KRM22

Annual Report 2019

risk as alpha

Contents

Highlights

FINANCIAL

- Total revenue recognised of £4.1m (2018 - £1.3m, based on seven months and three months post-acquisition revenue from Irisium and ProOpticus respectively)
- Annualised Recurring Revenue (ARR)[1] as at 31 December 2019 of £4.3m (2018 - £3.3m)
    - Net organic ARR growth of 21% in the year (2018 – 10%) including 33% ARR growth from institutional customers[2]
    - Acquired ARR growth of £0.5m from the acquisition of Object+
    - Current undisputed ARR of £4.0m (May 2020)
- Adjusted EBITDA loss[3] of £3.1m (2018 – loss of £3.3m)
- Impairment of intangibles of £2.3m
- Contingent consideration write back of £1.5m
- Loss before tax of £7.3m (2018 – loss of £5.4m)
- Cash at 31 December 2019 of £1.1m (2018 - £3.4m)
- Net cash outflow of £2.3m (2018 – inflow of £3.3m)
- Fundraises
    - Raised gross proceeds of £2.8m through a placement and subscription for new ordinary shares
    - Raised £1.3m in gross proceeds in May 2020
- Agreed a £10.0m loan facility with an initial drawdown of £1.0m in April 2019

OPERATIONAL

- Acquisition of Object+ in May 2019 to provide a suite of "pre-trade" and "at trade" market risk applications
- Global Risk Platform and Enterprise Risk Cockpit launched in March 2019 and first significant customer of Enterprise Risk Cockpit in October 2019
- Six new partnerships signed covering client onboarding, enhanced due diligence, online training, individual accountability regime and regulatory reporting

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[1] Annualised Recurring Revenue (ARR) is the value of contracted Software-as-a-Service (SaaS) revenue normalised to a one year period and excludes one-time fees.
[2] At constant 31 December 2019 FX rates.
[3] Adjusted EBITDA is the reported loss for the year, adjusted for recurring non-monetary costs including depreciation, amortisation and share-based payment charges and non-recurring costs including impairment charges, reorganisation costs and acquisition and funding costs.

Chairman's Statement

KEITH TODD CBE, CEO AND CHAIRMAN

2019 was the first full year of KRM22 as a trading public company, during which the Group has made significant progress on many fronts.

- We have delivered on our strategy to acquire specialised risk management software and subject matter expertise, develop the underlying technology of the Global Risk Platform, and establish partnerships with third-party applications
- We have delivered a financial performance in line with market expectations on adjusted EBITDA loss
- We have built a foundation for future business growth

Financial performance

We have reported revenues of £4.1m (£1.3m in 2018) and our Annual Recurring Revenue (ARR) as at 31 December 2019 was £4.3m (£3.3m in 2018). In 2019 we reported £0.3m of non-recurring income and we expect to contract at least a similar level in 2020. Since 31 December 2019 we have generated an additional £0.1m ARR from existing customers buying new products however one existing customer, using the surveillance product, has terminated their contract for £0.1m ARR and two contracts with ARR of £0.4m combined are in dispute. At the date of this report we have undisputed ARR of £4.0m from 34 customers.

As a result of our tight control of costs and deferral of some investments, we have achieved an EBITDA loss in line with our market forecasts at £3.1m (2018 – adjusted EBITDA loss of £3.3m). Adjusted EBITDA is a key metric in order to understand the cash profitability of the business as it excludes exceptional cash items such as acquisition costs and non-cash items including share-based payment charges, depreciation, amortisation and impairments, reorganisation costs and disposal of assets. At the date of this report, our operational cost base is currently running at £4.6m per annum.

To achieve adjusted EBITDA positive on a run rate basis in 2020 we need to recognise total revenue of £5.0m and this can be achieved if we sign additional ARR in new business above the £4.3m ARR recognised at 31 December 2019 together with anticipated non-recurring revenue, a continued containment of operating costs and taking into account known customer churn in 2020.

