledge that the work of these frontline teams is important in shaping the customer experience, maintaining standards and maximising efficiency, you see the strong case for connecting them with the rest of the business.

Q How does that look in practice?

A We address the management and support of workers serving in shops, looking after hospitals and patients, performing diagnostic tests, preparing food or maintaining buildings. In every case, the success of the organisation depends on things being done properly – whether they are scheduled tasks or immediate responses to managers, customers and even emergencies.

From a systems point of view, we make it easy to create large scale systems that meet these needs without programming or complex IT projects. This encompasses rapid solution configuration, easy deployment, out-of-the-box business intelligence and KPIs that can be customised to specific business processes.

Q Where does Checkit fit in today's complicated IT landscape?

A Checkit is a new breed of operations management technology for the frontline of people-intensive businesses. These people may not have corporate email, chat or collaboration tools. But they need to be connected to the business and its processes. Our Connected Workflow Management is a unifying tool for frontline workers, guiding them on 'what should I be doing?' and 'how do I do it?'. It offers the potential to make and take information from multiple business systems and data sources. And it allows work to be done in teams by enabling collaboration on structured tasks in a dynamic fashion.

Checkit is a technology for operational innovation and differentiation. It works best in situations where there is a lot of variability and change. As a single platform for multiple processes, it bypasses the complexity of building multiple single-use apps. Its simple configuration-driven approach makes it far faster to build and change than major business applications. It can stand alone or form a part of a wider transformation, complementing automation projects and connecting high-level business processes to workers.

Q What's coming next?

A Innovation is in our DNA, so we're constantly evolving the capabilities of our products to deliver more benefits to customers. Two things to look out for in the year ahead:

Firstly, we're strengthening the link between Connected Workflow Management and our building management and automated monitoring tools. When one of those systems detects an issue and raises an alarm, a new workflow will be delivered to the appropriate team so they can deal with it. This provides mobile workforces with the ability to respond faster and more consistently, while giving managers better process control and visibility in real time.

Secondly, we're extending our products so that processes can be shared across company boundaries. This will enable organisations that want to share processes with partners – for example franchisors and franchisees – to do so quickly and efficiently. In effect, they will be able to create and share Intelligent operations manuals, ensuring operational consistency for brand protection and quality management.

Building the future of

Intelligent operations for the frontline

Keith Daley
Executive Chairman
30 April 2021

Growth is a word that's used a lot within Checkit. Amid all the disruption caused by the pandemic, the Company has transformed its foundations for growth, with a view to fulfilling the Company's ambition to be a world leader in intelligent operations management.

This report has covered the formation of a dedicated growth function, a new fulcrum for US expansion, a restyled operations team committed to customer excellence, greater digital capability and increasing investment in the development of our technology to meet current and emerging needs of customers. Several talented and energetic Executives with experience of high-growth SaaS environments have also joined our leadership team over the past year. The formation of two distinct business units defines the shape of our strategic operating model. Checkit Connect is primed for growth as a highly scalable SaaS business, while Checkit BEMS (for Building Energy Management Systems) continues to provide important engineering services and opportunities for the introduction of connected solutions.

It is a tribute to the resilience and adaptability of our people that, despite the difficulties associated with the pandemic, we're in a position to look forwards with optimism. The Company has entered a new financial year with a renewed focus on growth, driven by a cohesive approach. The Company is joined up in its mission to be a global leader in the provision of intelligent operations management systems.

Connectivity is crucial on many levels. Our solutions are designed to connect operational activity that has become disjointed. To connect data and actions. To connect people with their colleagues and managers. And this applies internally too. As a company, Checkit has adapted and thrived in the new world of remote working.

Our teams are better connected than ever – not only joined up by technology, but united behind a new set of values that guide our everyday work in pursuit of our purpose.

I'm proud of our response to changing conditions. We've adapted to circumstances, persevered with our vision and made significant progress.

Checkit has expanded its work with high-profile customers including bp, signed an innovation agreement with John Lewis plc and rolled out technology to over 60 immunisation centres to support the COVID-19 vaccine programme.

Annual recurring revenue has increased by 46% and Checkit achieved the number one ranking in the Ambition Nation Listed 50 awards for growing companies.

It has been a year of change, but the new world of work presents an opportunity for Checkit to grow.


PRESUPUESTO VS. DATOS REALES
Auto
Gastos médicos
Otros
Presupuesto
Real

Solution: Connected Workflow Management

Checkit strengthens patient safety with best practice workflows

NHS Problem

Priory Medical Group grew to nine sites following a merger, making it one of the largest GP groups in the UK, serving 58,000 patients. However, each site had its own approach to processes ranging from equipment checks and appointment scheduling to hygiene and safety procedures.

Staff moving between sites were confused by the different ways of doing things. What's more, the management team was restricted in its ability to gather insight, apply best practice and compile audit reports. Reliance on manual checks also left the Group vulnerable to uncertainty, particularly during evenings and weekends.

The aim was to introduce standard practices across the Group and gain insight over activities that are crucial to consistent quality of service.

The Disconnected Process

- Lack of consistent procedures between multiple sites.
- Manual, paper-based approach to checking equipment.
- No real-time insight into overall compliance.

NHS Solution

The Group identified Checkit's Connected Workflow Management as a way to transform separate, paper-based procedures into a standard set of digital processes, improving consistency, compliance and control across all sites.

Working with Checkit, the Group created a series of digital workflows for key tasks, from room checks to prescription printing. These were configured in a mobile app available on smartphones. Many of the checks used QR code scanning to prompt the right actions and log the location of the task or equipment.

Additionally, Checkit's automated monitoring system feeds in real-time temperature data from fridges containing critical inventory to ensure the correct storage conditions are maintained. This guarantees safety and reduces the risk of waste.

The Connected Process

- Mobile app guides users to follow standard procedures.
- Key tasks are consistently completed across all sites.
- Live dashboard presents real-time compliance data and insight.
- Automated monitoring provides 24/7 vigilance of fridge temperatures.

“As one of the UK’s largest GP groups, we are always keen to embrace innovation where it helps us in our core commitment to maintaining the highest standards of care and attention at all times. Checkit’s Connected Workflow Management gives us the tools to guide and monitor best practice, not just at one surgery but consistently across all of our sites.”

– Martin Eades, Managing Partner, Priory Medical Group

Solution: Connected Workflow Management

Checkit drives up customer excellence at bp

bp Problem

Since the first Wild Bean Cafe opened in 2000, hot food-to-go and coffee have become a key component of bp's retail offering at bp's company-owned forecourts across the UK.

Consumers' appetite for high-quality and convenient food and beverages has become an increasingly important area of bp's retail business and their success depends on providing customers with the right products at the right times.

When products have a limited shelf-life it's important to prepare sufficient stock to meet customer demands without producing waste. At the same time, products have to be served to a consistent standard in a safe and appealing environment that aligns with the brand reputation.

The geographic and operational distances between bp's sites created blind spots that left national and regional leaders without detailed, timely insight into the daily processes underpinning the provision of food-to-go.

The Disconnected Process

- Determining whether cross-site food production and availability was matching demand.
- Calculating how much wastage was occurring due to product expiry.
- Unable to quickly identify and address operational problems.
- Trouble determining whether safety and quality checks were being performed at the necessary level.
- Unable to identify opportunities to improve efficiency and optimize the customer experience.

bp Solution

bp selected the Checkit platform as it was able to address their need for greater visibility and control over operations using its digital process management and monitoring tools.

The Checkit solution was rolled out to all UK sites within 10 weeks – and has since been expanded to additional countries.

Checkit's Connected Workflow Management technology enabled the businesses to define a customised set of processes and checks in digital format and roll them out across the entire estate via Checkit's interactive mobile app.

The Checkit system prompts, guides and logs the individual steps involved in routine processes such as cleaning, food preparation, equipment checks and store opening or closing procedures.

The Connected Process

- Around 11,000 processes are now being fulfilled daily by frontline teams.
- Integration of Connected Automated Monitoring includes data streams from wireless temperature sensors and handheld probes, covering both refrigerated and hot-hold units creating a live audit trail of food quality and safety.
- Live data from all sites is immediately available to management teams via cloud-based dashboards.
- Key performance metrics can be applied to benchmark and compare locations.

> "Our work with Checkit ensures that our Wild Bean Cafe team members' time is optimized and focused on delivering excellent customer service, not being caught up in non-value-added tasks and paperwork. Live data provides key insights, allowing us to make informed decisions both at site and business leadership levels."

– Hannah Barnes, Europe and Southern Africa Operational Excellence Lead at bp

COVID-19 response

Supporting our customers, people and community.

Customers

Throughout 2020 Checkit continued to provide a full service during each period of lockdown. By carefully managing the safety challenges, we ended the year with no instances of COVID-19 within the team. To protect our staff and to reassure our customers, we contacted each customer prior to their installation, to check their local COVID-19 arrangements and to ensure that our team could work safely.

We are proud to have been able to provide a rapid response to urgent requests for installations of temperature monitoring equipment in vaccination hubs, hospital trusts and mortuaries during the pandemic. Our team worked extremely flexibly, in challenging conditions and at a rapid pace, often re-scheduling works at short notice to accommodate the urgent needs of our NHS. Great customer feedback and playing our part in the fight against the pandemic has really motivated our team said Naheed Phul, Deputy Chief Pharmacist at Barts Health NHS Trust, of our London Vaccination Centre installation.

People

In the early stages of the pandemic, Checkit took rapid action to maximise its resilience and continuity. The Company took advantage of the Government's furlough scheme for 30% of employees who were unable to carry out their normal work. After a brief initial period, Checkit had sufficient confidence to bring employees back from furlough and did not utilise the scheme any further. During the same period, the majority of employees accepted a temporary salary reduction as part of the Company's effort to secure its long-term future.

Meanwhile, ongoing operations were essential for field engineers and support teams whose work has always been crucial to the provision of essential services including the NHS. They continued to work on full pay under strict safety protocols. Site visits were carried out when necessary.

In all other departments, the Company adapted very quickly to remote working, utilising the full capabilities of available technology to enable seamless collaboration across the business. Regular management communications and all-employee meetings enabled widespread engagement. An employee assistance programme was also launched to provide our people with advice and guidance relating to their health and wellbeing and any financial or legal difficulties they may have faced.

Employee surveys have demonstrated that our people feel informed, connected and integral to a more unified business. The leadership team is grateful for the adaptability and commitment of its employees – qualities that will be crucial to the Company's continuing growth.

Offices

A seamless transition to remote working was an effective response to the conditions of the COVID-19 outbreak. Productivity, customer services and communication were maintained despite our main offices, in Cambridge and Fleet, being largely closed. A review of the Company's office requirements was launched, incorporating a detailed assessment of usage patterns, views from team leaders and input from the wider workforce.

The way we worked before is no longer compatible with the new world that has emerged from the pandemic. Most employees want to retain a degree of the flexibility they had while working during lockdown and our ability to maintain a productive, collaborative environment has been proven. However, many employees have also missed the face-to-face interaction that is only possible in a communal office setting.

With this in mind, the Company concluded that its large office space in Cambridge was no longer necessary. Checkit moved out of the large office and secured a smaller office space within the same building. The new working space has been designed with hot desks and meeting areas to enable a hybrid working approach, whereby most employees will spend a proportion of their time working remotely while still being able to meet, work and collaborate in person when needed. It is a vibrant and energising environment to encourage a fulfilling employee experience. This new way of working also ensures the most efficient utilisation of office space.

NHS Nightingale:

Building a hospital in 10 days

At the outset of the COVID-19 crisis, Checkit launched a rapid response to support the NHS by installing automated temperature monitoring equipment at NHS Nightingale field hospitals, protecting critical inventory and easing pressure on staff.

Checkit has been a long-standing supplier of technology and associated services to the NHS with equipment in more than 300 sites across the UK.

On hearing of the creation of NHS Nightingale, Checkit immediately stepped forward to offer support.

Checkit recognised that the field hospital would require extensive automated temperature monitoring systems to uphold safe storage conditions for medicines and other critical inventory.

When the offer was accepted, Checkit mobilised its technical and engineering teams within hours to design, configure and install two separate UKAS calibrated wireless monitoring systems in accordance with CQC and HTA requirements.

Within seven working days, the real-time monitoring systems were fully installed and activated to ensure the safe and compliant storage of critical items and reduce the staff burden of carrying out manual temperature checking procedures protecting critical inventory.

"I thank the team for their incredible contribution in extremely difficult circumstances. The project was completed quickly and will provide vital reassurance as we manage the healthcare demands of the coming weeks and months."

– John Pitcher, Chair of the Association of Anatomical Pathology Technology

Transforming for growth

Checkit embarked on a transformation of its own in 2020 – adapting to the conditions of the COVID-19 pandemic and preparing for the opportunity to support new ways of working in the future.

Facing the uncertainties arising in the first half of the year, the Company adopted a short-term cash and business protection plan. Field engineer work slowed significantly, impacting one-off revenue. Checkit made initial use of the Government furlough scheme and employees took voluntary pay cuts to minimise business losses. The Company is extremely grateful for the loyalty shown by its staff. We were able to stop use of the furlough scheme completely by late summer 2020.

Employees seamlessly transitioned to homeworking and the business continued to deliver for its customers.

In July 2020, the assets of Elektron Eye Technology, the final element of the legacy Elektron business, were sold for a consideration of £0.9m.

As a result, Checkit published solid interim results for the first half and began preparing the business for the digital trends that emerged from the pandemic.

Checkit launched an accelerated transformation programme to evolve into a scale-up SaaS organisation. Culture, growth, globalisation and scalability are the four pillars of the Company's transformation.

In September 2020, Checkit finalised the separation of the Bulgin business following the disposal in 2019, and two new business units were created: Checkit Connect and Checkit BEMS, each with a clear role in the strategy.

Checkit Connect provides the intelligent operations management platform for the deskless workforce. It is the growth engine of the company and receives the majority of product, sales and marketing investment. Checkit BEMS is a building energy management services business, providing valuable cashflow to support Group growth ambitions. KPIs have been established for both businesses and aligned working practices are now in place.

The leadership team devised a strategic vision and initiated restructuring to align the entire organisation to the development of a scalable, global operating model primed for growth. The restructure started with the operations part of the organisation and expanded into product, growth functions, administrative and management.

The changes are already delivering positive momentum in financial KPIs and key customer relationships, all enabled by a new management team put in place to deliver against the strategic goals and establish Checkit as a global SaaS player.

Kit Kyte

Chief Commercial Officer

Driving growth

Despite the COVID-19 headwinds that affected Checkit's customers during FY21, the business's growth engine has been established.

With separate sales, marketing, commercial operations, and pre-sales functions, Checkit has segmented the market into five tiers by size and core industry verticals: Healthcare, Food/Retail, Facilities Management, Pharmaceutical and Franchise.

The prioritisation of Checkit's go-to-market strategy, aligning products with data insights and CXO concerns, has led to increasing commercial success and expanding several of its most significant customers into global relationships.

As Checkit's existing customers continue to realise the business benefits of digitising their operational base, they are also keen to expand. When combined with process-level insights and analytics, this level of customer satisfaction and reference ability drives additional lifetime value for our customers and powers non-linear growth for Checkit.

The accelerated pace of digital transformation in the market brought on by COVID-19 validates Checkit's core value proposition around harnessing digital and data capabilities for the age of agile.

Elsewhere, Checkit has made strategic investments to expand into the US market by acquiring Florida-based Tutela Monitoring Systems and hiring an experienced SaaS Executive (Steve Peck) to drive revenue generation across the enterprise food/retail and healthcare markets.

Victoria Thorpe

Chief Operations Officer

Operations in action

Throughout FY21 Checkit continued to provide a full service during each period of lockdown. To protect our staff and to reassure our customers, we contacted each customer prior to any installation work, ensuring their local COVID-19 arrangements were met and ensuring the safety of our team.

We proudly delivered a rapid response to urgent requests for installations of temperature monitoring equipment in vaccination hubs, hospital trusts and mortuaries during the pandemic. Our team worked hard in challenging conditions and at a rapid pace, often re-scheduling work at short notice to accommodate the NHS's urgent needs. Positive feedback from the London Vaccination Centre served as a fantastic motivator for the team:

"Amazing. It has been a fantastic piece of work by your team. Thanks so much. We are very, very grateful." said one of the project leaders, Naheed Phul, Deputy Chief Pharmacist at Barts Health NHS Trust.

During 2020 Checkit handled 470,211 alarm calls, monitored and supported 27,163 units and helped our 388 CAM+ customers with their operational issues. Alongside these demands, we have also delivered over 300 bp UK live sites and pilots in 5 countries, where full rollout will begin in early 2021.

As we move into 2021, our Group operations' transformation continues to deliver, in line with the Company's Strategic Business Plan. We look forward to integrating the Salesforce platform into Operations in H2 FY22, enabling us to improve our operations' efficiency with the addition of a Customer Excellence function.

Greg Price

Director of Finance and Projects

Digital transformation

Digital transformation is well underway within Checkit. The transformation programme goals are to grow revenue, enhance customer experience, drive efficiency, and strengthen compliance. The integration of an expanded Salesforce platform is central to the transformation programme, which will continue to progress throughout FY22.

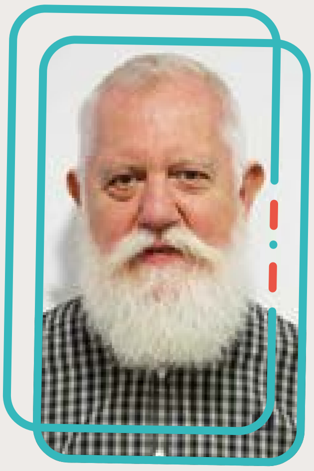
The programme will help Checkit take a centralised data-driven approach to managing technical resources, customer demand analysis, and a more agile response to market drivers.

