checkit

Elevating the potential of deskless operations.

Checkit is the artificial intelligence platform for deskless workforces, enabling operational agility and smart decision-making in large multinational and complex organisations.

At Checkit, we have over 500 customers across the globe, including Global Fortune 500 and public health organisations. Our customers are making pen and paper obsolete through the combination of artificial intelligence (AI) and machine learning (ML) enabled digital assistants and Internet of Things (IoT) sensors. By automating the interaction between people, assets, and buildings, more than 14 billion sensor readings per year now flow through our AI enabled platform to unlock productivity insights, missed sales opportunities and energy efficiencies.

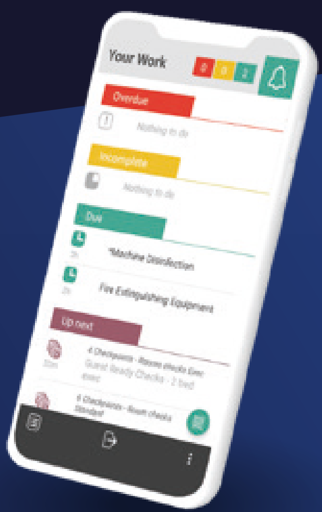
Smart People + Smart Assets + Smart Buildings = Intelligent Operations

Checkit is transforming how organisations execute deskless work, blending software, hardware, and AI/ML insights to deliver intelligent operations across every frontline business process.

We enable 'the augmented enterprise'. Checkit's intelligent operations platform connects people, assets and buildings with digital assistants, sensors, analytics, and artificial intelligence to create rich performance data ensuring the effectiveness of operational strategy, execution, and compliance.

Developed to drive impact quickly and scale to the entire deskless workforce, Checkit has helped customers unlock hidden operational insights that have led to transformational reductions in cost and risk and improved employee and patient experiences.

Intelligent operations make it simple for deskless workers to capture their daily activities, share tasks, visualise progress and continually improve. Business and department leaders can quickly assess performance, visualise the entire operation and respond to changes by deploying enterprise-wide process amendments in real time.



www.checkit.net

Linkedin: checkit-ltd

Twitter: _checkit

HIGHLIGHTS

- Pipeline at year end £15.4m
- Annual recurring revenue ("ARR") run rate at year end of £8.2m (+43%) ahead of market expectations (FY21: £5.8m normalised*)
- Annualised sales bookings at year end of £3.5m
- Recurring revenue (+31% to £6.8m) supported by new customer wins and expansion within existing accounts (FY21: £5.2m)
- Total Group revenue from continuing operations £13.3m (-7%) (FY21: £14.4m normalised)*
- Non-recurring revenue declined by 29% primarily driven by the planned transition of BEMS activity to a SaaS (Software as a Service) offering as outlined at the time of the fundraise
- Operating loss before non-recurring or special items** £4.7m (FY21: loss of £3.1m) reflecting the ongoing investment to accelerate Checkit's strategic plan
- Operating loss of £7.1m (FY21: loss of £5.3m)
- Cash at year end of £24.2m (FY21: £11.5m) following receipt of proceeds from the placing, which raised £21m (gross) to accelerate the Group's growth strategy
- Appointment of Kit Kyte, Chief Executive Officer, bringing a renewed focus on the go-to-market strategy, value-driven sales, and leading the transition of Checkit towards a pure SaaS business.
- Strengthened US presence with the acquisition of Tutela Monitoring Systems LLC ("Tutela"),

* Normalised revenue refers to revenue that would have been included in the Group's financial results had Tutela LLC, which was acquired on 4 February 2021, been owned by the Group throughout both periods.

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

CONTENTS

COMPANY OVERVIEW

Our vision:

The augmented enterprise

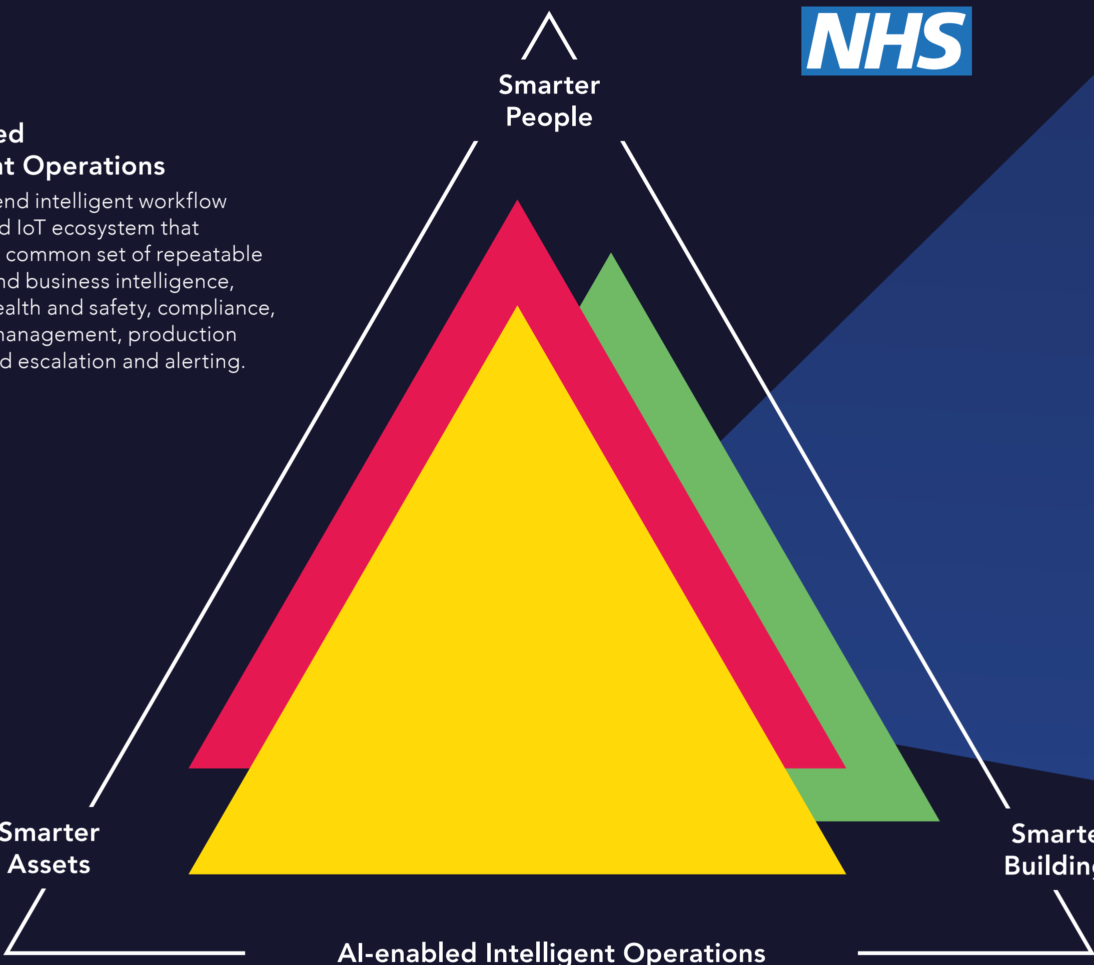
Our mission:

To help business leaders to execute smarter, faster business decisions by illuminating their dark operations and elevating their deskless workforce.

Our customers:

AI-enabled Intelligent Operations

An end-to-end intelligent workflow platform and IoT ecosystem that integrates a common set of repeatable use cases and business intelligence, including health and safety, compliance, workforce management, production planning and escalation and alerting.



AT A GLANCE

Intelligent Operations

Enterprise-level AI enabled insights – provided by digitally assisted, sensor enriched frontline work. Checkit elevates the activities performed by deskless workforces through its end-to-end platform, built to augment the future enterprise.

Smarter People

Digital assistants automate workflows that prompt, guide, capture and analyse frontline activities, ensuring the proper action in the right place at the right time.

Smarter Assets

Equipment sensors stream real-time telemetry data back to the Checkit AI platform to be analysed and assessed and prompt human intervention in the event of an exception.

Smarter Buildings

Building sensors capture and analyse up to the minute usage of facilities to ensure safety and compliance, environmental health, and prompt human intervention in the event of an exception.

Benefits of an Intelligent Operations Platform

At a glance:

Strategic

1. Maintain operational visibility and control
2. Drive agility and rapid change
3. Prevent missed sales and improve top line performance
4. Reduce costs and waste

Execution

1. Optimise labour utilisation
2. Improve employee engagement
3. Accelerate employee onboarding
4. Enhance customer experience

Compliance

1. Mitigate risk of human error
2. Full digital audit trail
3. Rapid reporting

Benefits in Practice:

Retail

Our platform provides John Lewis Partners an end-to-end solution spanning the whole customer-facing retail environment, from buildings, plant and merchandising, retail, and energy management. Using intelligence derived from our sensors John Lewis have mitigated over £1.48m of stock loss, reduced engineering callouts by £600k and saved over £1.5m in energy.

Healthcare

Our sensors and digital insights are helping the NHS reduce drug wastage by automatically monitoring storage temperatures, increasing staff retention through the efficient allocation of tasks, and driving efficiency by optimising workloads and improving compliance. These productivity measures directly reduce the incidence of failed CQC audits (which can lead to a cost of up to £60,000 per non-compliant incident).

Franchise

Our platform's artificial intelligence algorithm has driven £2 million of additional revenue from goods sold across 300 sites, labour savings of around 10 hours per week per location and reducing food wastage by approximately 1.6 million items. Furthermore, the platform enabled improved food compliance of approximately 300% with the training of nearly 7,500 staff in 4 weeks and the reduction in human errors.

INVESTMENT CASE

Five powerful reasons to invest in Checkit

Checkit investors are part of the creation of a new industry category. The Augmented Enterprise for the deskless industry. Our AI-enabled end-to-end platform solves the modern challenges of deskless workforces and enables intelligent operations for the augmented enterprise.

1 Macroeconomic environment demands efficiency gains

- Labour shortages continue to intensify affecting productivity and service levels driving increased employment costs in the services industry (7.1%) but most prominently for those in leisure and hospitality (8%)[1].
- The Energy crisis is seeing one in ten hospitality businesses with energy cost increases of more than 200%[2].
- 68% of employees believe failure to modernise IT will lead to a failure to attract the best candidates[3], yet 73% of frontline employees are still using manual and paper-based processes in their work. The knowledge of how to perform those processes is kept in their heads, and the outputs stored on paper: this results in knowledge "walking out of the door" when such workers move jobs or retire.

2 Strong commercial model

- Through the evolution of our go-to-market strategy, we increased our sales pipeline to £15.4 million during the period between January 2021 and January 2022.
- The split of the sales pipeline at year end between tier one (Large enterprise), tier two (Enterprise) and tier three (Midsize) targets was 54%, 37% and 9% respectively.
- Greater expansion opportunities from its existing client base. In January 2022, 32% of the sales pipeline originated from existing clients with the remaining 68% from potential new clients.

1 FT.com
2 City A.M
3 Computacenter
4 Yoobic

3 Large, underserved market

- Global deskless worker industry is approximately 2.7 billion workers in comparison to the knowledge worker industry, which accounts for approximately 1 billion workers worldwide.
- The market for employee experience platforms is estimated to be $300 billion globally (approximately £210 billion) and when estimating the size of the deskless worker industry we have assumed it would be reasonable to apply a multiple of 2.7 times this amount, taking into account that this industry not only encompasses people, but also locations and assets (i.e. IoT).
- We estimate the total addressable market for Intelligent Operations to be £570 billion with our target addressable market being 5% of this or approximately £27 billion.

4 Competitive advantage

- We are meeting market demand with an unrivalled end-to-end solution designed to connect a deeply fragmented market.
- Our platform possesses powerful AI, data and analytics capabilities to provide meaningful insights and enable data driven decisions, providing fully automated connectivity between client assets (IoT) and the platform.
- We have built up considerable domain knowledge of the industries we serve, which helps us to adapt to an evolving business landscape.
- Our credibility and customer trust comes from our status as a mature, listed, and regulated entity.

5 Strong recurring revenues

- Strong set of financial results in FY22, delivering a second consecutive year of high-quality recurring revenue growth with a continued focus on attracting new customers, while expanding our footprint with existing customers.
- Annual recurring revenue grew by 43% to £8.2m (FY21 £5.8m), driven by strong H2 sales.
- New business contributed £0.8m of growth, driven by transformed market positioning and through demonstrating measurable value to customers. The increase in ARR resulted in 31% growth in reported recurring revenue of £6.8m (FY21 £5.2m).
- £3.5m in annualised sales bookings which provides early confirmation on the potential and size of the growth opportunity in the deskless market.
- We are now wholly focused on delivering recurring revenue from our technology solutions. As a result, recurring revenue accounted for 51% of total revenue for the full year and in the last three months of the year, it contributed 75% of total revenue as we transition into a pure SaaS business.

NON-EXECUTIVE CHAIRMAN'S STATEMENT

A transformative year

During the year leadership of the Group was transferred to Kit Kyte and both as shareholder and director I am excited by his vision.

Dear Shareholder

I am pleased to present the Checkit 2022 Annual Report.

At the end of the 2022 financial year, I completed 17 years as a director of the Group and for much of the period this was in an executive capacity. It was time for me to step back from an operational role and to that end I became non-executive with effect from 1 February. In recent years what was originally a mini-conglomerate has been increasingly concentrated on the high growth technology business of Checkit. That transformation is complete, giving management a single focus.

During the year leadership of the Group was transferred to Kit Kyte and both as shareholder and director I am excited by his vision. You will read more about this in the Annual Report. My other board colleagues namely Greg Price (CFO), John Wilson (Senior Independent Director) and Simon Greenman (Non-Executive Director) have provided immense support. We continue to examine board composition particularly with a view to improving diversity.

I want to personally welcome the new shareholders that joined us in the recent placing and thank all our investors for their support over the past year.

Finally, and most importantly I should like to thank all past and present employees of Checkit (and Elektron Technology plc in its former incarnation) for their energy and dedication in creating value for Shareholders. Although we live in an uncertain world, I believe that the future for Checkit is bright.

Keith Daley
Non-Executive Chairman

5 May 2022

"Although we live in an uncertain world I believe that the future for Checkit is bright."

CHIEF EXECUTIVE OFFICER'S REVIEW

Setting a course for the SaaS growth stratosphere

Checkit has realised a strong set of financial results in FY22, delivering a second consecutive year of high-quality recurring revenue growth.

I am delighted to present Checkit's Annual Report for 2021, my first as CEO.

The growth of our customer base from the beginning of the year, transitioning towards a pure SaaS business model, releasing the next generation of our Connect platform and the successful capital raise were all major milestones for Checkit. It is a huge testament to the hard work of our team that these achievements were delivered against the backdrop of the COVID-19 pandemic. As with so many businesses, our standard form of interaction with newly onboarded customers and prospects was restricted by the continuation of lock-down measures. Checkit has continued to respond with ingenuity and commitment and adapted our implementation and installation programmes to be delivered remotely and we are proud to have demonstrated the same benefits to our customers versus traditional methods of delivery. We also extended our offering by building self-install features, digital adoption technology and enhanced AI/ML capabilities into the platform. We continue to see significant global engagement with our core value offering through key expansion and new deals in Australia, New Zealand and North America.

Strong Financial Performance

Checkit has realised a strong set of financial results in FY22, delivering a second consecutive year of high-quality recurring revenue growth by continuing to focus on attracting new customers, while expanding our footprint and implementing price initiatives with existing customers.

Annual recurring revenue grew by 43% to £8.2m (FY21 £5.7m), driven by strong sales during H2. New business contributed £0.8m of this growth, driven by transformed market positioning and through demonstrating measurable value to customers. The increase in ARR resulted in 31% growth in reported recurring revenue of £6.8m (FY21 £5.1m). The lag in Group recurring revenue percentage growth, compared to the growth rate of ARR reflects the acceleration reflects the acceleration of contracts signed during the second half of the financial year.

