KRM22

risk as alpha™

reduce the cost and complexity of risk management

Annual Report 2018

Highlights

£3.3m ARR

Annualised Recurring Revenue as at 31 December 2018

10%

Grew ARR 10% to £3.3m at year end since businesses acquired

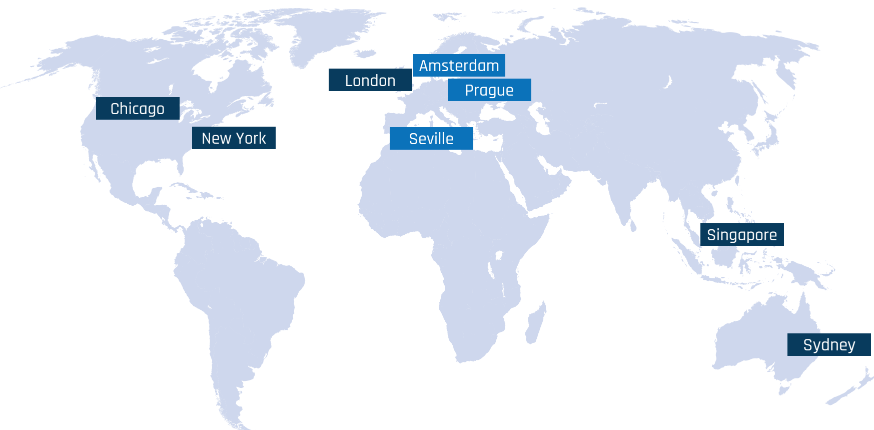
13 Products

available in marketplace (May 2019)

3 Acquisitions completed in 2018

Irisium in market surveillance and ProOpticus in market risk; both acquired as business combinations, and an Enterprise Risk expert team.

Integrated smoothly and quickly.



2 Partnerships signed

- Ascent (Regulatory compliance)
- Vector Risk (Value at Risk calculator)

8 Geographical Locations

Business centre
Development

We currently operate in 8 locations including key locations for global financial markets

£1.3m

Revenue recognised in 2018

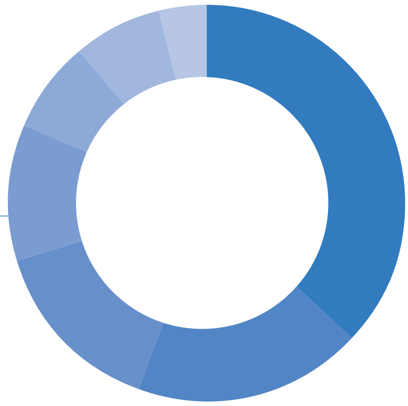
£3.4m

Cash at 31 December 2018

26 Institutional customers

- Brokerage
- Exchange
- Corporation
- Investment Bank
- Hedge Fund
- Proprietary Trading Firm
- Regulator

As at 31 Dec 2018



Chairman's Statement

Keith Todd CBE
CEO and Chairman

Our journey to date

2018 was the inaugural year of KRM22 as a public company where we established solid foundations for the business and its future.

At IPO we stated that customers needed to simplify and reduce the cost of their risk management systems and that specialised risk management businesses needed help to scale and reach those customers. Since IPO, this view has been confirmed by customers, prospects, acquisition targets and partners. Our strategy to build the Global Risk Platform and in parallel acquire and partner with businesses with key subject matter expertise and products is right for the market place at the right time.

£3.3m ARR

Annualised Recurring Revenue at 31 December 2018

We promised investors that we would progress with speed and would not sit as a cash-shell, and we kept that promise. By 31 December 2018, we completed three acquisitions, signed two distribution partnerships, signed new customer contracts to grow ARR to £3.3m, built a high-quality subject matter expert team and developed the Global Risk Platform. Revenue recognised in 2018 was £1.3m including seven months of Irisium and three months of ProOpticus.

The KRM Global Risk Platform ('GRP')

The GRP is the underlying platform through which we deliver the integration of diverse applications to our customers. We believe that the breadth and depth of the KRM22 offering is a unique differentiator in the market.

The GRP brings risk applications together in one central place, allowing smooth single sign-on for all users and data sharing across applications to remove duplication and errors.

Applications delivered through the GRP are SaaS-based recurring revenue.

Strategy

To deliver applications through the GRP, we:

1. **Invest in businesses with specialised risk management software and subject matter expertise that deliver SaaS and recurring revenue and deliver via the GRP.**

   In capital markets, there are a multitude of software products provided by small businesses who have deep subject matter expertise but face challenges to scale up to a large market presence. By bringing such businesses into the KRM22 group:

   - KRM22's customers gain access to quality products;
   - The acquired businesses solve their scaling challenges; and
   - KRM22 accelerates its GRP offering and the breadth of its customer base.

The functionality acquired from the applications we invest in is integrated on to the GRP in progressive steps. In parallel, we continue to generate new sales in each acquired business through additional sales focus and experienced management to leverage the cross-selling opportunities created.

2. **Develop the underlying technology of the GRP and add to that our own native applications, for example , the Enterprise Risk Cockpit.**

   The Risk Cockpit provides a dashboard for customers to see their firm's risk profile and in real-time if required. It is a native application developed internally for the GRP and is configurable by each customer. This product is relevant to our entire customer and prospect base.

3. **Establish partnerships with third-party applications to distribute those products on a revenue-share model.**

   In addition to our acquired and native applications, we deliver third-party specialised risk management applications through the GRP to provide our customers with additional capabilities in one single platform. This simplifies real-time risk management for customers and offers an additional route to market for those application providers. KRM22 generates recurring revenue through these partnerships on a revenue-share basis.

Chairman's Statement continued

3 Acquisitions completed (at Dec 18)

Irisium in market surveillance, ProOpticus in market risk and an Enterprise Risk expert team

2 Partnerships signed (at Dec 18)

Ascent (Regulatory Compliance)

Vector Risk (Value at Risk calculator)

Deepening customer relationships

We focus on deepening the relationship with every customer we gain from each acquisition via cross-selling, as well as working with new prospects. Building the customer relationship is facilitated by:

- our simplified delivery of each application through the GRP, allowing single-sign-on and simplified procurement by the customer; and
- the planned development of the GRP to remove duplication of databases and removal of reconciliation processes for the customer.

This cross-selling is at the heart of what we do, and the team is structured in a way to help customers find the best combination of applications for their own business.

We have made good progress in a short period and as I write, we have a very strong sales pipeline which includes many cross-sales opportunities.

Acquisitions progress

We completed three acquisitions by the end of 2018 and in May 2019 we acquired a fourth business called Object+ which further strengthens our market risk offering.

These acquisitions added proven risk management applications, high-calibre customer bases and recurring revenue, together with deep subject matter expertise to the KRM22 team.

We aggressively integrated these businesses into our teams, our road-maps and our cloud-based suite of internal systems. We truly believe that successful integration provides cost efficiencies and supports our growth.

Partnerships progress

We signed two partnership deals by the end of 2018 covering regulatory compliance and a Value at Risk market risk calculator. Since then, we have signed partnership deals with Entrima in April 2019 for market abuse online training and Trailight in May 2019, a Senior Management Regime ("SMR") system to help companies address the upcoming FCA regulatory requirements.

Sales

Our strong focus on sales has delivered increased recurring revenue and we have a strong sales pipeline.

We increased the ARR (annualised recurring revenue) of Irisium from £1.0m at acquisition in June 2018 to £1.3m at the end of the year.

As at the date of this report, our ARR is £3.9m including the acquisition of Object+ announced May 2019. We continue to be encouraged by our strong sales pipeline.

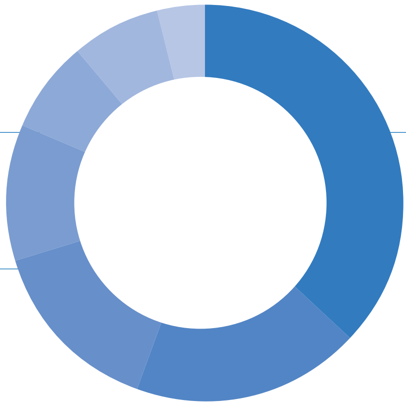
Team progress

We have assembled a talented team of people with deep expertise. The knowledge and skill base of the team is second to none: whether it's SaaS architecture techniques, market surveillance or options risk know-how, backoffice proficiency or customer service excellence.

Product progress

We have built great momentum in expanding our product offerings. Our in-house development has focused on building the core GRP, through which our applications are delivered. The Enterprise Risk Cockpit has been developed in parallel to the GRP, with a free "Team" version available to all GRP users for 12 months to gain usage, traction and feedback.

26 Institutional customers



- Brokerage
- Exchange
- Corporation
- Investment Bank
- Hedge Fund
- Proprietary Trading Firm
- Regulator

As at 31 Dec 2018

Supplementary to our ongoing development, we have expanded our portfolio further through acquisition and partnerships and are now actively marketing thirteen offerings in the marketplace.

Market: customers are ready

Capital market organisations are under growing pressure from:

- Increasing regulations in terms of both volumes and complexity;
- Increasing focus on compliance by regulators and stronger civil and criminal punishments for non-compliance;
- Increasing value of cash reserves to meet clearing and trading requirements; and
- Increasing staff costs to deal with regulation and the complexity of systems and processes built up over time.

These trends impact not only banks but all organisations across capital markets.

Our deep experience and wide networks in capital markets, in particular in derivatives and hedge funds, provide personal insight into the trends and pressures of these organisations. The customers we have acquired through investment and our potential customers, confirm time and time again that these pressures are real and need to be solved.

KRM22's GRP and the applications which it delivers are relevant to all sectors of capital markets and bring increased visibility of risks to CEOs and senior executives while lowering the cost of their risk management systems.

Outlook: Continuing our journey in 2019

This coming year we will focus on:

- delivering the GRP into more live customer environments;
- integrating applications to remove duplication and cost;
- deepening the relationships with existing and new customers; and
- building the depth and breadth of our risk management experts

We are focused on growing our recurring revenue through our strong sales pipeline of cross-selling opportunities and attracting new customers. We aim to become cash-flow positive, in run rate terms, in Q2 2020 and be profitable in 2021.

The market trends and real business needs of our customers will support our goals for 2019 and beyond.

Conclusion

I believe we are in a great position and perfectly placed to deliver our vision: to help capital markets companies reduce the cost and complexity of risk management.

We thank our investors for their support and are delighted they have joined our journey.

We have proved that customers need the solutions we provide, and we have built a team that has already shown it can execute quickly and efficiently. I am very excited about the next chapter of our journey.

Keith Todd CBE

Executive Chairman and CEO

2 June 2019

Strategic Report

Mission

To bring increased visibility and lower cost risk management to capital market organisations.

Vision

A world in which organisations operate at their optimal threshold of risk to drive increased returns.

Risk as Alpha

Our Global Risk Platform and the applications we deliver through this bring increased visibility into firms' regulatory, market, technology and operations risk, and our Risk Cockpit provides a way for firms to visualise their entire enterprise risk profile in real-time.

Through increased visibility better informed decisions can be made, providing firms with an opportunity to operate at their optimal risk threshold to increase portfolio returns.

Company values

Focus Wins

Business is a team game

Clear accountabilities

One KRM22

The acquisition of specialist risk management businesses brings a strong customer base and growth.

We are dedicated to integrating teams and cultures across KRM22 globally, ensuring that we are one team building towards the same goal. Every team member plays an important role in our development and growth. By bringing together a team with diverse experience and expertise, we can achieve even greater success together.

Delivering the products

The five domains of risk

KRM22 provides products to address a firms risk problems across five domains.

Enterprise

Looks at the firm's entire risk profile across Regulatory, Market, Technology and Operations

Technology

Focuses on IT infrastructure and cyber security

Regulatory

Helps the firm meet it's regulatory and compliance requirements

Operations

Focuses on the risks associated with the operational running of the business, covering all back-office functions

Market

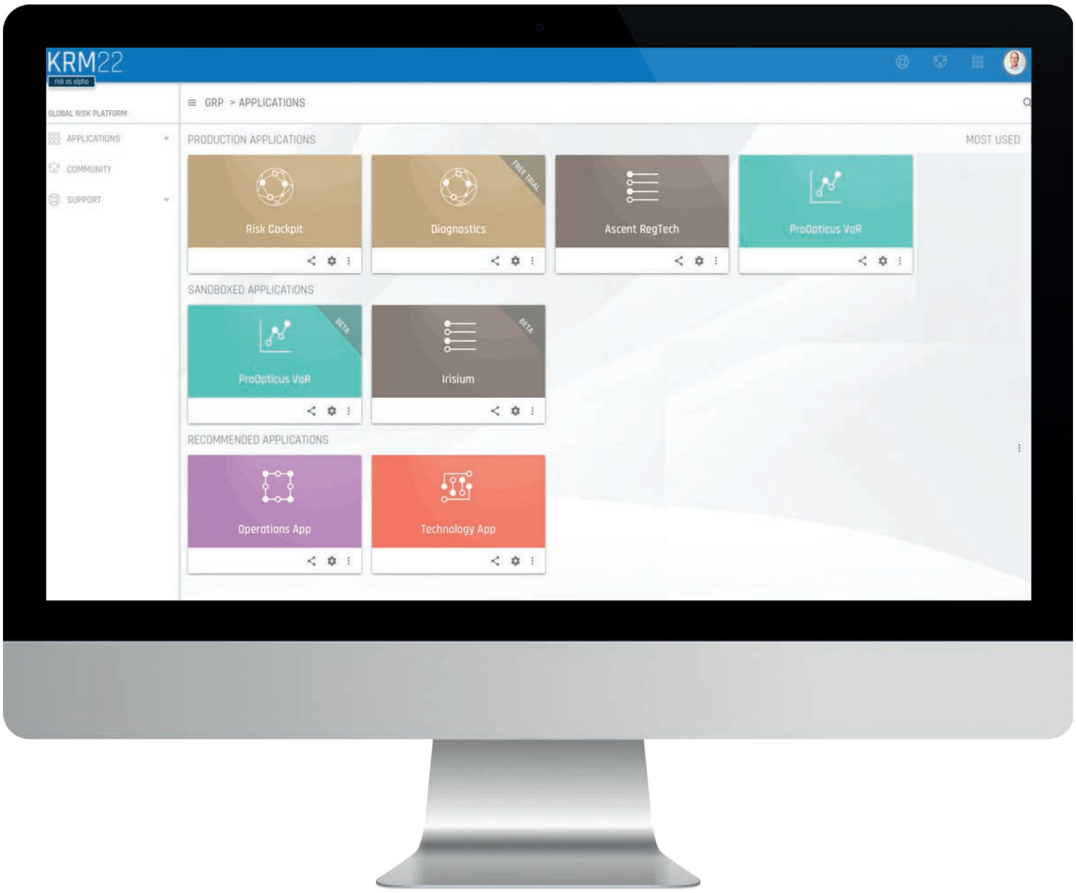
Simplifies the multiple risk tools used by customers to optimise visibility alongside reducing cost and complexity

The Global Risk Platform

All the risk applications of a customer in one place

The KRM22 Global Risk platform brings all of a client's applications together to help them manage their entire risk profile across the five domains in a single place.

Customers can log in to all applications with one click and with integration can share and de-duplicate data.



Our Products

Enterprise

Risk Cockpit

See your enterprise risk profile in real-time

The Risk Cockpit pulls all risk data into one place without the need for cumbersome spreadsheets, while improving efficiency and accuracy.

By visualising their enterprise risk profile, customers gain actionable insights on risk, make better informed decisions and now have the time to manage risk, rather than simply reporting on it.

Diagnostics

Health check your total risk cost

Diagnostics identifies optimisation and cost reduction opportunities and implementation strategies to realise those benefits. Starting with this deep dive into the systems used and associated costs, customers can look at reducing their total risk cost.

Regulatory

Ascent

Compliance at the push of a button

Ascent automates the most frustrating, expensive and error-prone aspects of a customers' regulatory compliance programme. Through this comprehensive and automated delivery of intelligence, customers gain control over their compliance programme.

Irisium

Contextual surveillance, insightful analytics

Irisium provides insightful analytics and contextual surveillance tools that help capital markets firms identify and manage potential risks of market abuse, fraud and operational breaches. By spending less time managing the service, customers are freed to focus on managing their risks.

Individual Accountability Regime

Systemise SM&CR

Designed to be the industry benchmark, this product gives financial institutions the control, visibility, and agility to manage accountability throughout the firm, and comply with the Senior Management Regime, Certification Regime and Conduct rules.

By delivering all the products on the GRP, KRM22 can help customers simplify their datasets and display risk metrics from all products in the Risk Cockpit in real time.

Market

ProOpticus

Real-time, multi-asset class, post-trade portfolio system

ProOpticus meets firms' stress management goals by scaling the type and amount of risk calculations performed before passing the trade to the exchange. Customers are given the ability to truly harness their risk.

ProOpticus VaR

A transparent view into VaR calculations

ProOpticus VaR provides the unique view of multiple VaR calculations across the whole portfolio in a single place. Through meaningful indications of the risk level, customers' can manage their entire portfolio.