One of the most important priorities of the transformation is that it enables improvements in customer experience. With the consolidated capabilities provided by the new platform we are deploying, we will be better equipped to support customers across their complete lifecycle, from generating awareness and interest with strategic marketing through to onboarding new accounts, co-ordinating implementation and ongoing support. All information will be held in one place, giving the Company a single view of its customer and a stronger basis for sustained relationships. In this way, we want our customers to become our strongest advocates.

From an internal perspective, having consolidated information available to us in real time gives us greater agility throughout the sales process, leading into installation, set-up and support.

This data-driven approach enables Checkit to deliver the greatest possible value to its customers and identify opportunities to add to that value continuously.

Leadership Team



Keith Daley

Executive Chairman

Originally a corporate banker, Keith is an experienced entrepreneur and chairman with a strong sales and marketing focus. He has bought, invested in, managed and sold numerous businesses over the past 38 years.

Aylsa Muir

Chief Finance Officer

Joining the Company in 2020, Aylsa is an experienced and dynamic finance leader with strong commercial and operational knowledge.
She was previously divisional finance director at IRIS Software Group, before which she spent 10 years with PepsiCo.

John Wilson

Non-Executive Director

A member of the Board since 2010, John specialises in commercialising fast-track product development.
He has extensive experience in US markets, channel management and generating sales growth outside the UK.

Rachel Neaman

Non-Executive Director

An award-winning technology leader in the public, private and not-for-profit sectors, Rachel joined the Board in February 2020. She has held senior digital leadership positions with the European Union and the UK Government. She chaired the Digital Leaders programme for three years and continues to serve as an adviser.

Kit Kyte
Chief Commercial 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.

Steve Peck
President, Checkit Inc

Appointed in February 2021 to lead Checkit's US business, Steve is a forward-thinking business development professional. He was previously Director of Software and Services at Oracle NetSuite, where he managed a rapid-growth team.

Victoria Thorp
Chief Operations Officer

Leading the Company's reshaped operations team, incorporating customer excellence and support, Victoria joined Checkit in October 2020. She was previously Director of Global Operations at technology firm Ceem, having started her career in the Police Force.

David Davies
Chief Product Officer

David has led the evolution of Checkit's technology over the past five years. He joined Checkit in 2011 having previously held business development and product strategy roles at Corizon and BT.

Andrew Stevens
Chief Technology Officer

Andrew was appointed in January 2021 to lead Checkit's product engineering team. He has previously led engineering areas across business management, proptech and financial services, having held key positions in Kerridge CS, DMGT, and Sage. He is a champion of innovation and transformation.

Julie Webbe
Chief Human Resources Officer

Julie joined Checkit in April 2021. With over 20 years' experience across Fintech, Real Estate and Media, she is passionate about agile approaches to supporting the business and its people. Her focus will be to create an innovative and rewarding working environment that is inclusive and diverse.

A winning culture

In a year of rapid transformation, cultural change has been crucially at the heart of everything.

We believe that a strong cultural tone set from the top is brought to life by empowered employees who unite behind a clear vision.

One vision, one goal

A vision to lead the future of Intelligent operations solutions and to rapidly grow the business on a global scale brings with it excitement and a need for focus and unity. Despite the current challenges faced across the world, we were able to share this vision with all employees at a virtual kick-off event in January 2021.

Engagement and attendance was high and the message reinforced through new objective processes so everyone understands the importance of their role.

One team

During FY21 we welcomed many new people into Checkit. These new hires bring with them different experiences, backgrounds and despite the unusual circumstances of joining virtually, are already having an impact on the business.

In H2 a culture committee was established with employees across the Company being invited to get involved. This employee led team will be focused on areas central to driving cultural change including driving our ESG, diversity and recognition agendas, giving all employees an opportunity to shape the identity of the organisation.

The launch of a new EMI share option scheme provides all qualifying employees with the opportunity to share in the Group's success and has already had a positive impact on engagement.

We also took the opportunity to recognise our Checkit Champions, 30 employees who contributed in an outstanding way over the past year according to our values.

"Diversity isn't some optional add-on. It isn't the icing on the cake. Instead, it is the basic ingredient of collective intelligence."

– Matthew Syed – Rebel Ideas

Published by John Murray (April 2020)

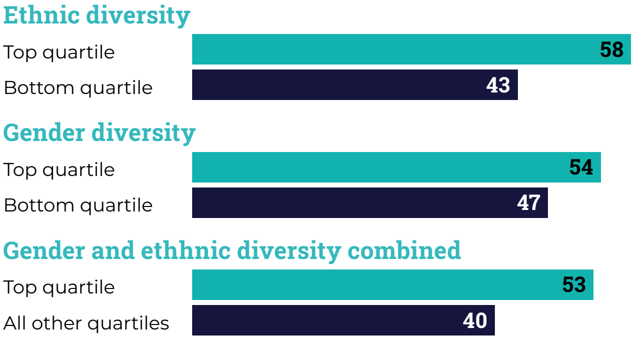
Do the right thing

- Be open and honest
- Value the opinion of others
- Be accountable
- Demonstrate care
- Put integrity at the heart of every decision

Wow the customer

- Think like a customer
- Make life easy
- Be the expert
- Be a Checkit ambassador
- Be passionate about awesome service

Likelihood of financial performance above national industry median, by diversity quartile, %



Source: McKinsey Diversity Database

Championing diversity

We consider a diverse and inclusive workforce as critical to nurturing innovative thinking and personal as well as business growth. In our business diversity of thinking, cultural background, education and gender not only contribute to an enriched and inclusive environment but have also been proven to drive shareholder value.

We have made progress on our gender diversity agenda, where we have a target to achieve 50:50 male to female representation across the business.

At 31 January 2021 females made up 24% of the employee population (18% at 31 Jan 2020), and 30% representation at senior leadership level (compared to 0% prior year).

Checkit Group is not required to report gender pay statistics but has decided to track and report this important diversity KPI. The average hourly pay gap currently reports at (1.7)% in favour of males (13.4% 2020). The initiative to increase female representation at the most senior level of the organisation has resulted in a significant improvement in the year.

There remains some way to go to ensure a diverse workforce representative of our customers and communities. We are pleased with progress in FY21 and will continue to drive internal initiatives to champion more women into technology and leadership roles and address unconscious bias in the business.

Think big

- Be creative
- Nurture new ideas
- Challenge the norm
- Embrace change
- Have a growth mindset

Keep at it

- Focus and commit
- Be tenacious
- Finish what you start
- Bounce back
- Get 1% better everyday

Win together

- Be collaborative
- Make work fun
- Be supportive of others
- Embrace diversity
- Celebrate every success

Going global

Complex global operations are central to our customers' challenges and Checkit's. To meet the demands of a rapidly growing and diverse customer base the Company is committed to engaging a global market.

Going global

In the wake of the pandemic, the accelerated worldwide appetite for digitisation makes internationalisation imperative.

In the past year, Checkit rolled out services to deveral new countries as part of a strategic partnership with a key client. In February 2021, Checkit also established a US office.

Checkit has successfully expanded several of its most significant customer relationships to a global base, including the rollout of forecourt retail solutions for bp in new markets across Europe and Asia Pacific. Eleven international rollouts took place in FY21, with North America and Latin America to follow.

Checkit's acquisition of its US-based sole distributor, Tutela Monitoring Systems LLC, marks a significant milestone in the Company's international growth strategy. The aim is to accelerate Checkit's US expansion, providing a footprint and an opportunity to add further scale.

> "You can focus on things that are barriers or you can focus on scaling the wall or redefining the problem."
>
> – Tim Cook

Expanding into the US

Frontline workers currently make up the majority of workers in the United States, accounting for 57%[1] of the total US worker population. It is home to more than 400,000 restaurants and retail food outlets, collectively employing over 15 million workers. Similarly, over 6,000 healthcare facilities employ roughly 6.2 million workers who could benefit from Checkit's automated monitoring and workflow solutions. Initial discussions across each industry highlight an established need for technologies that improve efficiencies and enhance automation for deskless workers within Tier 1 and 2 organisations.

In response to increasing minimum wage requirements, food retail and grocery operations are developing efficiencies in automation to maintain slim margins without having to pass added costs onto their customers. As this industry continues to face challenges with employee turnover that often exceeds 100%, Checkit Connect platform remains a sought-after solution to help facilitate on-the-job training, ensuring the most important tasks are completed according to brand standards every time.

In the US healthcare market, the traditional pay-for-service business model is shifting to a performance-based structure, necessitating tighter adherence to standard operating procedures and compliance requirements. February's acquisition of Tutela also delivered an engaged audience of life sciences prospects who are evaluating Checkit's Connect platform to secure similar operational improvements.

The US market will require a similar top-down sales approach to what's proven successful in Europe, followed by preliminary pilots that roll into enterprise deals once pre-determined KPIs are met. Compared to other geographies, we've also observed an increased willingness to adopt new technologies across our target US markets, resulting in a stronger appetite to quickly pilot Checkit's solutions.

1 Source: IDC U.S. Mobile Worker Population Forecast, 2020–2024.

A focus on the US

"In the US healthcare market, the traditional pay-for-service business model is shifting to a performance-based structure, necessitating tighter adherence to standard operating procedures and compliance requirements."

Financial review

Aylsa Muir
Chief Financial Officer
30 April 2021

"An encouraging set of financial results amidst global uncertainty. 46% ARR growth and strong cash reserves lay a solid foundation for growth."

The financial year in review

The Group delivered a strong set of financial results in FY21. Financial performance exceeded the expectations of the Board, which were set at the beginning of the year.

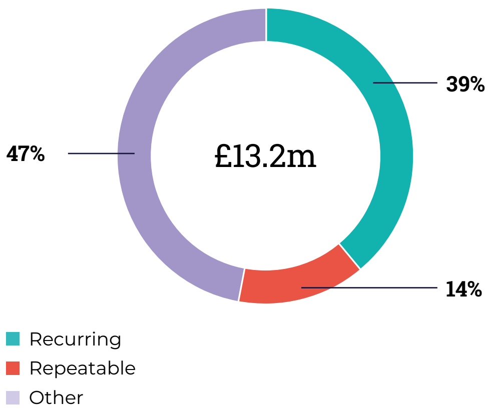
During the first half of the year, the Group faced the uncertainty caused by the COVID-19 pandemic and a decline in non-recurring revenue meant there was an immediate focus on cash preservation.

In September 2020, the Group completed its separation from the Bulgin business following the disposal in 2019. The business was split into two newly created business units: Checkit BEMS and Checkit Connect. This enables each business unit to focus on relevant financial KPIs as the Group continued its transformation into a growing Software as a Service recurring revenue business.

Throughout FY21 the Group maintained a focus on cash and was able to successfully balance short-term prudence with its longer-term vision. This is reflected in the significant growth in ARR, continued investment in new product development and the improvement in the Group's margins.

Following on from a qualified audit opinion in FY20, the Board was able to reach agreement with the external auditors regarding the treatment of its intangible assets. This resulted in a restatement of FY20 financial results and addresses the matters which resulted in the qualified audit opinion in FY20. The restatement had no impact to underlying business performance or cash flow in the year.

Revenue by type



Continuing operations: revenue and ARR

The table below shows revenue by business unit for the year ended 31 January 2021 and includes comparisons with reported and normalised[1] prior year values.

Total Revenue for FY21 was £13.2m, +3% compared to the prior year on a normalised basis (FY20 £12.8m normalised).

39% of Revenue was recurring (>1 year contracted) up +8ppts compared to the prior year.

	12 months to			
	31 Jan 2021 Actual	**31 Jan 2020 Actual**	**31 Jan 2020 Normalised[1]**	**Change Normalised[1] %**
Checkit Connect:				
Recurring	5.1	3.2	3.9	+33%
Non-recurring	1.6	1.6	2.1	(23)%
Total Checkit Connect	6.7	4.8	6.0	+13%
Total Checkit BEMS	6.5	5.0	6.8	(5)%
Non-recurring				
Total Group	13.2	9.8	12.8	+3%

1 Normalised revenue refers to revenue that would have been included in the Group's financial results had Checkit UK Limited, which was acquired on 14 May 2019, been owned by the Group throughout both periods.

Checkit Connect

Checkit Connect is the business unit providing recurring Workflow Management and Automated Monitoring software and services to customers. It is a predominantly recurring subscription revenue business with some non-recurring or repeatable income from maintenance or service work.

During the year to 31 January 2021, the Group embarked on a successful programme of transferring healthcare customers onto a new contract structure. This involved combining recurring services with once-off activities into a new subscription based agreement in line with the "peace of mind" SaaS pricing and contractual model now adopted across Checkit Connect.

As a result of this pricing initiative, the business unit saw a significant conversion from non-recurring to recurring revenue during the year, contributing approximately £0.5m to ARR.

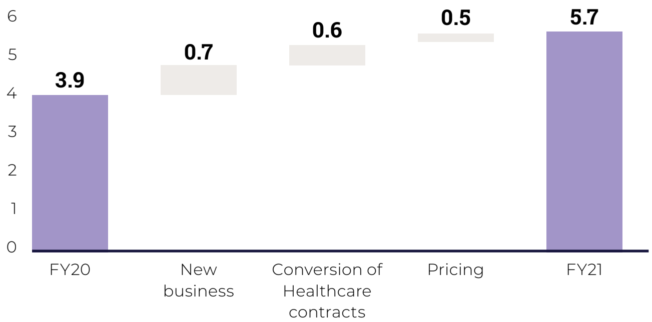
Checkit Connect Revenue grew 13% in FY21 on a normalised basis* and reflects the in-year impact of growth in ARR, partially offset by a decline in non-recurring revenues.

Recurring revenue

The Group has introduced ARR as its most important measure of sustainable revenue and business growth.

ARR grew by 46% to close at £5.7m (FY20 £3.9m), reflecting the increase in annualised contracted revenues achieved during the year.

ARR Growth



The increase in ARR resulted in 33% growth in reported recurring revenue compared to prior year on a normalised basis.

Non-recurring and repeatable revenue

Checkit Connect non-recurring revenue declined by 23% compared to FY20 on a normalised basis[1] due to the following:

- Conversion of maintenance contracts to subscription income (£0.3m)
- Timing differences due to the UK roll out of the COVID-19 vaccine programme (£0.1m)
- H1 COVID-19 related challenges (£0.1m)

Included within Checkit Connect non-recurring revenue is £0.5m considered repeatable revenue from annual calibration activities. This is reducing as more of these contracts are charged on an ARR basis.

Checkit BEMS

Checkit BEMS is the business unit involved in installation and servicing of Building and Energy Management Systems. Non-recurring income is generated through large project installations, small remediation or maintenance works. The reported revenue includes £1.3m repeatable revenue from annual maintenance contracts.

The segment was impacted significantly with the closure of construction in the first lockdown in H1 and saw revenues decline as a result. Revenue stabilised during the second half of the year as construction activity returned.

The business unit saw a decline in revenue of 5% compared to FY20 on a normalised basis* due to the COVID-19 pandemic related challenges in the first half of the year.

Continuing operations: EBIT

The Group reports an operating loss before non-recurring or special items in FY21 of £(3.1)m. This reflects an improvement of 52% (£3.4m) compared to the restated prior period.

New product development (NPD) spend of £2.5m (FY20 £2.5m) has been fully expensed in the year.

Continuing operations: EBIT continued

The total investment in product increased overall in the second half of the year, as operational savings were re-appropriated into an expanded product management function and certain key NPD projects were accelerated. The ability to invest in the core product at these levels is crucial to ensuring Checkit maintains a competitive advantage and exits the year with a product solution for the new accelerating digital world.

Spend on sales and marketing was scaled back in FY21 (£1.4m, compared to FY20 £3.2m). Ability to drive new business was impacted by the COVID-19 pandemic and the Group's growth plans were put on hold to preserve cash. During H2, the Group made plans to reinvigorate and accelerate growth efforts in light of the growing market opportunity. This has started by rebuilding an expanded sales and marketing team in both the UK and US in FY22.

The operating result includes income from the Government job retention scheme of £0.4m received during the first half of the year to help offset the revenue reduction seen as a result of COVID-19.

FY20 restatement

Following the qualified Audit opinion in FY20, the Board revisited the assumptions made regarding its decision to fully impair the intangible assets in the FY20 financial statements due to the unforeseen impact of COVID-19. The Board had taken a conservative view on the outlook at the very start of the COVID-19 pandemic and as a result took a decision to impair intangible assets in full.

In light of the resilient business performance, the group carried out a further impairment review of all balances related to the qualified audit opinion. From the work performed, the Board agreed with its auditors Grant Thornton that an adjustment should be made to restate FY20 financial statements.

	Twelve Months to 31 Jan 2020		
	As reported	Restatement	As restated
Goodwill	—	4.3	4.3
Other intangibles	—	3.0	3.0
Total non-current assets	1.2	7.3	8.5
Current assets	19.4	0.4	19.8
Total assets	20.6	7.7	28.3
Total liabilities	(6.3)	(0.6)	(6.9)
Net assets	14.3	7.1	21.4

The restatement results in an increase in goodwill and intangible assets of £7.3m and a corresponding reduction in the reported operating loss from continued operations.

The impairment of capitalised development costs of £0.4m relating to Elektron Eye Technology Limited (EET) has also been restated. As the assets of Elektron Eye Technology Limited were sold in the year, this is presented as a discontinued operation and FY20 assets are shown as held for resale.