Reflecting ongoing investment to drive strategic execution, operating losses for the year (before non-recurring or special items) in FY22 increased to £4.7m (2021: £3.1m loss). The Group invested in its product, sales, and marketing functions to support its expansion, increasing new product development spend to £3.4m (FY21: £2.5m), as the Group invested in new enhanced functionality, including mobile alerting, shared libraries and job-sharing capabilities, in addition to doubling sales and marketing investment to £2.7m (FY21: £1.4m) with an expanded sales and marketing team in both the UK and US to fuel growth. This latter investment allowed the Group to deliver new sales bookings of £3.5m.

This strong performance is underpinned by the Group's transformation into a scale up SaaS business. The Group is now wholly focused on delivering recurring revenue from its technology solutions. As a result, recurring revenue accounted for 51% of total revenue for the full year and in the last three months of the year, it contributed 75% of total revenue for that period as Checkit continues its transition into a pure SaaS business.

Building a sustainable, software-driven growth business

We are entering the most exciting period in Checkit's history. Let me explain why.

Through the evolution of our go-to-market strategy, the Group has increased its sales pipeline to £15.4 million during the financial year and by the year end we had secured more than £3.5m of annualised new bookings.

Alongside this, the Company has improved the quality of the sales pipeline by achieving a higher mix of opportunities from tier one and two enterprise targets. The split of the sales pipeline by FY22 year-end between tier one, tier two and tier three targets was 54%, 37%, and 9% respectively compared to 21%, 72%, and 6% respectively in January 2021.

Checkit's new customer pipeline in the US, a key growth market for the Company, now includes a number of multi-site organisations across the healthcare, food and hospitality sectors. The recent award,

CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

Annual recurring revenue grew by 43% to

£8.2m

(FY21 £5.7m),

31% growth in reported recurring revenue of

£6.8m

(FY21 £5.1m)

Annualised new sales bookings

£3.5m

Building a sustainable, software-driven growth business continued

before year end, of the Grifols contract in the US at a minimum value of £2.7m over three years is further evidence of the size of the opportunity in this market.

A rapidly evolving industry

Surprisingly, 73% of frontline employees are still using manual and paper-based processes to conduct their work. The knowledge of how to perform those processes is kept in their heads, and the outputs stored on paper, which results in: knowledge "walking out of the door" when such workers move jobs or retire, inconsistent work being performed and a lack of visibility (particularly in real time) of the state of the business – leading to the creation of what Checkit refers to as "dark operations". Dark operations occur when a large proportion of operations are hidden from view, making it difficult for managers to measure productivity and identify risks and opportunities within their business.

We believe that there is a compelling need to digitise the deskless workforce to enable organisations to: (i) track and optimise performance, (ii) reduce costs and wastage; and (iii) increase efficiency, especially against a backdrop of rising labour costs and supply chain challenges, which are significantly impacting service delivery.

Growth strategy and ambitions

Checkit is well positioned to capitalise on this growth opportunity due to the following key strengths which differentiate its offering from that of its competitors:

- Checkit is meeting market demand with what we believe to be an unrivalled end-to-end solution. The Checkit platform possesses powerful AI, data and analytics capabilities to provide meaningful insights and enable data driven decisions;
- providing fully automated connectivity between client assets (IoT) and the Checkit platform
- the Company has built up considerable domain knowledge of the industries it serves, which will help the Company to adapt to an evolving business landscape; and
- enhanced credibility and customer trust due to its status as a mature, listed, and regulated entity.

The Company intends to significantly expand into the US market, with the aim of growing it to become the leading contributor of ARR to the business by the end of FY24. In order to capitalise on the opportunity presented by expanding into the US and the rest of the world, the Company intends to scale up the headcount of sales and marketing in both regions.

Checkit's longer term objectives include becoming the market leader in workflow management for the deskless worker industry and growing the US to become the leading contributor of ARR to the business.

In order to achieve our growth objectives and deliver shareholder value, the Company's strategy will focus on:

1. Converting Checkit into a pure SaaS business – with the aim to create a fully integrated AI platform with the ability to integrate third party IoT within its ecosystem. The improved Checkit platform will also be the foundation of the Smart Building SaaS offering once the transition from building energy management services (BEMS) is complete.

2. Accelerating scale and global growth – the Company will invest significantly into sales and marketing efforts to drive top line growth coupled with further development of the Checkit AI platform to create a market leading product. ARR growth will be further accelerated through investment in a separate sales function to focus on increasing opportunities via partnerships. The Company will also consider compelling M&A opportunities as an additional scale opportunity.

3. Transform the operating model and culture of the business – in order to improve the prospects of achieving our growth objectives, we will seek to optimise the Company's existing processes across its business and continuously assess potential cost efficiencies with the aim of improving margins. Of paramount importance will be our ability to maintain and grow a high achieving mentality across the Checkit workforce.

Positive Outlook

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

When we look back at what was a tumultuous year for us all, we are excited at the progress we have made as a business and proud of the support we have given our customers, providing them with the insight, tools, and methodology to thrive in these challenging times. I join our Chairman and the rest of the management team in thanking our entire team around the world for their support through what has been a tough year for so many. I am incredibly proud of everything the team has achieved to date, building a market leading offering as well as a long-term, international, blue-chip customer base. However, we are very much still at the start of our journey. Global supply chain challenges, the rising cost of labour and increased compliance requirements mean that the premium on simplifying deskless operations has never been more relevant.

The Board continues to expect to meet FY23 market expectations and remains confident that we are well positioned to deliver strong, sustainable organic growth.

Whilst the conflict in Ukraine has no direct impact on the Group's activities, the Board remains cautious about its indirect impact together with the potential for general inflationary cost pressures.

Kit Kyte
Chief Executive Officer

5 May 2022

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

MARKET OVERVIEW

Creating a new category of SaaS platform in an underserved market

An AI led Intelligent Operations Platform to connect fragmented enterprises with their people, place and things. Enabling an Augmented Enterprise designed to meet the future demands of an increasingly volatile world.

Our total addressable market

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

With a global deskless worker industry comprising of approximately 2.7 billion workers[1] in comparison to the knowledge worker industry, which accounts for approximately 1 billion workers worldwide[2].

The market for employee experience platforms is estimated to be $300 billion globally (approximately £210 billion)[3] and when estimating the size of the deskless worker industry, we have assumed it would be reasonable to apply a multiple of 2.7 times this amount, taking into account that this industry not only encompasses people, but also locations and assets (i.e. IoT). As a result, we estimate that the potential technology spend within the deskless worker industry could be approximately £570 billion with our target addressable market being 5%. of this or approximately £27 billion.

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

2 Forbes – https://www.forbes.com/sites/forbestechcouncil/2020/12/10/the-year-of-the-knowledge-worker/?sh=7a7efa8c7fbb

3 Josh Bersin – https://joshbersin.com/2021/02/the-massive-market-impact-of-microsoft-viva/

£570 billion

Our total addressable market

£27 billion

Our target addressable market

Our target addressable market

Our target addressable market can be broken down by our solutions aimed at developing "Smart People" (applying digital tools and monitoring to transform working practices) and "Smart Assets and Buildings" (incorporating physical assets into a digital ecosystem using IoT sensors and devices) with each being comprised of the following submarkets:

Smart People:

Workforce management, Microlearning, Field Service and Employee Communication

Smart Assets and Buildings:

Global IoT and Smart Buildings.

The anticipated development of these submarkets has underpinned our assessment of our target addressable market and based on independent studies, the estimated growth with each of the above is expected to be as follows:

Workforce Management

$5.25 billion

10% compound annual growth rate ("CAGR") until 2026 to a market size of $5.25 billion

Field Service

$7.1 billion

15% CAGR until 2026 to a market value of $7.1 billion

Microlearning

$2.7 billion

13% CAGR until 2024 to a market size of $2.7 billion

Employee communication

$1.8 billion

12% CAGR until 2027, valuing it at $1.8 billion

Global IoT

$1.5 billion

25% CAGR until 2027, valuing it at $1.5 billion

Smart buildings

$10 billion

13% CAGR until 2026 to market value of $109 billion. We believe that our target addressable market within this sub market is approximately $10 billion.

Our position in the market

The deskless worker industry is a large, fragmented market and currently no competitors offer the comprehensive, end-to-end coverage of our platform.

We are currently serving customers within three out of a potential seven markets – healthcare, retail and hospitality, catering to almost 800 million deskless workers. We believe that by evolving both the product and the go-to-market functions there are significant expansion opportunities to adjacent markets – education, manufacturing, transport and logistics and construction.

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

PLATFORM OVERVIEW

An AI platform that captures and creates operational insight under one digital roof

We designed our platform to integrate a common set of repeatable customer use cases. By augmenting these use cases with IoT sensors we can capture the interaction between physical assets and people. From pilot to full intelligent operations, our platform has been designed to measure and guide daily operations and deliver actionable insights in real time.

Capture

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

Connect

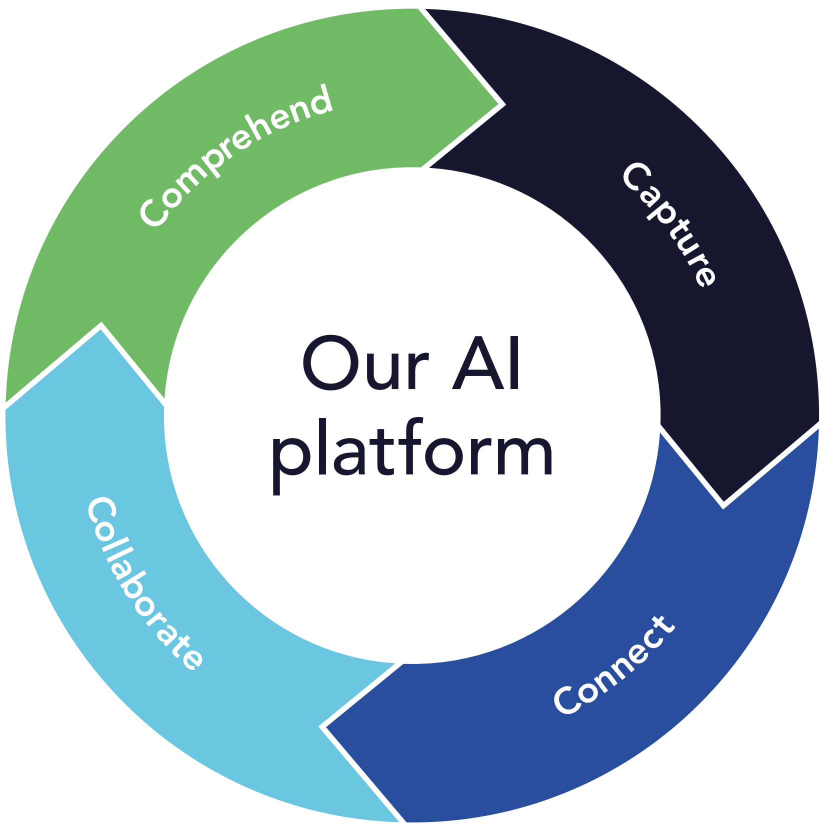
Data captured from people, assets and buildings across different teams, workplaces, and locations are connected and mined for insight about productivity.

Collaborate

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

Comprehend

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



Designed for the speed and scale of deskless operations

Our platform was designed with ‘get started and grow’ in mind:

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

Shared libraries
Build, share and easily workflow templates across the entire organisation ensuring consistent best practices, quality, compliance, and safety standards.

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

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

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

BUSINESS MODEL

Our business model

Resources & relationships

People and domain expertise

Extensive domain knowledge of the industries we serve

Enterprise-grade end-to-end platform

We provide intelligent operations via our digital assistants and sensors, which capture as much human task interaction as possible.

Growing IoT Ecosystem

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

Strong financials

Our business model maintains a strong cash position strengthened by the recent fundraise.

Our value creation process

Seed

Impact assesment

Deep domain expertise from our Enterprise Technology Partners (ETPs), partner with the customer to uncover and rapidly digitalise a single use case to demonstrate impact and ROI.

Land

Design & Onboard

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

Initial relationship

- Customers will often start building their digital assistants and workflows using individual use cases
- Initial implementations are typically focused on proof-of-concept workflows or existing processes that are challenging to the business.

Support

- Our support team operate 24x7x365 days a year providing live call outs for sensor alarms

Platform Enhancements

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

Expand

Growth

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

Platform

Intelligent Operations

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

Customer Success

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

Revenue generation

Peace of Mind Subscriptions

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

Professional Services

We provide professional services, including installation, training and consultancy on intelligent operations and digitalisation.

Stakeholder value

Employees

170+

We have over 170 employees globally

Investors

CKT.LN

Our investors can invest in our enterprise intelligent operations platform in one of the world's largest underserved market

Customers

500+

We have over 500 customers actively improving efficiency, reducing waste, and cutting risk using our platform and sensors

BUSINESS STRATEGY

Evolving Checkit to drive growth

We're systematically evolving every aspect of Checkit to capture our target market

1. Replacing customers' dark operations with Intelligent operations

Investing in product to unlock new insights about more activities

- We will continue to expand our existing AI-enabled platform to integrate additional workflow use cases. By continuing to enhance our capabilities under 'one digital roof' we will differentiate our value to customers and provide an all-in-one out of the box solution to what is commonly served by fragmented end point vendors.
- Continued expansion through the integration of best-in-class third party sensors to expand our intelligent operations platform and enrich its data capture abilities. The objective of building an ecosystem of IoT sensors is to automate the many interactions between physical assets, buildings, and people, thus accelerating productivity and efficiency gains.
- We plan to further enhance the capability of our business intelligence and insights offering. Through the evolution of our machine learning and artificial intelligence software we aim to surface strategic level actionable insight from the huge volumes of data passing through the platform.

Progress in FY22:

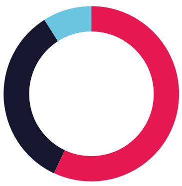
1.6m

daily sensor readings triggering 26k alerts and workflows helping organisations avoid risk, reduce waste, and save time.

2. Executing a pure SaaS business model

Converting non-recurring revenues to subscriptions

- We are transforming the part of the business that historically engaged in building and energy management systems (BEMS). This typically produces project-based, one-off revenues.
- We are creating a software-driven smart buildings and energy management solution. The aim is to expand our IoT ecosystem to incorporate sensors that can be plugged directly into our intelligent operations platform.



ARR by industry sector

- Healthcare 57%
- Retail 34%
- Other 9%

Progress in FY22:

75%

of overall revenue by Q4 was classed as recurring.

3. Removing barriers to growth

Investing in sales and marketing expansion

- We have invested heavily in sales and marketing and this will be accelerated in the current year following the successful funding round.
- We will continue to invest in US expansion to penetrate a market that is deeply fragmented. Following the acquisition in 2021 of Tutela LLC, we will continue to cross-sell and upsell Intelligent operations to existing customers.

Progress in FY22:

18

person sales, marketing and customer success team.

STAKEHOLDER ENGAGEMENT AND SECTION 172

Engaging with our stakeholders

Section 172

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

Stakeholder engagement is coordinated consistently in line with our fundamental principles and values.

The process of engagement informs better decision-making at every level of the company. We provide examples of how we build and maintain relationships with key stakeholder groups on these pages.

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

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

Shareholders

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

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

In addition, the Checkit website was relaunched in FY22 with a refreshed investor relations section to articulate the investment story and highlight associated news. More detail can be found in the corporate governance report on page 34.

Employees

Our diverse, skilful, and experienced workforce is recognised as the business's most important asset. Checkit's 170+ employees are spread between offices in London, Cambridge, Fleet, and the US. Regular 'Town Hall' meetings allow the leadership team to present progress, listen to feedback and answer questions. Regular surveys are carried out to measure employee sentiment and ensure that strategic principles, news, and values are understood.

A process has been implemented to assess and respond to feedback, with action plans to address any issues or concerns. An intranet portal provides employees with continually updated information and knowledge sharing. An employee forum has been set up to deepen engagement.