Order Limit Management

Centralised Pre Trade limit management system

Order Limit Management maintains pre-trade limits in one centralised application. By centralising this data, customers are able to combat time consuming and error prone processes.

Risk Monitor

Calculate Positions, P&L, Theoretical value and Margins in real-time

Risk Monitor calculates positions, P&L, theoretical value and margins in real-time. Through this invaluable tool, customers are able to make rapid decisions to control their intraday risks.

Exchange Connector

Receives, translates and sends exchange data streams to customers' in-house systems

Exchange Connector retrieves clearing data from real time exchange connections for downstream processing in multiple applications. By standardising the interfaces, customers save time developing connectivity and accessing data.

Reconciliation Tool

Customers can quickly identify missing trades and make the necessary corrections

The Reconcilliation Tool compares trades and positions in the back office and trading application systems with the trades and positions in the Risk Monitor. Customers can view their breaks and act to fix them.

Operations

Market Abuse Centre

Train your team and comply

The Market Abuse Centre is an online training portal designed to deliver simple and interactive training through on-demand videos and handbooks. By taking the three training programmes available (SMCR, Market Abuse and Financial Crime), customers can address the FCA mandated training which they are required to provide to individuals within their organisation on an annual basis.

People Risk Management

Leverage people capability to deliver results

People Risk Management helps financial institutions manage people risk efficiently and in accordance to regulatory rules. By integrating key performance indicators and action-oriented workflows, customers can identify and mitigate competency and conduct risks, to ensure staff performance and capability is transparent, measurable and trackable.

Technology

Coming in 2019

Financial Review

I am proud to present the financial results of the inaugural year of our journey throughout which we have grown revenue and put in place a strong financial infrastructure.

Since IPO, we have built a team with deep subject matter expertise across several of the world's major capital markets, delivered the Global Risk Platform and built a strong sales perceptive.

Scope of financial results

This financial review focuses on the eight month period since our listing on 30 April 2018. Prior year comparatives are based on the results of the Company's subsidiary KRM22 Central Limited.

These financial statements are for the group and reflect our fast growth from a standing start to a £3.3m ARR business. In particular, they include:

- Revenue recognised in 2018 was £1.3m including seven months of Irisium and three months of ProOpticus;
- KRM22 Central and its subsidiaries from 1 January 2018;
- Irisium from 5 June 2018; and
- ProOpticus from 25 September 2018.

The financial results of the subsidiaries acquired in the year (Irisium and ProOpticus) have been have been aligned with IFRS and KRM22's accounting policies.

The acquisition of the Enterprise team in July 2018 was for the team and certain assets. No revenue or costs of a separate legal entity are included.

Acquisitions

A key part of our strategy is to invest in specialist risk management businesses to provide quality risk management applications across our increasing customer base and to help those businesses grow their recurring revenue.

KRM22 listed as an Investing Company on AIM and our investing policy is to invest in businesses with some, or all, of the following features:

- are revenue generating and have a good customer base;
- have or are developing a desirable technology or software offerings, principally within risk management;
- have management with particular skills or sector expertise; and
- where we believe that there are good growth opportunities through strategic and operational guidance and providing a platform to scale.

In the eight months to 31 December 2018, we acquired three businesses. Two of the acquisitions were for the share capital and voting rights of the target businesses and a third acquisition was for a team and certain assets of the target business.

Irisium

On 5 June 2018, we made our maiden investment by acquiring 60% of the issued share capital and voting rights of Irisium Limited ("Irisium"), together with management control of the business.

London-based Irisium provides trade surveillance software and, at the time of investment, had 13 customers and £1.0m annualised recurring revenue. Since acquisition, and as of today, Irisium has grown its customer base and ARR to £1.4m and the sales pipeline remains strong. Revenue generated by Irisium in 2018 in the seven months post acquisition was £0.8m.

The remaining 40% of the issued share capital of Irisium remains owned by Cinnober Financial Technology AB ("Cinnober"). Cinnober was acquired by Nasdaq in January 2019.

On completion of the acquisition of Irisium, KRM22 paid £1.7m to Cinnober in cash consideration for its shares, and £1.0m to acquire 60% of a shareholder loan previously held by Cinnober. The potential earn-out consideration of £0.6m has not been accrued for in the balance sheet as at 31 December 2018.

ProOpticus

On 25 September 2018, we acquired 100% of the issued share capital and voting rights of KRM22 ProOpticus LLC (formerly Prime Analytics LLC) ("ProOpticus").

Chicago-based ProOpticus provides market risk tools historically for derivative options and, at the time of investment, had 13 enterprise customers and US$2.6m annualised recurring revenue ("ARR"). Revenue generated by ProOpticus in 2018 in the three months post acquisition was £0.5m.

On completion of the acquisition of ProOpticus, KRM22 paid US$3.0m(£2.3m) in cash consideration and issued 773,515 KRM22 Plc shares to the ProOpticus vendors. Based on the revenue growth of ProOpticus, a total undiscounted earn-out consideration of US$3.0m may be payable following audited accounts for the years 2019 and 2020, payable in cash or shares, at KRM22's discretion.

Enterprise Risk Management team

On 17 July 2018, we entered into an employment agreement with Enterprise Risk Management expert Andrew Smart. In parallel, two other subject matter experts in enterprise risk, who had been developing software for Andrew, also accepted job offers. In parallel to these appointments, we acquired certain assets of Ascendore Limited, including a contracts database, goodwill and existing product code all focused on Enterprise Risk Management.

Andrew and his team have leveraged their knowledge and experience to accelerate the build of the Risk Cockpit and launched it as the first application on the GRP in April 2019.

Profit and Loss

Recurring revenue

Revenue recognised for the year to 31 December 2018 was £1.3m and this was seven months of revenue generated by Irisium and three months of revenue generated by ProOpticus. KRM22 is focused on building a recurring revenue business and our key revenue metric is ARR (Annualised Recurring Revenue). As at 31 December 2018, we had grown acquired ARR of £3.0m to £3.3m and this has continued to grow to £3.9m at the date of this report following the acquisition of Object+.

This growth in ARR validates our strategic approach to acquiring and scaling businesses through our shared network and customer base, and the streamlining of back office functions.

In addition, KRM22 generates some non-recurring revenue related principally to customer implementations.

Total revenue

Total revenue reported for the year to 31 December 2018 was £1.3m and 87% was generated from recurring customer contracts. The total revenue recognised includes £0.2m non-recurring revenue.

Gross margin

Gross profit for the year to 31 December 2018 was £1.1m. This 89% gross profit margin demonstrates the operating leverage of the business and indicates how we can cover our cost base efficiently as we sell new recurring revenue contracts.

Capitalised research and development

Our total investment in research and development for the year to 31 December 2018 was £2.7m. Of this, £1.8m or 67% was capitalised. Capitalised research and development is amortised over three years.

Strategic Report continued

Adjusted EBITDA

We believe the Adjusted EBITDA is the key metric to consider in order to understand the cash-profitability of the business. This is due in particular to the non-cash items that impact the Income Statement under IFRS accounting, such as non-cash share-based costs.

Adjusted EBITDA for the year to 31 December 2018 was a £3.3m loss. The Adjusted EBITDA is as per the reported operating loss, adjusted for:

- Depreciation and amortisation £0.5m;
- Impairment charges of £0.1m;
- Non-recurring costs of acquisitions £0.5m;
- Non-recurring costs of IPO funding £0.3m; and
- Share based payment cost £0.7m.

Tax charges

Due to the losses incurred in the year the only tax charge is a deferred tax credit of £13k.

Reported operating loss

Reported operating loss for the year to 31 December 2018 was £5.4m. This loss includes:

- £0.8m for funding and acquisition fees;
- Eight months operational costs and set-up costs of KRM22 group as a result of the restructuring in 2018;
- Seven months of Irisium operations; and
- Three months of ProOpticus operations.

Cash

Cash in bank at 31 December 2018 was £3.4m. This cash, together with the equity and debt funding announced on 3 April and 29 April 2019 respectively, provides the business with working capital to build ARR to reach cash break-even and become self-funding.

Net cash at 31 December 2018 was £2.4m, equivalent to the cash less the shareholder loan to Cinnober.

Balance sheet

The balance sheet as at 31 December 2018 includes Irisium, ProOpticus and the core legacy KRM22 group.

Assets

As at 31 December 2018, we held current assets of £3.4m cash and trade and other receivables of £1.1m.

Non-current assets were £12.4m relating principally to: £8.7m for the fair value of goodwill and assets acquired and £1.8m for capitalised research and development costs for the period.

Liabilities

As at 31 December 2018, our principal liabilities were:

- £1.0m minority shareholder loan owed to Cinnober by Irisium. Cinnober owned 40% of Irisium during the period from acquisition to the year end and this balance includes capitalised interest. The loan is not repayable until 2023.
- £2.3m of undiscounted (£1.5m discounted) deferred consideration for earn out payments for the acquisition of ProOpticus. We believe that the acquired ProOpticus business will grow successfully and the earn outs will be achieved. As such, IFRS requires that the value of the future earn out, whether cash or shares, be provided for at today's present value. When the earn out targets are met it is at KRM22's discretion as to whether the earn outs are paid in cash or shares. The deferred payment consideration for Irisium of £0.6m has not been recognised on the basis that the directors do not believe that the earnout performance criteria will be met.
- £1.6m for the right of use of assets relating to all future payments of leased-office rentals. KRM22 has adopted, early IFRS 16 accounting whereby such lease payments are provided for at today's value. In practice, these rental payments will be spread over the next few years. As a result, £0.5m of the related liability is shown in current liabilities as it relates to lease payments that will be paid in 2019, with the balance for periods greater than one year.
- There is £0.6m of deferred revenue; contracted and paid services that will be released in a future period.

KRM22 had no bank loans or overdrafts as at 31 December 2018.

Investors

As an AIM-listed business, a large proportion of KRM22's shareholders are professional investment funds. Our largest such investors are Cannaccord (ex-Hargreave Hale), Herald, Miton, Gresham House (ex-Livingbridge), Octopus and Fidelity. In addition, the directors together owned 2,447,143 shares at the year end.

Funding

At IPO on 30 April 2018, we raised £10.3m gross proceeds from new investors at £1.00 per share. Funding fees were £0.5m; of which £0.3m is recognised in the Income Statement and £0.2m allocated to the share premium reserve, being costs directly related to the issuance of this new equity.

Subsequently on 26 September 2018, we raised £3.3m gross proceeds and issued 773,515 new shares for the ProOpticus acquisition at £1.01 per share. Funding fees of £0.5m were recognised in the Income Statement.

Since the year end, we raised £1.8m in equity funding and secured a growth debt facility of £10.0m.

Use of cash in the year

In the eight months to 31 December 2018, we raised a total of £13.6m cash, of which, £5.3m was used to fund acquisitions (including £0.7m IFRS accounting value of deferred consideration, £1.8m for capitalised research and development and £0.8m for fees of the IPO and acquisitions).

Going concern

Analysis of KRM22's going concern position is detailed in the directors report on page 30.

Shareholdings and Earnings per share

As at 31 December 2018, KRM22 had 16,376,388 shares in issue. The undiluted weighted average number of shares for the period to 31 December 2018 was 9,407,958. The difference in the two numbers results from the timing of share issues at IPO (30 April 2018) and shares issued for the ProOpticus acquisition (25 September 2018).

The resulting Earning per Share ("EPS") is a 55.5p loss per share on a weighted average number of shares basis (equivalent to 9,407,958 on the shares in issue at period end).

Accounting policies and procedures

In the eight months since IPO, we have defined and adopted accounting policies that we believe fairly reflect the underlying business and comply with IFRS as adopted by the European Union accounting practices. These are detailed in notes 1 - 4.

Financial processes and integration

As we grow KRM22, we aim to support that growth by effective and efficient internal systems and processes. The finance team have implemented a strong finance organisation in the period and achieved full financial integration. By 31 December 2018, the detailed financial history of both Irisium and ProOpticus were fully transferred onto the central KRM22 systems, with bank accounts and all processes centrally managed.

This agile integration approach not only establishes good governance but also frees up the acquiree management team and allows them to focus on customers, product development and growth.

Dividend

We aim to deliver capital growth for shareholders to generate an attractive total return. Accordingly, we do not recommend a dividend for the year, but may choose to do so in future years.

Conclusion

In the first eight months of the year we successfully integrated three acquisitions recognised revenue of £1.3m, grew to £3.3m ARR, brought new and acquired products to market, established strong relationships with 26 institutional customers and built a team with deep subject matter expertise. We are very excited for the journey ahead.

Approved by the Board and signed on its behalf by:

Karen Bach
Company Secretary
2 June 2019

Principal risks and uncertainties

The Board considers the risks set out below to be the principal risks to KRM22. The Board continually reviews the risks facing KRM22 and ensures appropriate steps are taken to mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on KRM22. The Board recognises that the nature and scope of risks can change and there may be other risks to which KRM22 is exposed so the list is not intended to be exhaustive.

Risk and uncertainty	Potential impact	Mitigating actions
Customer retention	Given KRM22's strategic focus on Annualised Recurring Revenue, the retention of key customers is critical to the maintenance of revenue streams. The loss of key customers could adversely impact business results.	Every client has an account manager who regularly speaks with the customer and who ensures requirements are met. KRM22 also has a centralised customer support team with defined service levels to ensure quality product service to the customer.
Technology	To remain successful KRM22 must ensure that its products continue to meet the requirements of customers. If products do not meet the requirements of customers, they could seek alternative solutions, resulting in the loss of revenue.	Product Managers with KRM22 are subject matter experts in their fields and understand the trends of the market and customer needs. In addition, customer account managers gather requirements of the existing customer base and feedback that information to product development. KRM22 has developed its product architecture ready to build in artificial intelligence and other user-focused technologies easily and at scale.
Staff recruitment and retention	KRM22 is reliant on the skills and knowledge of its people in a wide range of areas but especially in executive management and software development.	The Remuneration Committee reviews KRM22's compensation policies to ensure KRM22 continues to attract, motivate and retain qualified personnel. All employees are offered options in KRM22.
	Failure to recruit and retain an appropriate number of suitably qualified people in critical areas could lead to a deterioration in the quality of our products and services. This could lead to us failing to meet our customers' needs resulting in the loss of business and a failure to deliver expected financial returns.	KRM22 is committed to the retention of staff by adopting a friendly and flexible working environment and offering a broad range of staff benefits.
Foreign exchange	KRM22 operates internationally and is therefore exposed to fluctuations in foreign exchange rates.	KRM22 relies on a partial natural hedge of GBP and USD costs and revenue being in the same currencies. KRM22 also continuously monitors its foreign exchange exposure to assess whether forward currency transactions are necessary.
Compliance with laws and regulations	KRM22's business is the sale of software that will facilitate compliance with financial services laws and regulations. A failure by KRM22 to comply with laws and regulations in its own business could lead to fines and revocation of business licences, as well as significant reputational loss.	KRM22 employs fully qualified finance professionals and external professional advisors, including legal and tax, to ensure all relevant legal and regulatory codes are fully complied with.
Brexit	The risk that Brexit leads to a macroeconomic downturn in the UK.	KRM22 operates internationally with less than 20% of FY18 revenue derived from customers in the UK. As such we do not anticipate a material impact of Brexit on the business.

Corporate Governance

Board of Directors

Keith Todd CBE
CEO and Chairman

Keith has 40 years of global technology business experience from publicly listed, large multi-nationals to start-up businesses.

Alongside being Executive Chairman and CEO of KRM22, he is an advisor to Horizon Software and Whaleslide, the privacy-based search engine.

He served as Executive Chairman of FFastFill plc, provider of SaaS to the global derivatives community (2002 to 2017), and ION Agency trading (2012 to 2017)

Keith was Non-Executive Chairman of AIM-listed Amino Technologies plc (2007 to 2012), a provider of digital TV entertainment and cloud solutions to network operators.

Previously serving as Non-Executive Chairman of UK Broadband Stakeholder Group (a UK Industry/Government advisory board), EC Soft plc and Easynet plc, Keith received a CBE for his services to the telecoms industry.

Keith is a qualified accountant (FCMA), was CFO and Chief Executive of ICL plc (1987 to 2000) and CFO of the Marconi defence Group. In the 1990's Keith served as honorary Treasurer of the Open University for eight years and received an honorary degree.

Stephen Casner
CEO Americas

Stephen has over 20 years in the "Fin-Tech" industry with tremendous scale-up experience.

In 2010 he co-founded and became CEO of Hazeltree – transforming the internal technology team of a New York based hedge fund into a global provider of Treasury Management Technology for alternative managers who collectively manage over $1 trillion in AUM.

From 2005 to 2010 he was CEO of AIM-TO, a fin-tech company that created a multi-asset class "near-time" value at risk systems for prop traders.

In 1999 he became CEO of a Dallas based, venture backed technology company Picasso Software and from 1990 to 1997 helped lead Quantra deliver a property management system that is still used today by thousands of real estate managers.