Liabilities have been restated to reflect the deferred tax liability associated with acquired intangible assets. The effect on net assets is an increase of £7.1m.

Discontinued operations

Profit from discontinued operations in FY21 of £0.6m related to Elektron Eye Technology, the final assets of which were sold in January 2021 for a total consideration of £0.9m.

Non-recurring or special items

Non-recurring or special items in the year of £2.2m related to amortisation of acquired intangible assets, pre-acquisition costs of Tutela LLC, restructuring and integration costs arising from the sale of Bulgin in FY20 and other one-off unusual costs related to the organisational transformation programme:

	FY21
Restructuring and integration costs	**0.8**
Pre-acquisition costs of Tutela LLC	**0.1**
Amortisation of acquired intangible assets	**1.3**
Total non-recurring or special items	**2.2**

Taxation

The Group is currently loss making and therefore no corporate tax charge is reported for the year FY21. A deferred tax credit of £0.3m arises from the amortisation of intangible assets arising on the acquisition of Checkit UK LImited. There remains over £15m in group carried forward taxable losses and therefore there is no expectation of tax payments in the short to medium term.

EPS – continuing operations

The weighted average number of shares in issue in FY21 was 61.5m (excluding those held by the Employee Benefit Trust). Loss per share (basic & diluted) was 8.3 pence (2020: 5.6 pence as restated).

Cash

The group cash position at 31 January 2021 was £11.5m (31 January 2020: £14.3m). Cash reduction was driven by operating losses in the year (including £(2.5)m NPD investment), offset by cash received from the sales of shares held by EBT and EET Assets.

COVID-19 and Going Concern

This annual report contains details on the Group's strategy, business activities and financial statements and relevant notes relating to the financial year ended 31 January 2021.

In addition, the Board has reviewed a 12-month cash flow outlook from the date of signing to include a variety of scenarios and stress tests considering the continuing uncertainty and global change.

The Board has concluded that the assumptions used were reasonable and a reflection of the growing contractual subscription-based revenues and improving operating margins. The Group has access to sufficient working capital to meet on-going day-to-day business needs.

The Group delivered a better than expected set of financial results in FY21 and the Board remains vigilant concerning any on-going impact of COVID-19 into FY22 and will continue to closely monitor the situation.

Dividend

Considering the resources needed to invest in our products, sales and marketing with the aim of increasing future shareholder value, the Board believes that it is in the Group's best interests not to pay a dividend for the year.

Aylsa Muir
Chief Financial Officer
30 April 2021

Section 172 statement

As required by Section 172 of the UK's Companies Act, a director of a company must act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its shareholders.

In doing this, the director must have regard, amongst other matters, to the following issues

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

Engagement with stakeholders and consideration of their respective interests in the Company's decision-making process took place during the year as described below:

Shareholders

During the year the primary mechanism for engaging with shareholders in more depth was via meetings with the largest shareholders following the financial results for the half and full year. In addition, in FY21, Board members consulted informally with the largest investors on the future development of the Group.

Investors showed their support for the Board and the Company's strategy by passing all resolutions at the Annual General Meeting.

Employees

We have an experienced, diverse and dedicated workforce which we recognise as the key asset of our business. It is vital to the success of the Group to continue to create the right environment to encourage and create opportunities for individuals and teams to realise their full potential. The Board and management team pay close attention to the results of employee surveys taking note of trends and developments and creating action plans to address any issues arising.

Throughout the COVID-19 lockdown regular update emails were circulated and weekly employee briefings held.

Employees have been consulted on some of the very difficult decisions facing the Group during this crisis. We have had an overwhelming level of support throughout the organisation. We look to continue this employee engagement through the Employee Representative forum that will take the lead on driving the Corporate Social Responsibility agenda.

Customers

The Group ensures regular levels of contact and discussion at all levels of the large organisations that it targets. Over the past year we have established a Growth function, bringing together sales, marketing, commercial operations and pre-sales to provide a better customer experience.

As part of our transformation programme, we are expanding the use of our CRM system (Salesforce) to integrate across Sales, Operations and Finance, providing a single view of the customer.

During the COVID-19 crisis we have actively supported many of our customers with payment holidays and flexible approaches on new product acquisition.

Suppliers

We operate in a way that safeguards against unfair business practices and encourages suppliers and contractors to adopt responsible business policies and practices for mutual benefit. We recognise that we must, where possible, integrate our business values and operations to meet the expectations of our stakeholders, including customers, suppliers, the community and the environment.

We use environmentally friendly suppliers. We monitor all suppliers and subcontractors to ensure that they operate in accordance with agreed contract responsibilities and arrangements. An organisation and its external providers (suppliers, contractors, service providers) are interdependent and a mutually beneficial relationship enhances the ability of both to create value for our customers.

Community and the environment

The Group tries to be a good corporate citizen, for example by:

- providing services to assist in the reduction of energy consumption of its customers;
- providing products to customers that improve efficiency and the management of remote workers in improving their collaboration and productivity, thereby reducing travel and waste;
- taking a flexible approach to home working for its employees;
- moving towards a paperless office environment;
- serving the community by providing critical monitoring services to the NHS, including free of charge services to the Nightingale Hospital in London; and
- encouraging charitable donations to good causes such as the World Wildlife Fund.

Standard of business conduct

We recognise not only the need but also the desirability of operating to the highest standards of business conduct as this benefits all stakeholders.

We seek to achieve this by:

- carefully adhering to our privacy (including GDPR), anti-bribery, modern slavery and anti-tax evasion policies;
- encouraging a culture of openness so that any stakeholder can freely raise any concerns;
- actively enforcing our conflicts of interest policy; and
- making the conscious decision to observe not just the letter but also the spirit of the law in all our dealings with stakeholders.

Principal risks and uncertainties

Effective risk management is critical to the achievement of the Group's strategic goals.

As part of the ongoing business transformation programme and ambitious growth plans, the Board carried out a full review of its approach to risk management. As a result, we have implemented a new risk management policy and framework to ensure quicker identification and management of risks.

A detailed assessment of risks has been carried out by the Board. The principal risks shown in the table below have the potential to have a significant adverse impact to the following:

- Business operations
- Strategic delivery
- Solvency or liquidity
- Future financial performance

Increased risk ↗ No change → Decreased risk ↘ New risk New

1. COMMERCIAL

1.1 Dependency on new sales →

Risk description and potential impact

The Group is highly operationally geared and whilst a significant amount has been done to convert revenues into more stable contractual recurring revenue streams in FY21, there continues to be a heavy reliance on new business sold to achieve financial and strategic objectives.

The ability to deliver new sales can be impacted by several factors including macro trends, regulation and competition as well as selling mix and inappropriate allocation of internal resources.

Mitigating actions

- Resource allocation and ROI processes
- Customer Excellence programmes and account plan
- Business performance management processes
- Regular external analysis reporting and assessment
- Continuous Go-To-Market planning

1.2 Dependence on key customers ↘

Risk description and potential impact

The Group has a concentrated customer base, particularly in the food retail sector. Any loss of business from these customers could significantly impact business operations and returns.

The risk level reduced in FY21 due to signing a new multi-year agreement with our largest customer and diluting concentration through the conversion programme and onboarding of a large global customer.

Mitigating actions

- Terms and conditions (termination clauses)
- Commercial operations and contracting processes
- Customer Excellence programmes and retention plans
- Account management and connection plans and key role identification

1.3 Market trends and competition →

Risk description and potential impact

Checkit has a proposition targeted at an evolving market space. It also places itself in the market as a SaaS/Technology company in a dynamic industry with constantly emerging disruptors, competitors, and technological advances.

This environment presents risks to growth and future returns from obsolescence, misaligned proposition, loss of market share, misallocation of resources.

Mitigating actions

- Diversification strategy
- High investment in product development
- Regular external analysis and PESTEL reporting and assessment
- Incorporating external analysis into Go-To-Market plans

2. FINANCE

2.1 Fraud

Risk description and potential impact
Fraud committed inside or outside the organisation can significantly impact the organisation's ongoing operations, cause reputational damage and lead to significant financial losses and reduction to shareholder value.

Mitigating actions
- Data, security and cyber-crime prevention processes (See 3.2)
- Bi-annual fraud risk review
- Business audited processes and policies
- Segregation of duties
- Levels of authority
- Supplier tender processes
- Related party reporting/certification

2.2 Misappropriation of Company assets

New

Risk description and potential impact
Poor management information or control over business assets and resources can lead to poor decision making, financial losses and impact ability to meet strategic and annual business goals.

Mitigating actions
- Financial planning and budgeting processes
- Business performance management processes
- Group insurances
- Accounting policies
- Levels of authority
- Fraud and data breach controls (See 2.1 and 3.2)

2.3 Access to funding

Risk description and potential impact
The Checkit Group is loss making due to te level of investment in growth. The ability to access cash is critical to achieve strategic objectives and continue as a going concern. Risk slightly increases as current cash reserves decline annually.

Mitigating actions
- Financial planning processes with plan to achieve profitability in medium term
- Business and financial performance management processes
- Quarterly balance sheet and working capital review
- Investment appraisal processes
- Short- and long-term cash planning cycles

3. BUSINESS OPERATIONS

3.1 Loss of key IT

Risk description and potential impact
The Group is increasingly reliant on a cloud-based IT infrastructure, any long-term loss of key IT systems could impact the business ability to operate and lead to financial penalties and reputational damage.

Mitigating actions
- Supplier selection and review processes
- Use of large global provider
- Business continuity/disaster recovery plans
- Back up and data security/access controls (See 3.2)

3.2 Data security and cyber-crime

Risk description and potential impact
Checkit faces threats to the integrity and security of its own data and systems as well as data it holds on behalf of customers. Security breaches and cyber-attacks could cause significant damage to reputation, stop business operations and lead to significant financial losses.

Mitigating actions
- Cyber Essentials certification
- ISO27001 accredited framework of data security processes and policies
- Regular employee training and certification
- Data management policies
- Relevant insurances

3. BUSINESS OPERATIONS CONTINUED

3.3 Product reliability and performance

Risk description and potential impact
Checkit provides solutions which enable customers to carry out essential business activity. Long-term outage or poor quality products or services could impact business operations or result in financial penalties and/or reputational damage.

Mitigating actions
- Software testing/Q&A processes
- Customer excellence/feedback programmes
- Customer usage monitoring
- Customer escalation processes and resolution protocols
- Platform load testing
- Liability and indemnity insurances

3.4 Loss of key personnel

Risk description and potential impact
The Group is dependent on access to the right talent to deliver the strategic targets. As a result of the business size and legacy composition there is a dependency on a few individuals for critical knowledge or customer retention. This risk has been reduced in FY21 as a result of the business restructure and training programme.

Loss of key individuals could impact the business ability to deliver plans and lead to reputational damage and/or customer churn.

Mitigating actions
- Recruitment processes
- Talent review and employee engagement programmes
- Single point of failure and key role identification
- Exit interview and feedback programme
- Business continuity plans

3.5 Reliance on key suppliers

Risk description and potential impact
Checkit relies on certain suppliers to provide goods or services critical to servicing customers. If these suppliers experience disruption to their business, it can directly affect our ability to deliver and/or generate inbound pricing pressures, resulting in reduced financial returns and potential reputational damage.

Mitigating actions
- Supplier selection, approval, and review processes
- Supply chain risk assessments
- Minimum stock level policy
- Business continuity planning
- Technical file and work instruction back ups

4. TRANSFORMATION

4.1 Business transformation programme

New

Risk description and potential impact
The business is undergoing a rapid business transformation. The programme could distract management time, impact employee engagement, and absorb company resources over and above an acceptable level. This could lead to reduced financial returns, higher employee churn and impact the Group ability to operate in a "business as usual" manner effectively.

Mitigating actions
- Employee communication programme
- Regular Board reviews on progress and impact
- Allocated resources to larger change programmes
- Employee "at risk" reviews
- Financial planning processes
- Business performance management processes

4.2 Rapid growth plans

Risk description and potential impact
Checkit has ambitious growth plans which could significantly increase demand on business resources including people, processes and cash. An inability to successfully deliver requirements on time and to required quality could damage company reputation, incur financial penalties, and impact the Group's ability to achieve strategic success.

Mitigating actions
- Two-year rolling outlook
- Regular Board reviews on progress and impact
- Business transformation plans incorporate scalability
- Business performance management processes
- Sales and customer demand review processes

4. TRANSFORMATION CONTINUED

4.3 Globalisation

New

Risk description and potential impact

Checkit is expanding into new territories and has strategic plans to continue. This presents all the risks associated with rapid expansion (see 4.2), as well as risks regarding in-country legislation, operational delivery capability, tax and financial matters and economic matters, amongst others. Unsuccessful management of these issues could lead to significant financial penalties and impact the Group's ability to deliver against strategic objectives.

Mitigating actions

- Global Growth Leadership team
- Globalisation programme of work within transformation plans
- Regular Board reviews on progress and impact
- Increasing International/global experience at senior management level
- Use of approved advisers
- New territory process and protocols

4.4 Communication

New

Risk description and potential impact

Checkit is undergoing rapid change and transformation. The inability to maintain consistent communication and messages across all stakeholders could significantly impact the Group's ability to execute on its strategies and position itself effectively in the market, resulting in increased employee churn, reduction in financial returns and reputational damage.

Mitigating actions

- Clear communication owner and programme
- Group policy and approval matrix
- Regular senior leadership reviews

5. EXTERNAL FACTORS

5.1 COVID-19

↘

Risk description and potential impact

The uncertainty around the COVID-19 pandemic continues to present a risk to general business operations, new sales, employee wellbeing, cash reserves and strategic achievement. Risk level is reduced given the H2 performance, apparent customer resilience and Company response to the crisis so far.

Mitigating actions

- Working from home policy
- Business continuity planning
- Customer relationship management
- Continuous review of health and safety protocols in line with Government guidance
- Financial planning processes

5.2 Brexit

↗

Risk description and potential impact

Brexit has exposed the Company to uncertainty around general economic climate and additional legislative requirements. The risk level is increased in light of the Group's expansion into territories outside the UK.

Mitigating actions

- Globalisation controls and processes (See 4.3)
- Supply chain Brexit audits
- HR regulatory reviews
- Financial planning processes
- Business performance and external analysis programmes

5.3 Corporate social responsibility

New

Risk description and potential impact

Checkit recognises the impact its activities have on the internal and external environment. Failing to address the safety and continued wellbeing of customers, employees and our surrounding environment could lead to reputational damage and significant financial losses.

Mitigating actions

- ESG policy
- Board ESG reviews
- Health and safety policies and audits
- Company values
- Employee assistance plans
- Insurances
- Employee CSR committees/forums

Applying the principles of governance

The Board recognises the importance of good corporate governance as one of the foundations of a sustainable corporate growth strategy.

In accordance with AIM Notice 50 the Group has adopted the Quoted Company Alliance's (QCA) Corporate Governance Code for Small and Mid-Sized Quoted Companies.

1. Strategy and business model

During the year Checkit developed a set of strategic imperatives, short- and long-term business plans and a rapid transformation programme to ensure the business is structured effectively to deliver long-term shareholder value.

Strategy is the responsibility of the Executive Chairman, Chief Financial Officer and the Executive Leadership Team. The business model is designed to achieve Checkit's growth ambitions by ensuring ability to scale and maximising efficiency. More detail can be found in the strategic report.

2. Shareholder needs and expectations

The Board is committed to engaging with shareholders, and ensuring business strategy, operating model and performance are clearly understood and communicated.

It looks to maximise opportunities to communicate and actively encourage feedback from the investor community. As a result of the COVID-19 pandemic, communication in the last year has been through regular performance reporting and virtual roadshows or webinars with investors.

a. Private shareholders

The Annual General Meeting ("AGM") is the main forum for dialogue with private shareholders and the Board. It provides an opportunity for shareholders to question the Board and discuss strategy and business performance.

Notice of the AGM is sent to shareholders at least 21 days prior to the meeting and results are announced promptly after the meeting with voting results also being published on the Company website.

b. Institutional shareholders

The Board seeks to build relationships with its institutional shareholders and potential shareholders. The Chairman and Chief Financial Officer make presentations to shareholders and analysts immediately following the publication of the half year and full year results.

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

3. Wider stakeholder and social responsibilities

Alongside shareholders the Company considers its other key stakeholder groups to be:

- Employees
- Customers
- Suppliers
- Regulators
- Local communities and environment

The Company takes its responsibility to these stakeholders seriously and seeks to actively engage with them regularly to inform and influence better decision making. A register of all interested parties is maintained and assessed regularly by management as part of the Quality Framework.

Employees

As at 31 January 2021 the Group employed around 170 people. The Company engages with employees regularly through formal quarterly town halls, annual kick-off events, informal functional meetings and a programme of communication and engagement surveys. Feedback and dialogue is regularly encouraged and pulse survey results are considered by the Executive Leadership Team so that action plans can be established.

During FY21 employee engagement and wellbeing formed an important part of the transformation plan. This included the establishment of employee led working groups focused on Company values, culture and recognition.

In addition, a refreshed approach to talent development and a new HR framework has been introduced ensuring even more focus on employee development and feedback is in place to help meet Company objectives.

The Group is committed to equality for all, regardless of gender, race, age, disability, religion or sexual orientation.

Customers

The Company engages regularly with customers through meetings and face to face calls. Larger tier 1 customers have appointed account managers and teams who work regularly alongside each other to ensure continuous feedback and dialogue.