Customers

We take a collaborative approach to customer engagement.

A highlight of FY22 has been creating a new customer success function to ensure customers enjoy the best possible partnership with Checkit and that any issues are proactively addressed. In addition, dedicated account managers have been assigned to oversee the interests of key customers.

The end-to-end customer experience is crucial to our continuing success, and that requires numerous functions – including marketing, sales, finance, operations, and support – to prioritise customer needs. A digital transformation project was completed in early FY23 to consolidate the company's customer relationship management (CRM) system, enhance data analytics, and provide employees with a single view of the customer.

Suppliers

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

The company operates in a way that guards against unfair business practices and encourages suppliers and contractual partners to adopt responsible policies. Fair contract and payment terms are essential. The company liaises closely with suppliers and partners to ensure they operate in accordance with agreed contract responsibilities and conditions. Environmental and social responsibilities are considered during the assessment of suppliers. All suppliers are asked to sign Checkit's Code of Conduct, which details the standards of business conduct and ethics the company expects of its suppliers. Regular meetings are held with key suppliers to gather feedback and continually improve relationships.

Community and environment

We are determined to contribute positively to the broader community and the environment. Our technology helps customers reduce their energy consumption and improve remote operations management, thus enhancing job satisfaction and reducing avoidable travel. We also have a policy of refurbishing equipment wherever possible.

Additionally, our platform directly enables customers to reduce wastage of essential supplies, including food and medicines.

Internally, Checkit is moving towards a paperless environment and has adopted a flexible, hybrid working model with many employees now based at home, reducing transport requirements.

STRATEGY IN ACTION
CASE STUDY: HALLMARK

Creating a digital-first care home

Hallmark Care Homes recently introduced Checkit's intelligent operations platform to digitise manual compliance, maintenance, and quality procedures in the estates team. During the initial pilot programme at a single property, data from the Checkit platform showed maintenance issues were addressed 10x faster, reducing the average response time to 20 hours. Additionally, there was a 40% reduction in time spent on audits while the completion rate of routine room checks rose from 96% to 100%.

Challenge

The provision of high-quality care depends on the painstaking work of numerous operational teams spanning facilities management, hospitality, catering, compliance, and care quality.

In the estates management team, reliance on paper-based processes to collect important data on facilities, equipment and compliance checks added to that pressure.

Solution

Hallmark introduced Checkit's intelligent operations platform to digitise manual checks and procedures. The Checkit platform provides maintenance teams with digital assistants to prompt, guide and capture the daily activity of team members. Using QR codes locations are tracked, and all activity is automatically tracked to a specific location and time-stamped.

Dozens of everyday processes are now digitally managed via workflows and include checks relating to:

- Water flushing
- Vents
- Showerheads
- Bedroom compliance
- Water temperature/Legionella
- Fire doors
- Furniture
- Laundry lint
- Ambient room temperature
- Door alarms
- Nurse calls

Outcome

The Checkit platform has increased management visibility, accelerated the performance of frontline teams, raised the consistency of standards, and strengthened compliance metrics, all while reducing administrative burdens on frontline teams.

Within two weeks, there was a 10x improvement in the speed at which facilities issues were resolved, reducing the average response time to 20 hours.

Additionally, the completion rate of routine room checks rose from 96% in month one to 100% in month two.

Estates Manager Steve Brine has estimated a 40% reduction in his time on audits.

"I'm now able to check in every day and look at trends. It's far more efficient, giving me more time to add value into the business and engage in more strategic planning," he said.

The introduction of Checkit's intelligent operations platform also enables Hallmark to maximise its assurance of safety. "Checkit has enabled me to take a proactive approach to compliance and performance improvement. It reduces our risks ten-fold because our reporting is more accurate, and we can see and respond to trends before they become bigger problems," said Steve.

"I'm now able to check in every day and look at trends. It's far more efficient, giving me more time to add value into the business and engage in more strategic planning."

Steve Brine
Estates Manager at Hallmark

10x
faster issue resolution

40%
reduction in time spent on audits

100%
Task completion rates rose from 96% to 100%.

STRATEGY IN ACTION CONTINUED
CASE STUDY: SCIENSUS

Real-time alerts to protect specialised medicines

Healthcare service provider Sciensus wanted to strengthen the protection of valuable medicines stored within its temperature-controlled warehouses and cold rooms while also saving staff time spent on manual reporting. Checkit's mobile alerting solution prompts teams with notifications and guidance to help them rapidly rectify any temperature variation. The solution ensures the quality and safety of stock worth millions of pounds and automatically creates a detailed digital audit report. Around 40 hours of staff time per week has been saved by eradicating manual reporting – equivalent to one full-time staff member.

Challenge

Sciensus provides medicines and complex clinical care to over 200,000 patients across the UK and Europe. Formerly known as Healthcare at Home, Sciensus works with the NHS, pharmaceutical companies, private medical providers, and consultants to deliver life-changing treatments to patients in their own homes. The firm has 1,700 employees, including nurses, drivers, dispensary, warehouse, and support staff.

The COVID-19 pandemic has accelerated the growing transfer of specific treatment programmes into domestic settings. As a result, Sciensus now serves an increasing population of patients with illnesses ranging from cancer to rheumatoid arthritis.

Any variation in storage temperature conditions beyond agreed parameters presents a significant commercial risk to the company.

Sciensus also wanted to reduce staff time spent reporting the actions taken in response to sensor alerts. Members of the facilities and health & safety teams across 16 warehouse sites spent around 40 hours per week completing paperwork and scanning it into the company's computer system to create an audit trail.

Solution

Checkit's mobile alerting solution was easily integrated with the existing sensors – covering ambient temperatures, product temperatures and door opening/closing. The solution sends alerts directly to the mobile devices of nearby staff rather than to central computers to accelerate response times. Additionally, Checkit's mobile alerting system provides staff with on-the-spot guidance to rectify the cause of the alert.

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

Patrick Rix
Validation and Compliance Manager

Patrick Rix said: "What Checkit put forward was a powerful solution to address a significant operational issue. Instead of staff having to fill in paperwork, the responsive actions of our teams are automatically logged when they tap on the screen of their mobile device. Our staff include drivers who don't always have time to fulfil extra reporting requirements."

Checkit managed the configuration and set-up of the solution, with installation completed in 24 hours to ensure an immediate impact.

Outcome

The introduction of mobile alerting has saved around 40 hours of frontline staff time each week and reduced the management burden. Patrick Rix no longer needs to log into the portal to manually review and sign off reports.

"We have a large team to manage, and the previous portal was quite daunting for those not familiar with it. The Checkit solution is far more user friendly. It also gives staff a greater feeling of control, which is very important. And providing guidance directly to mobile devices helps to reinforce best practices. The system shows them exactly what to do next, and there are contact numbers so they can call for help if they need engineering or technical support. Alerts are now closed down in about 15 minutes, which is eight times faster than before.

The Checkit mobile alerting solution incorporates QR code scanning and time-stamping to ensure the time and location of any intervention is seamlessly captured for audit reporting.

Sciensus is now exploring the potential to introduce the Checkit solution to its facilities management and fleet management functions.

Hours of frontline staff time saved each week

40

Alerts resolved

8x faster

OUR PEOPLE

Powered by our people

To fulfil its growth objectives, facilitate sustainable success and drive the best outcomes for customers, Checkit prioritises the attraction and retention of talent.

Checkit is entering the new financial year as a single, united business following a consolidation of processes, values, and principles.

The company took several steps in FY22 to strengthen the attraction and retention of staff.

Workplace optimisation

Following the pandemic, Checkit is progressing towards a hybrid working model.

Desk-based employees mainly work from home but have the flexibility to use the offices when required. The Cambridge office, for example, will be reconfigured with hot desks and meeting spaces. A new central London office has also opened in early 2022.

Learning and development

Checkit introduced a new programme of learning and development in FY22 to support staff in reaching their full potential and building new skills. This included the roll-out of the LinkedIn Learning platform for all employees. In addition, the software development teams were given access to Pluralsight to enhance their technical capabilities. The company also partnered with training specialists to utilise the Apprenticeship Levy funding for upskilling in project management, digital marketing, and people management. This focus continues into FY23 with a commitment to creating clear career development plans, setting objectives and key results (OKRs) for all employees, and regularly reviewing progress.

A winning culture

A positive culture is crucial to fulfilling Checkit's ambitious growth targets. Checkit's leadership team has encouraged a growth mindset among employees so that a focus on continuous improvement is woven into their daily work. A 'rocket ship' mentality has been introduced to excite employees about the journey Checkit is undertaking. Regular meetings, off-site sessions and internal communications contribute to this. The evolution of a united culture following business acquisitions in recent years remains a focus for Checkit.

Digital transformation

Empowering employees to do their best work is central to the Checkit philosophy. FY22 saw the launch of a digital transformation programme, harnessing the full potential of the Salesforce platform to enhance information sharing across the business, strengthen analytics and provide a single view of the customer. In FY23, this will extend to people management with further digitisation of HR systems and employee onboarding.

Dedicated talent acquisition

Finding and recruiting people with the talent and characteristics to propel Checkit forward are priorities for Checkit, particularly in software development and sales. With this in mind, the company appointed a new Head of Talent Acquisition in FY22. This newly-created role will focus on defining and promoting Checkit's reputation as an employer of choice.

Diversity and inclusion

A diverse and inclusive workforce is considered critical to Checkit's continuing growth. The company considers it extremely important to nurture diverse thinking and viewpoints and ensure the workforce reflects the wide-ranging communities of people that Checkit serves. Diversity in cultural background, race, gender, and education are essential to Checkit's vision of creating an inclusive internal environment and driving shareholder value. The company has made progress on its gender diversity agenda, aiming to achieve 50/50 male / female representation across the business. There is still more to be done. In FY23, Checkit will continue to drive internal momentum with initiatives to champion more women in technology and leadership roles and address any areas of unconscious bias in the business.

FINANCIAL REVIEW

Delivering smart growth

The financial results for FY22 represent another year of strong progress for Checkit. The Group's strategy to invest to support its expansion, with a focus on delivering recurring revenue from its technology solutions, has resulted in a second consecutive year of significant ARR growth.

Investment in the business has resulted in operating losses for the year (before non-recurring or special items) increasing to £4.7m (2021: £3.1m loss). Investment has centered on new product development and an enlarged sales and marketing team both in the UK and the US, where the Group's acquisition of Tutela in February 2021 has provided a platform for Checkit, allowing the Group to accelerate its geographical expansion.

In November 2021, the Group successfully raised £20.0m (net of expenses) through the placing of 45.6m new shares. The placing was significantly oversubscribed as investors recognised the growth potential and market opportunity presented by the Group.

The Group intends to use the proceeds raised to accelerate its growth strategy, investing further in sales and marketing to drive top line growth, transforming its operating model to enable future cost efficiencies, and continuing to develop the Checkit platform to create a market leading product. This cycle of sales execution and phased investment will allow Checkit to deliver smart growth.

ARR and Revenue

The table below shows ARR and revenue for the year ended 31 January 2022 and includes comparisons with reported and normalised[1] prior year values.

ARR grew by 43% to close at £8.2m (FY21: £5.8m normalised), driven by strong H2 sales bookings.

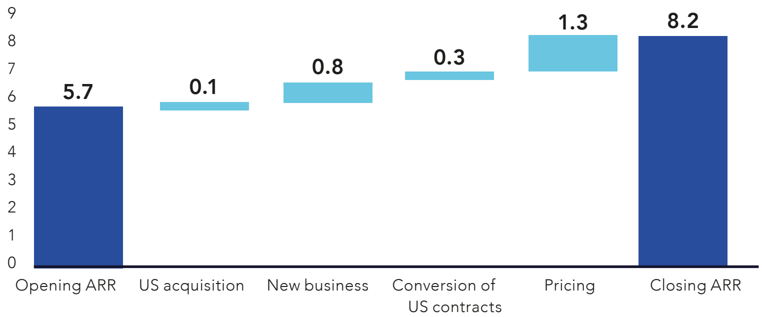
Total Revenue for FY22 was to £13.3m, a reduction of 7% compared to the prior year on a normalised basis (FY21 £14.4m normalised). While recurring revenue grew by 31%, non-recurring revenue declined in line with management's expectations.

(£'m)	Twelve months to 31 January 2022 Actual	31 January 2021 Actual	31 January 2021 Normalised[1]	% Change Normalised
ARR	**8.2**	5.7	5.8	43%
Revenue				
Recurring	**6.8**	5.1	5.2	31%
Non-recurring	**6.5**	8.1	9.2	(29)%
Total Group	**13.3**	**13.2**	**14.4**	**(7)%**

1. Prior year revenue has been normalised to illustrate revenue that would have been included in the Group's financial results had Tutela LLC (acquired 4 February 2021) been fully owned by the Group throughout both periods.

ARR growth was driven by sales to new customers, as well as through pricing initiatives and upsell with existing customers.

ARR Growth



New business was driven by transformed market positioning and through demonstrating measurable value to customers.

The acquisition of Tutela enhanced Checkit's reach within the Healthcare sector, making this the fastest growing industry vertical. Together with NHS trusts in the UK, Healthcare now represents 57% of Checkit's ARR and offers significant growth potential, both in terms of further customer acquisition and cross sell within existing customers.

The Group also extended its successful programme of transferring customers to new subscription-based agreements to the US, combining recurring services with one-off activities in line with the "peace of mind" SaaS pricing and contractual model now adopted across Checkit.

As a result of this pricing initiative, the business unit saw further conversion from non-recurring to recurring revenue during the year, contributing approximately £0.3m to ARR.

The increase in ARR resulted in 31% growth in reported recurring revenue compared to prior year on a normalised basis.

Recurring revenue includes like-for-like US recurring revenue growth of 82%, driven by the strong bookings performance noted above. The lag in Group recurring revenue percentage growth, compared to the growth rate of ARR reflects the acceleration in ARR of contracts signed during the second half of the financial year.

Recurring revenue accounted for 51% of total revenue for the full year. In the last three months of the year, recurring revenue contributed 75% of total revenue as Checkit continued its transformation into a pure SaaS business.

Non-recurring revenue declined in line with management's expectations and as planned. The Group is now wholly focused on delivering recurring revenue from its technology solutions (including those relating to smart buildings), rather than traditional BEMS one-off projects with minimal software input.

EBIT

The Group operating loss before non-recurring or special items in FY22 was £4.7m (2021: £3.1m loss).

In line with the Group's strategy, operating expenses (excluding any non-recurring or special items) increased to £10.9m (2021: £9.6m), as the Group invested in its product, sales, and marketing to support its expansion.

New product development (NPD) spend totaled £3.4m (FY21: £2.5m), of which £1.5m was capitalised (FY21: £nil), as the Group invested in new enhanced functionality, including mobile alerting, shared libraries and job sharing capabilities.

Investment in sales and marketing almost doubled to £2.7m (FY21: £1.4m), as the Group invested in an expanded sales and marketing team in both the UK and US to fuel growth, with a strategic focus on creating enterprise level relationships with large multi-national and highly distributed customers.

FINANCIAL REVIEW CONTINUED

Non-recurring or special items

Non-recurring or special items in the year of £2.4m related to amortisation of acquired intangible assets, costs relating to the fundraise, and restructuring and other one-off unusual costs related to the organisational transformation programme:

£m	FY22
Restructuring and transformation costs	0.7
Costs relating to fundraise	0.1
Disposal costs of India operations	0.2
Amortisation of acquired intangible assets	1.4
Total non-recurring or special items	**2.4**

Taxation

The Group is currently loss making and therefore no corporate tax charge is reported for the year FY22. 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 £22m 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 FY22 was 68.1m. Loss per share (basic & diluted) was 10.0 pence (2021: 8.3 pence)

Acquisition

The acquisition of Tutela took place in February 2021 and cost £0.4m, net of £0.2m of cash acquired with the business. The acquisition enables the Group to accelerate its US expansion plans, providing a footprint and an opportunity to add further scale.