Karen Bach
Chief Operating Officer

Karen is an entrepreneur with strong international technology and transactional expertise. She is one of the three founders of KRM22 and was appointed executive COO at IPO.

In addition, Karen is Chairman of Amino Technologies plc, a provider of digital TV entertainment and cloud solutions to network operators, and Non-Executive Director of Escape Hunt plc, an entertainment business based on escape rooms. Karen was Independent Chairman for seven years at IXCellerate, a Russian datacentre business.

As an executive, Karen was founding CEO of KalliKids, a B2C digital marketplace for six years and prior to this, she was CFO at fast-growing technology businesses IXEurope plc, ACS plc and Kewill plc.

Audit Committee
A Chair A Member

Remuneration Committee
R Chair R Member

Nominations Committee
N Chair N Member

Matthew Reed

Independent Non-Executive Director

A

Matt serves as the Chief Operating Officer and is a Member of BGF Group plc.

Matt joined BGF at its launch in 2011 and is responsible for the finance, compliance, and the operations of the business.

His role also encompasses risk and corporate governance oversight. He was previously a Director of Risk and Finance at the firm.

Matt served as a Vice President and Chief Financial Officer at CCMP Capital Advisors UK. He was responsible for the local finance department and for covering CCMP Capital's European portfolio activity and transaction execution.

Prior to joining CCMP in 2006, Matthew was the Global Product Controller for Clearance and Trust products in the World-Wide Securities Services business at JPMorgan Chase. He spent six years at JP Morgan, performing numerous roles, including Financial Controller positions in both Luxembourg and London.

Matt served as the Chief Financial Officer at private equity firms including, CCMP Capital Partners UK, Trilantic Capital Partners and Santander Infrastructure Capital. He is a Chartered Accountant.

Sandy Broderick

Independent Non-Executive Director

R N

Sandy was previously Non-Executive Director of AIM listed regulatory reporting and collateral risk management solutions company, Lombard Risk Management plc, which was recently acquired by Vermeg Group.

Prior to Lombard Risk Management he was CEO of DTCC DerivSERV, where he led the roll-out of its Global Trade Repository in Europe and Asia, as well as holding the CEO position of New York Portfolio Clearing, where he oversaw its development and successful sale to ICE.

During Sandy's trading career at Societe Generale and Bank of America, he was at the centre of several industry initiatives in clearing and market infrastructure, including development of the LCH Clearnet SwapClear system.

Sandy was Chairman of the OTC Derivnet Board from 2011 to 2012.

Garry Jones

Independent Non-Executive Director

A R N

Garry Jones has over 35 years' experience in financial services, previously serving as CEO of three of the largest derivatives and OTC exchanges in Europe: BrokerTec, LIFFE and the LME. In 2013 he became Co-Head of Markets at HKEX and CEO of the London Metal Exchange (LME), based in London but with an office in Hong Kong and a considerable focus on China. He left HKEX in 2017, remaining an advisor to the company until 2018.

Garry was a founder member of the Futures and Options Association's European Industry Council and a member of the UK's Financial Services Authority (FSA) Senior Practitioner Panel, advising on new policy initiatives under the UK's former regulatory regime. He was on the Board of FESE (The Federation of European Security Exchanges) and alternate Board member of the WFE (World Federation of Exchanges). He served as a Director of The London Clearing House (LCH.Clearnet) and the Qatar Exchange. Garry was also part of the UK's trade delegation to China with then Prime Minister David Cameron in 2013.

He now is an advisor and director of several companies, including Horatio Ventures, a private investment firm.

Garry holds a BA(Hons) and MA(Hons) from the University of Oxford and an MBA from Stanford University Graduate School of Business.

Jim Oliff, Non-Executive Director (resigned 5th March 2019)

David Ellis, Independent Non-Executive Director (resigned 30th April 2019)

Statement of Corporate Governance

On 8 March 2018, the LSE issued revised rules for AIM-listed companies, within which was a requirement (Rule 26) for AIM companies to apply a recognised corporate governance code from 28 September 2018.

Taking account of this, the Directors have adopted the Quoted Companies Alliance's (QCA) Corporate Governance Code for small and mid-sized quoted companies. ("QCA Code"). The principal means of communicating our application of the Code are detailed in this annual report and on our website (www.krm22.com/investor-information/corporate-governance).

The Directors believe that, in addition to being responsible for setting the strategic direction and managing risk across the business, they are responsible for good corporate governance, clear shareholder and stakeholder communications and monitoring the effectiveness of the Executive Directors. The Directors believe that effective corporate governance, appropriate to KRM22, considering its size and stage of development, will assist in the delivery of corporate strategy, the generation of shareholder value and the safeguarding of shareholders' long-term interests.

This report follows the structure of the QCA Code guidelines and explains how we have applied the guidance as well as the reasons for any departures from the guidance.

QCA Principles

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

KRM22 listed on AIM, via an IPO, on 30 April 2018. As part of this process, the Board determined the long-term vision of KRM22 and detailed the steps to achieve that strategy.

Since the IPO, the Board has refined the strategy, based on customer feedback, additional input from risk management experts from the five KRM22 domains of risk, enterprise, regulatory, market, operations and technology, shareholder feedback and employee participation. This led to a clearer definition of KRM22's strategy and to a re-branding and refocus of communications in September 2018. The KRM vision and strategy is detailed in the Strategic Report on page 7.

Corporate status: KRM22 (KRM:L) is a closed-ended investment company (CEIC) listed on the AIM of the London Stock Exchange. This means that the number of shares in the Company are known and the shares are traded on AIM. KRM22 expects to convert to an operating company when its business develops to fit the necessary criteria.

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

The Company's executive directors meet institutional shareholders, fund managers and analysts at least twice a year.

Thanks to the fast growth of KRM22 since the IPO, with three acquisitions of, and two partnerships in, risk management technology businesses, such meetings have been more regular. The Board also intends to build wider shareholder communications and will be working towards this. In addition, private investors will be encouraged to participate in the Annual General Meeting.

The Board appointed finnCap as the company's NOMAD and broker.

Nominated Advisor (NOMAD)

Nomads are approved by the London Stock Exchange and must meet eligibility criteria set out in the AIM Rules for NOMADs. In their role, finnCap advises and guides the KRM22 Board on its responsibilities as an AIM listed business and undertakes due diligence and works as the primary advisor of the business.

Broker

finnCap is also the appointed broker of KRM22. In this role finnCap facilitate communications with existing and potential new investors. Keith Todd and Karen Bach regularly meet investors together with representatives of the broker. finnCap also advise KRM22 on shareholder communications on its website, all RNS releases (Regulatory News Service – AIM) and will guide communications within the Annual Report.

Investor queries can be directed to KRM22 by email to InvestorRelations@krm22.com. All advisor details, including those of KRM22's NOMAD, Auditors and Investor press relations can be found on the last page of this report.

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

The Board believes that delivering fit-for-purpose software applications to customers is the key to KRM22's success. To achieve this, KRM22 needs to:

- Build applications that meet customer needs: the KRM22 Business Development and Support teams listen to those customer needs at regular meetings and through effective systems and processes;
- Recruit, train and motivate employees to build the software applications;
- Communicate clearly the KRM22 vision and strategy internally and externally;
- Communicate speedily with teams when new acquisitions/ investments are made, such as KRM22 ProOpticus (formerly Prime Analytics) or Irisium;
- Listen to and work closely with all partners, such as Ascent and its professional advisors; and
- Listen to all external and internal stakeholders and communicate clearly.

In the short time since the IPO, KRM22 has gathered feedback from customers, employees, advisors and shareholders.

At this stage in its growth, KRM22 has few suppliers and its biggest assets are its people, whether employees or freelance contractors. KRM22 communicates regularly with this cross-country, multi-national and diverse team in multiple ways.

Methods of two-way communication include:

Investors: see Principle 10 below.

Customers: Regular meetings with existing and potential customers by the Business Development team in Europe via London, North America via New York and Chicago, and Asia via Singapore and Australia.

Employees: KRM22 is building efficient internal systems including team-wide easy-to-use communication tools, regular performance appraisals using a simple regular tool versus a laborious annual appraisal and "all-employee" announcements (for example, on acquisitions/investments and other business-wide news).

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

Good effective risk management is part of the KRM22 DNA as the Company's vision is to build tools to achieve this for KRM22 customers. Therefore, risk management is embedded in the culture of not only the KRM22 Board, but also the whole team.

Director experience in risk management: All the directors have experience of building growing multi-national businesses and understand the risks and challenges that come with the journey. Their sector and professional mix of skills is particularly relevant – see Principle 6.

Team experience in risk management: The subject matter expertise within the multi-national team is very strong and includes market risk, regulatory risk and enterprise risk experts. As risk management is KRM22's business, the team has an unusually high understanding and experience in managing risk.

Risks identified at IPO: As part of the admission process the Directors identified the risks in achieving the KRM22 Global Risk Platform strategy. See pages 22-23 of the Admission Document.

Risk Cockpit: The Risk Cockpit is an application that KRM22 is developing to allow CEOs and their teams to see real-time risk statuses and enable them to take action. KRM22 will use the Risk Cockpit internally to monitor and manage risks.

Controls and processes: In 2018 KRM22 was less than a year old and growing fast. Accordingly, the development, adoption and implementation of policies was ongoing. As KRM22 continues to grow, the Directors are continually reviewing controls and processes in all key areas on an ongoing basis.

Statement of Corporate Governance continued

Principle 5: Maintain the Board as a well-functioning, balanced team led by the Chair

Role and composition of the board:

Keith Todd is Executive Chairman and CEO and as such has two roles in the business:

- Chairman: The principal role of the Chairman is to manage and to provide leadership to the Board of Directors of the Company. The Chairman is accountable to the Board.
- CEO: The principal role as the CEO is to make major corporate decisions, manage the overall operations and resources and act as the ultimate point of communication with stakeholders.

QCA guidelines encourage these two roles to be held by two different people. Keith Todd's experience helps him perform these two roles with self-challenge. In addition, the Founders agreed that a higher ratio of non-executives would encourage healthy challenge and debate and provide additional independence.

For this reason, the Board has three executive directors (the Founders) and at 31 December 2018, four non-executive directors, three of whom were independent.

The Board believes strongly that a mix of professional skills, risk management experience and capital market understanding make a difference, as does diversity. Of the seven directors at 31 December 2018, one was female, and three nationalities are represented. The KRM22 leadership is described on pages 18 - 19.

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

The Directors consider that the mix of professional skills, risk management experience and capital market understanding is key to the effectiveness of the Board and its Committees. As such, the Board is very satisfied that the resulting mix of skills is suited to the sector, to the maturity and growth stage and for an AIM-listed business.

Skills: Of the seven Directors at 31 December 2018, six have worked within capital markets, three are qualified accountants and two are qualified lawyers. All seven Directors have experience of growing businesses and how risks need to be managed within a fast-growth environment.

The Directors maintain their professional experience and skill set through Continued Professional Development (legal and financial), and constant contact with customers, sector experts and industry influencers, and by listening to feedback from all stakeholders.

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

The KRM22 Board has three Board Committees, each consisting of the three independent non-executive directors at 31 December 2018. See more details in principle 9.

The responsibilities of the Nomination Committee include an annual assessment of Board Effectiveness. The first annual assessment has not yet been undertaken as KRM22 has only been in existence for just over one year and the operations of the Board are forming, adapting and continuously improving each month. The Directors intend to assess the Board on:

- Risk management;
- Adequacy of management information to make decisions and manage risk;
- The effectiveness of decision processes and decision making;
- Board composition (mix of skills, experience, diversity, and adequate succession planning);
- The effectiveness of each Director on the Board, whether executive or non-executive;
- Board communication and organisation; and
- Director induction and training.

The Board does not yet have a formalised success plan, but this will be implemented as part of the annual assessment of Board Effectiveness. This will help the team become established and allow the Directors to identify the key areas of risk that succession planning can manage.

The three Founders of the business are all very close to the business and make collective strategic decisions which they then recommend to the Board. This three-way, collegiate interaction means that the risk of succession is a little mitigated, as the business does not depend on one single leader.

Principle 8: Promote a corporate culture that is based on ethical values and behaviours

KRM22 is growing fast, bringing together different business and nationality cultures to build the GRP. To achieve this the Board is very people-focused, including all stakeholders whether internal or external.

Team

The aim of the Directors is to build a culture of transparency and performance and the Directors believe that empowerment of employees is key to delivering the strategy.

KRM22's three key company values are:

- Focus wins;
- Business is a team game; and
- Clear accountabilities.

All employees have access to an internal HR system which provides the full organisation chart across KRM22. This helps each employee understand where they fit within the organisation and how their work contributes to the KRM22 growth and performance.

As the business grows, KRM22 is adopting corporate policies, employee handbooks and accounting policies. These are being defined and adopted to align with the rapid growth of the business and to align with the needs of each country and team. As each business is acquired, the team is included in internal communications and is integrated/transitioned into the communication and systems of KRM22.

In addition, for full transparency, the Board has adopted whistleblowing policies for employees and external stakeholders, including the choice of reporting to and excluding the COO.

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

The Board of Directors is responsible for setting the strategic direction of the business, managing risks and monitoring performance and progress. To help fulfil these responsibilities, the Directors have implemented independent Board Committees which together with the Matters Reserved for the Board, provide structure and formalisation of corporate governance.

The Matters Reserved for the Board include Board approval for acquisitions. For the acquisitions completed to date, the Board has received due diligence information undertaken by employees and external advisors to provide the right information to make the right decisions for the business.

The financial information provided to the Board for monitoring performance, and to make investment decisions, is improving as the internal team and processes are built. KRM22 is adopting corporate policies, employee handbooks and accounting policies. These are being defined and adopted to align with the rapid growth of the business. In addition, the Board has adopted whistleblowing policies for employees and external stakeholders, including the choice of reporting to and excluding the COO.

Risk Management

The Board is intending to use its own Risk Cockpit software tool to assess and monitor risks. This will replace any list of risks in Excel or Word (often the basis for a "Risk Register") and deliver much more visibility to the Directors of the performance of the acquisitions and KRM22 as a whole.

Independence

At 31 December 2018 the Board was comprised of three executives and four non-executive directors. Three of the non-executive directors are considered independent as they did not hold shares or options in the business and have not previously worked with the executive team.

Under their letters of appointment, the non-executive directors have a time commitment of two days per month and the executives are full-time (with time allowed for agreed external professional activities). All directors are able to allocate sufficient time to KRM22 to fulfil their responsibilities.

Nine scheduled board meetings were held during the year, since the IPO in April 2018.

Board meeting attendance 2018	Maximum possible meeting attendance	Number of meetings attended	% of meetings attended
Executive directors			
Keith Todd	9	9	100
Karen Bach	9	9	100
Stephen Casner	9	9	100
Non-executive directors			
Matthew Reed	9	8	89
Sandy Broderick	9	6	67
Former non-executive directors			
David Ellis	9	8	89
Jim Oliff	9	7	78

Statement of Corporate Governance continued

Board Committees

At the IPO, the Directors established an Audit Committee, a Nominations Committee and a Remuneration Committee with formally delegated duties and responsibilities. None of the executive Directors are members of these Committees and, when invited to attend Committee meetings, it is to present information and not to be part of the decision making.

Principal 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

All financial reports and publicly-available information are published on our website within the investor information section. This includes AIM rule 26, significant shareholder information and details of our Directors' roles and experience.

At IPO and our recent fund raising, Keith Todd and Karen Bach met with institutional fund investors to communicate progress and plans and have met them at other times where appropriate.

The Directors believe that these meetings provide valuable two-way communication and allow investors to provide feedback. Other investors are provided a channel for communication via the KRM22 investor information on the website and via email contact at InvestorRelations@krm22.com.

The report of Board Committees will be included in our Annual Report and Accounts each year.

When General Meetings are held, the Directors will publish the results of votes on the KRM22 website in the Investor Information section.

Internally KRM22 uses multiple team-tools to communicate – see Principle 8.

Board Committees and Secretary

The Board delegates authority to three committees to assist in meeting its business objectives while ensuring a sound system of internal control and risk management. The committees meet independently of Board meetings.

Audit Committee

The Audit Committee, which meets at least three times a year, consisted of Matt Reed, David Ellis and Jim Oliff, all of whom were non-executive directors of the Company. Since the year end both David Ellis and Jim Oliff resigned as non-executive directors and from their membership of the Audit Committee. Garry Jones, a non-executive director, became a member of the Audit Committee on 30 April 2019. The Committee was established by a resolution of the Board on the recommendation of the Nomination Committee. Whilst all members of the committee have experience in various guises of the financial industry, more specifically, Matt Reed is a qualified Chartered Accountant (Australia) and he is Chief Operating Officer of BGF Group plc. During the year to 31 December 2018, and to date, the Committee was chaired by Matt Reed.

The responsibilities of the Audit Committee are detailed in the Audit Committee Report on page 25.