There is a clear protocol for managing and reporting customer complaints and the newly refreshed customer excellence team is responsible for gathering, monitoring and reporting on customer satisfaction and feedback across the Group to be taken into consideration when making decisions.

Suppliers

The Company maintains an approved supplier list, regularly assesses Company suppliers, and can easily identify those most key to business operations. Business managers meet regularly with key suppliers to update them on the business and work collaboratively on areas such as quality standards, ISO audits and ongoing supply chain needs.

Regulators

The Company has a strong control environment to ensure all regulatory requirements are managed appropriately. This involves regular communication and compliance reviews with external industry regulators across the organisation at all levels. A calendar of meetings is maintained, and recommendations are logged and monitored by management for follow up on an ongoing basis.

Local communities and environment

The Company takes seriously its responsibility to the general environment and the local communities in which it is located. This includes ensuring appropriate consideration for the local community and wider environment is documented in its policies. These measures include a newly published ESG company policy and the newly formed employee culture forum focusing on further enhancing a more proactive approach.

4. Embed effective risk management

The Company is exposed to a number of risks and it is the responsibility of the Board to ensure effective risk management processes and a system of internal control is embedded within the organisation. The principal risks identified by the Board including mitigating controls are shown on pages 32 to 35 of this annual report.

The Company has established a risk management framework which has been reviewed and updated in light of the business transformation. This framework alongside the Company risk profile is regularly assessed by the Board and Audit Committee to ensure it remains effective in the protection of Company assets and shareholder value.

The Board considers that the newly updated internal control framework in place is appropriate for the size and complexity of the Group, key elements include:

- Clear roles and responsibilities including a dedicated compliance manager
- Employee training and certification programme
- Documented processes and policies, which are regularly reviewed and updated
- Internal audit programme for key risk management processes
- Board reviewed corporate risk register and control framework
- Risk and control management and reporting IT system
- Close involvement of the Executive Team in the day-to-day running of the Group
- External audit programme and relevant ISO accreditations (ISO 9001 and ISO 27001)
- Documented business performance cycle and reporting cadence (strategic planning, annual planning, performance monitoring, financial statement review, compliance audit results)
- Appropriate third-party insurance cover reviewed by the Board periodically

Given the Group's ISO accreditations and the growing requirements of the changing organisation an internal audit programme is in place across key business processes. Regular reviews of business processes take place and are facilitated by trained compliance representatives from every business function area.

5. Ensure correct Board composition

The Board considers its composition appropriate given the current size of its businesses, and comprises the Executive Chairman, Chief Financial Officer and two Non-executive Directors. Biographical details are set out on page 22 and illustrate the range of experience which the Board believes enables it to provide effective business leadership.

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, of which Non-executive Directors John Wilson (Chair of Audit Committee) and Rachel Neaman (Chair of Remuneration Committee) are members.

John Wilson's extensive business management experience alongside Rachel Neaman's senior leadership expertise provide the necessary level and combination of skills and knowledge to each of those Committees.

All Board Directors are put forward for re-election at each AGM.

6. Establish a well functioning Board

The Board receives regular information in respect of the Group's operational and financial performance from the Executive Directors.

The Chairman takes responsibility for a calendar of regular Board meetings and at least six times per year. The Board met 26 times in FY21.

The Chairman is responsible for ensuring that Board agendas reflect good corporate governance and concentrate on the key strategic, operational and financial issues. Board meeting minutes are reviewed and approved by the Board and the Directors have access to the advice and services of the Company Secretary.

The Executive Directors are required to devote substantially all of their working time to the Company. Non-executive Directors are required to commit at least ten days a year or more should the need arise.

7. Ensure Directors have the necessary experience, skills and capabilities

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.

New Board appointments are considered against regularly reviewed and objective criteria and with due regard for the benefits of diversity on the Board, including but not limited to gender balance.

The Directors are required to keep their relevant knowledge 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.

8. Evaluate Board performance

There is a process to periodically assess Board effectiveness against the business goals from both an individual and collective perspective.

9. Promote an ethical corporate culture

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.

New Company values have been introduced in FY21 and are becoming embedded in the cultural tone of the organisation, and are centred around behaviours such as doing the right thing and winning together. 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 quarterly employee communication programmes.

During FY21 an employee run culture committee was formed to empower employees to drive culture through environmental, employee wellbeing and socially focused initiatives sponsored by senior and executive management.

The Company has been through a period of significant transformation as well as a challenging external environment caused by the COVID-19 pandemic. During this time employee wellbeing and alignment has been of significant importance to the Board.

10. Maintain corporate governance structures

The long-term success of the Group is the responsibility of the Board of Directors.

Two Executive Directors have responsibility for the operational management of the Group's activities and development of the Group strategy.

Two Non-executive Directors are responsible for bringing independent and objective judgement to Board decisions.

The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction.

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 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 such as:

- Setting business strategy
- Business strategic priorities
- Business structure, allocation of resources and sources of capital
- Business performance
- Risk management
- Financial reporting
- Corporate transactions
- Investment approval above Executive Director delegated authority
- Corporate governance matters
- Board membership, composition and effectiveness
- Approval of corporate advisers
- Communication

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

The corporate calendar will also include other key activities including but not limited to issue of key reports, business performance cycle, key compliance activities, audits and key stakeholder communication points.

This calendar is regularly reviewed and may be supplemented with additional meetings as business needs arise.

The Board has two sub-committees as follows:

Audit Committee:

The Audit Committee oversees the integrity of the financial results of the Company and the effectiveness of Risk Management.

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 in the annual report are set out on pages 47 to 48. The Committee met three times during FY21.

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 strategic ambitions.

Full details of the Report of the Remuneration Committee can be found on pages 42 to 46.

Nomination Committee:

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

The Board as a whole leads the process for Board appointments and succession planning for key Senior Executives, whilst reserving its right to establish a committee for any specific appointment process.

11. Communicate how the Company is governed and is performing

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
- Quarterly trading updates
- Other regulatory announcements
- The Annual General Meeting and outcomes
- Meetings with existing shareholders
- Issue of annual report
- Webinars or roadshows
- One to one meetings with large (or potential) shareholders

Corporate information available on the Company website includes:

- Annual reports for the last five completed financial years
- Full and half year results announcements
- Notices of general meetings for the last five completed financial years
- Other regulatory announcements

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

Quarterly townhalls with employees take place to share trading updates and results following publications. Employees are also directed to the Company website and encouraged to keep up to date with Company reports.

Report of the Directors

The Directors present their annual report and accounts on the affairs of the Group, together with the audited financial statements for the year ended 31 January 2021.

Principal activity

Checkit plc is a leading provider of a new generation of cloud-based services, providing intelligent operations management platforms for deskless workforces.

Checkit is transitioning to a dynamic Software as a Service (SaaS) global business model: a client-focused, lean, dynamic, market-driven, service provider, with a suite of globally accessible Connected Workflow Management, automated monitoring and building management, Internet of Things (IoT), and operational insight-based products and services.

Results and future developments

The Group's loss on ordinary activities after taxation and attributable to equity shareholders for the year was £4.4m (2020: profit of £80.8m). The Group's results are set out in the consolidated income statement on page 58 and are explained in the Chief Financial Officer's statement on pages 28 to 30.

The subsidiaries of the Group as at 31 January 2021 are listed in Note 13.

The Directors do not propose a dividend in respect of the year ended 31 January 2021 (2020: £nil).

Strategic review

A detailed review of the business, its results and future direction is included in the strategic report set out on pages 2 to 35.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report. The financial position of the Group is described on pages 28 to 30. Details of the key risks and uncertainties in the business, including the impact of COVID-19 along with the mitigation actions in place, has been presented in the risks and uncertainties is presented on pages 2 to 35.

Having considered the Group's cash flows, liquidity position and borrowing facilities, and after reviewing the budgets and cash projections for the next twelve months and beyond, the Directors believe that the Group has adequate resources to continue operations for the foreseeable future and for this reason they continue to adopt the going concern basis in preparing the financial statements.

Health, safety and environment

The Group recognises and accepts its responsibilities for health and safety and is committed to achieving the highest practicable standards in health and safety management for all its operations to safeguard its employees, customers and the local community.

The Group is committed to the care of the environment and 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:

Keith Daley, Executive Chairman

Aylsa Muir, Chief Financial Officer (appointed 23 September 2020)

John Wilson, Non-executive Director

Rachel Neaman, Non-executive Director (appointed 1 February 2020)

The following directors resigned during the year:

Andrew Weatherstone (resigned 24 September 2020)

Richard Piper (resigned 5 August 2020)

Biographical details of the current Directors are set out on page 22 and details of Directors' beneficial interests in the shares of the Company as at 31 January 2021 are set out in the Remuneration report on pages 42 to 46.

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 42 to 46.

Political donations

No political contributions were made during the year (2020: £nil).

Share capital

As at the date of this report, the total number of shares in issue (being ordinary shares of 5 pence each) is 62,447,542 (2020: 62,033,617).

During the year, the Company issued 413,925 ordinary shares of 5 pence each (2020: nil shares) This was on the exercise of share options.

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

Employees

The Group has human resource policies designed to meet the needs of its Group companies and employees. Recognition is given to individual employees' needs and requirements and employees are encouraged to apply their skills, knowledge and energy. The Group recognises the importance of its employees and their training.

The Group is committed to equality of opportunity for all, regardless of gender, race, age, disability, religion or sexual orientation, where it is reasonable and practicable within existing legislation. This applies equally to recruitment and to the promotion, development and training of staff. The Group recognises that the needs of the business will continue to change. As such, training is and will continue to be offered such that employees are able to enhance their skill base to 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. This is achieved through formal and informal meetings. At each of our main sites, an employee forum has been established.

Substantial shareholdings

As at the date of this report, the Company was aware, or 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:

Mr K Daley	23.8%
Montoya Investments Limited	19.1%
Herald Investment Management Limited	7.4%
Ruffer LLP	7.4%

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

Financial reporting

It is the Board's responsibility to present a balanced assessment of the Group's position and prospects. The respective responsibilities of the Directors and the auditor in connection with these financial statements are explained on pages 49 to 57.

Auditor and disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, 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 on 3 June 2021. 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

Michelle Ho
Company Secretary
30 April 2021

Registered number
448274

Remuneration report

Dear Shareholder

The following Remuneration report for FY21 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 John Wilson and myself. John Wilson replaced Ric Piper following his resignation from the Board in August 2020. The biographies of Committee members can be found on page 22 of this report and on the Company's website.

Except for the payment to Neaman Consulting Ltd mentioned below no member of the Committee has or has had any personal financial interest (other than as shareholder) or conflicts of interest from cross directorships. The payment to Neaman Consulting Ltd was independently reviewed by John Wilson (in his capacity as Audit Committee Chair) and further details are given below.

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 base salary >£120k.
- 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.

Executive Directors' remuneration policy

The Group's remuneration policy has been designed with ambitious growth plans and a transforming Software as a Service (SaaS) business in mind.

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 2022:

Executive Directors' remuneration policy

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 Executive pension scheme after a probationary period
Benefits	
To offer a benefits package in line with best market practice	Executives are offered a car allowance, income protection, family private medical cover and in-service death cover
Current year incentive plans (bonus scheme)	
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 100% of base salary
Long term incentive plans (LTIP)	
To incentivise long-term performance and sustained improvement in shareholder value	No plan is currently in place
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 exceed £250,000

Notes

Basic salary

FY21:

The basic salaries for Executive Directors were not reviewed or changed in FY21.

During Q1, Executive Directors agreed to sacrifice an element of basic salary to support the Company through the challenges of the COVID-19 pandemic.

The details of these salary reductions were as follows:

	Reduction Period	% salary reduction
Keith Daley	April–June	100%
Andy Weatherstone	April–May	40%

FY22:

In light of ongoing uncertainty related to COVID-19, as at the date of signing, no base salary changes for existing Executive Directors have been agreed.

Notes continued

Annual bonus plan

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

FY21:

No bonus payments were earned by Executive Directors in FY21 as a result of the COVID-19 pandemic. Keith Daley was paid a salary supplement of £133,000 relating to the sale of Bulgin in 2019, as set out in the table below. This bonus was approved by shareholders at a general meeting held on 3 September 2019. Of this amount, £83,000 was paid by the Employee Benefit Trust.

FY22:

An FY22 in year Executive bonus plan has been agreed per below:

Executive Director	Metrics	Earning potential
Aylsa Muir	Financial performance	100% Average base salary

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

Keith Daley will be paid a bonus of £200,000 following the reorganisation of the Group consequent on the sale of Bulgin. The reorganisation has been completed and the bonus was agreed by shareholders at the general meeting held on 3 September 2019.

Long-term incentive plans

No LTIP is currently in place. The Committee will consider the design and implementation of a new LTIP in due course.

Enterprise Management Incentive Plan

The Board approved in May 2020 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 per employee as part of the Company's reward and retention policy.

Non-executive Directors are not eligible for this scheme. Options may be exercised between years three and ten. Options will lapse if employment ceases.

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

EMI options in issue as at 31 January 2021 are per below:

Employee	Exercise date	Option price	**Options at 31 January 2021**
Aylsa Muir	7 July 2023	40.5p	**310,000**
Other employees	7 July 2023	40.5p	**2,315,000**
Total			**2,625,000**

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 that either party can terminate on three months' written notice. 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 2020 and while fees were aligned, no other increases were given due to the COVID-19 pandemic. 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.

Rachel Neaman, who was appointed on 3 February 2020, provided additional consultancy and management services to the Company in FY21. Payments amounting to £65,442 (excluding VAT) were paid to Neaman Consulting Ltd (a company in which Rachel Neaman is a shareholder) during the year in return for these services. A full independent evaluation of fees was carried out by John Wilson (in his capacity as Audit Committee Chair) who confirmed that in his opinion the Company had received fair value in return for payment.

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 2021	Basic pay £'000	Salary supplement £'000	Fees for additional work[3] £'000	Benefits[1] £'000	Bonuses £'000	COVID-19 Q1 Salary reduction £'000	Total £'000	Pension contribution[2] £'000	LTIPs vested or options exercised in year £'000	Single figure remuneration £'000
Executive Directors										
K Daley	206	133	—	13	—	(53)	299	21	—	320
A Weatherstone	146	—	—	9	—	(12)	143	11	—	154
A Muir	49	—	—	4	—	—	53	2	—	55
Non-executive Directors										
J Wilson	38	—	—	—	—	(3)	35	—	—	35
R Neaman	40	—	65	—	—	(4)	101	—	—	101
R Piper	19	—	—	—	—	(1)	18	—	—	18
TOTAL	**498**	**133**	**65**	**26**	**—**	**(73)**	**649**	**34**	**—**	**683**

Year to 31 January 2020	Basic pay £'000	Salary supplement £'000	Fees for additional work £'000	Benefits[1] £'000	Bonuses £'000	Transaction bonuses £'000	Total £'000	Pension contribution[2] £'000	LTIPs vested or options exercised in the year £'000	Single figure remuneration £'000
Executive Directors										
K Daley	206	—	—	15	—	920	1,141	21	—	1,162
A Weatherstone	191	—	—	13	—	465	669	19	1,662	2,350
J Wilson (as Executive)	151	53	—	8	—	1,105	1,317	15	2,818	4,150
Non-executive Directors										
J Wilson (as Non-executive)	12	—	—	—	—	—	12	—	—	12
G Ciuccio	33	—	30	—	—	—	63	—	—	63
R Piper	36	—	45	—	—	—	81	—	—	81
TOTAL	**629**	**53**	**75**	**36**	**—**	**2,490**	**3,283**	**55**	**4,480**	**7,818**

1 Benefits include car or car allowance, fuel and private medical insurance for Directors and dependants.

2 Includes payments made in lieu of pension contributions.

3 Fees paid to Neaman Consultancy Ltd for management consultancy and services in FY22.

Executive Directors Keith Daley and Andy Weatherstone elected to take payments in lieu of pension contributions in the year.

Audited information continued

The emoluments of the highest paid Director in FY21 were £299,000 compared to £4,135,000 in FY20 which included transaction bonuses. In addition, the Group made payments in lieu of pension contributions of £21,000 (FY20: £15,000).

The annual basic pay for each current serving Director as at 31 January 2021 is as follows:

Year to 31 January 2020	**Basic pay at 31 January 2021 £'000**	Basic pay at 31 January 2020 £'000
K Daley	**206**	206
A Weatherstone	**—**	191
A Muir	**140**	—
J Wilson	**40**	36
R Neaman	**40**	—
R Piper	**—**	44
TOTAL	**426**	517

Unaudited information

Directors' share ownership

The shares owned by the current Directors serving as at 31 January 2021 are as follows:

	Shares owned outright at date of this report	**Shares owned outright at 31 January 2021**	Shares owned outright at 31 January 2020
K Daley	14,838,410	**14,838,410**	8,528,339
A Muir	2,000	**2,000**	—
J Wilson	789,259	**789,259**	688,530
R Neaman	2,738	**2,738**	—
TOTAL	15,632,407	**15,632,407**	9,216,869

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

No independent remuneration advisers were engaged during FY21 (FY20: £32,500).

Approval

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

Rachel Neaman
Chair of Remuneration Committee
30 April 2021

Audit Committee report

Dear Shareholders

I am pleased to present the Audit Committee's ("Committee") report for the financial year ended 31 January 2021.

Composition

The Audit Committee consists only of the Non-executive Directors Rachel Neaman and myself. I replaced Ric Piper as Chair of the Committee following his resignation from the Board in August 2020. The biographies of Committee members can be found on page 22 and on the Company's website.

The Board considers that for the size and complexity of the Company, the Committee is properly constituted and appropriately experienced.