Cash

The group cash position at 31 January 2022 was £24.2m (31 January 2021: £11.5m), reflecting the oversubscribed placing in November 2021, when the Group raised net proceeds of approximately £20.0m. As a result, Checkit is well capitalised and strongly positioned to accelerate its programme of investment, with the intention of achieving further ARR growth in FY23.

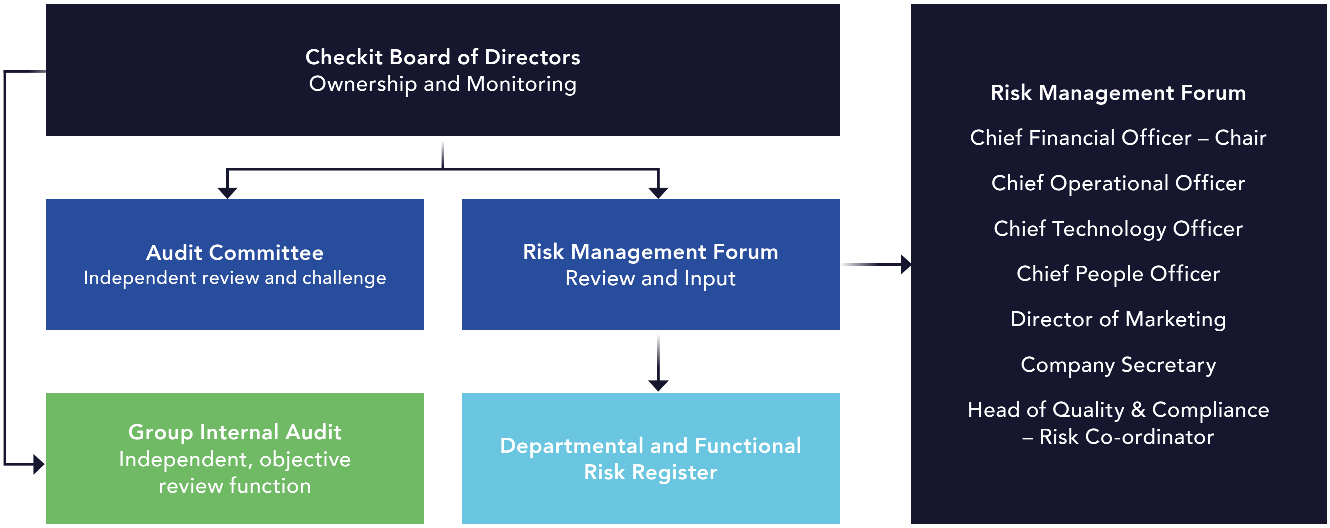
Greg Price
Chief Financial Officer

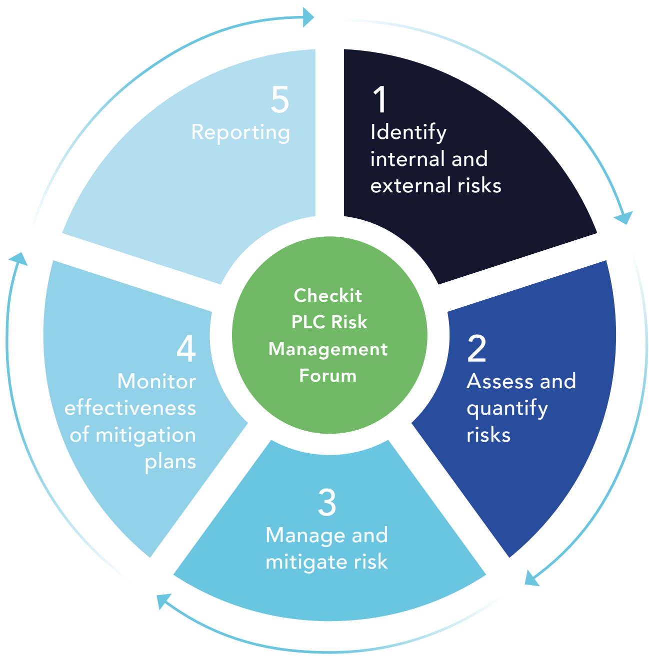
5 May 2022

PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks and uncertainties

Effectively managing risks is a key priority for the Checkit Group to support its growth agenda.





Risk Management

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

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

To ensure sustainable delivery of shareholder value, a Risk Management Forum ("RMF") has been established, aligned to the senior management structure to ensure risks are identified, assessed, and mitigated.

The Audit Committee has responsibility for reviewing the effectiveness of the RMF and internal controls and ensures that the Group is in full compliance with relevant regulations and laws, supported by the Company Secretary.

Executive Directors have responsibility for overall management and delivery of the strategy, considering the risk environment and regular review by the RMF.

Senior management within each department are responsible for identifying and recording risks, and implementing agreed mitigation actions, in line with Group strategic priorities and risk appetite.

A bottom-up risk analysis is undertaken considering detailed individual risks that fit into eight main categories: Corporate, Commercial, Operational, Financial, Legal & Compliance, People, Data/IT and External/Environmental.

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

The RMF reviews a consolidated Group risk register at least twice a year. Risks are assessed both pre and post mitigation to identify the overall risk level based on a combination of probability of occurrence and the magnitude of potential consequences.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

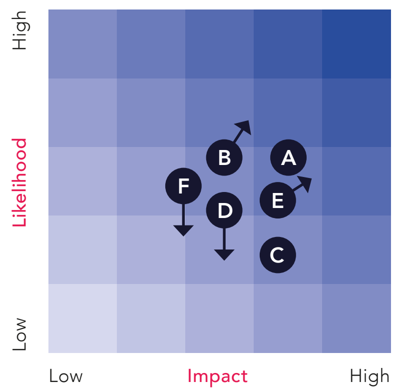
Checkit Risk Heat Map

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

More detail on the Group's principal risks and uncertainties, and how they are being managed, is set out below. The principal risks facing Checkit have changed positively with additional mitigations that have been put in place during the FY22. The principal financial risks are separately disclosed in note 24 to the financial statements on page 77.

- A Growth
- B People & Culture
- C Software/Product Development
- D Customer Dependency
- E Information Governance & Cyber Security
- F Business Transformation

FY22 Principal Risks heat map



Risk description | **Mitigation**

A Growth

The Group's growth strategy may result in a number of challenges for the business, including:

- increased demand on business resources, including people, processes, and cash
- dependence on new sales to achieve financial and strategic objectives
- dealing with new geographies and regulatory environments
- lack of experienced sales and marketing personnel due to the emerging nature of the market
- supply chain pressure, exacerbated by a global lack of hardware availability
- increased burden on operational, financial, and technical infrastructures
- increased operating expenses, impacting Group profitability.

Mitigation:

- Resource allocation and ROI processes
- Strategy to grow customer relationships over time, reducing the barrier to adoption
- Regular Board reviews on progress
- Strategic and financial planning processes
- Business performance management reviews
- Increased global experience at senior management level
- Use of approved advisors
- Regular Sales and Operations Planning (S&OP) meetings

B People and culture

Checkit is dependent on access to the right talent to deliver on its strategic goals.

With a dependency on a core group of individuals for critical knowledge, loss of key personnel could impact the business' ability to deliver on its plans.

As the business grows, there is also pressure to attract new talent to deliver key roles quickly to support the existing team.

This risk is increasing in importance in the context of cost-of-living increases and the recruitment environment post COVID-19.

Mitigation:

- Employee engagement programmes
- Talent and performance reviews
- Employee share option plans
- Single Point of Failure and key role identification
- Recruitment processes
- Business continuity plans

Risk description	Mitigation

C Software/product development

Checkit's proposition is targeted at an evolving market.

The Group's offer may be disrupted by competitors with a similar or better proposition if they develop more innovative technology.

Product reliability and performance is essential to customers' business activities. Any long-term outage or underperformance could impact the Group's reputation.

Platform cost effectiveness is essential to ensuring a sustainable product. Increases in per user or per sensor costs could impact margin.

- High investment in product development
- Regular external analysis and PESTEL assessment
- Software testing/ Q&A processes
- Customer usage monitoring
- Platform load testing

D Customer dependency

The Group has a concentrated customer base, particularly in the Healthcare and food retail sectors.

While the Group's growth agenda means this risk continues to reduce, any loss of business from its largest customers could significantly impact business performance.

- Long term contracts
- Customer Excellence programmes and retention plans
- Commercial operations and contracting processes
- Net Promoter Scores
- Customer relationship management
- Increased number of Tier 1 customers

E Information governance and cyber security

The Group holds significant amounts of personal data. This carries risks associated with information governance and data protection.

The Group is also reliant on cloud-based IT infrastructure, where any long term loss of key systems could impact the business' ability to operate.

While most security breaches are due to errors in disclosing data, cyber-attacks and malware increasingly threaten the integrity of Checkit's own data and systems, as well as the data it holds on behalf of customers.

This risk is increasing in importance in the context of growing awareness around the sophistication of the threats faced.

- ISO 27001 accredited framework of data security processes
- Cyber essentials certification
- Data management policies and incident management system
- Regular employee training and awareness
- Relevant insurances
- Use of large global providers
- Business continuity / disaster recovery plans
- DPO officer and DPO Centre (3rd Party for EU)

F Business transformation

Checkit is undergoing rapid change and transformation. This could distract management, impact employee engagement, and require excessive resource to complete.

Inconsistent communication across all stakeholder groups could also impact the Group's ability to execute its plans.

- Employee communication programme
- Clear ownership of transformation plans
- Regular Board reviews on progress and impact
- Business performance management processes
- OKR policies and cascade process
- Website overhaul

EXECUTIVE LEADERSHIP

Leading into the future

Keith Daley
Non-Executive Chairman

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

Kit Kyte
Chief Executive Officer

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

Greg Price
Chief Finance Officer

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

Will Maunder-Taylor
Global VP of Sales

Leading Checkit's growth engine since June 2021, Will has a robust track record in technology sales and is recognised as a thought leader. Before joining Checkit, he was Growth Lead for EMEA at SparkBeyond, one of the world's top AI specialists

John Wilson
Non-Executive Director

R A

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 outside the UK.

Simon Greenman
Non-Executive Director

R A

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

Julie Webbe
Chief Human Resources Officer

Julie joined Checkit in April 2021. With over 20 years of 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.

Victoria Thorpe
Chief Operating Officer

Leading the Company's reshaped operations team, incorporating delivery 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.

Steve Peck
Managing Director, 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.

Ade Risidore
Global Director of Marketing & Customer Success

Since joining Checkit in 2021, Ade has transformed the marketing and customer success functions to ensure scalability and sustainable value. An experienced marketing leader and SaaS specialist, he previously held senior roles at Fuse Universal, Hadean and Automic.

Key

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

David Cottingham
Chief Product & Technology Officer

Joining Checkit in 2022, David spent 12 years at Citrix and experience spanning enterprise SaaS, API integrations, and cloud infrastructure. He combines deep technical knowledge with commercial experience across the US, Europe, India, China, and Japan.

David Davies
Chief Product Officer

Having joined the company in 2011, David has led the development of Checkit's product set for the past six years. Before Checkit, he 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.

CORPORATE GOVERNANCE REPORT

Applying the principles of governance

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

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

Checkit is transitioning to a dynamic Software-as-a-Service global business model focused on annual recurring revenue driven by the provision of intelligent operations to our customers. More detail can be found in the strategic report at pages 2 to 31.

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

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

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

The Board looks to maximise opportunities to communicate and actively encourages feedback from the investor community. The Board places great emphasis on having constructive relationships with all shareholders. The AGM is the main forum for dialogue with private shareholders and the Board. Shareholders are given the opportunity to raise questions during the AGM which Checkit plans to (subject to a change in restrictions relating to COVID-19) hold in an open capacity in person.

In addition, Checkit has a regular programme of investor engagement which includes product and trading updates, an annual capital markets day and 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 major shareholders, if required.

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

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

In addition to its shareholders, the Company considers its other key stakeholder groups to be:

- Employees
- Customers
- Suppliers
- Regulators
- Local communities

Checkit takes its responsibility to these stakeholders seriously and seeks to actively engage with them regularly to inform and influence better decision making. A register of all interested parties is maintained and assessed regularly by management as part of the Quality Framework. More detail can be found in the s172 statement at pages 18 to 19.

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

The Board has responsibility for ensuring Checkit has effective risk management processes and that a system of internal control is embedded within the organisation. The principal risks identified by the Board including mitigating controls are shown on pages 29 to 31 of this annual report. Checkit has an established framework of internal financial controls which is subject to review by the Executive Directors and the Audit Committee considering the ongoing risks faced by the Group. In addition, Checkit's auditors are encouraged to raise with the Audit Committee any comments they may have in relation to risk management on an ad-hoc basis and in their management letter following their audit.

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

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

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

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

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

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

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

The Board comprises the Non-executive Chairman, Chief Executive Officer, Chief Financial Officer and two Non-executive Directors. Biographies are set out on page 32 and illustrate the range of experience which the Board believes enables it to provide effective business leadership. All Board Directors are put forward for re-election at each AGM.

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

The Chairman takes responsibility for a calendar of regular Board meetings and at least 6 times per year. Owing to the successful fundraise which took place in late 2021, the Board met 26 times in FY22. Of these 26 meetings, 12 were not focused on the fundraise. The Chairman ensures that Board agendas reflect good corporate governance and concentrate on the key strategic, operational and financial issues.

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

The Board is supported by an Audit Committee and Remuneration Committee, of which Non-executive Directors John Wilson (Chair of the Audit Committee and Remuneration Committee) and Simon Greenman are members. John Wilson's extensive business management experience alongside Simon Greenman's senior leadership expertise provide the necessary level and combination of skills and knowledge to each of those Committees.

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

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

The Directors are required to keep their relevant 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.

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

Evaluation of the Board has historically been carried out in an informal manner. This financial year, the Board anticipates that it will develop a formal review process which will consider the performance of each Director.

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

The Board understands that a healthy corporate culture based on sound ethical values and behaviours is essential to creating a working environment in which employees feel valued and can be most effective. The Board is committed to pursuing and maintaining high standards of corporate governance across the Group.

The employee handbook is updated regularly and provides guidance to all business employees alongside a Company provided employee assistance programme to ensure ongoing employee wellbeing. Employee feedback and cultural tone are regularly reviewed by the Board alongside regular employee communication programmes. During FY21 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. Throughout the COVID-19 pandemic, Checkit has supported employees who are able to work remotely and the company has introduced a remote-working policy to embed flexible ways of working within the company.

The Company has a strict share dealing policy covering insider trading/inside information, the AIM Rules and Market Abuse Regulations which apply to Checkit and individuals. This policy is circulated to all individuals who qualify for share options and who fall within the categories of insiders, PDMRs and restricted persons. Relevant individuals are asked to sign a letter confirming they understand the policy. Furthermore, in accordance with the Market Abuse Regulations of the Financial Conduct Authority, employees subject to this policy are required to seek the approval of the Company Secretary and/or Chairman before dealing.

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

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

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

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

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

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 and risk management strategy of the Company.

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

Full details of the Report of the Audit Committee are set out on pages 38 to 39. The Audit Committee met 4 times during FY22.

Remuneration Committee:

This Committee ensures that the Group's Executive remuneration policy is aligned to the implementation of the Company strategy and shareholder interests. The Committee seeks to establish a remuneration policy that is designed to motivate, retain and attract Executives of the calibre necessary to achieve the Group's strategic ambitions. Full details of the Report of the Remuneration Committee can be found on pages 40 to 44. The Remuneration Committee met 7 times during FY22.