Remuneration Committee

The Remuneration Committee, which meets at least once a year, consisted of Sandy Broderick, David Ellis and Jim Oliff, all of whom were non-executive directors of the Company. Since the year end both David Ellis and Jim Oliff resigned as non-executive directors and from their membership of the Remuneration Committee. Garry Jones, a non-executive director, became a member of the Remuneration Committee on 30 April 2019. The Committee was established by a resolution of the Board on the recommendation of the Nomination Committee. During the year to 31 December 2018, and to date, the Committee was chaired by Sandy Broderick.

The responsibilities of the Remuneration Committee are detailed in the Remuneration Committee Report on page 27.

Nomination Committee

The Nomination Committee, which meets at least once a year, consisted of Sandy Broderick, David Ellis and Jim Oliff, all of whom were non-executive directors of the Company. Since the year end David Ellis resigned as non-executive director of the Nomination Committee and was replaced by Garry Jones on 30 April 2019. The Committee was established by a resolution of the Board. During the year to 31 December 2018, and to date, the Committee was chaired by Sandy Broderick.

The responsibilities of the Nomination Committee are detailed in the Nomination Committee Report on page 29.

For and on behalf of the Board

Keith Todd CBE
Executive Chairman and CEO
2 June 2019

Audit Committee Report

The Audit Committee is responsible for challenging the quality of internal and external controls and for ensuring that the financial performance of KRM22 is properly reviewed and reported.

The Committee reviews reports on the interim and annual accounts, financial announcements, the Company's accounting and financial control systems, changes to accounting policies, the extent of non-audit services undertaken by the external auditor and the appointment of the external auditor.

During the period the Audit Committee reviewed the draft interim reports and associated announcements. The Audit Committee considered the accounting policies and principles adopted in these accounts as well as significant accounting issues and areas of judgement and complexity.

Composition

The terms of reference for the Audit Committee (adopted on 24 April 2018) require the committee to consist of preferably three members but not less than two members and that a majority of the members shall be independent non-executives with at least one of whom shall have recent relevant financial experience.

During 2018 the Committee was composed of myself (Matt Reed) as Chairman, David Ellis and Jim Oliff. David Ellis and I were independent, Non-Executive Directors whilst Jim Oliff was a Non-Executive Director. I am a Chartered Accountant with significant recent and relevant experience and have held a number of senior financial positions in both listed and private equity backed international companies including CFO at a number of private equity firms. The Board is of the view that we have recent and relevant financial experience. Karen Bach (COO), Kim Suter (Head of Finance) and other Executive Directors may attend Committee meetings by invitation. The Committee formally met on one occasion since its formation in 2018. However, other informal discussions were held by Committee members during the year and since year end. I report to the Board following an Audit Committee meeting and minutes are available to the Board.

Role of the Committee

The main duties of the Committee are set out in its terms of reference, which are available on KRM22's website. The main items of business considered by the Committee in this period since its formation included:

- Review of suitability and approve appointment of the external auditor;
- Review and approval of the 2018 audit plan and engagement letter;
- Consideration of key audit matters and how they are addressed;
- Review of the unaudited interim report;
- Consideration of risk management and internal control systems and specifically progress made with actions listed in the FPPP document (the Board Memorandum on Financial Position and Prospects Procedures which was prepared as part of the admission documentation for the IPO); and
- Meeting with the external auditor without management present.

Financial Reporting

The Committee reviews whether suitable accounting policies have been adopted and whether management has made appropriate judgements and estimates. The Committee's remit includes reviews of accounting papers prepared by management providing details on the main financial reporting judgements as well as assessments of the impact of potential new accounting standards.

As this is the first year of accounts for KRM22 there were no changes in accounting policy for the Committee to consider. IFRS16 'Leases' is applicable for annual reporting periods beginning on or after 1 January 2019, however KRM22 has decided to early adopt the new standard on the basis that this has a material impact on KRM22's results compared to reporting under the previous lease accounting (IAS 17).

The Committee have concluded that the annual report and financial statements are appropriately prepared and provide the information necessary for shareholders to assess KRM22's strategy and performance.

Audit Committee Report continued

Risk management and internal controls

The risk and control management framework of KRM22 is designed to manage rather than eliminate the risk of failure to meet KRM22's objectives and the system can only provide reasonable and not absolute assurances against material misstatement or loss. KRM22 faces a number of risks, the significant ones of which are set out in the section on Principal Risks and Uncertainties on page 16.

Through the control systems outlined in the Statement of Corporate Governance on pages 20 to 24, KRM22 operates an ongoing process of identifying, evaluating and managing significant risks faced by the business. This process includes the following:

- Defined organisation structure and appropriate delegation of authority;
- Formal authorisation procedure for investments;
- Clear responsibility for management to maintain good financial control and the production and review of detailed, accurate and timely financial information;
- Identification of operational risks and mitigation plans developed by senior management; and
- Regular reports to the Board from the Executive Directors.

KRM22 has only been in existence for a short period of time and the Committee is aware that KRM22 is in start-up phase and implementing internal control systems and processes in line with the FPPP document. The Committee has been kept up-to-date of progress in implementing these processes, reviewed the Board's processes and the Committee is satisfied that the risk management and internal control systems in place are currently operating effectively.

External Auditor

BDO was appointed auditor of KRM22 in 2018. The Committee considers that its relationship with the auditor is working well and is satisfied with their effectiveness.

The Committee is responsible for implementing a suitable policy for ensuring that non-audit work undertaken by the auditor is reviewed so that it will not impact their independence and objectivity. The breakdown of fees between audit and non-audit services is provided in note 7 to KRM22's financial statements. The non-audit fees primarily relate to taxation advice and compliance and pre-IPO advice.

As necessary, the Committee held private meetings with the auditor to review key items within its scope of responsibility. Taking into account the auditor's knowledge of KRM22 and experience, the Committee has recommended to the Board that the auditor is reappointed for the year ending 31 December 2019.

For and on behalf of the Audit Committee

Matt Reed
Audit Committee Chairman
2 June 2019

Remuneration Committee Report

The Board has prepared this Report in relation to all Directors who have served during the year to 31 December 2018. As an AIM listed company KRM22 Plc is not required to provide the full disclosures required of fully listed companies, however, the Board has chosen to provide the following details as a voluntary disclosure. As a result, the Auditor is not required to and has not audited the information included in this report.

Role of the Committee

The purpose of the Committee is to ensure that the executive directors and other key employees of KRM22 (together, 'Executive Directors') are fairly rewarded for their individual contribution to the overall performance of KRM22. The Committee's main role and responsibilities are to:

- Have responsibility for setting the remuneration policy for Executive Directors and such other members of the executive management as it is designated to consider;
- Recommend and monitor the level and structure of remuneration for senior management;
- Obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity in the light of reviewing the ongoing appropriateness of and relevance of remuneration policy;
- Review the design of all share incentive plans for approval by the Board; and
- Approve the design of, and determine targets for, any performance-related pay schemes operated by KRM22 and approve the annual payments made under such schemes.

Remuneration Policy

In setting remuneration policy, the Committee recognises the need to be competitive in an international market. The Committee's policy is to set remuneration levels which ensure that the Executive Directors are fairly rewarded in line with high levels of performance and not in excess of market rates for comparable companies. Remuneration policy is designed to support business growth strategies and to create a strong performance orientated environment. The policy must also attract, retain and motivate high calibre individuals. The Remuneration Committee believes that a successful remuneration policy must ensure that a significant proportion of the remuneration package is linked to the achievement of ambitious corporate performance targets and a strong alignment with the interests of shareholders.

Consistent with the pay for performance policy, annual cash bonuses are linked to performance criteria. Share option and warrant awards to Executive Directors are linked to performance as well as being time vested.

Annual salary

Salaries are set at a level appropriate for the role and the individual and are reviewed annually with effect from 1 January. Adjustments are made, if required, to reflect company and individual performance and competitive pay levels. No salary increases have been made since the IPO or on 1 January 2019.

Performance bonus

These are designed to reflect the KRM22's performance taking into account the performance of its peers, the markets in which KRM22 operates and the Executive Directors' contribution to that performance. No bonuses were paid to the Directors in the year.

Share Options and Warrants

The following warrants were issued to directors in the year.

Warrant holder	Agreement date	Warrants held
Keith Todd	30/04/2018	3,300,000
Karen Bach	24/04/2018	900,000
Stephen Casner	24/04/2018	1,200,000
Jim Oliff	24/04/2018	300,000
		5,700,000

Further information on warrants and shares options issued is detailed in note 25 to the financial statements.

Remuneration Committee Report continued

Service contracts

All three executive directors have employment contracts which are subject to 12 months' notice from either the executive or KRM22 at any given time.

Non-executive directors' fees are determined by the Executive Directors having regard to the need to attract high calibre individuals with the right experience, the anticipated time commitment to fulfil their duties and comparative fees paid in the market in which KRM22 operates. They may be invited to participate in the KRM22's share option scheme.

Directors' Emoluments

The remuneration of the executive and non-executive directors during the eight months to 31 December 2018 was as follows:

	Salary & fees £'000	Benefits £'000	Bonus £'000	Share based payments £'000	Pension £'000	Total £'000
Keith Todd	117	3	6	347	-	473
Karen Bach	107	2	5	95	11	220
Stephen Casner	160	-	-	126	-	286
Jim Oliff	21	-	-	32	-	53
Matt Reed	20	-	-	-	-	20
David Ellis	17	-	-	-	-	17
Sandy Broderick	23	-	-	-	-	23
Total	465	5	11	600	11	1,092

The benefits relate to life insurance, critical illness cover and income protection insurance for directors and their immediate families.

Directors' Interests

The directors who held office at 31 December 2018 had the following interest in the ordinary share capital of the Company as at that date:

Director	At 31 December 2018 No. of ordinary shares of 10p each	At 31 December 2017 No. of ordinary shares of £1 each*
Keith Todd	1,540,000	5,900
Karen Bach	225,000	500
Stephen Casner	512,143	2,000
Jim Oliff	170,000	500
Matt Reed	-	-
David Ellis	-	-
Sandy Broderick	-	-

* On 19 April 2018 each KRM22 Central Limited £1 Ordinary share was exchanged for 200 KRM22 Plc 10p Ordinary shares.

Sandy Broderick

Remuneration Committee Chairman

2 June 2019

Nomination Committee Report

As part of the IPO process, the Board undertook to review its appointments to ensure that the Board and its Committees have the appropriate balance of skills, experience, availability, independence and knowledge required to effectively discharge their respective responsibilities. In April 2018, the Board decided to strengthen the Board by appointing Matt Reed, David Ellis and Sandy Broderick as Non-Executive Directors.

The Board formed the Nomination Committee on 24 April 2018 and delegated the responsibility to lead the process for Board appointments to the Nomination Committee. During 2018 the Committee was composed of Sandy Broderick as Chairman and its other members were Jim Oliff and David Ellis.

The main duties of the Committee are set out in its terms of reference, which are available on KRM22's website. There were no requirements for the Committee to meet in the year ended 31 December 2018 as new appointments to the senior management were considered directly by the Board with recommendations from the Remuneration Committee.

Sandy Broderick
Nomination Committee Chairman
2 June 2019

Directors' Report

The directors present their report and the audited financial statements of KRM22 Plc ('the Company') and its subsidiary companies together called 'KRM22', for the year ended 31 December 2018. An indication of likely future developments in the business is set out in the Strategic Report.

Principal activities

The principal activity of KRM22 is the development and sale of risk management software to the financial services industry.

Directors

The directors of the Company who served throughout the year and to the date of signing this report, except as noted below were:

Keith Todd CBE
Chairman and CEO (appointed 2 March 2018)

Karen Bach
Chief Operations Officer (appointed 2 March 2018)

Stephen Casner
Chief Executive Officer Americas (appointed 2 March 2018)

Jim Oliff
Non-Executive Director (appointed 2 March 2018, resigned 5 March 2019)

Matt Reed
Non-Executive Director (appointed 24 April 2018)

David Ellis
Non-Executive Director (appointed 24 April 2018, resigned 30 April 2019)

Sandy Broderick
Non-Executive Director (appointed 24 April 2018)

Garry Jones
Non-Executive Director (appointed 30 April 2019)

Director indemnification and insurance

KRM22 maintains Directors' and Officers' liability insurance for each of its directors. The insurance covers any liabilities that may arise to a third party, other than KRM22 or Company, for negligence, default or breach of trust or duty.

Financial risk management objectives and policies

Further detailed commentary on financial risk management is included in note 27.

Liquidity risk

KRM22 seeks to manage financial risk by ensuring adequate liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved by holding significant cash balances in KRM22's main operational currencies, notably UK Sterling, US Dollar and Czech Kroner.

Credit risk

The principal credit risk for KRM22 arises from its trade receivables. In order to manage credit risk, customers are required to pay in advance of services being provided and customer accounts are regularly reviewed in conjunction with debt ageing and collection history.

As at 31 December 2018, there were no credit risk balances.

Foreign exchange risk

KRM22 has significant operations in both the UK and overseas. Revenue and costs are exposed to variations in exchange rates and therefore reported losses. There is some natural hedging of transactional foreign exchange risk, however KRM22 remains subject to translation exchange risk.

Overseas branches

KRM22 has one branch outside the UK located in Czech Republic.

Research and Development

KRM22 dedicates resource to develop its projects; the KRM22 Global Risk Platform ("GRP"), the KRM22 Enterprise Risk Application ("Risk Cockpit"), Irisium and ProOpticus. In accordance with IAS38 'Intangible Assets', expenses are capitalised when it is probable that future economic benefits will be attributable to the asset and these costs can be measured reliably (see note 3). For the year ended 31 December 2018, total expenditure that has been capitalised on these two projects totalled £1.8m.

Going Concern

KRM22's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 6 to 15 and the financial position of KRM22, its cash flows, liquidity position and borrowing facilities are described in the notes to the financial statements, in particular in the consolidated cash flow statement on page 44 and in note 27 (financial instruments).

These financial statements have been prepared on the going concern basis. The Directors have reviewed KRM22's going concern position taking account of its current business activities, budgeted performance and the factors likely to affect its future development, are set out in its Annual report, and include KRM22's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to credit and liquidity risks.

The directors have prepared cash flow forecasts covering a period of at least 12 months from the date of approval of the financial statements. If the forecast is achieved, KRM22 will be able to operate within its existing facilities. However, the time to close new customers and the value of each customer, which are deemed individually as high value and low volume in nature, are factors which constrain the ability to accurately predict revenue performance. Furthermore, investment in winning customers, via marketing expenditure, remains an important function of the forecasts too. As such, there is a risk that KRM22's working capital may prove insufficient to cover both operating activities and the repayment of its debt facility that was entered into on 29 April 2019. In such circumstances, KRM22 would be obliged to seek additional funding though a placement of shares or other source of funding.

See note 3 on page 47 for further information on going concern.

Post year-end reporting date events

On 3 April 2019, the Company raised gross proceeds of up to £1.8 million through a conditional placing of up to 1,601,318 new ordinary shares of 10 pence each in the Company (the "Placing Shares") at a price of 85 pence per Ordinary Share (the "Issue Price") and a subscription of up to 529,414 new ordinary Shares (the "Subscription Shares" and together with the Placing Shares, the "Fundraising Shares") at the Issue Price (the "Subscription" together with the Placing, the "Fundraising"). In addition, 117,647 ordinary shares were issued to certain advisors in lieu of fees ("the Advisor Shares").

On 29 April 2019, KRM22 Central Limited entered into a five-year debt facility (the "Debt Facility") with Harbert European Growth Capital Fund II ("Harbert") to support future business growth and allow KRM22 to pursue its pipeline of investment targets.

The Debt Facility is for up to £10.0m of which an initial £1.0m was drawn down on 30 April 2019. The availability of additional drawdowns is based on the value and growth of KRM22's annualised recurring revenues. Drawdowns can be made until 31 December 2020.

The interest rate payable is 11% per annum on the initial £1.0m drawdown. The interest rate payable on future additional drawdowns will be at the higher of 11% or 11% plus one year EURO Libor. The Debt Facility is secured on certain KRM22 assets however there are no covenants based on KRM22's financial performance.

In conjunction with the Debt Facility, the Company has constituted warrants over a number of Ordinary shares in the Company to Harbert with a total value equal to a maximum of £1.0m. Upon initial drawdown, warrants over 495,049 new Ordinary Shares were issued with an exercise price of £1.01 per Ordinary Share. Additional warrants will be issued in an amount equal to 5.6% of each subsequent drawdown of the Facility (up to a maximum value of £0.5m in aggregate) calculated by reference to an exercise price of the lower of a 10% discount to the prevailing market price or £1.01 per new Ordinary Share.

On 30 May 2019, KRM22 Central Limited completed the acquisition of Object + Holding B.V. ("Object +"), a risk management and post-trade services technology business focused on capital markets, for a maximum consideration of US$3.9m (£3.0m).

The acquisition was for an initial consideration of US$1.2m (£0.9m) with US$0.5m (£0.4m) payable in cash and US$0.7m (£0.5m) through the issue of 606,909 ordinary shares in the Company. The undiscounted deferred consideration is a maximum of US$2.7m (£2.3m) payable in three tranches subject to earn-out conditions based on the growth of annual recurring revenue of Object+'s products and services.