External Independent Auditor

The detailed independent report of the auditor is shown on pages 50 to 57.

FY20 qualified opinion

The Board of Directors have engaged actively with Grant Thornton to resolve the difference of opinion related to the impairment of intangible assets, which resulted in the FY20 qualified audit opinion.

Since 31 December 2019, the spread of COVID-19 has severely impacted many global economies. As at 31 January 2020, the Board considered that its business and the sectors it serves would be severely affected by the uncertainties posed by COVID-19. The pandemic initially limited the Group's ability to attend to customers and has delayed its growth plans.

However, over the past year, mitigating actions have been put in place to allow customers to be fully supported and for the Group to better understand the impact on the Group's financial position. As at 31 January 2021, the pandemic is not expected to have a material impact on the Group's ability to trade.

In light of the resilient business performance, the Group carried out a thorough impairment review of all balances related to the qualified audit opinion. From the work performed, the two parties were able to agree on an FY20 restatement, the details of which can be seen on page 63, resulting in an unqualified audit opinion for FY21.

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 and Ireland) (ISAs), issued by the Auditing Practices Board.

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

As reported last year, Grant Thornton UK LLP was appointed as independent auditor for FY20, with re-appointment for FY21 approved by shareholders at the Annual General Meeting.

This year, having considered the effectiveness and performance of the independent auditor, the Committee has recommended to the Board the appointment of Grant Thornton UK LLP as independent auditor of the Company for the next financial year.

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 internal controls and procedures preventing a conflict of interest.

FY21 non-audit fees amounted to £61,300 (FY20: £61,600).

Governance

The Group applies the Quoted Companies Alliance (QCA) Corporate Governance Code.

The Committee's terms of reference are available on request from the Company Secretary and on the company website www.checkit.net.

Main activities

The Committee met three times during the financial year.

Grant Thornton attended two of the meetings and the Committee met privately with the independent auditor during the year.

Subsequent to the year end, the Committee has met once with the independent auditor to discuss the findings of the year-end audit and contents of the Audit report.

The Executive Directors are routinely invited to Committee meetings, particularly attending the meetings at which the interim and annual results are reviewed.

Main activities continued

The key activities carried out by the Committee include:

- Monitoring the integrity of all issued financial statements and reporting;
- Reviewing financial reporting 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 of the Group's independent auditor;
- Reviewing the independent auditor's audit strategy and implementation plan;
- Reviewing auditor findings in relation to the annual and interim reports;
- Overseeing the Board's relationship with the independent auditor; and
- Reviewing the Group's procedures for detecting and responding to fraud and bribery.

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 intangible assets

Following the qualified audit opinion in FY20, and in light of the resilient FY21 business performance, the Board and Committee revisited the assumptions made regarding its decision to fully impair the intangible assets in the FY20 financial statements.

Following the assessment of a thorough impairment review of all balances related to the qualified audit opinion in FY20, the Audit Committee agreed with the restatement decision.

Details of the restatement can be seen in the annual report on page 63.

Discontinued operations

On 26 June 2020 shareholders approved the disposal of the assets of Elektron Eye Technology Limited.

The accounting for this disposal is set out in Note 26 to the financial statements.

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 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 rollout 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;
- Appropriate defined processes and policies are in place;
- 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 Audit Committee approved the rollout of a new risk management framework for the Group.

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 at 31 January 2021.

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

From FY21, a compliance manager was appointed, with responsibility for facilitating audits and started 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:

John Wilson
Chair of the Audit Committee
30 April 2021

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 international accounting standards in conformity with the requirements of the Companies Act 2006 ('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

Aylsa Muir
Chief Financial Officer
30 April 2021

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Checkit Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 January 2021, which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows, the parent company balance sheet, the parent company statement of changes in equity and notes to the consolidated and parent company financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

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 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the Key Audit Matters section of our report.

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 and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

Overview of our audit approach

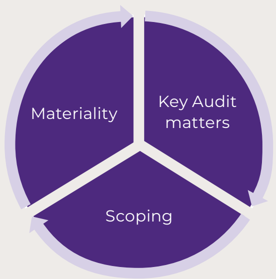
Overall materiality:

Group: £224,000, which represents 4.2% of the group's loss before taxation.

Parent company: £168,000, which is less than 2% of the parent company's total assets, capped at component materiality.

Key audit matters were identified as:

- Revenue recognition (Same as previous year);
- Valuation of intangible assets and restatement of comparatives (New in the current year);
- Going concern assessment (New in the current year); and
- Carrying value of investments in subsidiaries in Parent company (New in the current year)



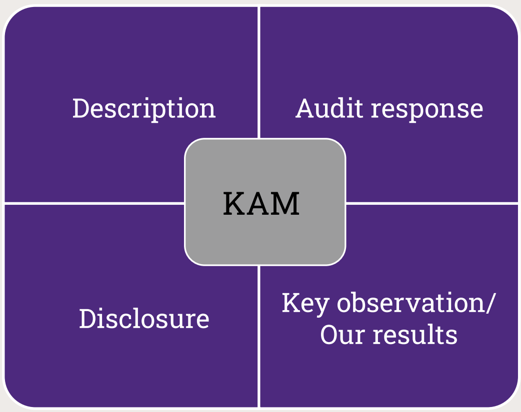
Our auditor's report for the year ended 31 January 2020 included two key audit matters that have not been reported as key audit matters in our current year's report. These relate to a) Accounting for discontinued of operations as it related to a sale of the group's large business line in the prior year; and b) Business combination accounting, which relates to acquisition of a subsidiary in the prior year.

We performed:

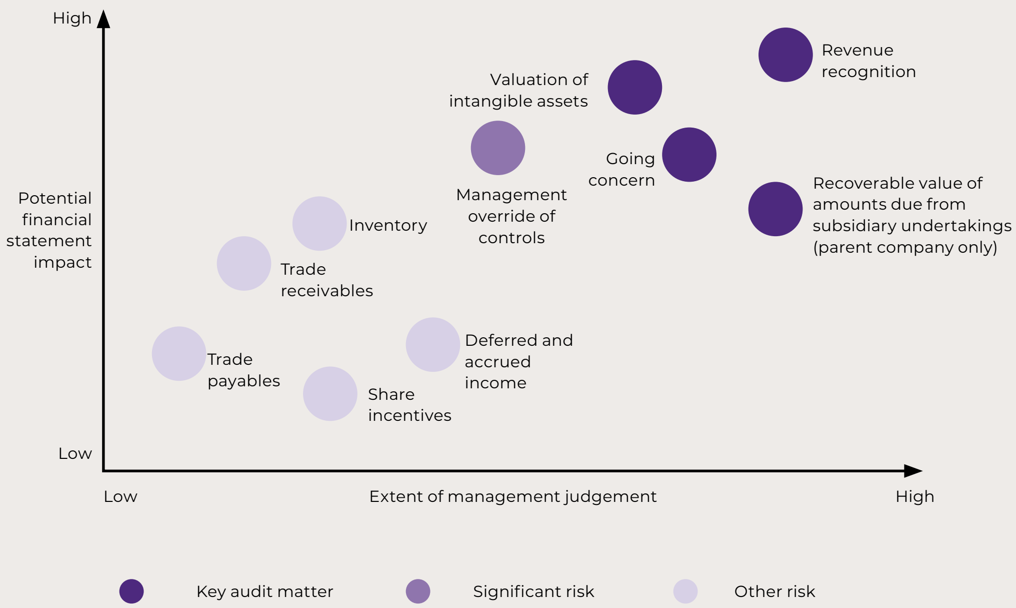
- an audit of the financial information of the parent company Checkit plc, Checkit Europe Limited, Checkit UK Limited and Elektron Eye Technology Limited using component materiality; and
- analytical procedures for all other components of the group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that 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



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Key audit matters continued

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Revenue recognition We identified revenue recognition as one of the most significant assessed risks of material misstatement due to fraud and error. Under International Standard on Auditing (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to fraud. We have not rebutted this presumed risk. The group has a subscription software as a service model to deliver connected automated monitoring services and connected workflow management services. Service delivery is recognised over time. Project revenue relates to the provision of connected building energy management systems. Revenue recognition for projects is determined based on stage of completion of the work done. As the charges for services is variable based on the contract and number of sites and judgement is required to determine stage of project completion, we identified revenue recognition as a significant risk, which was one of the most significant assessed risks of material misstatement.	In responding to the key audit matter, we performed the following audit procedures: • Assessing whether the group's revenue recognition policy is consistent with International Financial Reporting Standards (IFRS) 15, "Revenue from contracts with customers"; • Understanding management's basis of assessment to support key judgements impacting revenue recognition; • Testing the design and the implementation of controls relating to contract approval and revenue recognition; • Corroborating a sample of customer contracts to signed agreements and supporting documentation; and • Testing a sample of subscription income and recalculating expected revenue to be recognised, including the amount of deferred income at the year end. • Testing a sample of project revenue including corroborating management's calculations supporting the stage of completion.
Relevant disclosures in the Annual Report and Accounts 2021 • The group's accounting policy on revenue recognition is shown in note 1 to the financial statements • Disclosures on revenue recognition are shown in note 2 to the financial statements	**Our results** Based on our audit work, we did not identify any material misstatements of revenue or any instance where revenue was not recognised in accordance with the stated accounting policies.
Valuation of intangible assets and restatement of comparatives During the year ended 31 January 2020, the group impaired in full the carrying value of goodwill of £4.3m, customer relationship of £3m and capitalised development costs of £2.4m. Our audit report for the year ended 31 January 2020 was qualified on the basis that the impairment assessment was not in accordance with financial reporting standards. During the current year, the group has restated its comparatives, reversing the impairment of goodwill of £4.3m and acquired intangible assets of £3m. As part of this assessment, management have reviewed the judgements made in determining whether development costs met the criteria for capitalisation and expensed development costs not meeting the criteria. We identified the restatement of intangible assets which were subject to our audit qualification in the prior year as one of the most significant assessed risks of material misstatement due to error since the assessment could be subject to management bias. The process of measuring and recognising impairment under IAS 36 is complex and judgemental.	In responding to the key audit matter, we performed the following audit procedures: • Obtaining management identification of the intangibles impaired in the prior year • Challenging whether the costs of development should be capitalised under IAS 38 (as previously reported) or expensed as incurred; • Obtaining management's value in use calculations to support the carrying value of restated intangibles, which are based on discounted cash flow models; • For goodwill impairment, critically reviewing management's identification of cash generating units to ensure this is in accordance with International Accounting Standard ('IAS') 36 'Impairment of Assets'; • Evaluating the key assumptions including basis of forecasts, growth rates and discounts rates applied; • Comparing the forecast used in management's impairment assessment with the group business plan and obtaining explanations for variances: • Obtaining management's sensitivity analysis on the discount rate used; • Evaluating the sensitivity to the growth in revenue included in the model and assessing the level of headroom with respect to the carrying value of goodwill; and • Reviewing the restatement of the comparatives to ensure compliance with applicable accounting standards (IAS) 1 "Presentation of financial statements, IAS 38 "Intangible assets" and IAS 8 "Accounting policies, changes in accounting estimates and errors" and adequacy of disclosures.

Key audit matters continued

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Relevant disclosures in the Annual Report and Accounts 2021 • The group's accounting policy on intangible assets including goodwill is shown in note 1 to the financial statements • Disclosures on restatement of the comparatives is shown in note 11 to the financial statements	**Key observations** Intangible assets reported in the prior period have been restated. We assessed the approach to restatement and evaluated the support provided for the restated balances. Based on our audit procedures we conclude that there is sufficient headroom in the value in use calculations to support the carrying value of goodwill. We concur with management's assessment that there is no material impairment of the acquired intangible assets or goodwill and the restatement of the capitalised development costs.
Going concern assessment We identified the going concern assumption as one of the most significant assessed risks of material misstatement due to error because of the judgement required to conclude whether there is material uncertainty related to going concern. In our evaluation of the directors' assessment of going concern, we identified the inherent risks associated with the group's business model including effects arising from macro-economic uncertainties such as COVID-19. This global economic uncertainty increases the extent of judgement and estimation uncertainty associated with management's assessment to support the going concern basis of accounting in the preparation of the financial statements. Due to the high level of judgement involved in anticipating future cashflows, there exists a significant risk that inappropriate assumptions might be utilised in the determination of the group's ability to continue as a going concern.	**Our results** We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.
Relevant disclosures in the Annual Report and Accounts 2021 • Note1 to the financial statements explains how the directors have formed a judgement that it is appropriate to adopt the going concern basis of accounting in preparing the group financial statements.	**Our results** We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

Key Audit Matter – Parent company	How our scope addressed the matter – Parent company
Carrying value of investments in subsidiaries in Parent company We identified the carrying value of investments in subsidiaries in the parent company as one of the most significant assessed risks of material misstatement at entity level due to error arising from the uncertainty associated with the recoverability of such balances. At 31 January 2021, the parent has investments in subsidiary undertakings of £9.5m net of impairments. There is a risk of further impairment given the operating losses in the current year which are an indicator of impairment. As a result the provision held as at 31 January 2021 may not be adequate.	In responding to the key audit matter, we performed the following audit procedures: • Obtaining an understanding of how management considers the balances to be recoverable through future cash flow projections; • Challenging the methodology and key assumptions used by management in assessing value in use, including the revenue growth forecast; and • Assessing whether information included in the value in use models is consistent with the results of our procedures on subsidiaries and forecasts used for the impairment of goodwill and going concern assessment.
Relevant disclosures in the Annual Report and Accounts 2021 • The parent's accounting policy on investments is shown in note 1 to the parent company financial statements • Disclosure of the carrying value of investments in the parent company is shown in note 3 to the parent company financial statements	**Our results** Our audit work did not identify any material misstatements in the carrying value of investments in the parent company..

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

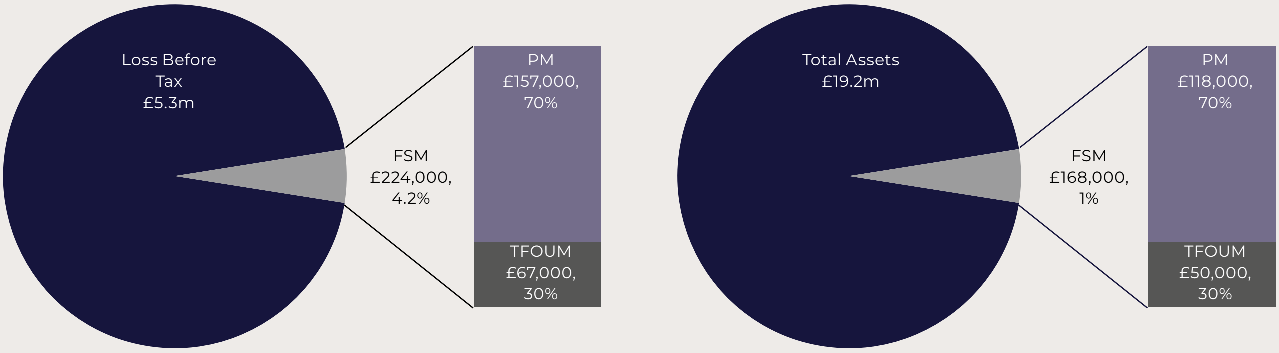
Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£224,000 which is 4.2% of group's loss before taxation.	£168,000 which is less than 2% of the parent company's total assets, since it was restricted to 75% of group materiality.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements Loss before taxation was considered the most appropriate benchmark because the group is a commercially focused organisation and the result before tax is a key financial measure for the shareholders. Materiality for the current year is lower than the level that we determined for the year ended 31 January 2020 to reflect the smaller loss from continuing operations in the year.	In determining materiality, we made the following significant judgements The parent entity is a holding company therefore the asset base is the most relevant benchmark for materiality. Materiality for the current year is lower than the level that we determined for the year ended 31 January 2020 reflecting the change in total assets in the year.
Significant revision of materiality threshold that were made as the audit progressed	We calculated materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on the actual results. We concluded that it remained appropriate to use materiality as determined in our risk assessment at the planning stage.	We calculated materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on actual results. We concluded that it remained appropriate to use materiality as determined in our risk assessment at the planning stage.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£157,000 which is 70% of financial statement materiality.	£118,000 which is 70% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining materiality, we did not identify any significant judgements. We considered 70% as an appropriate threshold based on our experience with auditing the financial statements of the group in the prior years noting that the prior period restatement did not affect multiple classes of transactions.	In determining materiality, we did not identify any significant judgements. We considered 70% as an appropriate threshold based on our experience with auditing the financial statements of the group in the prior years.
Significant revisions of performance materiality threshold that were made as the audit progressed	The performance materiality threshold percentage was not changed during the course of the audit.	The performance materiality threshold percentage was not changed during the course of the audit.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the following areas: Non-recurring or special items	We determined a lower level of specific materiality for the following areas: Non-recurring or special items
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£11,200 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£8,400 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group

Overall materiality – Parent company



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

Understanding the group, its components, and their environments, including group-wide controls

- The engagement team obtained an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level.
- All financial reporting is based in the UK. The group operates separate finance system and records for each subsidiary.
- In assessing the risk of material misstatement of the group financial statements we considered the transactions undertaken by each entity in the group and therefore where the focus of our work was required.
- We have tailored our audit response accordingly with all audit work undertaken by the group audit team. The group audit team was unable to visit the UK locations due to the COVID-19 pandemic and completed all audit work remotely with exception of a follow-up visit for physical verification of inventory existence.

Identifying significant components

- We considered the size and risk profile of each component, any changes in the business and other factors when determining the level of work to be performed on the financial information of each component. Financial significance of each component was determined based on the percentage of the group's total assets, revenues and result before tax.