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

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

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

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

- The Group's annual report and accounts
- Full year and half-year result announcements
- Other regulatory announcements
- The Annual General Meeting and outcomes
- Meetings with existing shareholders
- Webinars or roadshows
- One to one meetings with major (or potential) shareholders

Corporate information available on the Company website includes:

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

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

Regular townhalls with employees take place to share trading updates and results following the publication of half and full-year results. Employees are also directed to the Company website and encouraged to keep up to date with Company reports. For further and more detailed explanations of how the Group maintains a dialogue with shareholders and other relevant stakeholders see the Company's S172(1) statement on pages 18 to 19.

AUDIT COMMITTEE REPORT

Audit Committee report

Dear Shareholders,

I am pleased to present my report as Chair of the Audit Committee ("Committee") for the financial year ended 31 January 2022.

Composition

The Committee consists of the Non-executive Directors Simon Greenman and myself. I was appointed Chair of the Committee in August 2020. The biographies of the Committee members can be found on page 32 and the Company's website.

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

External Independent Auditor

The detailed independent report of the auditor is shown on pages 48 to 55.

Re-appointment

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

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

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

This year, having considered the effectiveness and performance of the independent auditor, who has reported on the Company for the past two financial years, the Committee has recommended to the Board the re-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.

FY22 non-audit fees amounted to £26,000 (FY21: £61,300).

Governance

The Group applies the Quoted Companies Alliance Corporate Governance Code.

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

Main activities

The Committee met four times during the financial year.

Grant Thornton attended two of the meetings. 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 not members of the Committee but attend Committee meetings by invitation, in particular, attending the meetings at which the interim and annual results are reviewed.

The key activities carried out by the Committee include:

- Monitoring the integrity of the financial statements and reporting of the Group;
- Reviewing financial reporting significant issues, accounting policies and disclosures;
- Reviewing the effectiveness of the Group's risk management framework;
- Reviewing the appropriateness and effectiveness of Group internal controls;
- Making recommendations to the Board on the appointment, re-appointment and removal of the Group's independent auditor;
- Reviewing the independent auditor's audit strategy and implementation plan;
- 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 possible wrongdoing, fraud and bribery.

The Committee reports on all such matters to the Board.

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

Going concern

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

Revenue recognition

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

Acquisition of Tutela Monitoring Systems LLC

In February 2021, the Company acquired Tutela Monitoring Systems LLC ("Tutela") including cash of approximately $0.25m (£0.2m) in Tutela as at the date of completion for a total upfront cash consideration of $0.85m (£0.62m). The acquisition was funded from the Group's existing cash resources.

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.

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 2022.

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

5 May 2022

REMUNERATION REPORT

Remuneration report

Dear Shareholder

The following Remuneration report for FY22 has been prepared by the Remuneration Committee and approved by the Board. Shareholders will be invited to approve this report at the forthcoming Annual General Meeting.

Composition

The Remuneration Committee currently consists of Simon Greenman and myself. Simon Greenman replaced Rachel Neaman following her resignation from the Board in June 2021. The biographies of Committee members can be found on page 32 of this report and on the Company's website.

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

Role

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

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

- Any employee with a base salary of >£120k.
- All employee schemes involving equity-related incentive.

Governance

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.

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 the Company's 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.

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.

Executive Directors' remuneration policy continued

The table below illustrates the policy to operate until the next AGM in 2023:

Purpose	Principles and application
Basic salary	
To attract and retain high calibre Executives who are expected to design and execute an ambitious growth strategy	Salaries are reviewed annually in light of benchmarking data and competitor intelligence
Pension	
To offer the opportunity for Executives to accrue pension rights in line with maximum HMRC limits	Executives are eligible to join the Group pension scheme immediately on joining
Benefits	
To offer a benefits package in line with best market practice	Executives are offered income protection, family private medical cover and in-service death cover
Short term incentive plans (STIP)	
To incentivise strong short-term financial performance in each year	Plans are reviewed and set annually with financial performance targets being set in Q1. Payment may be in either cash or company shares. Maximum payment will not normally exceed 100% of base salary
Long term incentive plans (LTIP)	
To incentivise long-term performance and sustained improvement in shareholder value	A long term incentive plan has been established to provide a meaningful reward over a period of five years by incentivising the delivery of shareholder value. The LTIP is linked to Rule of 40 growth and profit metrics and a share price target.
Options plan: Enterprise Management Incentive Scheme (EMI)	
To incentivise long-term performance and sustained improvement in shareholder value	Option grants are made at Remuneration Committee discretion. No EMI total award shall exceed £250,000

Notes

Basic salary

FY22:

The basic salaries for Executive Directors were not reviewed or changed in FY22.

FY23:

In light of current inflationary pressures, the Committee may consider a review of base salaries.

Annual bonus plan

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

FY22:

Bonus payments were earned by Executive Directors in FY22 as follows. Keith Daley was paid a bonus of £200,000 following the reorganisation of the Group consequent on the sale of Bulgin. The reorganisation was completed during FY21 and the bonus was agreed by shareholders at the general meeting held on 3 September 2019.

In FY22 bonus payments were awarded to Kit Kyte of £225K and Greg Price of £15K based upon achieving targets set at the start of the year.

FY23:

An FY23 in year Executive bonus plan has been agreed per below:

Executive Director	Metrics	Earning potential
Kit Kyte	Financial Performance	100% of base salary
Greg Price	Financial Performance	50% of base salary

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

Notes continued

Long-term incentive plans

In March 2022, Kit Kyte was granted options under an LTIP. The LTIP was designed to provide a meaningful reward over a period of five years by incentivising the delivery of shareholder value. The LTIP is linked to Rule of 40 growth and profit metrics and a share price target.

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 2022 are per below:

Employee	Exercise date	Option price	**Options at 31 January 2022**
Kit Kyte	17 February 2024	55.5p	**225,000**
Kit Kyte	19 February 2024	55p	**227,500**
Greg Price	17 February 2024	55.5p	**100,000**
Other employees	7 July 2023	40.5p	**1,315,000**
Other employees	17 February 2024	55.5p	**365,000**
Other employees	12 July 2024	57p	**885,000**
US Sub Plan	17 February 2024	55.5p	**347,500**
US Sub Plan	19 February 2024	55p	**227,500**
US Sub Plan	12 July 2024	57p	**155,000**
Total			**3,847,500**

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 2021 and while fees were aligned, no other increases were given. The Non-executive Directors receive no remuneration or benefits in kind other than their basic fees and are not eligible for any equity-based incentive schemes.

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

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

Audited information

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

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

1 Benefits include car or car allowance, if applicable 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.

The emoluments of the highest paid Director in FY22 were £398,000 compared to £299,000 in FY21.

The annual basic pay for each current serving Director as at 31 January 2022 is as follows:

Year to 31 January	**Basic pay at 31 January 2022 £'000**	Basic pay at 31 January 2021 £'000
K Daley	**189**	206
K Kyte	**275**	—
G Price	**150**	—
A Muir	**—**	140
J Wilson	**40**	40
S Greenman	**40**	—
R Neaman	**—**	40
TOTAL	**505**	426

K Daley basic pay reduced to £100,000 from 1 February 2022 on transferring to the role of Non-Exec Chair from that date.

Unaudited information

Directors' share ownership

The shares owned by the current Directors serving as at 31 January 2022 are as follows:

	Shares owned outright at date of this report	**Shares owned outright at 31 January 2022**	Shares owned outright at 31 January 2021
K Daley	20,925,366	**20,925,366**	14,838,410
K Kyte	108,695	**108,695**	—
G Price	54,350	**54,350**	—
J Wilson	906,650	**906,650**	789,259
S Greenman	56,347	**56,347**	—
TOTAL	22,051,408	**22,051,408**	15,627,669

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

Independent remuneration advisers were engaged during FY22 at a cost of £4k (FY21: nil).

Approval

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

John Wilson
Chair of Remuneration Committee

5 May 2022

Report of the Directors

The Directors present their annual report and accounts, together with the audited financial statements for the year ended 31 January 2022.

Principal activity

Checkit plc is the holding company of Checkit Europe Limited and Checkit UK Limited (together "Checkit") which is a leading provider of an intelligent operations management platform for deskless workforces, enabling operational agility and intelligent decision-making in large multinational and complex national organisations.

Checkit's SaaS business model offers optional plugins for sensor networks and smart building management. Checkit's solutions apply digital tools and monitoring to transform workforce management, and incorporate physical assets into a digital ecosystem using IoT sensors and monitoring devices.

A detailed review of the business, its results and future direction is included in the strategic report set out on pages 2 to 31.

Results and future developments

The Group's loss on ordinary activities after taxation for the year £6.8m compared to £4.4m last year. The Group's results are set out in the consolidated income statement on page 56 and are explained in the Chief Financial Officer's statement on pages pages 26 to 28.

The subsidiaries of the Group as at 31 January 2022 are listed in Note 13.

The Directors do not propose a dividend in respect of the year ended 31 January 2022 (2021: £nil).

Going concern

The Group's business activities, performance and position are set out in the strategic report. The financial position of the Group is described on pages 26 to 28. Details of the key risks and uncertainties in the business along with the mitigation actions in place, has been presented in the risks and uncertainties on pages 29 to 31.

The Directors have considered the going concern assumption and have reviewed detailed budgets for the next two years. Having considered the Group's cash flows and liquidity position following the placing which raised a net c.£20 million in November 2021, the Directors have concluded that the Group has adequate resources to continue operations for the foreseeable future and therefore continue to adopt the going concern basis in preparing the financial statements.

Health, safety and environment

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

Streamlined energy and carbon reporting

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

Financial instruments

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

Directors and their interests

The present membership of the Board is as follows:

- Christopher Kyte, Chief Executive Officer (appointed 12 July 2021)
- Gregory Price, Chief Financial Officer (appointed 6 September 2021)
- Keith Daley, Non-executive Chair (who moved to a non-executive role from 1 February 2022)
- John Wilson, Non-executive Director
- Simon Greenman, Non-executive Director (appointed 7 June 2021)

The following directors resigned during the year:

- Rachel Neaman (resigned 2 June 2021)
- Aylsa Muir (resigned 3 September 2021)

Biographical details of the current Directors are set out on page 32 and details of Directors' beneficial interests in the shares of the Company as at 31 January 2022 are set out in the Remuneration report on pages 40 to 44.

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.

REPORT OF THE DIRECTORS CONTINUED

Directors' remuneration

Details of Directors' remuneration are contained in the Remuneration report on pages 40 to 44.

Share capital

As at the date of this report, the total number of shares in issue (being ordinary shares of 5 pence each) is 108,008,562 (2021: 62,447,542).

During the year, the Company issued 45,561,020 ordinary shares of 5 pence each (2021: 413,925 shares). This was on the exercise of share options and a placing of 45,561,020 shares in November 2021 to raise net c.£20m – please see page 75 for further details about the fundraise.

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

Substantial shareholdings

As at 31 March 2022 (being the latest practicable date before the publication of this report), the Company has been notified in accordance with Chapter 5 of the Disclosure Transparency Rules, of the following interests of 3% or more in its issued ordinary share capital:

D&A(UK) Holdings Limited	21.76%
Mr K Daley	19.37%
Ruffer LLP	8.50%
Herald Investment Management Limited	7.32%
Chelverton Asset Management	4.50%
EdenTree Investment Management	3.92%
Richard Sneller	3.30%

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

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

Employees

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

Auditor and disclosure of information to auditor

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

Annual General Meeting

The Company's AGM will be held on 9 June 2022. Accompanying this annual report and accounts is a letter from the Chairman and a Notice of AGM that sets out the resolutions to be considered and approved at the meeting.

On behalf of the Board

Hugh Wooster
Company Secretary

5 May 2022

Registered number
448274

DIRECTORS' RESPONSIBILITIES STATEMENT

Directors' responsibilities statement

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

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

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

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

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

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

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

Directors' responsibilities statement

We confirm that to the best of our knowledge:

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

By order of the Board

Greg Price
Chief Financial Officer

5 May 2022

INDEPENDENT AUDITOR'S REPORT
to the members of Checkit Plc

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 2022, 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 UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and 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.

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included reviewing management's base case cash flow forecasts covering the period to 31 May 2023 and challenging the underlying assumptions used within these forecasts. We obtained management's sensitivity analysis to evaluate the impact and availability of mitigating actions. Our assessment also included a review of the accuracy of management's past forecasting and an assessment of the adequacy of related disclosures within the annual report.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

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 5% of the group's loss before taxation, excluding non-recurring or special items.

Parent company: £168,000, which represents 2% of the parent company's total assets, capped at 75% of group materiality.

Key audit matters were identified as:

Key audit matters – Group

- Improper recognition of revenue due to fraud (same as the previous year); and
- Impairment of intangible assets (including goodwill) (same as the previous year).

Key audit matters – Parent company

- Recoverable value of amounts due from subsidiary undertakings – Parent company only (same as the previous year)

Our auditor's report for the year ended 31 January 2021 included one key audit matter that has not been reported as a key audit matter in our current year's report. This relates to going concern.

Based on our review of management's going concern assessment, we concluded that the Group has sufficient resources (cash and other liquid assets) to operate as a going concern for the period to 31 May 2023. The group has no external commitments which warrant going concern being a key audit matter.

We performed an audit of the financial information of the significant components using component materiality (full-scope audit procedures) for the parent company, Checkit plc, and two subsidiaries; Checkit Europe Limited and Checkit UK Limited.

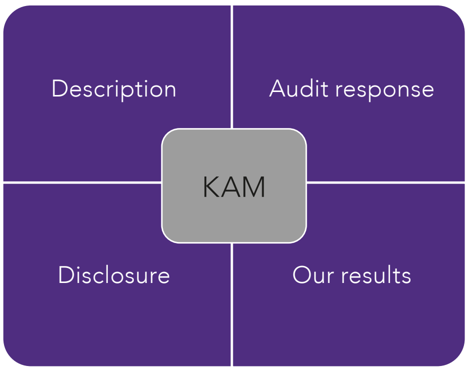
We performed specified audit procedures (an audit of one or more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the Group financial statements) on the financial information of Tutela Monitoring Systems LLC.

We performed analytical procedures on the financial information of Electron Eye Technology Ltd, Hartest Precision Instruments Ltd and all other components of the group.

There are no key changes in the scope of the audit from the prior year except for performing analytical procedures on the financial information of Electron Eye Technology Ltd rather than full scope audit procedures, since this component did not have material operations and account balances during the current year. In addition, Tutela Monitoring Systems LLC was acquired during the year, so was not included in the prior year audit scope.