Substantial shareholders

As at 31 December 2018, the Shareholders listed below had a disclosable interest of 3% or more in the nominal value of the ordinary share capital of the Company.

	Number of ordinary shares	Percentage of ordinary shares %
KRM22 Concert Party	2,766,152	16.9
Canaccord Genuity Wealth Management	2,449,643	15.0
Miton Asset Management	1,346,534	8.2
Cinnober Financial Technology AB	1,200,000	7.3
Octopus Investments	1,134,308	6.9
Herald Investment Management	1,095,049	6.7
Gresham House	1,000,000	6.1
Rathbone Investment Management	758,040	4.6
FIL Investment International	495,049	3.0

Directors' Report continued

Purchase of own shares

There was no purchase of own shares in the financial year.

Corporate governance

The Company adopted the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies ("QCA guidelines") as set out on pages 20 to 24.

Dividends

No interim dividends were paid and the Directors do not recommend payment of a final dividend.

Share options schemes

Details of employee share schemes are set out in note 25 to the financial statements.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, Directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. 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 the affairs of KRM22 and the Company and for the profit or loss of KRM22 and the Company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the AIM.

In preparing these financial statements, the Directors are also required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring that the annual report and the financial statements are made available on the Company's website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Disclosure of information to the auditor

Each of the Directors of the Company at the time when this report was approved confirms that:

- so far, as the Director is aware, there is no relevant audit information which the Company's auditor is unaware; and
- he or she has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given in accordance with Section 418(2) of the Act.

Auditor

BDO LLP was appointed as auditor to the Company and in accordance with Section 485 of the Companies Act 2006, a resolution proposing that they be reappointed will be tabled at a General Meeting.

Approval

The Directors' Report was approved on behalf of the Board by:

Karen Bach
Company Secretary
2 June 2019

Financial Statements

Independent auditor's report to the members of KRM22 Plc

Opinion

We have audited the financial statements of KRM22 Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in equity, the consolidated and company cash flow statements, and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 December 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; 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.

Material uncertainty related to going concern

We draw attention to note 3 in the financial statements which indicates that the group may need to raise further finance within the next 12 months to enable it to cover its operating expenses and make repayments on its debt facility. These events or conditions, along with the other matters as set forth in note 3, indicate the existence of a material uncertainty that may cast significant doubt about the parent company and group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The calculations supporting the going concern assessment require management to make highly subjective judgements. We have therefore spent significant audit effort in assessing the appropriateness of the assumptions involved, and as such this has been identified as a Key Audit Matter.

Our audit procedures included the following:

- Reviewing management's assessment of going concern through analysis of the group's cash flow forecast and other projections through to 31 December 2020, including assessing and challenging the assumptions used through discussions with management and comparison against post year-end results to date and performing sensitivity analysis to consider cash flow changes if the level of revenue and costs were to remain static.
- Reviewing the terms of the group's existing financing, finance raised post year end and plans for future fund raising;
- Reviewing post-balance sheet events, specifically the cash flow position against budgeted performance; and
- Considering the adequacy of the disclosures in the financial statements against the requirements of the accounting standards.

Key audit matters

In addition to the matter described in the material uncertainty related to going concern section, key audit matters are those matters that, in our professional judgment, 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) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report continued

Matter	How we addressed the matter in our audit
Revenue Recognition and application of IFRS 15: Revenue from Contracts with Customers	
The group has adopted the new revenue accounting standard from 1 January 2018. This standard brings a new and detailed approach to accounting for revenue, with a more prescriptive framework and as such, significant emphasis has been placed on this transition throughout the audit, resulting in the recognition of this key audit matter. The group has two discrete revenue streams for which the accounting must be individually considered. Due to the fact that there more than one revenue stream exists, and the fact that revenue is recognised both point in time and over a period of time, there is a key risk of material misstatement arising from both the recognition of revenue around the year end (cut-off) and the revenue recognition policy itself, as detailed in note 3 to these financial statements.	We assessed whether the revenue recognition policies adopted by the Group comply with International Financial Reporting Standard 15 Revenue from Contracts with Customers (IFRS 15). Furthermore, we have testing over each revenue stream including the following: • Verifying a sample of Software-as-a-Service ('SaaS') license fees recognised in the year, reconciling to underlying agreements, cash receipt and appropriate trigger events for revenue recognition in accordance with IFRS 15. • Agreeing the group's non-recurring revenue (mainly implementation fees) received through to delivery order confirmation and ultimate cash receipt; and • Cut-off procedures including testing invoices raised in December 2018 and January 2019, verifying back to underlying agreements, to check revenue has been recognised within the correct period. We have reviewed the financial statement disclosures to check that they are in accordance with the requirements of the standard.
Acquisitions – Business combinations	
See accounting policy in note 3, and the intangibles assets note (note 12) and the business combinations note (note 28). There are risks present as a result of management's requirement to make significant judgements in assessing the fair values of consideration and of the assets and liabilities acquired. Management have engaged external valuations experts to undertake the purchase price allocation exercise required. The two acquisitions resulted in the group holding, on consolidation, goodwill and intangible assets of £5.80m and £2.80m respectively.	With input from our valuations team, we challenged the assumptions underpinning the significant judgements and estimates used by management in the assessment of the fair values of the assets and liabilities acquired and consideration paid including; reviewing underlying cash flow projections and comparing against post-year end, discount rates applied and the long term growth rates. Our testing focused on both material and more judgemental fair value adjustments that were recorded. Particular adjustments we tested were: Intangible assets – the directors obtained external valuations for the acquired intangible assets. Utilising our own valuation team's expertise, we evaluated the valuation methodologies used for each type of asset and used these to check that the methodology used by the directors was appropriate and consistent with market practice.

Independent auditor's report continued

Matter	How we addressed the matter in our audit
	We also examined the key assumptions used as inputs to the valuation models to assess whether these were consistent with our understanding of the businesses acquired, their historical performance and the markets in which they operate. These assumptions included revenue and profit forecasts, discount rates, customer attrition rates, technology obsolescence rates and royalty rates. Deferred revenue – the audit team audited the acquired deferred revenue balance to assess whether the deferred balance was at fair value with costs expected against this, or whether this was purely a profit margin that would need adjusting over and above a reasonable profit element for a similar business. Accounts receivable – the audit team looked at post acquisition amounts received to check that the acquired accounts receivable balances were held at fair value. We examined and satisfied ourselves with the methodology and tax rates used to calculate the associated deferred tax liabilities arising from the creation of intangible assets. This involved reference to the tax jurisdictions in which the acquired entities operates, and levels of business in those jurisdictions.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Level of materiality applied and rationale

We determined materiality for the group financial statements as a whole to be £353,000 which represents 5% of loss before tax.

Materiality for the parent company has been calculated using 1% of total assets, at £139,000.

The individual component materiality values used for the individual subsidiary components were set at 50%-75% group materiality, at £176,500 – £264,750 for overseas components. For UK components, this was set at 5% of loss before tax which ranged between £18,890 to £156,380.

We used loss before tax as a benchmark as this is the primary KPI used to address the performance of the business by the board, and is referenced within the RNS announcements released by the group.

Performance materiality was set at 65% of materiality (£229,000). In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

We agreed with the Audit Committee that misstatements in excess of £7,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the group, the accounting processes and controls, and the industry in which the group operates.

Independent auditor's report continued

In establishing the overall approach to the group audit, we assessed the audit significance of each component in the group by reference to both its individual financial significance to the group or other specific nature or circumstances,. We identified four individually significant components, which makes up 81% of Group loss before tax. There were also two further UK components subject to statutory audits to component materiality levels.

To this extent:

- The group audit team performed full scope audits for KRM22 Plc and its subsidiaries KRM22 Central Limited, KRM22 Development Limited, and Irisium Limited;
- The group audit team performed specific procedures for KRM22 Americas Inc and KRM22 ProOpticus LLC due to their significance to the Group, focussing on Group risk areas; and
- The remaining components not subject to full scope audit or specific procedures have been reviewed for group reporting purposes, by the group auditor, using analytic procedures to corroborate the conclusions reached that there are no significant risks of material misstatement of the aggregated financial information of these components.

The group audit team performed the audit of 100% of the group revenue and 100% of the intangible assets using the materiality levels set out above.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled Annual Report and Consolidated Financial Statements, 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept 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.

Independent auditor's report continued

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 32, 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.

Use of our report

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

Iain Henderson (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom
2 June 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated income statement and statement of comprehensive income for the group

for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Revenue	5	**1,288**	–
Cost of sales		**(142)**	–
Gross profit		**1,146**	–
Administrative expenses	6	**(6,497)**	6
Operating loss before interest, taxation, depreciation, amortisation, share based payment and exceptional items ('Adjusted EBITDA')		**(3,319)**	(6)
Depreciation and amortisation		**(523)**	–
Impairment of assets		**(75)**	–
IPO funding expenses		**(299)**	–
Acquisition expenses		**(478)**	–
Share based payment charge		**(657)**	–
Operating loss		**(5,351)**	(6)
Finance charge	9	**(82)**	–
Loss before taxation		**(5,433)**	(6)
Taxation	10	**13**	–
Loss for the year		**(5,420)**	(6)
Loss for the year attributable to:			
Equity shareholders of the parent		**(5,217)**	(6)
Non-controlling interest		**(203)**	–
		(5,420)	(6)
Other comprehensive income Item that may be reclassified to subsequently to profit and loss;			
Exchange gain on translation of foreign operations		**24**	–
Total comprehensive loss for the year		**(5,396)**	(6)
Total comprehensive loss for the year attributable to:			
Equity shareholders of the parent		**(5,193)**	(6)
Non-controlling interest		**(203)**	–
		(5,396)	(6)
Loss per ordinary share			
Basic earnings per share	11	**(55.5p)**	(60.0p)
Diluted earnings per share	11	**(55.5p)**	(60.0p)

All amounts relate to continuing activities. The Company has elected to take the exemption under s.408 Companies Act 2006 from presenting the parent company profit and loss account.

The notes on pages 46 to 69 form part of these financial statements

Consolidated statement of financial position for the group

as at 31 December 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Goodwill	12	5,928	–
Other intangible assets	12	4,523	–
Property, plant and equipment	13	304	–
Right of use assets	14	1,602	–
		12,357	–
Current assets			
Trade and other receivables	16	1,131	1
Cash and cash equivalents	18	3,355	14
		4,486	15
Total assets		16,843	15
Current liabilities			
Trade and other payables	19	2,718	11
		2,718	11
Net current assets		1,768	4
Non-current liabilities			
Trade and other payables	19	2,609	–
Loans and borrowings	21	1,193	–
Deferred tax liability	22	619	–
		4,421	–
Total liabilities		7,139	11
Net assets		9,704	4
Equity			
Share capital	24	1,638	10
Share premium		12,659	–
Merger reserve		(190)	–
Foreign exchange reserve		24	–
Share-based payment reserve	25	657	–
Retained earnings		(5,223)	(6)
		9,565	4
Non-controlling interest		139	–
Total equity		9,704	4

The financial statements were approved by the Board and authorised for issue on 2 June 2019 and are signed on its behalf by:

Karen Bach
Company Secretary

The notes on pages 46 to 69 form part of these financial statements

Company statement of financial position

as at 31 December 2018

	Note	2018 £'000
Non-current assets		
Investments	15	**857**
Intercompany loans	16	**11,321**
		12,178
Current assets		
Trade and other receivables	16	**307**
Cash and cash equivalents	18	**2,210**
		2,517
Total assets		**14,695**
Current liabilities		
Trade and other payables	19	**243**
Net assets		**14,452**
Equity		
Share capital	24	**1,638**
Share premium		**12,659**
Share-based payment reserve	25	**657**
Retained earnings		**(502)**
Total equity		**14,452**

As permitted by s408 Companies Act 2006, the Company has not prepared its own statement of comprehensive income and related notes. The Company's loss for the period was £502,000.

The financial statements were approved by the Board and authorised for issue 2 June 2019 and are signed on its behalf by:

Karen Bach
Company Secretary

The notes on pages 46 to 69 form part of these financial statements

Consolidated statement of changes in equity for the group

for the year ended 31 December 2018

	Ordinary shares £'000	Share premium £'000	Merger reserve £'000	Foreign exchange reserve £'000	Share based payment reserve £'000	Retained losses £'000	Non-controlling interest £'000	Total equity £'000
At 1 January 2017	–	–	–	–	–	–	–	–
Allotment of share capital	10	–	–	–	–	–	–	10
Loss for the year	–	–	–	–	–	(6)	–	(6)
At 31 December 2017	10	–	–	–	–	(6)	–	4
Loss for the year	–	–	–	–	–	(5,217)	(203)	(5,420)
Other comprehensive income	–	–	–	24	–	–	–	24
Total comprehensive loss	–	–	–	24	–	(5,217)	(203)	(5,396)
Group merger	190	–	(190)	–	–	–	–	–
Allotment of share capital	406	3,603	–	–	–	–	–	4,009
Issue of share capital IPO	1,032	9,056	–	–	–	–	–	10,088
Share-based payments	–	–	–	–	657	–	–	657
Non-controlling interest recognised on acquisition	–	–	–	–	–	–	342	342
At 31 December 2018	**1,638**	**12,659**	**(190)**	**24**	**657**	**(5,223)**	**139**	**9,704**

The notes on pages 46 to 69 form part of these financial statements

Company statement of changes in equity

for the period ended 31 December 2018

	Ordinary shares £'000	Share premium £'000	Share based payment reserve £'000	Retained losses £'000	Total equity £'000
At 2 March 2018	–	–	–	–	–
Loss for the period	–	–	–	(502)	(502)
Allotment of share capital	606	3,603	–	–	4,209
Issue of share capital IPO	1,032	9,056	–	–	10,088
Share-based payments	–	–	657	–	657
At 31 December 2018	**1,638**	**12,659**	**657**	**(502)**	**14,452**

The notes on pages 46 to 69 form part of these financial statements

Consolidated statement of cash flows for the group

for the year ended 31 December 2018

	2018 £'000	2017 £'000
Cash flows from operating activities		
Loss for the period	(5,420)	(6)
Adjustments for:		
Deferred tax credit	(13)	–
Net finance income	82	–
Amortisation of intangible assets	233	–
Depreciation of property, plant and equipment and right of use assets	290	–
Impairment of intangible assets	75	–
Equity-settled Share-based payment expense	657	–
Lease payments	(238)	–
	(4,334)	(6)
Decrease/(increase) in trade and other receivables	148	(1)
Increase in trade and other payables	1,427	11
	1,575	10
Net cash flows from operating activities	(2,759)	4
Cash flows from investing activities		
Cash acquired on acquisition of subsidiary undertakings	275	–
Acquisition of subsidiary undertakings	(5,359)	–
Purchase of intangible assets	(1,983)	–
Purchase property, plant and equipment	(148)	–
Net cash used in investing activities	(7,215)	–
Cash flows from financing activities		
Proceeds from issue of shares	13,635	10
Costs of the issue of shares	(320)	–
Net cash from financing activities	13,315	10
Net increase in cash and cash equivalents	3,341	14
Cash and cash equivalents at beginning of period	14	–
Cash and cash equivalents at end of period	3,355	14

The notes on pages 46 to 69 form part of these financial statements

Company statement of cash flows

for the period ended 31 December 2018

	2018 £'000
Cash flows from operating activities	
Loss for the period	(502)
Adjustments for:	
Net finance income	(325)
	(827)
Increase in trade and other receivables	(307)
Increase in trade and other payables	243
	(64)
Net cash outflows from operating activities	(891)
Cash flows from investing activities	
Loans to subsidiaries	(10,996)
Net cash outflow from investing activities	(10,996)
Cash flows from financing activities	
Proceeds from issue of shares	14,417
Costs of the issue of shares	(320)
Net cash inflow from financing activities	14,097
Net increase in cash and cash equivalents	2,210
Cash and cash equivalents at beginning of period	–
Cash and cash equivalents at end of period	2,210

The notes on pages 46 to 69 form part of these financial statements

Notes to the consolidated financial statements

for the year ended 31 December 2018

1. General information

KRM22 Plc, (the 'Company'), is a public company, limited by shares and listed on the Alternative Investment Market (AIM) in April 2018. The Company is incorporated and domiciled in the UK. The registered office is 5 Ireland Yard, London, EC4V 5EH.

The principal activity of the Company, and together with its subsidiaries ('KRM22', the 'Group'), is to develop and invest in leading risk tools to support regulatory, market, technology and operational risks.