Type of work to be performed on financial information of parent and other components

- We audited the financial information of the components based on component materiality. Full scope audits were performed on the following subsidiary entities in the group: Checkit Plc (parent company), Checkit UK Limited, Checkit Europe Limited and Elektron Eye Technology Limited.
- Analytical review procedures on the financial information of the component (subsidiaries) were performed for Checkit Inc, Elektron Eye Technology Inc, Hartest Precision Instruments Limited, Hartest Precision Instruments India Private Limited.
- Elektron Technology PTE Ltd, Elektron Technology (Shanghai) Trading Limited, Elektron Precision Instruments Limited, Elektron IP Limited and Elektron Enterprises 1 Limited are dormant subsidiaries of the group and they were not subject to audit procedures at group level on the basis that the financial information associated with them were immaterial

Performance of our audit

- Testing performed over 99.9% of total group revenues, through full scope audit procedures.
- Testing performed over 98.5% of total group loss before tax, through full scope audit procedures.
- Testing performed over 99.7% of total group assets, through full scope audit procedures.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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

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

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the report of the directors'.

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the parent company and the group and industry in which they operate. We determined that the following laws and regulations were most significant: IFRS, Companies Act 2006, AIM rules and the relevant tax compliance regulations in the UK which is the primary jurisdiction in which the group operates;
- We obtained an understanding of the group's policies and procedures implemented to prevent and detect non-compliance with laws and regulations by inquiry with management and those responsible for legal and compliance procedures including the company secretary. We corroborated our inquiries through our reading of board meeting minutes;
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;
- We assessed the susceptibility of the parent company's and group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
  - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud and the adequacy of procedures for authorisation of transactions and internal review procedures including support for key judgements impacting revenue recognition;
  - challenging assumptions and judgements made by management in its significant accounting estimates including impairment calculations; and
  - identifying and testing large and unusual journal entries.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations.
- It is the engagement partner's assessment that the audit team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations based on understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation.
- Group's management have not communicated to the audit team any matters of non-compliance with laws and regulations or fraud and no such matters were identified by the audit team.

Use of our report

This report is made solely to the 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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alison Seekings
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
30 April 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
year ended 31 January 2021

	Notes	2021 £m	Restated 2020 £m
Revenue	2	**13.2**	9.8
Cost of sales		**(8.5)**	(7.2)
Gross profit		**4.7**	2.6
Operating expenses			
Operating expenses (excluding non-recurring or special items)	3	**(7.8)**	(9.1)
Operating loss before non-recurring or special items		**(3.1)**	(6.5)
Non-recurring or special items	4	**(2.2)**	(2.7)
Total operating expenses	3	**(10.0)**	(11.8)
Operating loss	4	**(5.3)**	(9.2)
Finance income	5	**—**	0.1
Loss before taxation		**(5.3)**	(9.1)
Taxation	8	**0.3**	0.1
Loss from continuing operations		**(5.0)**	(9.0)
Profit from discontinued operations	26	**0.6**	89.8
Profit for the year attributable to equity shareholders		**(4.4)**	80.8
Other comprehensive income/(expense)			
Exchange differences on translation of foreign operations		**—**	0.7
Reclassification of exchange differences to income statement for discontinued items		**—**	1.5
Total comprehensive income for the financial year attributable to equity shareholders		**(4.4)**	83.0
Loss per share from continuing operations			
Basic EPS		**(8.3)p**	(5.6)p
Diluted EPS	10	**(8.3)p**	(5.6)p

	Notes	2021 £m	Restated 2020 £m
Assets			
Non-current assets			
Goodwill arising on acquisition	11	**4.3**	4.3
Other intangible assets	11	**1.7**	3.0
Property, plant and equipment	12	**0.8**	1.2
Total non-current assets		**6.8**	8.5
Current assets			
Inventories	15	**1.1**	1.7
Trade and other receivables	16	**4.9**	3.4
Asset held for sale	26	**—**	0.4
Cash and cash equivalents		**11.5**	14.3
Total current assets		**17.5**	19.8
Total assets		**24.3**	28.3
Current liabilities			
Trade and other payables	17	**5.6**	5.1
Contract lease liabilities	22	**0.3**	0.5
Total current liabilities		**5.9**	5.6
Non-current liabilities			
Deferred Tax Liabilities	14	**0.3**	0.6
Long-term contract lease liabilities	22	**0.2**	0.4
Long-term provisions	19	**0.3**	0.3
Total non-current liabilities		**0.8**	1.3
Total liabilities		**6.7**	6.9
Net assets		**17.6**	21.4
Equity attributable to the owners of the Company			
Called up share capital	20	**3.1**	3.1
Share premium	20	**5.4**	5.4
Capital redemption reserve	20	**6.4**	6.4
Own shares	20	**—**	(0.7)
Other reserves	20	**0.1**	—
Retained earnings	20	**2.6**	7.2
Total equity		**17.6**	21.4

The financial statements of Checkit plc (registered no. 00448274) were approved by the Board of Directors on 30 April 2021 and were signed on its behalf by:

Keith Daley
Director

Aylsa Muir
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

year ended 31 January 2021

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Own shares[1] £m	Other reserves £m	Translation reserve £m	Retained earnings £m	Total £m
At 31 January 2019	9.3	5.4	1.1	0.2	(1.9)	0.8	(2.2)	3.6	16.3
Profit for the year (as reported)	—	—	—	—	—	—	—	73.7	73.7
Restatement of intangible assets[3]	—	—	—	—	—	—	—	7.1	7.1
Profit for the year (as restated)	—	—	—	—	—	—	—	80.8	80.8
Recycled translation reserve	—	—	—	—	—	—	1.5	—	1.5
Currency translation differences on foreign currency net investments	—	—	—	—	—	—	0.7	—	0.7
Total comprehensive income for the year	—	—	—	—	—	—	2.2	80.8	83.0
Correction to classification[2]	—	—	—	—	(1.5)	1.5	—	—	—
Merger reserve realised			(1.1)					1.1	—
Own shares sold	—	—	—	—	2.7	—	—	—	2.7
Share options and incentives exercised	—	—	—	—	—	(2.3)	—	2.3	—
Repurchase and cancellation of shares	(6.2)	—	—	6.2	—	—	—	(80.6)	(80.6)
Transaction with owners	(6.2)	—	(1.1)	6.2	1.2	(0.8)	—	(77.2)	(77.9)
At 31 January 2020 (as reported)	3.1	5.4	—	6.4	(0.7)	—	—	0.1	14.3
Restatement of intangible assets[3]	—	—	—	—	—	—	—	7.1	7.1
At 31 January 2020 (as restated)	3.1	5.4	—	6.4	(0.7)	—	—	7.2	21.4
Total comprehensive income for the year	—	—	—	—	—	—	—	(4.4)	(4.4)
Correction of reserve classification	—	—	—	—	0.2	—	—	(0.2)	—
Own shares sold	—	—	—	—	0.5	—	—	—	0.5
Share-based payments	—	—	—	—	—	0.1	—	—	0.1
Transaction with owners	—	—	—	—	0.7	0.1	—	(0.2)	0.6
At 31 January 2021	**3.1**	**5.4**	**—**	**6.4**	**—**	**0.1**	**—**	**2.6**	**17.6**

1 Shares held by the Elektron Technology 2012 EBT were treated as treasury shares. All of the own shares were sold by the trust during the period, resulting in a gain.

2 The correction to own shares reserves relates to a share-based payment adjustment that was incorrectly classified within own shares.

3 Restated to reverse prior year impairment of intangible assets – refer to Note 11.

	Notes	2021 £m	2020 £m
Net cash inflow outflow from operating activities (restated)	6	**(2.9)**	(1.1)
Investing activities			
Interest received on bank deposits		**—**	0.1
Purchase of property, plant and equipment		**(0.3)**	(0.3)
Purchase of business (net of cash acquired)	27	**—**	(8.8)
Sale of businesses (net of cash sold)	26	**0.3**	93.0
Net cash generated by investing activities (restated)		**—**	84.0
Financing activities			
Repurchase and cancellation of shares[1]		**—**	(77.9)
Sale of own shares		**0.5**	—
Repayment of contract lease liabilities		**(0.4)**	(0.8)
Net cash used in financing activities		**0.1**	(78.7)
Net increase in cash and cash equivalents		**(2.8)**	4.2
Cash and cash equivalents at the beginning of the year		**14.3**	10.1
Cash and cash equivalents at the end of the year		**11.5**	14.3

1 Net of £2.7m repaid by Elektron Technology Employment Benefit Trust from proceeds of the tender offer.

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, JJ 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 40 and 41.

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 under international accounting standards in conformity with the requirements of the Companies Act 2006.

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 2020

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 February 2020, 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:

1. 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.
2. If the costs associated with the potential recognition of an intangible asset do not meet criteria 1 set out above then no intangible asset will be recognised.
3. The above criteria will also need to be satisfied and performed each time an entity incurs potentially eligible expenditures relating to expenditure in connection with a potential acquisition or internally generated expenditure in respect of an intangible asset.
4. The Group's policy which is in accordance with IAS 38 states that if the criteria above are not met at the time that the expenditure is incurred an expense is recognised and such costs are never reinstated as an intangible asset in the future.

The key judgement here 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.

The costs of development identified as delivering revenue performance obligations are expensed as operating costs within the statement of consolidated profit or loss unless they meet the criteria above, whereas previously development costs were capitalised and amortised over 24 months. The impact of this has been the reversal of previously capitalised development costs and reversal of the associated amortisation charge. The 2020 financial statements have been re-stated for this adjustment as stated in note 11.

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.

Deferred tax

The recognition of the deferred income tax asset (Note 14): deferred taxation assets are only 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.

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.

1. Summary of significant accounting policies continued

Basis of accounting continued

Sources of estimation uncertainty continued

- 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.
- The recoverability of internally generated intangible assets: at each balance sheet date, the Group reviews the carrying amounts of its internally generated intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Estimated future cash flows deriving from these assets must be determined and an appropriate discount rate applied to calculate present value.
- The Group has revisited the assumptions made regarding its decision to fully impair the intangible assets in the FY20 financial statements due to the unforeseen impact of COVID-19. In light of resilient business performance, the Group carried out a thorough impairment review of all balances related to the FY20 qualified audit opinion. From the work performed, the Group has agreed that an adjustment should be made to restate FY20 financial statements.

Restatement of prior year

The prior year consolidated statement of comprehensive income, consolidated statement of financial position and related notes have been restated for the treatment and valuation of intangible assets and associated deferred tax liability. Consequently, 2020 results have been restated in these financial statements to reflect an increase in goodwill and other intangible assets of £7.3m and an increase in reported profit of £7.1m.

Quantitative impact of restatement on financial results

Year ended 31 January 2020	As originally reported £m	Product development costs expensed £m	Reversal of impairment £m	Deferred tax impact £m	As restated £m
Consolidated statement of comprehensive income					
Revenue	9.8	—	—	—	9.8
Cost of sales	(7.2)	—	—	—	(7.2)
Gross profit	2.6	—	—	—	2.6
Operating expenses (excluding non-recurring or special items)	(7.8)	(1.3)	—	—	(9.1)
Operating loss before non-recurring or special items	(5.2)	(1.3)	—	—	(6.5)
Non-recurring or special items	(11.3)	1.3	7.3	—	(2.7)
Total operating expenses	(19.1)	—	7.3	—	(11.8)
Operating loss	(16.5)	—	7.3	—	(9.2)
Finance income	0.1	—	—	—	0.1
Loss before taxation	(16.4)	—	7.3	—	(9.1)
Taxation	0.7	—	—	(0.6)	0.1
Loss from continuing operations	(15.7)	—	7.3	(0.6)	(9.0)
Profit from discontinued operations	89.4	—	0.4	—	89.8
Profit for the year attributable to equity shareholders	73.7	—	7.7	(0.6)	80.8
Consolidated balance sheet					
Assets					
Non-current assets					
Goodwill arising on acquisition	—	—	4.3	—	4.3
Other intangible assets	—	—	3.0	—	3.0
Property, plant and equipment	1.2	—	—	—	1.2
Total non-current assets	1.2	—	7.3	—	8.5
Current assets	19.4	—	0.4	—	19.8
Total assets	20.6	—	7.7	—	28.3
Total liabilities	6.3	—	—	0.6	6.9
Total equity	14.3	—	7.7	(0.6)	21.4

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 2021.

Since 31 December 2019, the spread of COVID-19 has severely impacted many global economies. As at 31 January 2020, the Board considered that its business and the sectors it serves would be severely affected by the uncertainties posed by COVID-19. The pandemic initially limited the Group's ability to attend to customers and has delayed its growth plans. However, over the past year, mitigating actions have been put in place to allow customers to be fully supported and for the Group to better understand the impact on the Group's financial position. As at 31 January 2021, the pandemic is not expected to have a material impact on the Group's ability to trade.

The Directors have prepared cash flow forecasts for the Group for a review period of twelve months from the date of approval of the 2021 financial statements and consider the assumptions used therein to be reasonable and reflective of its long-term SaaS 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.

The Board has considered the impact of COVID-19 and does not expect it to have a material impact on these scenarios.

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 (2008) "Business Combinations" are recognised at their fair value at the acquisition date.

Goodwill

Goodwill represents the difference between the cost of the acquisition, including acquisition costs 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.

1. Summary of significant accounting policies continued

Other intangible assets continued

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 years

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 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. 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.

1. Summary of significant accounting policies continued

Share capital

Employee Benefit Trust

Until this year, the Elektron Technology 2012 Employee Benefit Trust (EBT) used funds provided by the Group to meet the Group's obligations under the employee share option plans and LTIP. All shares acquired by EBT were purchased on the open market or may be issued directly to EBT at the then market value. Where the Group holds its own equity shares through EBT, these shares were shown as a reduction in equity. EBT was closed during the year, with all shares held sold in the market.

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.

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.

1. Summary of significant accounting policies continued

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.

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 Software as a Service as part of a fee-based subscription service. It also installs building energy management systems. In respect of discontinued operations revenue arises from 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.

Software as a Service

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 in respect of Checkit Europe sales. Contractual terms for the Checkit UK business unit include the provision of hardware sold under a separate contract, and a sale is recognised upon its installation upon completion of this separate performance obligation. Checkit UK's service provision is recognised over time similar to Checkit Europe.

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.

1. Summary of significant accounting policies continued

Revenue recognition continued

Projects and installations

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.

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.

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.

Government grants

Government grants are recorded if there is a reasonable assurance that the Group will comply with all attached conditions for receiving the grant and the grant will be awarded. Grants related to the UK Government Job Retention Scheme are deducted from related expenses in the period in which the corresponding expenses are incurred.

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.

1. Summary of significant accounting policies continued

Financial risk management continued

(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 and number of customers, 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.

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.

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 operating profit before non-recurring or special items, EBITDA and alternate cash measures. 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 Executive Chairman.

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:

	2021 £m	2020 £m
Recurring revenues from subscription services	**5.1**	3.1
Installation maintenance and support	**8.1**	6.7
Total	**13.2**	9.8

Geographical information

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

	Revenue from external customers	
	2021 £m	2020 £m
United Kingdom	**12.7**	9.4
The Americas	**0.5**	0.4
Total	**13.2**	9.8

Information about major customers of the continuing operations

During FY21, the Group had one customer who generated revenues of greater than 29% of total revenue (FY20: 39%).

Revenue expected to be recognised

The Group expects to recognise revenue amounting to £2.1m (2020: £1.0m) in FY22 relating to performance obligations from existing contracts that are unsatisfied or partially satisfied as at 31 January 2021.

3. Net operating expenses

	2021 £m	2020 £m
Net operating expenses		
Selling and distribution costs	**1.4**	3.2
Administrative expenses	**6.4**	5.9
Operating expenses excluding non-recurring or special items	**7.8**	9.1
Non-recurring or special items (see Note 4)	**2.2**	2.7
Total operating expenses	**10.0**	11.8

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

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

4. Operating loss – continuing operations

	2021 £m	Restated 2020 £m
Operating loss is after charging/(crediting):		
Depreciation on owned property, plant and equipment	**0.1**	0.2
Depreciation on right-of-use assets	**0.5**	0.5
Amortisation of intangible assets (excluding amounts charged as special items below)	**—**	0.9
Product development costs expensed	**2.5**	2.5
Government job retention scheme	**(0.4)**	—
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**	0.1
Total audit fees for audit services	**0.1**	0.1
Tax services	**0.1**	0.1
Total auditor's remuneration	**0.2**	0.2
Non-recurring or special items:		
– Revision to development costs amortisation period	**—**	0.3
– Impairment of development costs	**—**	0.7
– Restructuring and integration costs	**0.8**	0.5
– Acquisition costs of Checkit UK	**—**	0.2
– Pre-acquisition costs of Tutela LLC	**0.1**	—
– Amortisation of acquired intangible assets	**1.3**	1.0
Total non-recurring or special items	**2.2**	2.7

Included within auditor's remuneration for audit services in FY21 is a sum for less than £0.1m (2020: less than £0.1m) for the audit of overseas subsidiaries carried out by an auditor other than Grant Thornton UK LLP.

Grant Thornton UK LLP was paid £0.1m for tax advisory and compliance services (2020: £0.1m).

Further details on the changes to impairment charges are set out in Note 11.

5. Finance income

Finance income comprised:

	2021 £m	2020 £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.