Key audit matters

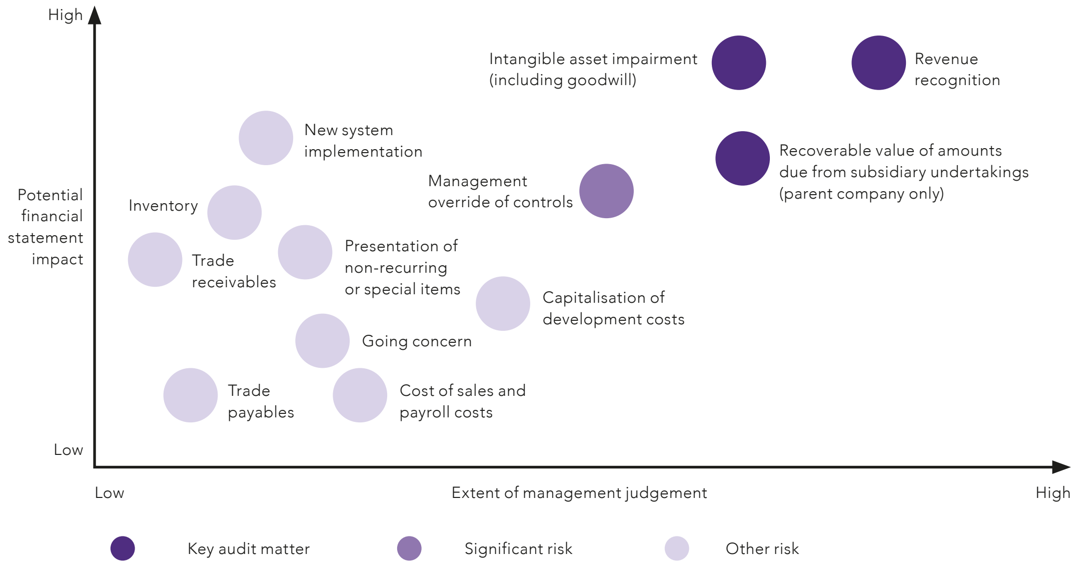
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included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



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

Key audit matters continued

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



Key Audit Matter – Group	How our scope addressed the matter – Group
Revenue recognition We identified improper recognition of revenue as one of the most significant assessed risks of material misstatement due to fraud and error. The group has recognised revenues of £13.3m (2021: £13.2 m) which is represented by recurring revenues from subscription services and revenue from installation, maintenance and support. The Group sells Software as a Service as part of a fee-based subscription service. Revenue for these services is recognised over time. It also installs building energy management systems. Revenue for these projects is determined based on stage of completion of the work performed, in accordance with International Financial Reporting Standard ('IFRS') 15 'Revenue from Contracts with Customers'. We considered that a significant risk arises on the occurrence of revenue for new Software as a Service contracts as there is greater potential for fraud and error than on existing contracts where revenues primarily arise from the release of contract liabilities recognised in the prior year. We also consider that a significant risk arises on the occurrence of revenue for building energy management systems projects which were not completed during the year. This requires management to make a number of assumptions to determine the level of revenue and profit that it recognises, as well as the associated contract assets and liabilities. The most significant of those assumptions is the stage of completion of certain contracts. These assumptions are subject to error and management bias due to their subjective and complex nature and can have a significant impact on the results of an individual financial year.	In responding to the key audit matter, we performed the following audit procedures: ▸ assessing whether the group's revenue recognition policy is consistent with IFRS 15; ▸ understanding management's basis of assessment to support key judgements impacting revenue recognition; ▸ testing the design and the implementation effectiveness of controls relating to contract approval and revenue recognition; ▸ corroborating a sample of customer contracts to signed agreements and supporting documentation; ▸ 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 revenues by corroborating management's calculations supporting the stage of completion; and ▸ for a sample of deferred and accrued income balances, recalculating revenue recognised, deferred or accrued and agreeing amounts to invoices and other supporting documentation.
Relevant disclosures in the Annual Report and Accounts 2022 ▸ **Financial statements:** The group's accounting policy on revenue recognition is shown in note 1 to the financial statements and associated disclosures are included in note 2.	**Our results** Based on our audit work, we did not identify any instances where revenue was not recognised in accordance with the stated accounting policies.

Key audit matters continued

Key Audit Matter – Group	How our scope addressed the matter – Group
Impairment of intangible assets (including goodwill) We identified impairment of intangible assets (including goodwill) as one of the most significant assessed risks of material misstatement due to error. This is due to the inherent uncertainty involved in forecasting future results and cashflows of the cash generating units, including growth in revenues and operating profit margins as well as determining an appropriate discount factor.	In responding to the key audit matter, we performed the following audit procedures: ▸ understanding management's impairment review process, considering the internal controls relevant to the audit for appropriate design and implementation; ▸ obtaining management's annual impairment assessment for intangible assets, which includes goodwill, acquired intangible assets and capitalised development costs which are not yet available for use; ▸ critically evaluating 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 the basis of forecasts, growth rates and discount rates applied; ▸ comparing the forecast used in management's impairment assessment with the group business plan and obtaining explanations for variances; ▸ assessing management's forecasting accuracy; ▸ obtaining management's sensitivity analysis on the discount rate used and 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 intangible assets; and ▸ ensuring that these sensitivities are appropriately disclosed in accordance with IAS 36, 'Impairment of assets'.
Relevant disclosures in the Annual Report and Accounts 2022 ▸ **Financial statements:** The group's accounting policy on intangible assets including goodwill is shown in note 1 to the financial statements and relevant disclosures are included in note 11.	**Our results** Based on our audit work, we are satisfied that sufficient evidence is available to support management's assessment of impairment.

Key Audit Matter – Parent company	How our scope addressed the matter – Parent company
Recoverable value of amounts due from subsidiary undertakings We identified recoverable value of amounts due from subsidiary undertakings as one of the most significant assessed risks of material misstatement due to error. At 31 January 2022, the parent has investments in subsidiary undertakings of £14.5m net of impairments (2021: £9.5m). Furthermore, the parent has £4.8m (2021: £0.2m) due from subsidiary undertakings. Certain subsidiaries have generated losses in the current and prior years. There is a risk that the investment values and amounts due from subsidiary undertakings may not be recoverable. As a result, the provision held as at 31 January 2022 may not be adequate.	In responding to the key audit matter, we performed the following audit procedures: ▸ understanding management's review process, considering the internal controls relevant to the audit for appropriate design and implementation; ▸ obtaining management's impairment review of investments in subsidiaries and intercompany balances and challenging their assessment over the existence of any impairment indicators; ▸ obtaining an understanding of how management considers the balances to be recoverable through future cash flow projections and net present value calculations; ▸ challenging the methodology and key assumptions used by management in assessing value in use, including the revenue growth forecast; ▸ 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; and ▸ assessing whether information included in the impairment models is consistent with our knowledge of the business and other audit information obtained.
Relevant disclosures in the Annual Report and Accounts 2022 ▸ **Financial statements:** The parent's accounting policy on investments is shown in note 1 to the parent company financial statements and disclosures are included in note 3.	**Our results** We obtained sufficient evidence to support management's assessment of the recoverability of investment in subsidiaries and amounts due from subsidiary undertakings.

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

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.

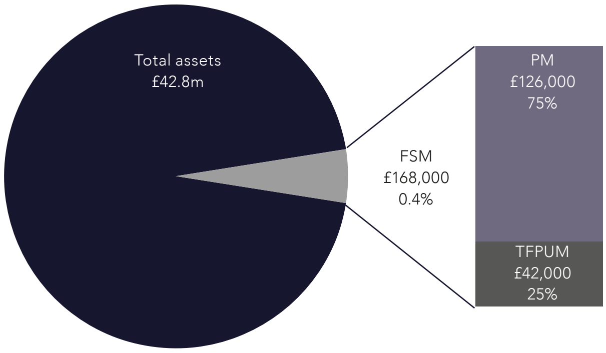
Materiality was determined as follows:

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 5% of the group's loss before taxation and non-recurring or special items.	£168,000, which is 2% of the parent company's total assets, capped at 75% of group materiality.
Significant judgements made by auditor in determining materiality	In determining materiality, we made the following significant judgements: Loss before taxation adjusted for non-recurring or special items was considered the most appropriate benchmark because the group is a commercially focused organisation and the result before tax, non-recurring or special items is a key financial measure for the shareholders. Materiality for the current year is the same as the level that we determined for the year ended 31 January 2021. For the year ended 31 January 2022 we excluded non-recurring or special items from the benchmark as the statutory loss for the year had increased relative to total revenues.	In determining materiality, we made the following significant judgements: The parent entity is a holding company and therefore the asset base is the most relevant benchmark for materiality. Materiality for the current year is the same as the level that we determined for the year ended 31 January 2021.
Significant revision of materiality threshold that were made as the audit progressed	We calculated materiality of £195,000 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 for the year being higher than the extrapolated Q3 results used at the planning stage.	We calculated materiality of £147,000 during the planning stage of the audit and then during the course of our audit, we increased materiality to 75% of the revised Group materiality.
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	£168,000, which is 75% of financial statement materiality.	£126,000, which is 75% of financial statement materiality.
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we made the judgement of setting it at 75% as an appropriate threshold based on our experience with auditing the financial statements of the group and the parent company in prior years, noting that there were no material adjustments identified in 2021.	
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: ▸ Directors Emoluments ▸ Related party transactions ▸ Share-based payments	We determined a lower level of specific materiality for the following areas: ▸ Directors Emoluments ▸ Related party transactions ▸ Share-based payments
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 systems and records for each subsidiary.
- The group has centralised processes and controls over the key areas of audit focus. Group management is responsible for all judgemental processes and significant risk areas.
- We have tailored our audit response accordingly with all audit work undertaken by the group audit team. The group audit team visited the client office in addition to working remotely. The audit team attended the client's premises and those of a key supplier for the physical verification of inventory existence.
- The Group's financial reporting system is centralised, and was subject to a system migration at the end of the current financial year. Our audit included testing to provide assurance over the accuracy and completeness of data transferred to the new system.

Identifying significant components

- We considered the size and risk profile of each component including the one acquired during the current year, any changes in the business and other factors when determining the level of work to be performed on the financial information of each component. The financial significance of each component was determined based on the percentage of the Group's revenues and total assets.
- In assessing the risk of material misstatement to the group financial statements we assessed the significance of each component and determined the planned audit response based on a measure of materiality assigned to the components.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- Full scope audit procedures were performed on the following subsidiary entities in the group: Checkit Plc (parent company), Checkit UK Limited, and Checkit Europe Limited. These procedures were undertaken using component materialities determined for each of them;
- Specified audit procedures were performed on the financial information of the component Tutela Monitoring Systems LLC;
- Analytical review procedures on the financial information of the component (subsidiaries) were performed for Elektron Eye Technology Limited, Checkit Inc, Hartest Precision Instruments Limited, Hartest Precision Instruments India Private Limited;
- Checkit Inc, Elektron Technology PTE Ltd and Elektron Technology (Shanghai) Trading Limited are dormant subsidiaries of the group and they were not subject to audit procedures at the group level on the basis that the financial information associated with them was immaterial;
- Elektron Enterprises 1 Limited, Elektron Precision Instruments Limited, and Elektron IP Limited were dissolved during the year and our procedures for these entities were limited to testing the dissolution and settlement of any balances which were material to the group.

Performance of our audit

- As documented above, the Group has a centralised finance function based at the Group's head office in Fleet, UK. All procedures were performed by the Group engagement team, there are no component auditors.
- The total percentage coverage of full-scope audit and specified audit procedures over the Group's revenue was 99%;
- The total percentage coverage of full scope audit and specified audit procedures over the Group's total assets was 96%.

Changes in approach from previous period

- There has been no change in our assessment of scoping the group and the parent company audits from the prior year except for the group scoping of Elektron Eye Technology Limited due to its reduced operations, and the audit procedures performed on Tutela Monitoring Systems LLC, which was acquired during the year.

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

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 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 that are applicable to the Company and determined that the most significant are those that relate to the reporting frameworks (UK-adopted international accounting standards, the Companies Act 2006 and the AIM listing rules) and the relevant tax compliance regulations in the jurisdictions in which the company operates.
- We made enquiries of management and the audit committee concerning the Group's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

  We corroborated our inquiries through our reading of board meeting minutes.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - journal entries that increased revenues or that reclassified costs from the statement of comprehensive income to the balance sheet; and
  - potential management bias in determining accounting estimates.
- Our audit procedures involved:
  - gaining an understanding of the entity's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
  - 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;
  - challenging assumptions and judgements made by management for significant accounting estimates; and
  - journal entry testing, with a focus on material manual journals, including those with unusual account combinations.
- In addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements;
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
  - knowledge of the industry in which the client operates; and
  - understanding the legal and regulatory requirements specific to the entity.

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.

Andrew Hodgekins
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge

5 May 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

year ended 31 January 2022

	Notes	2022 £m	Restated 2021 £m
Revenue	2	**13.3**	13.2
Cost of sales		**(7.1)**	(6.7)
Gross profit		**6.2**	6.5
Operating expenses			
Operating expenses (excluding non-recurring or special items)	3	**(10.9)**	(9.6)
Operating loss before non-recurring or special items		**(4.7)**	(3.1)
Non-recurring or special items	4	**(2.4)**	(2.2)
Total operating expenses	3	**(13.3)**	(11.8)
Operating loss	4	**(7.1)**	(5.3)
Finance income	5	**—**	—
Loss before taxation		**(7.1)**	(5.3)
Taxation	8	**0.3**	0.3
Loss from continuing operations		**(6.8)**	(5.0)
Profit from discontinued operations	26	**—**	0.6
Loss for the year attributable to equity shareholders		**(6.8)**	(4.4)
Other comprehensive income/(expense)			
Exchange differences on translation of foreign operations		**—**	—
Reclassification of exchange differences to income statement for discontinued items		**—**	—
Total comprehensive income for the financial year attributable to equity shareholders		**(6.8)**	(4.4)
Loss per share from continuing operations			
Basic EPS		**(10.0)p**	(8.3)p
Diluted EPS	10	**(10.0)p**	(8.3)p

CONSOLIDATED BALANCE SHEET
as at 31 January 2022

	Notes	2022 £m	2021 £m
Assets			
Non-current assets			
Goodwill arising on acquisition	11	**4.5**	4.3
Other intangible assets	11	**2.8**	1.7
Property, plant and equipment	12	**1.0**	0.8
Total non-current assets		**8.3**	6.8
Current assets			
Inventories	15	**1.8**	1.1
Trade and other receivables	16	**3.0**	4.9
Cash and cash equivalents		**24.2**	11.5
Total current assets		**29.0**	17.5
Total assets		**37.3**	24.3
Current liabilities			
Trade and other payables	17	**5.2**	5.6
Contract lease liabilities	22	**0.5**	0.3
Total current liabilities		**5.7**	5.9
Non-current liabilities			
Deferred tax liabilities	14	**0.1**	0.3
Long-term contract lease liabilities	22	**0.2**	0.2
Long-term provisions	19	**0.3**	0.3
Total non-current liabilities		**0.6**	0.8
Total liabilities		**6.3**	6.7
Net assets		**31.0**	17.6
Equity attributable to the owners of the Company			
Called up share capital	20	**5.4**	3.1
Share premium	20	**23.3**	5.4
Capital redemption reserve	20	**6.4**	6.4
Own shares	20	**—**	—
Other reserves	20	**0.1**	0.1
Retained earnings	20	**(4.2)**	2.6
Total equity		**31.0**	17.6

The financial statements of Checkit plc (registered no. 00448274) were approved by the Board of Directors on 5 May 2022 and were signed on its behalf by:

Kit Kyte
Director

Greg Price
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

year ended 31 January 2022

	Share capital £m	Share premium £m	Capital redemption reserve £m	Own shares[1] £m	Other reserves £m	Translation reserve £m	Retained earnings £m	Total £m
At 31 January 2020	3.1	5.4	6.4	(0.7)	—	—	7.2	21.4
Loss for the year	—	—	—	—	—	—	(4.4)	(4.4)
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**
Loss for the year	—	—	—	—	—	—	(6.8)	(6.8)
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(6.8)**	**(6.8)**
Issue of new shares	2.3	17.9	—	—	—	—	—	20.2
Share-based payments	—	—	—	—	—	—	—	—
Transaction with owners	2.3	17.9	—	—	—	—	—	20.2
At 31 January 2022	**5.4**	**23.3**	**6.4**	**—**	**0.1**	**—**	**(4.2)**	**31.0**

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 prior year, resulting in a gain.

CONSOLIDATED STATEMENT OF CASH FLOWS

year ended 31 January 2022

	Notes	**2022** **£m**	2021 £m
Net cash outflow from operating activities	6	**(4.9)**	(2.9)
Investing activities			
Interest received on bank deposits		**—**	—
Purchase of property, plant and equipment		**(0.1)**	(0.3)
Investment in product development projects		**(1.5)**	—
Investment in other intangibles		**(0.7)**	—
Purchase of business (net of £0.2m cash acquired)	27	**(0.4)**	—
Sale of businesses (net of cash sold)	26	**0.4**	0.3
Net cash used in investing activities		**(2.3)**	—
Financing activities			
Issue of new shares		**20.2**	—
Sale of own shares		**—**	0.5
Repayment of contract lease liabilities		**(0.3)**	(0.4)
Net cash generated by financing activities		**19.9**	0.1
Net increase/(decrease) in cash and cash equivalents		**12.7**	(2.8)
Cash and cash equivalents at the beginning of the year		**11.5**	14.3
Cash and cash equivalents at the end of the year		**24.2**	11.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

year ended 31 January 2021

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 45 and 46.