On 19 April 2018, KRM22 Plc, a company under common control of the KRM22 Central Limited shareholders, acquired KRM22 Central Limited from its shareholders in return for an issue of ordinary shares in KRM22 plc. The consolidated financial statements of the Company include the results of the Company for the period from incorporation on 2 March 2018 to 31 December 2018 together with the consolidated results of the date on which they became subsidiaries of KRM 22 Central Limited (if before 19 April 2018), or KRM 22 subsidiaries (if on or after that date). KRM22 Central Limited and its subsidiaries (the "KRM22 Central Group") became part of KRM22 on 19 April 2018, Irisium Limited became part of KRM22 on 5 June 2018 and KRM22 ProOpticus LLC (formerly Prime Analytics LLC) became part of KRM22 on 25 September 2018.

At 31 December 2017 the KRM22 Central Group included KRM22 Central Limited and its wholly owned subsidiary, KRM22 Development Limited. The results of the KRM22 Central Group have been used to prepare comparative information.

Details of the subsidiaries' financial statements including countries of incorporation are presented in note 15.

2. Basis of Preparation and Consolidation

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS (except as otherwise stated).

The financial information has been prepared on the historical cost basis except that financial instruments are stated at the fair value.

The financial statements are prepared in Sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £'000.

KRM22 applied all standards and interpretations issued by the IASB that were effective as of 1 January 2018. The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in this financial information.

The preparation of the financial statements, in conformity with IFRS, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying KRM22's accounting policies. The area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Basis of consolidation

The financial information represents the consolidated financial information of the Company and its subsidiaries ('KRM22', the 'Group') as if they are formed of a single entity. Intercompany transactions and balances between KRM22 companies are therefore eliminated in full. The results of subsidiary undertakings are included in the consolidated statement of comprehensive income from the date that control commences until the date that control ceases. The Company controls a subsidiary if all three of the following elements are present:

- power over the investee;
- exposure to variable returns from the investee; and
- the ability of the investor to use its power to affect those variable returns.

Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. In assessing control, KRM22 takes into consideration potential voting rights that are currently exercisable.

On 19 April 2018, KRM22 Plc, a company under common control of the KRM22 Central Limited shareholders, acquired KRM22 Central Limited from its shareholders in return for an issue of shares. As a combination of entities under common control, the transaction falls outside the scope of the standard IFRS 3 'Business Combinations'.

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

Paragraph 10 of IAS8 Accounting Policies, Changes in Accounting Estimates and Errors requires management to use its judgement in developing and applying a policy that is relevant, reliable, represents faithfully the transaction, reflects the economic substance of the transaction, is neutral, is prudent and is complete in all material respects when selecting appropriate methodology for consolidation accounting.

In the absence of IFRS guidance, KRM22 has applied merger accounting in accordance with 'FRS102: Section 19 Business Combinations and Goodwill', as the business combination meets the requirements set out in paragraph 27, namely:

- the use of the merger accounting method is not prohibited by company law or other relevant legislation;
- the ultimate equity holders remain the same, and the rights of each equity shareholder, relative to others before and after the acquisition are unchanged; and
- no non-controlling interest in the net assets of KRM22 is altered by the transfer.

In accordance with merger accounting, consolidated accounts have been prepared for the restructured Group as if it has always been in existence. The carrying value of assets and liabilities have not been adjusted to fair value. The difference between the nominal value of the shares issued and the nominal value of the shares received has been recorded in the merger reserve.

3. Accounting policies

Going concern

These financial statements have been prepared on the going concern basis. The Directors have reviewed the Company and KRM22's going concern position taking into account of its current business activities, budgeted performance and the factors likely to affect its future development, which are set out in this Annual Report, and include KRM22's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to credit and liquidity risks.

The Company meets its day-to-day working capital requirements through cash generated from the capital it has raised on AIM. At 31 December 2018 KRM22 had £3.4m of cash at bank and no bank debt. As detailed in note 30, on 3 April 2019 the Company raised additional funds of £1.8m for working capital and planned acquisitions of controlling stakes in businesses in the risk sector. In addition to the fundraise, on 29 April 2019 KRM22 entered into a five-year debt facility for up to £10.0m with Harbert European Growth Capital Fund II. An initial £1.0m was drawn down on 30 April 2019 and the availability of additional drawdowns is based on the value and growth of KRM22's annualised recurring revenues. Drawdowns can be made until 31 December 2020.

The directors have prepared cash flow forecasts covering a period of at least 12 months from the date of approval of the financial statements. If the forecast is achieved, KRM22 will be able to operate within its existing facilities. However the time to close new customers and the value of each customer, which are deemed high value and low volume in nature are factors which constrain the ability to accurately predict revenue performance. Furthermore investment in winning customers, via marketing expenditure, remains an important function of the forecasts too. If sales contracts are slow to materialise, there is a risk that KRM22's working capital may prove insufficient to cover both operating activities and the repayment of its debt facility entered into on 29 April 2019. In such circumstances, KRM22 would be obliged to seek additional funding though a placement of shares or other source of funding without reduction of operating costs.

The directors have concluded that the circumstances set forth above represent a material uncertainty, which may cast significant doubt about the Company and KRM22's ability to continue as going concerns. However they believe that taken as a whole, the factors described above enable the Company and KRM22 to continue as a going concern for the foreseeable future. The financial statements do not include the adjustments that would be required if the Company and KRM22 were unable to continue as a going concern.

Revenue recognition

Revenue comprises recurring revenue and non-recurring revenue and is stated exclusive of VAT and sales tax.

All revenue is only recognised to the extent when services have been delivered and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable.

The following specific recognition criteria are applied to each revenue stream:

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

Recurring revenue

Recurring revenue comprises Software-as-a-Service (SaaS) license fees which give the licensee a right to access the software for a fixed period of time together with ongoing post-contract customer support services comprising customer support (including designated contacts, telephone and onsite support), hosting and maintenance services, enhancements and minor and major upgrades. All of the post-contract customer support services are bundled into one service and are not readily distinguishable in terms of apportioning the license fee between its constituent parts.

In applying the principles of IFRS15 'Revenue from Contracts with Customers' the Directors consider that SaaS licenses provide the customer with a right to access the software over a period of time and that revenue generated from sales of software licenses is recognised over the term of the license.

Where license fees are invoiced in advance, the income is deferred and released over the term of the license with the balance recorded within accruals and deferred income in the statement of financial position.

Non-recurring revenue

Non-recurring revenue comprises one-off pieces of work including implementation fees related to initial set-up services and ad-hoc development services which are outside the scope of post-contract customer services covered by the license fee.

Where implementation fees have only been partially completed at the statement of financial position date, turnover represents the value of service provided to date based on a proportion of the total contract value. Where payments have been received from customers in advance of services provided, the amounts are recorded within accruals and deferred income in the statement of financial position.

Deferred revenue

At 31 December 2018, the balance of deferred revenue was £0.6m (2017 – £nil) and this will be released to the income statement in full within one year of the statement of financial position date.

Business combinations and goodwill

KRM22 applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred by the former owners of the acquiree and the equity interests issued by KRM22. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets and liabilities acquired, and liabilities assumed are measured initially at their fair values at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquired entity measured on the proportionate net asset basis, over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognised immediately in the income statement as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the KRM22's cash-generating unit that is expected to benefit from the combination, irrespective of whether other assets of liabilities of the acquiree are assigned to that unit.

Intangible assets

Research expenditure is expensed to the income statement in the year in which it is incurred. Expenditure on internal projects is capitalised if it can be demonstrated that:

- it is technically and commercially feasible to develop the asset for future economic benefit;
- adequate resources are available to maintain and complete the development;
- KRM22 is able to use the asset;
- use of the asset will generate future economic benefit; and
- expenditure on the development of the asset can be measured reliably.
- it is KRM22's intention to complete the development and use or sell it.

Other development expenditure is recognised in the income statement as an expense as incurred.

Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets. Intangibles assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Acquired software	-	straight line over 5 - 10 years
Capitalised development costs	-	straight line over 3 years
Customer contracts and relationships	-	straight line over 10 years
Brand (including trademarks)	-	straight line over 3 - 10 years

The basis for choosing these useful lives is with reference to the years over which they can continue to generate value for KRM22.

Amortisation charges are included within administrative expenses in the consolidated statement of income statement. KRM22 reviews the amortisation year and methodology when events and circumstances indicate that the useful life may have changed since the last reporting date.

Property, plant and equipment

Property, plant and equipment are initially measured at historical cost and subsequently measured at historical cost, net of depreciation and any impairment losses.

Depreciation on other assets is calculated on a straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Fixtures and fittings	-	straight line over 4 years
Office and computer equipment	-	straight line over 4 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in the income statement.

Right of use assets

KRM22 recognises right of use assets for all applicable leases at the lease liability commencement date. The right of use asset is initially measured at cost, and consists of the amount of:

- the initial measurement of lease liability, plus
- any lease payments made to the lessor at or before the commencement date, less
- any lease incentives received;
- the initial estimation of restoration costs; and
- any initial direct costs incurred by the lessee.

Depreciation on right of use assets is calculated on a straight line method over the lease term.

Non-current assets

The Company's interests in subsidiaries are initially measured at cost and subsequently measured at costs less accumulated impairment losses.

Impairment of tangible and intangibles assets

All tangible and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows or Cash Generating Units (CGUs).

Financial assets

Financial assets are recognised in KRM22 and Company's statement of financial position when KRM22 and Company becomes party to the contractual provisions of the instrument. Under IFRS 9 the classification of financial assets is based both on the business model and cash flow type under which the assets are held. There are three principal classification categories for financial assets: amortised cost; fair value through other comprehensive income; and fair value through profit or loss. KRM22 has not classified any of its financial assets as fair value through other comprehensive income.

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

Amortised cost

These assets are non-derivative financial assets held under the 'held to collect' business model and attracting cash flows that are solely payments of principal and interest. They comprise trade and other receivables and cash and cash equivalents. They are initially measured at fair value plus transaction costs, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade and other receivables are calculated using an expected credit loss model. Under this model, impairment provisions are recognised to reflect expected credit losses based on combination of historic and forward-looking information, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net; such provisions are recorded in a separate allowance account. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Cash and cash equivalents include cash in hand, deposit held at call with banks, other short term highly liquid investments with maturities of three months or less.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities are stated at fair value with differences taken to the consolidated income statement. Interest on financial liabilities up to maturity is included in the finance costs line item in the consolidated income statement.

(b) Trade and other payables

Trade payables and other payables are not interest bearing and are stated at their full value on initial recognition. For disclosure purposes, the fair values of trade and other payables are estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. As trade payables and other payables are short term in nature as at the reporting date, the carrying value is considered to be a reasonable approximation of fair value.

(c) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised costs using the effective interest method, with interest recognised on an effective rate basis.

Taxation

The tax expense represents the sum of tax currently payable and deferred tax.

(a) Current tax

Any current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes certain items of income or expense that are either taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

(b) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or the initial recognition (other than in a business combination) of assets and other liabilities in a transaction that affects neither the tax profit or loss nor the accounting profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to 'other comprehensive income', in which case the deferred tax is dealt with in 'other comprehensive income'. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

Provisions

Provisions are recognised when KRM22 has a legal or constructive present obligation as a result of a past event, it is probable that KRM22 will be required to settle that obligation and a reliable estimate can be made of the amount of KRM22's obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and as an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets. The cost of any unused holiday entitlement is recognised in the year in which the employee's services are received.

Retirement benefits

KRM22 operates a defined contribution plan, under which KRM22 pays contributions to independently administered pension plans on a mandatory, contractual or voluntary basis. KRM22 has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense in the income statement when they are due.

Share-based payments

The Company issues equity-settled share-based payments to certain employees and these payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of the grant using appropriate pricing models. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

At the date of each statement of financial position, the Company revises its estimate of the number of equity instruments that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment is made to equity over the remaining vesting period. The fair value of the awards and ultimate expense are not adjusted on a change in market vesting conditions during the vesting period.

The value of share-based payment is taken directly to reserves and the charge for the period is recorded in the income statement.

KRM22's scheme, which awards shares in the parent entity, includes recipients who are employees in all subsidiaries. In the consolidated financial statements, the transaction is treated as an equity-settled share-based payment, as KRM22 has received services in consideration for KRM22's equity instruments. An expense is recognised in the Group income statement for the fair value of share-based payment over the vesting year, with a credit recognised in equity.

In the subsidiaries' financial statements, the awards, in proportion to the recipients who are employees in said subsidiary, are treated as an equity-settled share-based payment, as the subsidiaries do not have an obligation to settle the award. An expense for the grant date fair value of the aware is recognised over the vesting year, with a credit recognised in equity. The credit is treated as a capital contribution, as the parent is compensating the subsidiaries' employees with no cost to the subsidiaries as there is no expectation to recharge the cost. In the parent company's financial statements, there is no share-based payment charge where the recipients are employed by a subsidiary, with the parent company recognising an increase in the investment in the subsidiaries as a capital contribution from the parent and a credit to equity.

Earnings per share

Earnings per share are calculated by dividing profit or loss after tax attributable to equity shareholders of the parent company by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share requires that the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These arise from awards made under share-based incentive schemes. Instruments that could potentially dilute basic earnings per share in the future have been considered but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented. This is due to the KRM22 incurring losses on continuing operations for the year.

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

Leases

IFRS16 'Leases' replaces the previous leases standard, IAS 17 'Leases', and its related interpretations and is to be applied for accounting periods beginning on or after 1 January 2019 with early application of the standard permissible. The Directors have applied the standard early on the basis that the new accounting treatment would have a material impact on the way in the accounts are presented.

Under IFRS16, KRM22 recognises the lease liability at the commencement date of the lease at an amount equal to the present value of the lease payments during the lease term that are not yet paid. The present value of the lease payments is based on applying a discount rate which is either the interest rate implicit in the lease or the incremental borrowing rate. The interest rate is treated as an interest expense and charged to the income statement.

KRM22 also recognises a right of use asset at the lease liability commencement date and is measured at cost as detailed in the Right of use asset accounting policy. The right of use asset is depreciated over the term of the lease.

Where a lease has less than twelve months until the lease expiry date or where leases for which the underlying asset is of low value, KRM22 continues to classify these as operating leases and are charged as an expense to the income statement on a straight line basis.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to KRM22. All other leases are classified as operating leases and charged as an expense to the income statement on a straight-line basis over the term of the lease.

Foreign currency

Foreign currency transactions are translated at the exchange rates prevailing at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange at the statement of financial position date. Any gain or loss arising from a change in the exchange rates of exchange subsequent to the date of the transaction is included as a gain or loss in the income statement.

The statements of financial position of the foreign subsidiaries are translated into Sterling at the exchange rate at the year end. The results of foreign subsidiaries are translated into Sterling at the average rate of exchange during the financial year. Exchange differences which arise from the translation of opening net assets or the foreign subsidiary undertakings are included in the consolidated statement of comprehensive income and transferred to the KRM22's translation reserve.

Descriptions of nature of each component of equity

The components of KRM22's equity can be described as follows:

- Share capital – The amount for the nominal value of shares issued.
- Share premium – The amount subscribed for share capital in excess of nominal value after deducting certain costs of issue.
- Foreign exchange reserve – This reserve relates to exchange differences arising on the translation of the statement of financial position of the KRM22's foreign operations at the closing rate and the translation of the income statement of those operations at the average rate.
- Merger reserve – See note 2.
- Share-based payment reserve – This relates to the fair value of share options and warrants determined at the grant date of the equity-settled share-based payments.
- Retained deficit – The net gains and losses recognised in the consolidated statement of comprehensive income.

4. Critical accounting judgements and key sources of estimation uncertainty

IAS 1 requires disclosure of the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

In the application of KRM22 and Company's accounting policies, the Directors are required to make certain judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The Directors believe that there are six areas within the financial statements which constitute critical accounting judgements as follows:

(a) Share-based payments

KRM22 uses the Black-Scholes option pricing model to calculate the fair value of EMI share options and the Monte Carlo pricing model to calculate the fair value of warrants. These models require various inputs which require significant areas of judgement around weighted average contractual life, expected volatility and expected dividend growth rate; expected volatility and expected dividend growth rate is based on the KRM22's current strategy.

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

(b) Deferred consideration

When KRM22 acquires subsidiary undertakings, the total consideration to be paid can include a combination of initial cash consideration, Company ordinary shares and deferred consideration that can be settled in either in the form of cash or Company ordinary shares at the Company's discretion.

The deferred consideration is dependent on the acquired subsidiary undertaking achieving certain performance conditions at a future date and as specified in the relevant share purchase agreement. As the performance conditions are based on a future date, management are required to apply a significant amount of judgement in determining the likelihood of whether the performance criteria will be achieved.

(c) Revenue

The allocation and timing of the recognition of revenue requires management judgement based on each sales contract. Contracts can include both the sale of licences and the provision of services including integration and development. The directors consider recognition of the separable components of revenue is most appropriate as this indicates the substance of the transaction as viewed by the customer.

The point at which the significant risks and rewards of ownership transfer is dependent on the contractual terms and on this basis an analysis is made of each separable component of revenue. In respect of a licence, this would usually be across the license term as the license is deemed to provide a 'right of access' to the customer.