6. Net cash flows from operating activities

	Notes	2021 £m	Restated 2020 £m
(Loss)/profit before taxation			
– from continuing operations		**(5.3)**	(9.1)
– from discontinued operations (before tax)	26	**0.6**	90.3
Adjustments for:			
Depreciation	12	**0.6**	1.3
Amortisation	11	**1.3**	2.3
Impairment of intangible assets		**—**	0.9
Loss on disposal of tangible fixed assets		**—**	0.1
Gain on the sale of discontinued businesses	26	**(0.5)**	(85.3)
Share based payments		**0.1**	—
Finance income		**—**	(0.1)
Operating cash flow before working capital changes		**(3.2)**	0.4
Increase in trade and other receivables		**(0.9)**	(0.9)
Decrease/(increase) in inventories		**0.6**	0.1
(Increase)/decrease in trade and other payables		**0.6**	(0.1)
Operating cash flow after working capital changes		**(2.9)**	(0.5)
(Increase)/decrease in provisions		**—**	(0.1)
Cash generated by operations		**(2.9)**	(0.6)
Tax paid		**—**	(0.5)
Net cash inflow from operating activities		**(2.9)**	(1.1)

7. Staff information (including Directors)

Employee costs were:

	Note	2021			2020		
		Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
Wages and salaries		**7.0**	**0.1**	**7.1**	6.7	4.1	10.8
Social security costs		**0.9**	**—**	**0.9**	0.9	0.5	1.4
Other pension costs	23	**0.2**	**—**	**0.2**	0.2	0.1	0.3
		8.1	**0.1**	**8.2**	7.8	4.7	12.5

Redundancy costs of less than £0.1m (2020: 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:

	2021			2020		
	Continuing Number	Discontinued Number	Total Number	Continuing Number	Discontinued Number	Total Number
Administration and sales	**95**	**2**	**97**	66	38	104
Development	**29**	**—**	**29**	29	9	38
Field service	**48**	**—**	**48**	32	—	32
Production	**1**	**—**	**1**	4	449	453
	173	**2**	**175**	131	496	627

Details of Directors' remuneration are included in the Remuneration report on pages 44 to 49. 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

	2021 £m	Restated 2020 £m
Current taxation:		
UK corporation tax charge on profit for the year	**—**	—
Total current taxation	**—**	—
Deferred tax:		
On separately identifiable acquired intangibles (as a result of amortisation)	**(0.3)**	(0.1)
Total deferred taxation	**(0.3)**	(0.1)
Tax charge on continuing operations	**(0.3)**	(0.1)

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

	2021 £m	2020 £m
Current taxation:		
UK corporation tax charge on profit for the year	**—**	0.2
Overseas corporation tax charge on profit for the year	**—**	0.3
Overprovision for prior year – UK	**—**	(0.1)
Total current taxation	**—**	0.4
Deferred tax:		
Origination and reversal of temporary differences	**—**	0.2
Under provision in respect of prior years	**—**	(0.1)
Total deferred taxation	**—**	0.1
Tax charge on discontinued operations	**—**	0.5

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

The effective tax rate for the year was 19%.

	2021		Restated 2020	
	Tax rate	**£m**	Tax rate	£m
Loss on continuing operations before taxation		**(5.3)**		(9.1)
Loss on ordinary activities multiplied by weighted average standard rate of corporation tax in the UK of 19%	**19.0%**	**(1.0)**	19.0%	(1.7)
Effects of:				
Expenses not deductible for tax purposes	**(2.5)%**	**0.1**	—	—
Temporary differences not recognised	**2.6%**	**(0.1)**	5.5%	0.5
Tax losses not recognised	**(11.3)%**	**0.6**	5.8%	0.8
Surrender of losses to discontinued operations	**(1.9)%**	**0.1**	3.3%	0.3
	(5.9)%	**(0.3)**	1.4%	(0.1)

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

	2021		2020	
	Tax rate	**£m**	Tax rate	£m
Profit on discontinued operations before taxation		**0.6**		90.3
Profit on ordinary activities multiplied by weighted average standard rate of corporation tax in the UK of 19%	**19.0%**	**0.1**	19.0%	17.1
Effects of:				
Profits not subject to tax	**—**	**—**	(18.0)%	(16.1)
Temporary differences not recognised	**—**	**—**	—	(0.1)
Surrender of losses from continuing operations	**(19.0)%**	**(0.1)**	(0.4)%	(0.3)
Prior year adjustments	**—**	**—**	—	(0.1)
	—	**—**	0.6%	0.5

Discontinued Operations for FY21 relate to the sale of Elektron Eye Technology. This was also included in Discontinued Operations for FY20. FY20 also includes businesses sold in the prior year, those being Bulgin and, included in the sale, foreign entities, Elektron Corp Inc and Elektron Tunisia.

8. Taxation continued

(e) Factors that may affect future taxation charges

Deferred taxation assets amounting to £2.9m (2020: £2.4m) have not been provided in respect of unutilised income tax losses of £15.5m (2020: £13.3m) 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 Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%. Deferred taxes on the balance sheet have been measured at 19% which represents the future corporation tax rate that was enacted at the balance sheet date.

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 not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end. If the Group's recognised deferred tax balances at the period end were remeasured at 25% this would result in a deferred tax charge of £0.1m.

9. Dividends paid

No interim or final dividend was paid for the year ended 31 January 2021 (2020: £nil).

10. Earnings per share

Earnings per share (EPS) is the amount of post-tax profit attributable to each share (excluding those held in the Employee Benefit Trust or 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	2021 m	Restated 2020 m
Weighted average number of shares for the purpose of basic earnings per share	A	**61.5**	161.0
Dilutive effect of employee share options[1]		**—**	—
Weighted average number of shares for the purpose of diluted earnings per share	B	**61.5**	161.0

	Key	£m	£m
Profit for the year		**(4.4)**	80.8
Profit from discontinued operations, net of tax	E	**(0.6)**	(89.8)
Continuing loss for the year attributable to equity shareholders	C	**(5.0)**	(9.0)
Total non-recurring or special items net of tax		**1.9**	2.6
Loss for adjusted EPS	D	**(3.1)**	(6.4)

	Key	2021	Restated 2020
EPS measures			
Basic and diluted[1] continuing EPS	C/A	**(8.3)p**	(5.6)p
Adjusted EPS measures			
Adjusted basic and diluted[1] continuing EPS	D/A	**(5.2)p**	(4.0)p

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

Discontinued earnings per share

	Key	2021	Restated 2020
EPS measures			
Basic EPS	(E)/A	**1.0p**	55.8p
Diluted EPS[1]	(E)/B	**1.0p**	55.8p

10. Earnings per share continued

Total earnings per share for the year attributable to equity shareholders

	Key	2021	Restated 2020
EPS measures			
Basic EPS	(E)/A	**(7.3)p**	50.2p
Diluted EPS[1]	(E)/B	**(7.3)p**	50.2p

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.

11. Intangible assets

	Development costs £m	Computer software £m	Acquired intangible assets £m	Goodwill £m	Total £m
Cost					
At 1 February 2019	8.1	1.9	0.3	—	10.3
Additions	—	—	—	—	—
Businesses sold	(1.3)	(1.9)	—	—	(3.2)
Businesses acquired	0.6	0.1	4.0	4.3	9.0
Reclassification to held for sale	(0.1)	—	(0.3)	—	(0.4)
Disposals	(0.2)	—	—	—	(0.2)
At 31 January 2020 (as restated)	7.1	0.1	4.0	4.3	15.5
Additions	—	—	—	—	—
Disposals	(0.6)	—	—	—	(0.6)
At 31 January 2021	**6.5**	**0.1**	**4.0**	**4.3**	**14.9**
Amortisation					
At 1 February 2019	5.5	1.9	—	—	7.4
Charge for the year	1.0	—	1.0	—	2.0
Change in amortisation rates	0.3	—	—	—	0.3
Impairment	0.9	—	—	—	0.9
Businesses sold	(1.1)	(1.9)	—	—	(3.0)
Businesses acquired	0.5	0.1	—	—	0.6
Disposals	—	—	—	—	—
At 31 January 2020 (as restated)	7.1	0.1	1.0	—	8.2
Charge for the year	—	—	1.3	—	1.3
Disposals	(0.6)	—	—	—	(0.6)
At 31 January 2021	**6.5**	**0.1**	**2.3**	**—**	**8.9**
Carrying amount					
At 1 February 2019	2.6	—	0.3	—	2.9
At 31 January 2020 (as restated)	—	—	3.0	4.3	7.3
At 31 January 2021	**—**	**—**	**1.7**	**4.3**	**6.0**

As at 31 January 2021, acquired intangible assets are the separately identified intangibles acquired with the purchase of Next Control Systems.

Following the qualified Audit opinion in FY20, the Group has revisited the assumptions made regarding its decision to fully impair the intangible assets in the FY20 financial statements due to the unforeseen impact of COVID-19.

In light of the resilient business performance, the Group carried out a thorough impairment review of all balances related to the qualified audit opinion. From the work performed, the Group agreed that an adjustment should be made to restate FY20 financial statements.

The adjustment results in an increase in intangible assets carried forward at 31 January 2020 of £7.3m and a corresponding reduction in the reported operating loss from continued operations. This reverses the impairment of goodwill of £4.3m and customer relationships of £3.0m related to the acquisition of Checkit UK Limited (formerly Next Control Systems Limited).

The impairment of certain intangible assets of £0.4m relating to Elektron Eye Technology Limited has also been restated. As Elektron Eye Technology Limited was presented as a discontinued operation, these assets are now reported as assets for resale and have subsequently been realised as part of the Company's sale of assets.

Management has also reviewed the impairment of capitalised development costs relating to continuing operations of £2.0m and determined that £1.3m of assets capitalised in FY20 should be expensed. The carrying value of remaining assets continues to be impaired.

11. Intangible assets continued

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 and 31 January 2020 all relates to the acquisition of Checkit UK Limited in May 2019. Further to the Group reorganisation post-acquisition, the CGUs of both Checkit UK Limited and Checkit Europe Limited are expected to benefit and the cash flows are grouped for the purpose of the impairment review.

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 2026. 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. These assumptions include the expected impact and recovery from COVID-19. 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 SAAS platforms, which are directly linked to the forecast sales growth. Given the stage of development of the business, the forecasts assume significant growth in revenue based on targeted ARR growth of 60% during the 5 year forecast period. A 20% reduction in the terminal value growth does not result in any impairment at 31 January 2021.

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 25%.

Based on the forecasts consistent with the strategic business plan developed, no impairment sensitivity is identified.

12. Property, plant and equipment

	Leasehold improvements £m	Plant and machinery £m	Equipment, fixtures, fittings and vehicles £m	Total £m
Cost				
At 1 February 2019	4.1	7.1	1.9	13.1
Additions	0.2	0.1	0.3	0.6
Currency revaluation	0.1	0.1	—	0.2
Businesses sold	(3.2)	(6.9)	(0.9)	(11.0)
Businesses acquired	—	—	1.1	1.1
Disposals	—	(0.1)	(1.0)	(1.1)
At 31 January 2020	1.2	0.3	1.4	2.9
Additions	—	—	0.3	0.3
Disposals	—	—	(0.2)	(0.2)
At 31 January 2021	**1.2**	**0.3**	**1.5**	**3.0**
Depreciation				
At 1 February 2019	1.4	5.7	1.6	8.7
Reclassification	—	0.2	(0.2)	—
Charge for the year	0.7	0.2	0.4	1.3
Currency revaluation	—	—	0.1	0.1
Businesses sold	(1.4)	(5.9)	(0.7)	(8.0)
Businesses acquired	—	—	0.7	0.7
Disposals	(0.1)	—	(1.0)	(1.1)
At 31 January 2020	0.6	0.2	0.9	1.7
Charge for the year	0.4	—	0.2	0.6
Disposals	—	—	(0.1)	(0.1)
At 31 January 2021	**1.0**	**0.2**	**1.0**	**2.2**
Net book value				
At 31 January 2020	0.6	0.1	0.5	1.2
At 31 January 2021	**0.2**	**0.1**	**0.5**	**0.8**

The net book value of tangible fixed assets held as right of use assets was £0.4m (2020: £0.9m) (see note 22).

13. Investment in subsidiary undertakings

The subsidiary undertakings at 31 January 2021 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 Inc	11849 Telegraph Road, Santa Fe Springs, California 90670, USA	USA	Web-based service for work management and automated monitoring	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%
Elektron Technology PTE Ltd	Room 2124 Centennial Tower, 3 Temasek Avenue, Singapore 039190	Singapore	Dormant company	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%
Elektron Enterprises 1 Limited	Broers Building, JJ Thomson Avenue, Cambridge, UK	England and Wales	Dormant company	100%	100%
Elektron Technology 2012 Employee Benefit Trust	Broers Building, JJ Thomson Avenue, Cambridge, UK	England and Wales	Trust to hold shares to satisfy employee share benefit plans	100%	100%

All subsidiary undertakings are operated primarily in the country of incorporation. In the year, Elektron Technology (Shanghai) Trading Limited was deregistered and Elektron Eye Technology Inc was dissolved. After the year end, Elektron Enterprises 1 Limited, Elektron Precision Instruments Limited and Elektron IP Limited were dissolved.

14. Deferred tax

	Deferred tax asset		Deferred tax liability	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Deferred tax asset	**—**	—	**0.3**	0.6

The gross movement on the deferred tax is as follows:

	Notes	2021 £m	Restated 2020 £m
Deferred tax asset/(liability) at 1 February		**(0.6)**	0.4
Businesses sold		**—**	(0.3)
Businesses acquired including on separately identifiable acquired intangibles		**—**	(0.8)
Deferred tax on capitalised development costs	8	**0.3**	0.4
Deferred tax on amortisation of separately identifiable acquired intangibles		**—**	0.2
Deferred tax on losses utilised	8	**—**	(0.4)
Origination and reversal of other temporary differences	8	**—**	(0.1)
Deferred tax asset/(liability) at 31 January		**(0.3)**	(0.6)
Analysed as follows:			
Depreciation in excess of capital allowances		**(0.1)**	—
Deferred tax on capitalised development costs		**(0.3)**	(0.6)
Other short-term temporary differences		**—**	—
Taxation losses		**0.1**	—
		(0.3)	(0.6)

14. Deferred tax continued

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 £0.3m (2020: £0.5m).

15. Inventories

	2021 £m	2020 £m
Raw materials	**0.4**	0.4
Work in progress	**—**	0.3
Finished goods and goods for resale	**0.7**	1.0
	1.1	1.7

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 £0.3m in the year (2020: £0.2m), which are included within operating profit.

The amount of inventory recognised as an expense within the cost of sales for continuing operations amounted to £2.5m (2020: £2.9m).

16. Trade and other receivables

	2021 £m	2020 £m
Gross trade receivables	**3.2**	2.5
Less: expected credit losses	**(0.1)**	(0.1)
Trade receivables – net	**3.1**	2.4
Other receivables	**1.3**	0.6
Prepayments	**0.5**	0.4
	4.9	3.4

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 2.0% (2020: 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 29% of Group annualised revenues but based on the Group's assessment of its credit rating the risk of failure is considered low.

Trade receivable days are 80 days (2020: 71 days normalised).

Ageing of balances with expected credit losses is as follows:

	Expected credit loss	
	2021 £m	2020 £m
Not past due	**—**	—
Between one month and two months past due	**—**	—
Over two months past due	**0.1**	0.1
	0.1	0.1

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

	Expected credit loss	
	2021 £m	2020 £m
At 1 February 2020	**0.1**	0.1
Increase in provision	**—**	—
At 31 January 2021	**0.1**	0.1

16. Trade and other receivables continued

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

	2021 £m	2020 £m
Sterling	**4.9**	3.4
US Dollar	**0.1**	0.1
Euro	**—**	—
Other	**—**	—
	5.0	3.5

17. Trade and other payables

	2021 £m	2020 £m
Trade payables	**1.0**	1.7
Other payables	**1.1**	0.8
Accruals	**1.4**	1.6
Deferred service and subscription income	**2.1**	0.8
Advances received for project and installation work	**—**	0.2
	5.6	5.1

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 (2020: 49 days).

Advances received for project and installation work and deferred service and subscription income represents customer payments received in advance of performance that are expected to be recognised in revenue in FY22. Project and installation contracts range from 3-12 months from design to completion.

Service and subscription income contracts vary from 12-36 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 2021.

19. Provisions

	2021 £m	2020 £m
Current	**—**	—
Non-current	**0.3**	0.3
	0.3	0.3

	Dilapidation costs £m	Total £m
At 1 February 2020	0.3	0.3
Utilised	—	—
Increase in provision	—	—
Business sold	—	—
At 31 January 2021	**0.3**	**0.3**
Anticipated utilisation		
Within one year	—	—
Beyond one year	0.3	0.3

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

20. Share capital and reserves

Share capital

	2021 £m	2020 £m
Authorised		
200,000,000 (2020: 200,000,000) ordinary shares of 5 pence each	**10.0**	10.0
Allotted, called up and fully paid		
62,447,542 (2020: 62,033,617) ordinary shares of 5 pence each	**3.1**	3.1

The Elektron Technology 2012 Employee Benefit Trust (EBT) was closed during the year. Of the allotted, called up and fully paid share capital, 1,837,795 shares are held by EBT at 31 January 2020. Excluding these shares, the issued share capital at 31 January 2020 was 60,195,822.

On 3 December 2019 the Company completed a 2 for 3 tender offer, following the sale of its Bulgin business, resulting in 124,067,234 being bought by the Company and cancelled, returning £80.7m to shareholders.

The mid-market price of the ordinary shares at 31 January 2021 was 45.5 pence per share and the range during the year was 53.5 pence per share to 24.0 pence per share.