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

1. Summary of significant accounting policies

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

Basis of accounting

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

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

New standards, interpretations and amendments effective from 1 February 2021

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 February 2021, which had a significant effect on the Group's financial statements.

Critical accounting judgements

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

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

Estimation of the useful economic life for development costs is considered with regard to the future economic benefits which will be derived. In future, development costs will be amortised over a range of 2 to 5 years, determined on an asset-by-asset basis.

Restatement of prior year

The Group has changed its accounting policy for Cost of Sales to better reflect the management of the business and only include costs directly incremental to delivering revenue. Cost of sales now includes the cost of materials and hardware, the direct labour costs relating to delivery, external systems and associated direct hosting costs for cloud platform products. All other operating expenses incurred in the ordinary course of business are recorded in selling and administrative expenses.

The prior year consolidated statement of comprehensive income and related notes have been restated for the reclassification of certain costs between cost of sales and administrative expenses. Consequently, 2021 results have been restated in these financial statements to reflect a reduction in cost of sales of £1.8m, with a corresponding increase in operating expenses. The overall operating loss for the year for the Group remains unchanged.

1. Summary of significant accounting policies continued

Restatement of prior year continued

Quantitative impact of restatement on financial results

Year ended 31 January 2021	As originally reported £m	Reclassification of costs £m	As restated £m
Consolidated statement of comprehensive income			
Revenue	13.2	—	13.2
Cost of sales	(8.5)	1.8	(6.7)
Gross profit	4.7	1.8	6.5
Operating expenses (excluding non-recurring or special items)	(7.8)	(1.8)	(9.6)
Operating loss before non-recurring or special items	(3.1)	—	(3.1)
Non-recurring or special items	(2.2)	—	(2.2)
Total operating expenses	(10.0)	(1.8)	(11.8)
Operating loss	(5.3)	—	(5.3)

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

Sources of estimation uncertainty

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

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 2022.

The Directors have prepared cash flow forecasts for the Group for a review period of twelve months from the date of approval of the 2022 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
year ended 31 January 2022

1. Summary of significant accounting policies continued

Business combinations

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

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

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

Goodwill

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

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

Other intangible assets

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

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

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

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

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

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

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

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.

1. Summary of significant accounting policies continued

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.

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.

1. Summary of significant accounting policies continued

Leases continued

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

Financial liabilities/assets

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

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

Trade payables are stated at their amortised cost.

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

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

Equity instruments

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

Cash and cash equivalents

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

Accounting for taxes

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

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

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.

1. Summary of significant accounting policies continued

Revenue recognition continued

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
year ended 31 January 2022

1. Summary of significant accounting policies continued

Financial risk management

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

The Group does not hold or use derivative financial instruments.

(i) Liquidity risk

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

(ii) Credit risk

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

The Group's credit risk is primarily attributable to its trade receivables. The amounts recognised in the balance sheet are net of appropriate allowances for doubtful receivables, estimated by the Group's management based on prior experience and its assessment of the current economic environment. Trade receivables are subject to credit limits and control and approval procedures in the operating companies. Due to its large geographic base 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.

1. Summary of significant accounting policies continued

Non-recurring items or special items

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

2. Segmental reporting

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

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

Revenue by type of the continuing operations

The following table presents the different revenue streams of Checkit:

	2022 £m	2021 £m
Recurring revenues from subscription services	6.8	5.1
Installation maintenance and support	6.5	8.1
Total	13.3	13.2

Geographical information

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

	Revenue from external customers	
	2022 £m	2021 £m
United Kingdom	11.7	12.7
The Americas	1.6	0.5
Total	13.3	13.2

Information about major customers of the continuing operations

During FY22, the Group had one customer who generated revenues of 29% of total revenue (FY21: 29%).

Revenue expected to be recognised

The Group expects to recognise revenue amounting to £2.3m (2021: £2.1m) in FY23 relating to performance obligations from existing contracts that are unsatisfied or partially satisfied as at 31 January 2022.

3. Net operating expenses

	2022 £m	Restated 2021 £m
Net operating expenses		
Selling and distribution costs	2.7	1.4
Administrative expenses	8.2	8.2
Operating expenses excluding non-recurring or special items	10.9	9.6
Non-recurring or special items (see Note 4)	2.4	2.2
Total operating expenses	13.3	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, amortisation of acquired intangibles and other non-recurring items incurred outside the normal course of business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
year ended 31 January 2022

4. Operating loss – continuing operations

	2022 £m	2021 £m
Operating loss is after charging/(crediting):		
Depreciation on owned property, plant and equipment	**0.2**	0.1
Depreciation on right-of-use assets	**0.3**	0.5
Product development costs expensed	**1.9**	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	**0.2**	0.1
Total audit fees for audit services	**0.2**	0.1
Tax services	**—**	0.1
Total auditor's remuneration	**0.2**	0.2
Non-recurring or special items:		
– Restructuring and integration costs	**0.7**	0.8
– Costs incurred in issue of new shares	**0.1**	—
– Disposal costs of India operations	**0.2**	—
– Pre-acquisition costs of Tutela LLC	**—**	0.1
– Amortisation of acquired intangible assets	**1.4**	1.3
Total non-recurring or special items	**2.4**	2.2

Included within auditor's remuneration for audit services in FY22 is a sum for less than £0.1m (2021: 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 less than £0.1m for tax advisory and compliance services (2021: £0.1m).

5. Finance income

Finance income comprised:

	2022 £m	2021 £m
Interest receivable on cash and bank balances, and treasury deposits	**—**	—

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	2022 £m	2021 £m
(Loss)/profit before taxation			
– from continuing operations		**(7.1)**	(5.3)
– from discontinued operations (before tax)	26	**—**	0.6
Adjustments for:			
Depreciation	12	**0.5**	0.6
Amortisation	11	**1.4**	1.3
Gain on the sale of discontinued businesses	26	**—**	(0.5)
Share-based payments		**—**	0.1
Finance income		**—**	—
Operating cash flow before working capital changes		**(5.2)**	(3.2)
Decrease/(increase) in trade and other receivables		**1.6**	(0.9)
(Increase)/decrease in inventories		**(0.6)**	0.6
(Decrease)/increase in trade and other payables		**(0.8)**	0.6
Operating cash flow after working capital changes		**(5.0)**	(2.9)
(Increase)/decrease in provisions		**—**	—
Cash generated by operations		**(5.0)**	(2.9)
Tax credit received		**0.1**	—
Net cash outflow from operating activities		**(4.9)**	(2.9)

7. Staff information (including Directors)

Employee costs were:

	Note	2022 Continuing £m	2022 Discontinued £m	2022 Total £m	2021 Continuing £m	2021 Discontinued £m	2021 Total £m
Wages and salaries		**10.1**	**—**	**10.1**	7.0	0.1	7.1
Social security costs		**1.1**	**—**	**1.1**	0.9	—	0.9
Other pension costs	23	**0.3**	**—**	**0.3**	0.2	—	0.2
		11.5	**—**	**11.5**	8.1	0.1	8.2

Redundancy costs of less than £0.1m (2021: 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:

	2022 Continuing Number	2022 Discontinued Number	2022 Total Number	2021 Continuing Number	2021 Discontinued Number	2021 Total Number
Administration and sales	**112**	**1**	**113**	95	2	97
Development	**33**	**—**	**33**	29	—	29
Field service	**37**	**—**	**37**	48	—	48
Production	**—**	**—**	**—**	1	—	1
	182	**1**	**183**	173	2	175

Details of Directors' remuneration are included in the Remuneration report on pages 40 to 44. 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

	2022 £m	2021 £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)**	(0.3)
Total deferred taxation	**(0.3)**	(0.3)
Tax charge on continuing operations	**(0.3)**	(0.3)

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

	2022 £m	2021 £m
Current taxation:		
UK corporation tax charge on profit for the year	**—**	—
Overseas corporation tax charge on profit for the year	**—**	—
Overprovision for prior year – UK	**—**	—
Total current taxation	**—**	—
Deferred tax:		
Origination and reversal of temporary differences	**—**	—
Under provision in respect of prior years	**—**	—
Total deferred taxation	**—**	—
Tax charge on discontinued operations	**—**	—

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

The effective tax rate for the year was 19%.

	2022 Tax rate	2022 £m	2021 Tax rate	2021 £m
Loss on continuing operations before taxation		**(7.1)**		(5.3)
Loss on ordinary activities multiplied by weighted average standard rate of corporation tax in the UK of 19%	**19.0%**	**(1.3)**	19.0%	(1.0)
Effects of:				
Expenses not deductible for tax purposes	**(1.3)%**	**0.1**	(2.5)%	0.1
Temporary differences not recognised	**(2.1)%**	**0.1**	2.6%	(0.1)
Tax losses not recognised	**(11.3)%**	**0.8**	(11.3)%	0.6
Surrender of losses to discontinued operations	**0%**	**—**	(1.9)%	0.1
	(4.3)%	**(0.3)**	(5.9)%	(0.3)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
year ended 31 January 2022

8. Taxation continued

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

	2022		2021	
	Tax rate	**£m**	Tax rate	£m
Profit on discontinued operations before taxation		—		0.6
Profit on ordinary activities multiplied by weighted average standard rate of corporation tax in the UK of 19%	—	—	19.0%	0.1
Effects of:				
Profits not subject to tax	—	—	—	—
Temporary differences not recognised	—	—	—	—
Surrender of losses from continuing operations	—	—	(19.0)%	(0.1)
Prior year adjustments	—	—	—	—
	—	—	—	—

Discontinued Operations for FY22 relate to the sale of Elektron Eye Technology. This was also included in Discontinued Operations for FY21.

(e) Factors that may affect future taxation charges

Deferred taxation assets amounting to £4.1m (2021: £2.9m) have not been provided in respect of unutilised income tax losses of £22.0m (2021: £15.5m) 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 2022 (2021: £nil).

10. Earnings per share

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

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

	Key	2022 m	2021 m
Weighted average number of shares for the purpose of basic earnings per share	A	**68.1**	61.5
Dilutive effect of employee share options[1]		—	—
Weighted average number of shares for the purpose of diluted earnings per share	B	**68.1**	61.5

	Key	£m	£m
Loss for the year	F	**(6.8)**	(4.4)
Profit from discontinued operations, net of tax	E	—	(0.6)
Continuing loss for the year attributable to equity shareholders	C	**(6.8)**	(5.0)
Total non-recurring or special items net of tax		**2.1**	1.9
Loss for adjusted EPS	D	**(4.7)**	(3.1)

	Key	2022	2021
EPS measures			
Basic and diluted[1] continuing EPS	C/A	**(10.0)p**	(8.3)p
Adjusted EPS measures			
Adjusted basic and diluted[1] continuing EPS	D/A	**(7.0)p**	(5.2)p

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

10. Earnings per share continued

Discontinued earnings per share

	Key	2022	2021
EPS measures			
Basic EPS	(E)/A	—	1.0p
Diluted EPS[1]	(E)/B	—	1.0p

Total earnings per share for the year attributable to equity shareholders

	Key	2022	2021
EPS measures			
Basic EPS	(F)/A	**(10.0)p**	(7.3)p
Diluted EPS[1]	(F)/B	**(10.0)p**	(7.3)p

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

11. Intangible assets

	Development costs £m	Computer software £m	Acquired intangible assets £m	Goodwill £m	Total £m
Cost					
At 1 February 2020	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
Additions	1.5	0.7	—	—	2.2
Businesses acquired	—	—	0.3	0.2	0.5
Disposals	—	—	—	—	—
At 31 January 2022	**8.0**	**0.8**	**4.3**	**4.5**	**17.6**
Amortisation					
At 1 February 2020	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
Charge for the year	—	—	1.4	—	1.4
Disposals	—	—	—	—	—
At 31 January 2022	**6.5**	**0.1**	**3.7**	**—**	**10.3**
Carrying amount					
At 1 February 2020	—	—	3.0	4.3	7.3
At 31 January 2021	—	—	1.7	4.3	6.0
At 31 January 2022	**1.5**	**0.7**	**0.6**	**4.5**	**7.3**

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

Impairment testing for goodwill

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

Goodwill at 31 January 2021 all relates to the acquisition of Checkit UK Limited in May 2019. Goodwill at 31 January 2022 includes the acquisition of Tutela LLC in February 2021. The CGUs of Checkit UK Limited, Checkit Europe Limited and Tutela LLC are all expected to benefit from these acquisitions 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 2027. 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%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
year ended 31 January 2022

11. Intangible assets continued

Key assumptions used in "value in use" calculations continued

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 70% 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 20%.

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

12. Property, plant and equipment

	Property £m	Plant and machinery £m	Equipment, fixtures, fittings and vehicles £m	Total £m
Cost				
At 1 February 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
Additions	0.6	—	0.1	0.7
Disposals	(0.9)	(0.1)	(0.7)	(1.7)
At 31 January 2022	**0.9**	**0.2**	**0.9**	**2.0**
Depreciation				
At 1 February 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
Charge for the year	0.2	—	0.3	0.5
Disposals	(0.9)	(0.1)	(0.7)	(1.7)
At 31 January 2022	**0.3**	**0.1**	**0.6**	**1.0**
Net book value				
At 31 January 2021	0.2	0.1	0.5	0.8
At 31 January 2022	**0.6**	**0.1**	**0.3**	**1.0**

The net book value of tangible fixed assets held as right of use assets was £0.8m (2021: £0.4m) (see Note 22).

13. Investment in subsidiary undertakings

The subsidiary undertakings at 31 January 2022 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%
Tutela Monitoring Systems LLC	485 Mariner Blvd, Spring Hill, Florida 34609, USA	USA	Web-based service for work management and automated monitoring	100%	100%
Checkit Inc	11849 Telegraph Road, Santa Fe Springs, California 90670, USA	USA	Holding Company	100%	100%
Elektron Eye Technology Ltd	Broers Building, JJ Thomson Avenue, Cambridge, UK	England and Wales	Design, manufacture and sale of ophthalmic products	100%	100%
Hartest Precision Instruments Limited	Broers Building, JJ Thomson Avenue, Cambridge, UK	England and Wales	Dormant company	100%	100%
Hartest Precision Instruments India Private Limited	304, Plot No.7, Mahajan Tower LSC, Shreshtha, Vihar, Delhi-110092	India	Dormant company	100%	100%

All subsidiary undertakings are operated primarily in the country of incorporation. In the year, Elektron Technology PTE Limited was deregistered and Elektron Enterprises 1 Limited, Elektron Precision Instruments Limited and Elektron IP Limited were dissolved.

14. Deferred tax

	Deferred tax asset		Deferred tax liability	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Deferred tax	**—**	—	**0.1**	0.3

The gross movement on the deferred tax is as follows:

	Notes	**2022 £m**	2021 £m
Deferred tax asset/(liability) at 1 February		**(0.3)**	(0.6)
Businesses sold		**—**	—
Businesses acquired including on separately identifiable acquired intangibles		**(0.1)**	—
Deferred tax on amortisation of separately identifiable acquired intangibles	8	**0.3**	0.3
Origination and reversal of other temporary differences		**—**	—
Deferred tax asset/(liability) at 31 January		**(0.1)**	(0.3)
Analysed as follows:			
Depreciation in excess of capital allowances		**(0.3)**	(0.1)
Deferred tax on capitalised development costs		**—**	(0.3)
Separately identifiable acquired intangibles		**(0.1)**	—
Other short-term temporary differences		**—**	—
Taxation losses		**0.3**	0.1
		(0.1)	(0.3)

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

No deferred tax liabilities have been provided in respect of the unremitted earnings of the overseas subsidiaries. The amount of such unremitted earnings is estimated to be a retained profit of less than £0.1m (2021: £0.3m).