(d) Capitalisation of development costs

Development costs are capitalised based on an assessment on whether they meet the criteria specified in IAS 38 for capitalisation. During each reporting period, an assessment is performed by management to determine time spent developing the intangible assets as a proportion of total time spent in the year. This represents an area of judgement and impacts the value of intangible costs capitalised.

(e) Leases

The recognition of finance leases in line with IFRS 16 requires significant judgement around the interest rate used to calculate the discount rate of the present value of future cash flows.

(f) Business combinations

The valuation of deferred consideration based on the future performance of acquired businesses relies upon significant judgments made by management.

In addition, IAS 1 requires disclosure of information about the assumptions the entity makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes to the financial statements include details of their nature and carrying amount at the end of the reporting period.

In addition, judgments are made around the fair value of certain acquired assets to disclose their fair value, based on areas such as expected credit risk of assumptions around performance.

(g) Useful economic lives

Tangible and intangible assets are depreciated and amortised over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

5. Segmental reporting

The Board of Directors, as the chief operating decision maker in accordance with IFRS 8 Operating Segments, has determined that KRM22 is organised for reporting purposes into a single global business unit.

The internal management accounting information has been prepared in accordance with IFRS but has a non-GAAP 'Adjusted EBITDA' as a profit measure for the overall group. This amount is reported on the face of the income statement.

The Directors consider that the business has three revenue streams with different characteristics, which are generated from the same assets and cost base.

One customer generated more than 10% of total revenue during the year ended 31 December 2018 .The total revenue received from this customer was £0.4m (2017 – £nil) and is reported in the Europe segment.

	2018 £'000	2017 £'000
Recurring revenue	1,121	–
Non-recurring revenue	167	–
Total revenue	1,288	–

KRM22's revenue from external customers and information about its non-current assets, excluding deferred tax, by geography is detailed below:

	Revenue 2018 £'000	Non-current assets 2018 £'000
UK	229	6,422
Europe	382	38
USA	629	5,897
Rest of world	48	–
Total	1,288	12,357

6. Operating loss

Operating loss for the year has been arrived at after charging the following:

	2018 £'000	2017 £'000
Depreciation of property, plant and equipment	44	–
Depreciation of right of use assets	246	–
Amortisation of intangible assets	233	–
Impairment of intangible assets	75	–
Operating lease costs	17	–
Foreign currency exchange losses	16	–

7. Auditor's remuneration

	2018 £'000	2017 £'000
For audit services		
Audit of the financial statements of the Company	75	–
Audit of the financial statements of the Company' subsidiaries	11	–
	86	–
For other services		
Tax services of the Company	11	–
Tax services for the Company's subsidiaries	4	–
Tax services around acquisitions	15	–
Adviser fees in respect of IPO	26	–
	56	–

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

8. Employee information

i) Employee numbers

The average monthly number of people, including executive directors, employed by KRM22 during the year was as follows:

	2018 No.	2017 No.
UK	30	2
USA	19	–
Rest of the world	9	–
Total	58	2

ii) Employee benefits

The aggregate payroll costs of these persons were as follows:

	2018 £'000	2017 £'000
Wages and salaries	2,349	2
Social security costs	179	–
Pension costs	50	–
Share-based payments	657	–
Total	3,235	2

iii) Directors' remuneration

The remuneration of the Directors, who also represent the key management personnel of KRM22, during the year was as follows:

	2018 £'000	2017 £'000
Remuneration for qualifying services	481	–
Pension contributions to defined contribution schemes	11	–
Share based payments	600	–
Total	1,092	–

Full details of Directors' remuneration is presented in the Remuneration Committee Report on page 28. Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2018 £'000	2017 £'000
Remuneration for qualifying services	160	–
Total	160	–

The number of Directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2017 – nil).

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

9. Finance expense

	2018 £'000	2017 £'000
Interest expense on financial liabilities	26	–
Interest expense on right of use assets	56	–
Net finance expense	82	–

10. Taxation

	2018 £'000	2017 £'000
Current tax:		
UK Corporation Tax at 19% on loss for the year (2017 – 19.25%)	–	–
Overseas corporation taxes	–	–
Total current tax	–	–
Deferred tax:		
Origination and reversal of temporary differences	31	–
Intangible assets recognised on acquisition	(44)	–
Total deferred tax (note 22)	(13)	–
Total tax credit	(13)	–

The tax expense differs from the standard rate of corporation tax in the UK for the year of 19% for the following reasons:

	2018 £'000	2017 £'000
Loss before tax	(5,433)	(6)
Loss before tax based on corporation tax 19% (2017: 19.25%)	(1,032)	(1)
Accelerated capital allowances	31	
Expenses not deductible for tax purposes	102	
Intangibles assets recognised on acquisition	(44)	–
Losses carried forward	930	1
Total tax credit	(13)	–

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

11. Loss per share

Basic earnings per share is calculated by dividing the loss attributable to the equity holders of KRM22 by the weighted average number of shares in issue during the year

KRM22 has dilutive ordinary shares, this being warrants and options granted to employees. As KRM22 has incurred a loss in the year, the diluted loss per share is the same as the basic earnings per share as the loss has an anti-dilutive effect.

	2018 £'000	2017 £'000
Loss for the year attributable to equity holders of the parent	**(5,217)**	(6)
Basic weighted average number of shares in issue	**9,407,958**	10,000
Diluted weighted average number of shares in issue	**13,760,193**	10,000
Basic and diluted loss per share	**(55.5p)**	(60.0p)

12. Intangible assets

	Goodwill on consolidation £'000	Acquired Software and related assets £'000	Trademarks and licences £'000	Capitalised development costs £'000	Total £'000
Cost					
At 1 January 2018	–	–	–	–	–
Additions	5,809	2,448	586	1,789	10,632
Foreign exchange movements	119	–	3	–	122
At 31 December 2018	5,928	2,448	589	1,789	10,754
Accumulated amortisation					
At 1 January 2018	–	–	–	–	–
Amortisation for the year	–	215	18	–	233
Impairment charge for the year	–	–	75	–	75
Foreign exchange movements	–	(5)	–	–	(5)
At 31 December 2018	–	210	93	–	303
At 31 December 2017	–	–	–	–	–
At 31 December 2018	5,928	2,238	496	1,789	10,451

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

13. Property, plant and equipment

	Fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost			
At 1 January 2018	–	–	–
Acquisition of subsidiaries	200	–	200
Additions	54	94	148
At 31 December 2018	254	94	348
Accumulated depreciation			
At 1 January 2018	–	–	–
Depreciation charge for the year	36	8	44
At 31 December 2018	36	8	44
Net book value at 31 December 2017	–	–	–
Net book value at 31 December 2018	218	86	304

14. Right of use assets

	Total £'000
Cost	
At 1 January 2018	–
Additions	1,840
Disposals	–
At 31 December 2018	1,840
Accumulated depreciation	
At 1 January 2018	–
Depreciation charge for the year	246
Foreign exchange movements	(8)
Disposals	–
At 31 December 2018	238
Net book value at 31 December 2017	–
Net book value at 31 December 2018	1,602

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

15. Investment in subsidiaries

	2018 £'000
Cost	
At 1 January 2018	–
Additions	**857**
At 31 December 2018	**857**
Carrying amount	
At 1 January 2018	–
At 31 December 2018	**857**

The additions in the year represents share capital of the subsidiary paid for by cash and capital contributions made to the Company's subsidiaries in respect of the share option expense recognised on share options and warrants issued by the Company to employees of the appropriate subsidiaries. The capital contribution transaction is a non–cash transaction.

Details of the Company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office	Ownership interest and voting rights	Nature of business
KRM22 Central Limited*	5 Ireland Yard London, EC4V 5EH England	100%	Administrative and sales company
KRM22 Development Limited	5 Ireland Yard London, EC4V 5EH England	100%	Development services
KRM22 Development Spain S.L.	Travessera de Gràcia, 11 5th floor 08021, Barcelona Spain	100%	Development services
KRM22 Singapore Pte Limited	10 Anson Road, #23–02 International Plaza 079903 Singapore	100%	Sales company
KRM22 Americas Inc.	1013 Centre Road, Suite 403–B Wilimington, New Castle DE, 19805 USA	100%	Administrative and sales company
KRM22 ProOpticus LLC	111 West Jackson Blvd. Suite 2210 Chicago IL, 60604 USA	100%	Administrative and sales company
Irisium Limited	5 Ireland Yard London, EC4V 5EH England	60%	Administrative and sales company

* Shares held directly by KRM22 Plc

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

16. Trade and other receivables

Trade receivables disclosed below are classified as loans and receivables and are therefore measured at amortised cost.

	2018 £'000 Group	2018 £'000 Company	2017 £'000 Group
Amounts falling due within one year:			
Trade receivables	386	–	–
Trade receivables group companies	–	196	–
Other receivables	511	67	–
Prepayments and accrued income	234	44	1
Total trade and other receivables due within one year	1,131	307	1
Amounts falling due after more than one year:			
Amounts due from group undertakings	–	11,321	–
Total trade and other receivables due in more than one year	–	11,321	–

The carrying value of trade and other receivables approximates fair value.

KRM22 has elected to apply the simplified approach available under IFRS 9:5.5.15 for its trade receivables. KRM22's trade receivables result from transactions in the scope of IFRS 15 'Revenue from Contracts with Customers'. Under this simplified approach, a lifetime expected loss allowance is always recognised (both at initial recognition and throughout the life of the trade receivable).

KRM22's trade receivables have a short duration of less than 12 months, and do not have a contractual interest rate. Therefore an EIR of zero has been applied to cash flows. KRM22 has used a provision matrix to determine the lifetime ECL of the portfolio. It is based on KRM22's historical, observed default rates, and is adjusted by a forward looking estimate of future economic conditions.

KRM22 group revenue was derived from two acquisitions that were made during the year Irisium Ltd and KRM22 ProOpticus LLC. Based on historical observed default rates of KRM22 ProOpticus LLC , the estimated impairment loss is immaterial. Furthermore since acquisition the Group has managed customer credit risk in line with Group policy. Outstanding receivables are actively monitored and discussed by management. Irisium was incorporated on 4 May 2017. The Group does not consider any amounts due from Irisium customers to be overdue. There are no doubts as to the future recoverability of these balances .Therefore, any impairment would be immaterial.

Amounts due from group undertakings have been classified as falling due after more than one year based on the agreed terms of repayment by subsidiaries in future periods. The Company provides regular funding to KRM22 Central Limited at an appropriate interest rate of 8.14%. The Directors consider the terms of the transaction to be at arm's length.

The Company does not consider any of the amounts due from group undertakings to be overdue. There are no significant doubts as to the future recoverability of these balances, and as such, no provision for bad and doubtful debts has been raised against the amounts due from group undertakings.

17. Trade receivables – credit risk

Aging of due and past due but not impaired receivables	2018 £'000	2017 £'000
0 – 30 days	307	–
31 – 60 days	68	–
61 – 90 days	8	–
91 + days	3	–
	386	–

KRM22 provides against trade receivables where there are significant doubts as to future recoverability based on prior experience, on assessment of the current economic climate and on the length of time that the receivable has been overdue.

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

18. Cash and cash equivalents

	2018 £'000 Group	2018 £'000 Company	2017 £'000 Group
Cash at banks and on hand – unrestricted	2,889	1,744	14
Cash at banks and on hand – restricted	466	466	–
	3,355	2,210	14

When the Company completed the IPO, the proceeds were a mixture of VCT/EIS funds and general funds. VCT/EIS funds are restricted to expenditure on activities relating to setting up the business and furthering new business activities and is therefore treated as restricted cash. Unrestricted cash can be used by KRM22 for any business activities including acquisitions.

19. Trade and other payables

	2018 £'000 Group	2018 £'000 Company	2017 £'000 Group
Trade payables	675	65	1
Trade payables group companies	–	7	–
Accruals and deferred income	1,290	171	–
Social security and other taxation	126	–	–
Other payables	86	–	10
Leases	541	–	–
Total due within one year	2,718	243	11
Amounts falling due after more than one year:			
Finance lease liability	1,046	–	–
Deferred consideration	1,563	–	–
Total due in more than one year	2,609	–	–

The fair value of trade and other payables are the same as the carrying values.

20. Finance leases

	2018 £'000	2017 £'000
Amounts payable under finance leases		
Within one year	541	–
In two to five years	1,046	–
	1,587	–

KRM22's finance leases relate to various office leases held by subsidiary undertakings.

21. Loans and borrowings

	2018 £'000	2017 £'000
Non-Current		
Unsecured loans	1,193	–
	1,193	–

The fair value of loans and borrowings are the same as the carrying values.

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

22. Deferred tax

	Intangible assets recognised on acquisition £'000	Accelerated capital allowances £'000	Total £'000
Deferred tax liability at 1 January 2018	–	–	–
On acquisition	601	31	632
Income statement credit/(charge)	(42)	29	(13)
Deferred tax liability at 31 December 2018	559	60	619

KRM22 has tax losses of £9.2m that are available for offset against future taxable profits of those subsidiary companies in which the tax losses arose. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in subsidiaries whose future taxable profits are uncertain. The estimated value of the deferred tax asset not recognised is £1.7m (2017 - £nil).

In addition to the above operating tax losses, a potential deferred tax asset, could relate to pre-acquisition tax losses of ProOpticus. The availability and future utilisation of these losses remains under consideration, taking account of both its legacy ownership structure and Section 382 of the US Internal Revenue Code, whereby the ability to utilise net operating losses arising prior to a change of ownership is limited to a percentage of the entity value of the entity at the date of change of ownership. These potential operating tax losses (and related potential deferred tax asset) have not been included in the available operating tax losses (and related deferred tax asset) owing to current uncertainties on their actual usability.

A deferred tax liability of £0.6m has been recognised in relation to intangible assets of £2.8m that arise on the acquisition of ProOpticus and Irisium.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in that jurisdiction in the year when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the statement of financial position date and therefore these have been measured at 17% UK and an effective rate of 23% on our overseas jurisdictions.

23. Operating leases

KRM22 operates from various leased properties around the world and the terms of property leases vary by location. IFRS 16 'Leases' has been adopted early and accordingly, any lease that has more than twelve months remaining until the lease termination date has been accounted for as a financial lease and recognised as a right of use asset and lease liability. Any property leases that have less than twelve months until termination date are deemed to be short–term leases and recognised as operating leases.

KRM22 has total minimum future lease commitments under non–cancellable operating leases as set out below:

	2018 £'000	2017 £'000
Due within one year	26	–
	26	–

24. Share capital

	2018 Number	2018 £'000	2017 Number	2017 £'000
Issued and fully paid 10p Ordinary shares				
At 1 January	–	–	–	–
Issued for cash during the year*	13,602,873	1,360	10,000	10
Issued as share exchange	2,000,000	200	–	–
Issued for other consideration	773,515	78	–	–
At 31 December	16,376,388	1,638	10,000	10

*As the Company was not incorporated until 2 March 2018, the comparative relates to KRM22 Central Limited. On 19 April 2018, the Company, under common control of KRM22 Central Limited, acquired KRM22 Central Limited from its shareholders in return for an issue of shares.

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

The Company was incorporated on 2 March 2018 and issued 2 ordinary shares. On 19 April 2018, the Company issued 1,999,998 ordinary shares as part of a share exchange with its subsidiary KRM22 Central Limited.

On 30 April 2018, the Company issued 10,320,239 ordinary shares as part of an IPO on the AIM at a placing price of 100 pence per share, giving rise to a share premium of £9.3m. Costs relating to the IPO amounting to £0.2m have been recognised within share premium in respect of costs incurred to issue new shares.

On 25 September 2018, the Company placed a further 3,282,634 new ordinary shares of 10 pence each to raise £3.3m at placing price of 101 pence per share. On the same date, the Company issued 773,515 new ordinary shares at a price of 101 pence per share as part consideration for the acquisition of KRM22 ProOpticus LLC (formerly Prime Analytics LLC). Costs relating to the share placement of £0.1m have been recognised within share premium.

25. Share–based payments

Warrants

On 24 April 2018, the Company passed a resolution for a total of 6,000,000 warrants to be granted to certain directors and members of staff conditional on the Company's admission to the AIM. The warrants are exercisable in full in three equal tranches, in the event that the Company's share price equals or exceeds three separate hurdles at the relevant testing or vesting date. The earliest testing date for tranche one is two years following admission to the AIM, i.e. 30 April 2020, with the earliest testing date for tranche two and three being one year later, i.e. 30 April 2021.

If these conditions are met the warrants are exercisable at a 100 pence per share. The vesting period is three years and the warrants can be exercised if, at a testing date, the specific performance conditions are met, or the Directors, in their absolute discretion, determine that an option may be exercised at any other time and in any other circumstances. If the options remain unexercised after a period of ten years from the date of the grant the options expire.

Employee share option plan

On 24 April 2018, the Company passed a resolution to set up the KRM22 Employee Share Option Plan ('ESOP'), a UK tax authority approved Enterprise Management Incentive (EMI). At 28 September 2018 the Company granted 983,000 options to all employees of KRM22 on that date. In the period following 28 September 2018 and to 31 December 2018, KRM22 issued a further 106,000 options to employees that commenced employment with group companies in that time period.