Share options

Checkit Enterprise Management Incentive Plan (EMI)

			Number of options	
Year of grant	Exercise period	Option price	2021 '000	2020 '000
2020	2023–2030	40.50p	**2,625**	—

Elektron Technology plc Company Share Option Plan (CSOP)

			Number of options	
Year of grant	Exercise period	Option price	2021 '000	2020 '000
2015	2017–2023	8.00p	**—**	—
2016	2019–2026	5.25p	**—**	—
2017	2020–2027	16.87p	**—**	—
2019	2020–2027	12.33p	**—**	414

No options remain under the CSOP. The weighted average exercise price of all options under the CSOP in 2020 was 12.33 pence.

Movement in share options during the year:

	2021		2020	
	No. of shares '000	Weighted average	No. of shares '000	Weighted average
Outstanding at beginning of the year	**414**	**12.33p**	2,756	10.8p
Granted during the year	**3,120**	**40.5p**	—	—
Repriced options during the year	**—**	**—**	414	12.3p
Exercised during the year	**(414)**	**(12.33)p**	(2,256)	(9.50)p
Forfeited during the year	**(495)**	**(40.5)p**	(500)	(16.87)p
Outstanding at the year end	**2,625**	**40.5p**	414	12.33p
Exercisable at the end of the period	**—**	**—**	414	12.33p

During the year, 414,000 share options were exercised by employees (2020: 2,256,000). These were the final options outstanding under the CSOP scheme. A new EMI scheme was launched with 3,120,000 options granted, of which 495,000 share options lapsed as a result of employees leaving the Group. In the prior year, 200,000 share options lapsed and following the share buyback, 300,000 share options, included within forfeited, were repriced in accordance with the rules of the CSOP to ensure that the cost of exercise and potential gain on the options remained unaffected by the tender offer undertaken during the year. Accordingly, these were replaced with 414,000 options with an exercise price of 12.33 pence, with the exercise period unchanged.

20. Share capital and reserves continued

Stock appreciation options

Options in the form of stock appreciation rights not included in the above table over 230,000 shares were granted in October 2015 for employees outside the UK. The exercise period for these options is 2018–2025 and the exercise price is 8.00 pence. These options were exercised in full during the year.

Valuation of share awards

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

The Group recognised a charge of less than £0.1m in the year (2020: 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.

Merger reserve

Amount arising on an acquisition in prior years satisfied substantially by the issue of share capital and thereby eligible for merger relief under the provisions of Section 612 of the Companies Act 2006. The investments to which this reserve relate have disposed of and therefore the reserve has been related and transferred to profit and loss reserves during the year.

Capital redemption reserve

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

Own shares

The value of the Company's shares held by the Elektron Technology 2012 EBT.

Translation reserve

Gains and losses arising on retranslating the net assets of overseas operations into Sterling of less than £0.1m (2020: less than £0.1m).

Other reserves

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

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 £0.1m (2020: less than £0.1m), and expenditure contracted but not provided for in the financial statements amounted to £1.1m (2020: £nil).

22. Lease obligations

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 2019	3.3	0.4	3.7
Additions	0.2	0.1	0.3
Businesses sold	(2.2)	(0.2)	(2.4)
Businesses acquired	—	0.3	0.3
Disposals	—	(0.1)	(0.1)
At 31 January 2020	1.3	0.5	1.8
Additions	—	0.1	0.1
Disposals	(0.1)	(0.1)	(0.2)
At 31 January 2021	**1.2**	**0.5**	**1.7**
Depreciation			
At 1 February 2019	0.9	0.1	1.0
Charge for the year	0.6	0.3	0.9
Businesses sold	(0.8)	(0.1)	(0.9)
Businesses acquired	—	—	—
Disposals	—	(0.1)	(0.1)
At 31 January 2020	0.7	0.2	0.9
Charge for the year	0.4	0.1	0.5
Disposals	(0.1)	—	(0.1)
At 31 January 2021	**1.0**	**0.3**	**1.3**
Net book value			
At 1 February 2020	0.6	0.3	0.9
At 31 January 2021	**0.2**	**0.2**	**0.4**

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

	£m
As at 1 February 2020	0.9
New leases entered into during the year	0.1
Acquisitions	—
Disposals	(0.1)
Payments made during the year	(0.4)
At 31 January 2021	**0.5**
Presented as:	
Lease liability within one year	0.3
Lease liability in more than one year	0.2
At 31 January 2021	**0.5**

The table below summarises the maturity profile of the Group's financial liabilities based upon the contractual undiscounted payments as at 31 January 2021.

	2021 £m
No later than one year	**0.3**
Later than one year and no later than five years	**0.2**
Later than five years	**—**
	0.5

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 £0.2m (2020: £0.2m) and outstanding contributions at the year end amounted to less than £0.1m (2020: less than £0.1m).

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 2020. 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 2021 are detailed below:

	2021 £m	2020 £m
US Dollar	**—**	—
Indian Rupee	**—**	0.1
Euro accounts	**—**	—
Pound Sterling	**11.5**	14.2
	11.5	14.3

(iii) Financial liabilities

At 31 January 2021 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 2021 (2020: £nil).

(vi) Committed undrawn borrowing facilities

At the year end the Group had committed undrawn facilities of £nil (2020: £nil).

(vii) Currency risk

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

The Group does not trade in derivatives or make speculative hedges. At 31 January 2021 the Group had no commitments under non-cancellable forward contracts (2020: £nil).

(viii) Categories of financial instruments

Financial assets held at amortised cost	**2021 £m**	2020 £m
Cash and bank balances	**11.5**	14.3
Trade and other receivables (Note 16)	**4.4**	3.0
	15.9	17.3

Financial liabilities held at amortised cost	**2021 £m**	2020 £m
Trade and other payables (Note 17)	**2.1**	2.5

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:

	2021 £m	2020 £m
Short-term employee benefits:		
Salaries including bonuses	**1.4**	3.8
Social security costs	**0.2**	0.5
Company benefits (car, PMI, etc.)	**—**	0.1
Post-employment benefits:	**1.6**	4.4
Defined contribution pension plans	**—**	0.1
Total remuneration	**1.6**	4.5

Share-based payments to key management amounted to £nil (2020: £4.3m) and in the prior year includes £4.1m settlement of the outstanding obligations payable under the 2016 LTIP that were settled as part of the sale of Bulgin and the 2016 LTIP subsequently cancelled.

26. Discontinued operations

During the year, the Group sold assets relating to its Elektron Eye Technology business. Consequently, the business has continued to be included as discontinued operations. In 2020 the Group sold its Bulgin business for a profit of £85.3m.

Total discontinued operations comprise:

	2021 £m	Restated 2020 £m
Revenue	**0.3**	21.3
Cost of sales	**(0.2)**	(10.2)
Gross profit	**0.1**	11.1
Operating expenses	**—**	(5.5)
Profit before tax	**0.1**	5.6
Attributable tax	**—**	(0.5)
Profit from discontinued operations before gain on disposal	**0.1**	5.1
Gain on disposal and loss on re-measurement	**0.5**	84.7
Attributable tax to gain	**—**	—
Profit from discontinued operations attributable to equity shareholders	**0.6**	89.8
Foreign currency reserve reclassification	**—**	1.5
Other comprehensive income from discontinued operations	**—**	1.5

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:

	2021 £m	Restated 2020 £m
Revenue	**0.3**	1.9
Cost of sales	**(0.2)**	(1.0)
Gross profit	**0.1**	0.9
Operating expenses	**—**	(0.9)
Profit before tax	**0.1**	—
Attributable tax	**—**	—
Profit from Elektron Eye Technology	**0.6**	—
Gain on sale and loss on re-measurement to fair value	**0.5**	(0.6)
(Loss)/profit from Elektron Eye Technology discontinued operation attributable to equity shareholders	**0.6**	(0.6)

26. Discontinued operations continued

Cash flows from Elektron Eye Technology

	2021 £m	2020 £m
Net cash inflow from operating activities	**0.1**	(0.1)
Net cash inflow/(outflow) from investing activities		
Cash received on sale of assets	**0.3**	—
Expenditure on intangible assets	**—**	(0.1)
Total net cash inflow/(outflow) from investing activities	**0.3**	(0.1)
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 £0.6m payable as deferred consideration at the end of the year.

The gain on disposal is summarised as follows:

	£m
Intangible assets (held for resale)	**0.4**
Total assets sold	**0.4**
Gain on disposal	**0.5**
Total consideration	**0.9**
Satisfied by:	
Deferred consideration	**0.9**
Total consideration	**0.9**

Sale of Bulgin

On 24 September 2019, the Group disposed of its Bulgin business for net proceeds of £93.7m paid in cash. The gain on disposal is summarised as follows:

	£m
Gross proceeds	105.0
Director LTIP shares	(4.1)
Adjustments in respect of net debt and working capital	(1.0)
Consideration received	99.9
Carrying value of assets sold	(6.9)
Transaction costs incurred	(2.5)
Transaction and retention bonuses	(3.7)
Gain on disposal before foreign currency reserve reclassification	86.8
Foreign currency reserve reclassification	(1.5)
Gain on disposal	85.3

26. Discontinued operations continued

Sale of Bulgin continued

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

	2020 £m
Revenue	19.4
Cost of sales	(9.2)
Gross profit	10.2
Operating expenses	(4.6)
Operating profit	5.6
Finance costs	—
Profit before tax	5.6
Attributable tax	(0.5)
Profit from Bulgin discontinued operations before gain on disposal	5.1
Gain on disposal	85.3
Profit from Bulgin discontinued operations	90.4
Foreign currency reserve reclassification	1.5
Other comprehensive income from Bulgin discontinued operations	1.5

27. Acquisition of Checkit UK Limited

In the prior financial year, the Group acquired 100% of the equity of Next Control Systems Limited (renamed Checkit UK Limited "Checkit UK"), a UK-based business. The results for the comparative year ended 31 January 2020 do not include a full period of results for Checkit UK and only incorporate results from the date of acquisition, being 14 May 2019.

Checkit UK generated a profit of £0.7m on sales of £8.5m for the period from 14 May 2019 to 31 January 2020. If Checkit UK had been acquired on 1 February 2019, revenues would have been £3.0m and profits £0.4m higher for the comparative period.

28. Post balance sheet events

Subsequent to the year end, the Group completed the acquisition of Tutela Monitoring Systems LLC ("Tutela") on 4 February 2021 for a cash consideration of $0.85m (£0.62m).

Tutela was previously owned by Next Control Systems Limited (now Checkit UK Limited, a subsidiary of the Group), before Next Control Systems Limited was acquired by the Group in May 2019. It was sold to the US management team of Tutela in August 2018.

Tutela, which is based in Florida, provides wireless temperature monitoring systems for all applications and facilities which store sensitive inventory for businesses within the healthcare sector. The Group intends to utilise Tutela as a platform to pursue all industries and verticals targeted by Checkit.

In the year ending 31 December 2020, Tutela's sales were approximately $2m (£1.46m) with profit before tax of $0.27m (£0.20m) and net assets (including cash) amounting to $0.16m (£0.12m). If the businesses had been consolidated during that period, approximately £1 million would have been added to Group sales per annum after eliminating intercompany sales on consolidation.

The acquisition serves to accelerate the Group's US expansion plans, providing a footprint and an opportunity to add further scale. The Directors believe that, based on relative population sizes, the US represents an addressable market around five times larger than the UK, and therefore believe the acquisition represents a significant milestone in its growth strategy.

The acquisition has been funded from the Group's existing cash resources. Given the timing of the acquisition, initial accounting for the business combination is yet to be completed.

29. Non-GAAP performance measures

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

Profit measures – LBITDA – continuing operations

	2021 £m	Restated 2020 £m
LBITDA	**(2.5)**	(4.9)
Depreciation and amortisation	**(0.6)**	(1.6)
Reported operating loss for the year before non-recurring and special items	**(3.1)**	(6.5)

	Notes	2021 £m	2020 £m
Fixed assets			
Investments in subsidiary undertakings	3	**9.5**	9.6
Tangible fixed assets	4	**0.3**	0.5
		9.8	10.1
Current assets			
Debtors	5	**0.6**	0.3
Cash in hand and at bank		**8.8**	13.0
		9.4	13.3
Creditors: amounts falling due within one year	6	**(3.4)**	(4.9)
Net current assets/(liabilities)		**6.0**	8.4
Total assets less current liabilities		**15.8**	18.5
Long-term contract lease liabilities		**(0.2)**	(0.2)
Long-term provisions	7	**(0.2)**	(0.2)
Net assets		**15.4**	18.1
Capital and reserves			
Called up share capital	8	**3.1**	3.1
Share premium		**5.4**	5.4
Capital redemption reserve		**6.4**	6.4
Other reserves		**—**	—
Profit and loss account		**0.5**	3.2
Shareholders' funds		**15.4**	18.1

The parent company's loss for the financial year amounted to £2.7m (2020: £85.9m profit).

The notes form an integral part of the financial statements.

The financial statements were approved by the Board of Directors on 30 April 2021 and were signed on its behalf by:

Keith Daley
Director

Aylsa Muir
Director

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
year ended 31 January 2021

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Other reserves £m	Profit and loss account £m	Total £m
At 1 February 2019	9.3	5.4	1.1	0.2	2.0	(5.2)	12.8
Profit for the year	—	—	—	—	—	85.9	85.9
Total comprehensive expense for the year	—	—	—	—	—	85.9	85.9
Repurchase and cancellation of shares	(6.2)	—	—	6.2	—	(80.6)	(80.6)
Merger reserve realised			(1.1)			1.1	—
Share options and incentives realised	—	—	—	—	(2.0)	2.0	—
Total transaction with owners	(6.2)	—	(1.1)	6.2	(2.0)	(77.5)	(80.6)
At 31 January 2020	3.1	5.4	—	6.4	—	3.2	18.1
Loss for the year	—	—	—	—	—	(2.7)	(2.7)
Total comprehensive expense for the year	—	—	—	—	—	(2.7)	(2.7)
Total transaction with owners	—	—	—	—	—	—	—
At 31 January 2021	**3.1**	**5.4**	**—**	**6.4**	**—**	**0.5**	**15.4**

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 loss for the financial year amounted to £2.7m (2020: £85.9m profit).

3. Investments in subsidiary undertakings

	2021 £m	2020 £m
At 1 February	**9.6**	13.8
Acquisitions – external	**—**	10.5
Acquisitions – intra-group	**—**	12.3
Disposals	**(0.8)**	(13.7)
Provisions	**0.7**	(13.3)
At 31 January	**9.5**	9.6

Investment in subsidiary undertakings are made up as follows:

			Net book value	
	Cost £m	**Impairment £m**	**2021 £m**	2020 £m
Checkit Europe Limited	**9.0**	**(5.0)**	**4.0**	4.0
Checkit UK Limited	**10.5**	**(5.0)**	**5.5**	5.5
Elektron Eye Technology Limited	**2.6**	**(2.6)**	**—**	—
Other	**—**	**—**	**—**	0.1
	22.1	**(12.6)**	**9.5**	9.6

Other investments comprise the Company's investments in Checkit Inc, Elektron Technology PTE Ltd, Hartest Precision Instruments Limited, Hartest Precision Instruments India Private Ltd and the Elektron Technology 2012 Employee Benefit Trust, all of which individually are less than £0.1m (2020: less than £0.1m).

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 2020	1.1
Additions	0.1
Disposals	(0.1)
At 31 January 2021	**1.1**
Depreciation	
At 1 February 2020	0.6
Charge for the year	0.3
Disposals	(0.1)
At 31 January 2021	**0.8**
Net book value	
At 1 February 2020	0.5
At 31 January 2021	**0.3**

5. Debtors: amounts falling due within one year

	2021 £m	2020 £m
Amounts owed by subsidiary undertakings	**0.2**	0.1
Other debtors and repayments	**0.4**	0.2
	0.6	0.3

6. Creditors: amounts falling due within one year

	2021 £m	2020 £m
Amounts owed to subsidiary undertakings	**2.7**	3.5
Other creditors	**0.6**	1.1
Contract lease liabilities	**0.1**	0.3
	3.4	4.9

7. Provisions

	Dilapidation costs £m
At 1 February 2020	0.2
Utilised	—
Increase in provision	—
At 31 January 2021	**0.2**
Anticipated utilisation	
Within one year	—
Beyond one year	0.2

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 £0.1m (2020: less than £0.1m), and expenditure contracted but not provided for in the financial statements amounted to £1.1m (2020: £nil).

10. Contingent liabilities

The Company guaranteed rental obligations of certain subsidiary companies up to £nil (2020: £0.4m).

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

Checkit

www.checkit.net

Elektron Eye Technology

www.elektron-eye-technology.com

Advisers

Company Secretary

Michelle Ho

Registered office

Broers Building
JJ Thomson Avenue
Cambridge CB3 0FA

Registered in England

No. 448274

Registrars

Link Group

Central Square
29 Wellington Street
Leeds
LS1 4DL

Nominated adviser and broker

N+1 Singer

1 Bartholomew Lane
London EC2N 2AX

Auditor

Grant Thornton UK LLP

101 Cambridge Science Park
Milton Road
Cambridge CB4 0FY

Bankers

HSBC Bank plc

69 Pall Mall
London SW1Y 5EZ

Barclays Bank plc

Leicester
LE87 2BB

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Email: info@checkit.net
Telephone: +44 (0) 1223 643313
Website: www.checkit.net

Head office:
Checkit PLC
Broers Building
JJ Thomson Avenue
Cambridge
CB3 0FA