15. Inventories

	2022 £m	2021 £m
Raw materials	**0.3**	0.4
Work in progress	**—**	—
Finished goods and goods for resale	**1.5**	0.7
	1.8	1.1

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 (2021: £0.3m), which are included within operating profit.

The amount of inventory recognised as an expense within the cost of sales for continuing operations amounted to £2.7m (2021: £2.5m).

16. Trade and other receivables

	2022 £m	2021 £m
Gross trade receivables	**1.5**	3.2
Less: expected credit losses	**(0.1)**	(0.1)
Trade receivables – net	**1.4**	3.1
Other receivables	**1.2**	1.3
Prepayments	**0.4**	0.5
	3.0	4.9

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% (2021: 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 (FY21: 29%) but based on the Group's assessment of its credit rating the risk of failure is considered low.

Trade receivable days are 40 days (2021: 80 days normalised).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
year ended 31 January 2022

16. Trade and other receivables continued

Ageing of balances with expected credit losses is as follows:

	Expected credit loss 2022 £m	Expected credit loss 2021 £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 2022 £m	Expected credit loss 2021 £m
At 1 February 2021	**0.1**	0.1
Increase in provision	—	—
At 31 January 2022	**0.1**	0.1

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

	2022 £m	2021 £m
Sterling	**3.0**	4.9
US Dollar	**0.1**	0.1
Euro	—	—
Other	—	—
	3.1	5.0

17. Trade and other payables

	2022 £m	2021 £m
Trade payables	**0.9**	1.0
Other payables	**0.4**	1.1
Accruals	**1.6**	1.4
Deferred service and subscription income	**2.3**	2.1
	5.2	5.6

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 45 days (2021: 41 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 FY23. Project and installation contracts range from 3–12 months from design to completion.

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

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

18. Borrowings

The Group has no borrowings or facilities as at 31 January 2022.

19. Provisions

	2022 £m	2021 £m
Current	—	—
Non-current	**0.3**	0.3
	0.3	0.3

19. Provisions continued

	Dilapidation costs £m	Total £m
At 1 February 2021	0.3	0.3
Utilised	(0.1)	(0.1)
Increase in provision	0.1	0.1
Business sold	—	—
At 31 January 2022	**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

	2022 £m	2021 £m
Authorised		
200,000,000 (2021: 200,000,000) ordinary shares of 5 pence each	**10.0**	10.0
Allotted, called up and fully paid		
108,008,562 (2021: 62,447,542) ordinary shares of 5 pence each	**5.4**	3.1

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

The Placing Price of 46 pence per share represented a discount of approximately 4.2 per cent to the closing middle market price of 48 pence of an ordinary share on 25 November 2021, being the latest practicable trading day prior to the announcement of the proposed placing.

Share options

Checkit Enterprise Management Incentive Plan (EMI)

			Number of options	
Year of grant	Exercise period	Option price	2022 '000	2021 '000
FY21	2023–2030	40.50p	**1,315**	2,625
FY22	2024–2031	56.03p	**2,533**	—

The weighted average exercise price of all options under the EMI scheme in 2022 was 50.7 pence (2021: 40.5 pence).

Movement in share options during the year:

	2022		2021	
	No. of shares '000	Weighted average	No. of shares '000	Weighted average
Outstanding at beginning of the year	**2,625**	**40.5p**	414	12.33p
Granted during the year	**3,153**	**56.0p**	3,120	40.5p
Exercised during the year	—	—	(414)	(12.33)p
Forfeited during the year	**(1,930)**	**(45.3)p**	(495)	(40.5)p
Outstanding at the year end	**3,848**	**50.7p**	2,625	40.5p
Exercisable at the end of the period	—	—	—	—

A new EMI scheme was launched in 2020. 3,152,500 (2021: 3,120,000) share options were granted during the year with options granted, of which 1,930,000 (2021: 495,000) share options lapsed as a result of employees leaving the Group. No share options were eligible to be exercised during the year. In the prior year, 414,000 share options were exercised by employees, representing the final options outstanding under the CSOP scheme.

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 (2021: less than £0.1m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
year ended 31 January 2022

20. Share capital and reserves continued

Reserves

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

Share premium

Amount subscribed for share capital in excess of nominal value.

Capital redemption reserve

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

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 (2021: 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 £nil (2021: £0.1m), and expenditure contracted but not provided for in the financial statements amounted to £nil (2021: £1.1m).

22. Contract 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 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
Additions	0.6	0.1	0.7
Disposals	(0.9)	(0.1)	(1.0)
At 31 January 2022	**0.9**	**0.5**	**1.4**
Depreciation			
At 1 February 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
Charge for the year	0.2	0.1	0.3
Disposals	(0.9)	(0.1)	(1.0)
At 31 January 2022	**0.3**	**0.3**	**0.6**
Net book value			
At 1 February 2021	0.2	0.2	0.4
At 31 January 2022	**0.6**	**0.2**	**0.8**

22. Contract lease obligations continued

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

	£m
As at 1 February 2021	0.5
New leases entered into during the year	0.6
Acquisitions	—
Disposals	—
Payments made during the year	(0.3)
At 31 January 2022	**0.8**
Presented as:	
Lease liability within one year	0.2
Lease liability in more than one year	0.6
At 31 January 2022	**0.8**

The table below summarises the maturity profile of the Group's financial liabilities based upon the contractual undiscounted payments as at 31 January 2022.

	2022 £m
No later than one year	**0.2**
Later than one year and no later than five years	**0.6**
Later than five years	**—**
	0.8

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 £0.3m (2021: £0.2m) and outstanding contributions at the year end amounted to less than £0.1m (2021: 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 2021. Operations are financed through working capital management and existing cash resources.

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

(ii) Financial assets

Details of trade and other receivables are provided in Note 16. The only other current financial asset held is cash and cash equivalents. The cash balances as at 31 January 2022 are detailed below:

	2022 £m	2021 £m
US Dollar	**0.3**	—
Indian Rupee	**—**	—
Euro accounts	**—**	—
Pound Sterling	**23.9**	11.5
	24.2	11.5

(iii) Financial liabilities

At 31 January 2022 the Group had no borrowings.

(iv) Maturity

All financial liabilities are contractually due within six months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
year ended 31 January 2022

24. Financial assets and liabilities continued

(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 2022 (2021: £nil).

(vi) Committed undrawn borrowing facilities

At the year end the Group had committed undrawn facilities of £nil (2021: £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 2022 the Group had no commitments under non-cancellable forward contracts (2021: £nil).

(viii) Categories of financial instruments

Financial assets held at amortised cost	2022 £m	2021 £m
Cash and bank balances	24.2	11.5
Trade and other receivables (Note 16)	2.6	4.4
	26.8	15.9

Financial liabilities held at amortised cost	2022 £m	2021 £m
Trade and other payables (Note 17)	1.3	2.1

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:

	2022 £m	2021 £m
Short-term employee benefits:		
Salaries including bonuses	1.8	1.4
Social security costs	0.2	0.2
Company benefits (car, PMI, etc.)	—	—
Post-employment benefits:	2.0	1.6
Defined contribution pension plans	—	—
Total remuneration	2.0	1.6

Share-based payments to key management amounted to £nil (2021: £nil).

26. Discontinued operations

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

Total discontinued operations comprise:

	2022 £m	2021 £m
Revenue	0.2	0.3
Cost of sales	(0.2)	(0.2)
Gross profit	—	0.1
Operating expenses	—	—
Profit before tax	—	0.1
Attributable tax	—	—
Profit from discontinued operations before gain on disposal	—	0.1
Gain on disposal and loss on re-measurement	—	0.5
Attributable tax to gain	—	—
Profit from discontinued operations attributable to equity shareholders	—	0.6
Foreign currency reserve reclassification	—	—
Other comprehensive income from discontinued operations	—	—

26. Discontinued operations continued

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:

	2022 £m	2021 £m
Revenue	0.2	0.3
Cost of sales	(0.2)	(0.2)
Gross profit	—	0.1
Operating expenses	—	—
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
(Loss)/profit from Elektron Eye Technology discontinued operation attributable to equity shareholders	—	0.6

Cash flows from Elektron Eye Technology

	2022 £m	2021 £m
Net cash inflow from operating activities	—	0.1
Net cash inflow/(outflow) from investing activities		
Cash received on sale of assets	0.4	0.3
Expenditure on intangible assets	—	—
Total net cash inflow/(outflow) from investing activities	0.4	0.3
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 £0.2m payable as deferred consideration at the end of the year.

The gain on disposal in FY21 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

27. Businesses acquired – Tutela Monitoring Systems LLC

On 4 February 2021, the Group acquired 100% of the equity of Tutela Monitoring Systems LLC (“Tutela”), a US-based business.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
year ended 31 January 2022

27. Businesses acquired – Tutela Monitoring Systems LLC continued

The details of the business combination are as follows:

Fair value of consideration transferred	£m
Amount settled in cash	0.6
Deferred consideration outstanding from 2018 sale	0.1
Recognised amounts of identifiable net assets	
Other intangibles	0.3
Total non-current assets	0.3
Inventories	0.1
Trade and other receivables	0.1
Cash and cash equivalents	0.2
Total current assets	0.4
Trade and other payables	(0.2)
Total current liabilities	(0.2)
Total non-current liabilities	—
Identifiable net assets	0.5
Goodwill on acquisition	0.2
Consideration settled in cash	0.6
Cash and cash equivalents acquired	0.2
Net cash outflow on acquisition	0.4

Consideration transferred

The acquisition of Tutela was settled in cash amounting to £0.6m. Acquisition related costs amounting to £0.1m were expensed and treated as a non-recurring item. Deferred consideration of £0.1m outstanding from the 2018 sale was discharged on acquisition.

Identifiable net assets

The fair value of the trade and other receivables acquired as part of the business combination amounted to £0.2m, with a gross contractual amount also being £0.2m. As of the acquisition date, the Group expected to collect the full balance of the contractual cashflow.

Separable intangible assets

Two separable intangible assets were identified at acquisition, being the sole distributorship agreement and the acquired customer list.

The sole distributorship agreement represents a re-acquired asset from the 2018 sale, for which a price of $300K was paid at the time. The asset has been valued on the basis of the remaining term of the agreement. The useful life has been set as 1.9 years.

The acquired customer list was valued by assessing a discounted cashflow based on expected customer attrition rates and using a discount factor of 28.8%. The useful life has been estimated at 3 years.

Goodwill

Goodwill is primarily related to the core growth expectations, expected future profitability and expected business synergies. Goodwill has been allocated to the Checkit segment and is not expected to be deductible for tax purposes.

Tutela's contribution to the Group results

Tutela US LLC generated a loss of £0.2m for the period from 4 February 2021 to the reporting date. Revenue for the period to 31 January 2022 was £1.6m.

In its financial 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 £1m would have been added to Group sales per annum after eliminating intercompany sales on consolidation.

28. Non-GAAP performance measures

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

Profit measures – LBITDA – continuing operations

	2022 £m	2021 £m
LBITDA	**(4.2)**	(2.5)
Depreciation and amortisation	**(0.5)**	(0.6)
Reported operating loss for the year before non-recurring and special items	**(4.7)**	(3.1)

PARENT COMPANY BALANCE SHEET

as at 31 January 2022

	Notes	2022 £m	2021 £m
Fixed assets			
Investments in subsidiary undertakings	3	**14.5**	9.5
Intangible assets		**0.5**	—
Tangible fixed assets	4	**0.4**	0.3
		15.4	9.8
Current assets			
Debtors	5	**5.4**	0.6
Cash in hand and at bank		**22.0**	8.8
		27.4	9.4
Creditors: amounts falling due within one year	6	**(4.4)**	(3.4)
Net current assets		**23.0**	6.0
Total assets less current liabilities		**38.4**	15.8
Long-term contract lease liabilities		**(0.1)**	(0.2)
Long-term provisions	7	**(0.2)**	(0.2)
Net assets		**38.1**	15.4
Capital and reserves			
Called up share capital	8	**5.4**	3.1
Share premium		**23.3**	5.4
Capital redemption reserve		**6.4**	6.4
Other reserves		**—**	—
Profit and loss account		**3.0**	0.5
Shareholders' funds		**38.1**	15.4

The parent company's profit for the financial year amounted to £2.5m (2021: £2.7m loss).

The notes form an integral part of the financial statements.

The financial statements were approved by the Board of Directors on 5 May 2022 and were signed on its behalf by:

Kit Kyte
Director

Greg Price
Director

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

year ended 31 January 2022

	Share capital £m	Share premium £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 1 February 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
Profit for the year	—	—	—	2.5	2.5
Total comprehensive income for the year	—	—	—	2.5	2.5
Issue of new shares	2.3	17.9	—	—	20.2
Total transaction with owners	2.3	17.9	—	—	20.2
At 31 January 2022	**5.4**	**23.3**	**6.4**	**3.0**	**38.1**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
year ended 31 January 2022

1. Accounting policies

Basis of preparation

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

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

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

Investments

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

2. Profit for the financial year

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year amounted to £2.5m (2021: £2.7m loss).

3. Investments in subsidiary undertakings

	2022 £m	2021 £m
At 1 February	**9.5**	9.6
Acquisitions – external	**—**	—
Acquisitions – intra-group	**—**	—
Disposals	**—**	(0.8)
Provisions	**5.0**	0.7
At 31 January	**14.5**	9.5

Investment in subsidiary undertakings are made up as follows:

	Cost £m	Impairment £m	Net book value 2022 £m	Net book value 2021 £m
Checkit Europe Limited	**9.0**	**—**	**9.0**	4.0
Checkit UK Limited	**10.5**	**(5.0)**	**5.5**	5.5
Elektron Eye Technology Limited	**2.6**	**(2.6)**	**—**	—
	22.1	**(7.6)**	**14.5**	9.5

Following the intercompany sale of certain assets from Checkit UK Limited to Checkit Europe Limited at book value, management has reassessed the value in use of the investment in Checkit Europe, leading to a reversal of the impairment loss of £5m. Using a discount rate of 16% (FY21: 17.5%), management has assessed the recoverable amount of the investment in Checkit Europe Limited to be the original cost of the investment of £9.0m, supported by its value in use. The assumptions used to determine the value in use are consistent with those disclosed in note 11 to the group financial statements for the purpose of goodwill impairment testing, amended where necessary to consider only the investment in Checkit Europe Limited.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED
year ended 31 January 2022

4. Tangible fixed assets

	Property – right-of-use asset £m
Cost	
At 1 February 2021	1.1
Additions	0.4
Disposals	(0.7)
At 31 January 2022	**0.8**
Depreciation	
At 1 February 2021	0.8
Charge for the year	0.3
Disposals	(0.7)
At 31 January 2022	**0.4**
Net book value	
At 1 February 2021	0.3
At 31 January 2022	**0.4**

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

5. Debtors: amounts falling due within one year

	2022 £m	2021 £m
Amounts owed by subsidiary undertakings	**4.8**	0.2
Other debtors and repayments	**0.6**	0.4
	5.4	0.6

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

6. Creditors: amounts falling due within one year

	2022 £m	2021 £m
Amounts owed to subsidiary undertakings	**3.2**	2.7
Other creditors	**0.8**	0.6
Contract lease liabilities	**0.4**	0.1
	4.4	3.4

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

7. Provisions

	Dilapidation costs £m
At 1 February 2021	0.2
Utilised	—
Increase in provision	—
At 31 January 2022	**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 £nil (2021: £0.1m), and expenditure contracted but not provided for in the financial statements amounted to £nil (2021: £1.1m).

10. Contingent liabilities

The Company guaranteed rental obligations of certain subsidiary companies up to £nil (2021: £nil).

11. Related party transactions

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

WEB PROPERTY AND ADVISERS

Web property

Checkit

www.checkit.net

Advisers

Company Secretary

Hugh Wooster

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

Singer Capital Markets

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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Checkit plc
Broers Building
JJ Thomson Avenue
Cambridge CB3 0FA

www.checkit.net