The options vest over a three–year period and are exercisable on the third anniversary of the grant date provided that the share price has increased by 5% compounded during the period and provided the employee remains employed by KRM22. All options unexercised after a period of ten years from the date of grant expire. KRM22 has no legal or constructive obligation to repurchase or settle the options for cash.

Options are exercisable at a range of between 100 pence per share and 109.5 pence per share. The weighted average remaining contractual life of the share options outstanding at 31 December 2018 is 2 years and 9 months.

	Weighted average exercise price £	**2018 Number**	Weighted average exercise price £	2017 Number
Outstanding at 1 January	**–**	**–**	–	–
Granted during the year – warrants	**1.00**	**6,000,000**	–	–
Granted during the year – ESOP	**1.02**	**1,089,000**	–	–
Forfeited during the year – ESOP	**–**	**(3,000)**	–	–
Exercised during the year	**–**	**–**	–	–
Expired during the year	**–**	**–**	–	–
Outstanding at 31 December	**1.00**	**7,086,000**	–	–

The fair value of options subject to non–market based vesting conditions are measured using a Black Scholes model and those options with market based conditions are measured using a Monte Carlo pricing model.

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

The fair value of the outstanding options without performance conditions was measured using the Black Scholes options valuation model. The inputs to that model in respect of the share options outstanding under each issue as at the year ended 31 December 2018 and 31 December 2017 were as follows:

	2018	2017
Weighted average share price at grant date	£1.0950	–
Exercise price	£1.00	–
Weighted average contractual life	3 years	–
Expected volatility	30%	–
Expected dividend growth rate	–	–
Risk-free interest rate	0.86%	–

The fair value of the outstanding options with performance conditions was measured using the Monte Carlo simulation model. The inputs to that model in respect of the share options outstanding under each issue as at the year ended 31 December 2018 and 31 December 2017 were as follows:

	2018	2017
Weighted average share price at grant date	£1.3198	–
Exercise price	£1.00	–
Weighted average contractual life	3 years	–
Expected volatility	30%	–
Expected dividend growth rate	–	–
Risk-free interest rate	0.8287%	–

The total expense recognised for the year ending 31 December 2018 arising from equity-settled share-based payment transactions amounted to £0.7m (2017 - £nil).

KRM22 did not enter into any share-based payment transactions with parties other than employees during the current or previous year.

26. Capital commitments

At 31 December 2018 KRM22 had no material capital commitments (2017 - £nil).

27. Financial instruments and financial risk management

KRM22's principal financial liabilities comprise trade and other payables and borrowings. The primary purpose of these financial liabilities is to finance the operations. KRM22 has trade and other receivables and cash that derive directly from its operations.

The Company has limited financial liabilities as its primary purpose is to hold investments in other group companies. The Company's receivables largely relate to its funding of the operations of KRM22.

	2018 £'000 Group	2018 £'000 Company	2017 £'000 Group
Financial assets			
Cash at banks and on hand – unrestricted	2,889	1,744	14
Cash at banks and on hand – restricted	466	466	–
Trade receivables group companies	–	11,517	–
Trade and other receivables	562	–	–
	3,917	13,727	14
Financial liabilities			
Trade and other payables	757	65	1
Accruals	734	171	–
Deferred consideration	1,563	–	–
Borrowings	1,193	–	–
Finance lease obligations	1,587	–	–
	5,834	236	1

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

The Directors consider that the carrying amount for all financial assets and liabilities approximates to their fair value.

Financial risk management

KRM22 is exposed to market risk, which includes interest rate risk and currency risk, credit risk and liquidity risk. The senior management oversees the management of these risks and ensures that the financial risk taken is governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with KRM22's policies and risk appetite.

The Board of Directors review and agree polices for managing each of these risks, which are summarised below:

(a) Market risk

KRM22's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Financial currency risk management

KRM22 is exposed to transactional and translation exchange risk. Transactional foreign exchange risk arises from sales or purchases by a group company in a currency other than that Company's functional currency. Translation foreign exchange risk arises on the translation of profits and losses earned and the translation of net assets denominated in US Dollar, Singapore Dollar, Czech Kroner and Euros to Sterling, KRM22's functional currency.

	USD	EUR	CZK	SGD
Year ended 31 December 2017				
Average rate	–	–	–	–
Year-end spot rate	–	–	–	–
Year ended 31 December 2018				
Average rate	**1.33**	**1.13**	28.94	1.79
Year-end spot rate	**1.27**	**1.11**	28.50	1.73

Foreign currency sensitivity analysis

The following table details KRM22's sensitivity analysis to a 5% decrease in Sterling against the relevant foreign currencies which the Directors believe could have the most significant impact on the performance of KRM22. For a 5% strengthening of Sterling against the relevant currency there would be a comparable favourable impact on financial performance.

	Loss		Other equity	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
US Dollar	**(34)**	–	**(42)**	–
Singapore Dollar	**(4)**	–	**(5)**	–
Czech Kroner	**(20)**	–	**(20)**	–
Euros	**(7)**	–	**(7)**	–
	(65)	–	**(74)**	–

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in market interest rates. The Directors do not believe the interest rate risk to be material and therefore no sensitivity analysis has been prepared.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. KRM22 is exposed to credit risk from its operations, primarily from trade receivables, and from loans provided to related parties.

Trade receivables

Customer credit risk is managed subject to KRM22's established policy, procedures and control relating to customer credit risk management. Outstanding receivables are regularly monitored and discussed at executive management and Board level of group companies.

Financial instruments and cash deposits

Credit risk from cash balances with banks and financial institutions is managed in accordance with KRM22 policy. Credit risk with respect to cash is managed by carefully selecting the institutions with which cash is deposited.

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

Impairment

The financial assets of the group comprise cash at banks, trade receivables and other receivables. Having reviewed the recoverability of KRM22's financial assets since the reporting date, as well as the likelihood of future losses over the next 12 months and the lifetime of the assets, the Board does not consider it necessary to recognise any credit losses.

(c) Liquidity risk

KRM22 is not currently cash generative, however funds were raised as part of the IPO and subsequent share placement. The Board carefully monitors the levels of cash and is comfortable that it has sufficient cash for normal operating requirements. KRM22 has no committed lines of credit.

The following table details KRM22's remaining contractual maturity for its financial liabilities based on contractual payments:

	Within 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Total £'000
At 31 December 2017				
Trade and other payables	1	–	–	1
Unsecured loans	10	–	–	10
At 31 December 2018				
Trade and other payables	**2,177**	**–**	**–**	**2,177**
Deferred consideration	**–**	**1,182**	**1,182**	**2,364**
Unsecured loans	**–**	**–**	**1,193**	**1,193**
Finance lease obligations	**541**	**468**	**578**	**1,587**

Capital risk management

KRM22 manages its capital to ensure that it will be able to continue as a going concern while also maximising the operational potential of the business. The capital structure of KRM22 consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital and reserves as disclosed in the consolidated statement of changes in equity. KRM22 is not exposed to externally imposed capital requirements.

28. Business combinations

Irisium Limited

On 5 June 2018 KRM22 Central Limited, a wholly owned subsidiary of the Company, acquired 60% of the issued share capital in Irisium Limited ("Irisium") a financial technology provider specialising in capital markets regulation. The acquisition was for an initial cash consideration of £1.7m, £1.0m shareholder loan assignment and undiscounted contingent deferred consideration of £0.6m. The deferred consideration is payable in the event that Irisium achieves £2.0m of annualised recurring revenue as at 30 June 2019 and can be satisfied in either cash or Company ordinary shares at the Company's discretion. If the deferred consideration is satisfied by the issue of ordinary shares, the number of shares issued will be determined by the market share price at the issue date. Based on the current financial performance of Irisium, the directors do not believe that Irisium will achieve the £2.0m annualised recurring revenue target by 30 June 2019. On this basis the directors believe that the contingent deferred consideration will not be payable and have therefore excluded this element of consideration from fair value of the total consideration that could have been paid under the terms of the share purchase agreement.

Fair value of consideration paid	£'000
Cash	1,699
Assignment of shareholder loan	1,018
	2,717

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value £'000	**Fair value adjustments £'000**	Fair value under IFRS £'000
Non-current assets			
Property, plant and equipment	86	**–**	86
Software	–	**1,618**	1,618
Trademarks	49	**–**	49
	135	**1,618**	1,753
Current assets and liabilities			
Receivables	770	**–**	770
Cash and cash equivalents	86	**–**	86
Payables	(791)	**–**	(791)
Borrowings	(1,697)	**1,018**	(679)
Deferred tax	–	**(283)**	(283)
	(1,632)	**735**	(897)
Net identifiable (liabilities) /assets acquired	(1,497)	**2,353**	856
Goodwill			2,203
Fair value of 40% non-controlling interest			(342)
Total consideration paid by the Group			**2,717**

Goodwill is recognised on the acquisition as a result of Irisium's contracted sales pipeline in the financial technology market and synergies expected to arise after acquisition. Acquisition costs of £0.1m arose as a result of the transaction and are included in KRM22's administrative expenses in the consolidated income statement.

The fair value of receivables acquired was £0.8m and the directors believe that this also represents the gross contractual amounts receivable, as this is the directors best estimate at the date of acquisition of contractual cashflows expected to be collected.

Since acquisition date, Irisium has contributed £0.8m to group revenues and £0.9m to group loss. Had the transaction been undertaken at 1 January 2018, Irisium would have contributed £1.3m to group revenues and £2.2m to group loss.

KRM22 ProOpticus LLC

On 25 September 2018 KRM22 Americas Inc., a wholly owned subsidiary of KRM22 Central Limited, acquired KRM22 ProOpticus LLC (formerly Prime Analytics LLC), a financial technology providing real time software solutions to professional derivative traders. The acquisition was affected by way of a merger of Prime Analytics LLC and KRM22 Prime Merger Sub LLC, a wholly owned subsidiary of KRM22 Americas Inc.

The acquisition was for an initial consideration of US$3.5m (£2.6m) cash and US$1m (£0.8m) in the Company's ordinary shares together with contingent deferred consideration of US$3m (£2.3m). The deferred consideration is payable in two equal tranches of US$1.5m each in the event that KRM22 ProOpticus achieves US$3.0m revenue in the year ended 31 December 2019 and US$3.3m revenue in the year ended 31 December 2020. The deferred consideration can be satisfied in either cash or Company ordinary shares at the Company's discretion. If deferred consideration is satisfied by the issue of ordinary shares, the number of shares issued will be determined by the market share price at the issue date. The contingent deferred consideration of £2.3m has been discounted to a present value of £1.5m based on a WACC of 20%.

Fair value of consideration paid	£'000
Cash	2,642
KRM22 Plc shares	781
Contingent deferred consideration	1,453
	4,876

Notes to the consolidated financial statements continued

for the year ended 31 December 2018

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value £'000	Fair value adjustments £'000	Fair value under IFRS £'000
Non-current assets			
Property, plant and equipment	–	114	114
Software	–	830	830
Customer relationships	–	238	238
Brand	–	109	109
	–	1,291	1,291
Current assets and liabilities			
Receivables	508	–	508
Cash and cash equivalents	189	–	189
Payables	(369)	–	(369)
Deferred tax	–	(349)	(349)
	328	(349)	(21)
Net identifiable (liabilities) /assets acquired	328	942	1,270
Goodwill			3,606
Total consideration paid by the Group			4,876

Goodwill is recognised on the acquisition as a result of KRM22 ProOpticus' contracted sales pipeline in the financial technology market and synergies expected to arise after acquisition. Acquisition costs of £0.1m arose as a result of the transaction and are included in the Group's administrative expenses in the consolidated income statement.

The fair value of receivables acquired was £0.5m and the directors believe that this also represents the gross contractual amounts receivable, as this is the directors best estimate at the date of acquisition of contractual cashflows expected to be collected.

Since acquisition date KRM22 ProOpticus has contributed £0.5m to group revenues and £0.1m to group loss. Had the transaction been undertaken at 1 January 2018, KRM22 ProOpticus would have contributed £2.7m to group revenues and £0.4m to group loss.

29. Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, including Directors, is set out in aggregate for each of the categories specified in IAS 24 Related Party Disclosures as follows:

	2018 £'000	2017 £'000
Short-term employee benefits	481	–
Retirement benefits	11	–
Share-based payment benefits	600	–
Total	**1,092**	–

Related party transactions

As detailed in note 28, on 5 June 2018 the Group acquired a 60% shareholding in Irisium Limited from Cinnober Financial Technology AB ("Cinnober"). Under the terms of the acquisition, the maximum consideration for the investment in Irisium is £2.3m with an initial consideration of £1.7m. An additional deferred consideration of up to a maximum of £0.6m (the "Deferred Consideration") is payable in the event that Irisium achieves £2.0m of annualised recurring revenue as at 30 June 2019. The Deferred Consideration can be satisfied in either cash or ordinary shares of the Company at the Company's discretion. As at 31 December 2018 the directors judgment is this deferred consideration payment is not probable.

In addition to the acquisition, KRM22 paid £1m to Cinnober to assign 60% of a shareholder loan previously provided by Cinnober to Irisium. Loans provided from Cinnober to Irisium are subject to an interest rate of 5%. The total balance of loans, including accrued interest, due from Irisium to Cinnober at 31 December 2018 was £1.0m (2017 - £nil) and is repayable on 31 December 2023.

During the year, Irisium charged goods and services to Cinnober of £0.1m (2017 - £nil) under normal commercial terms. At 31 December 2018, the balance due to Irisium from Cinnober was £0.1m (2017 - £nil). Cinnober is a shareholder of the Company.

On 27 November 2017, Keith Todd provided a loan to KRM22 Central Limited of £10,000. He subsequently provided loans in March and April 2018 totalling £30,000. The amount was payable on demand with no interest charged on the amount. The loan was settled in full during the financial year.

30. Events after the reporting date

On 3 April 2019, the Company raised gross proceeds of up to £1.8 million through a conditional placing of up to 1,601,318 new ordinary shares of 10 pence each in the Company (the "Placing Shares") at a price of 85 pence per Ordinary Share (the "Issue Price") and a subscription of up to 529,414 new ordinary Shares (the "Subscription Shares" and together with the Placing Shares, the "Fundraising Shares") at the Issue Price (the "Subscription" together with the Placing, the "Fundraising"). In addition, 117,647 ordinary shares were issued to certain advisors in lieu of fees ("the Advisor Shares").

On 29 April 2019, KRM22 Central Limited entered into a five-year debt facility (the "Debt Facility") with Harbert European Growth Capital Fund II ("Harbert") to support future business growth and allow KRM22 to pursue its pipeline of investment targets.

The Debt Facility is for up to £10.0m of which an initial £1.0m was drawn down on 30 April 2019. The availability of additional drawdowns is based on the value and growth of KRM22's annualised recurring revenues. Drawdowns can be made until 31 December 2020.

The interest rate payable is 11% per annum on the initial £1.0m drawdown. The interest rate payable on future additional drawdowns will be at the higher of 11% or 11% plus one year EURO Libor. The Debt Facility is secured on certain KRM22 assets however there are no covenants based on KRM22's financial performance.

In conjunction with the Debt Facility, the Company has constituted warrants over a number of Ordinary shares in the Company to Harbert with a total value equal to a maximum of £1.0m. Upon initial drawdown, warrants over 495,049 new Ordinary Shares were issued with an exercise price of £1.01 per Ordinary Share. Additional warrants will be issued in an amount equal to 5.6% of each subsequent drawdown of the Facility (up to a maximum value of £500,000 in aggregate) calculated by reference to an exercise price of the lower of a 10% discount to the prevailing market price or £1.01 per new Ordinary Share.

On 30 May 2019, KRM22 Central Limited completed the acquisition of Object + Holding B.V. ("Object +"), a risk management and post-trade services technology business focused on capital markets, for a maximum consideration of US$3.9m (£3.0m).

The acquisition was for an initial consideration of US$1.2m (£0.9m) with US$0.5m (£0.4m) payable in cash and US$0.7m (£0.5m) through the issue of 606,909 ordinary shares in the Company. The deferred consideration is a maximum of US$2.7m (£2.3m) payable in three tranches subject to earn-out conditions based on the growth of annual recurring revenue of Object+'s products and services.

Company information

Registered office

5 Ireland Yard
London
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Company number

11231735

The board of directors

Keith Todd
Executive Chairman and CEO (appointed 2 March 2018)
Karen Bach
Chief Operations Officer (appointed 2 March 2018)
Stephen Casner
Non-Executive Director (appointed 2 March 2018)
Jim Oliff
Non-Executive Director (appointed 2 March 2018)
(resigned 5 March 2019)
Matthew Reed
Non-Executive Director (appointed 24 April 2018)
David Ellis
Non-Executive Director (appointed 24 April 2018)
(resigned 30 April 2019)
Sandy Broderick
Non-Executive Director (appointed 24 April 2018)
Garry Jones
Non-Executive Director (appointed 30 April 2019)

Company secretary

Karen Bach

Nominated Adviser

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