We spent £1.5m on capitalised software development in 2019 but currently plan to spend £0.8m in 2020.

Cash at 31 December 2019 was £1.1m. We benefit from commercial terms where customers pay in advance, either annually or quarterly, and as a result, new customer wins generate cash before revenue is reported. In addition, we continue to have the Harbert Debt Facility available to us, which allows for drawdowns in £0.5m increments, based on annual recurring revenue growth and we anticipate receiving a tax R&D credit. Cash as at the date of this report is £1.4m, following receipt of £1.1m for the Placing Shares from the placement completed on 14 May 2020.

Strategy

Our strategy consists of six core pillars that ensure we build a successful company.

'Foundation of the business'	*'Driving Growth'*
Technology as a service	Organic Growth
Business automation	Acquisitions
Team effectiveness	Partnerships

Technology as a Service

At the heart of our philosophy is the concept of reducing the cost and complexity of risk management for customers through technology delivered on an open platform, while driving increased business margins for investors.

Our Global Risk Platform is live and being used by customers to access our risk management applications. We now have thirteen applications accessible through the platform and we are well advanced in integrating the common utilities. The platform provides efficiency and reduced cost for customers.

We launched the Enterprise Risk Cockpit in March 2019, our first native application available through the Global Risk Platform, and achieved our first significant Enterprise Risk customer contract in October 2019.

Acquisitions and commercial partnerships

We have been clear from the start of KRM22 that we build, acquire and partner to bring products to the Global Risk Platform and therefore to our customers and prospects. We have now completed four acquisitions since inception, including the acquisition of the Enterprise Risk expert team, and eight partnerships. In May 2019 we acquired Object+, a provider of pre-trade and at-trade risk management applications. The team has been fully integrated, and we have made our first sale to a new customer for one of the products, which was in Asia.

We have established partnerships to complement our existing portfolio across regulatory, market and operational risk. Revenue from partnerships has been low so far, with only one partnership product sold in 2019, however we are expecting to see an increase in partnership sales in 2020.

Business automation

We have implemented extensive business automation to ensure we have a scalable operational foundation covering customer acquisition and service, through to financial control and administration. This will ensure the maximum margin can drop to the bottom line.

Team effectiveness

The investment in the team we have recruited and acquired is at the heart of our engine. We have clear company values:

- Focus wins

- Business is a team game
- Clear accountabilities for all.

These guiding principles, along with the team appraisal process and open internal communication, help to ensure we achieve optimal team performance.

Organic growth

Organic growth is at the heart of our business approach. In 2019, our net organic growth was 21%.

Through our business automation program, we have implemented a sophisticated customer relationship management system that provides visibility and allows us to manage and track activities through completion of sales opportunities. The Global Risk Platform facilitates cross selling through its single logon facility, allowing all users to see the other applications which KRM22 provides, but also by the shared data utilities which offers increased operational and cost efficiency for customers. We have a very strong pipeline of prospects across enterprise, market, regulatory and operations risk.

COVID-19

The rapid spread of the coronavirus and resulting COVID-19 global pandemic has had an operational and financial impact on KRM22. We are seeing that sales cycles for contracts are extending due to restrictions imposed by governments across the world and due to the high volatility in markets and trading volumes increasing daily workloads for our customers and prospects.

We have taken action to mitigate the financial impact by implementing further cost cutting actions which is expected to reduce the overall cost-base of KRM22 by over £1.0m over twelve months through salary sacrifices for all staff, general overhead reductions, reduced spend on travel as a result of the restrictions imposed pursuant to COVID-19 and reduced property and office costs. The cost reductions will not affect KRM22's ability to support its existing customers or win new potential customers.

KRM22 is fully operational globally from home as a result of the infrastructure and processes that were implemented from launch.

Our foundation for growth

Since 30 April 2018 when we listed, we have built the core of a business that is now a springboard for growth. The business development team is represented across major financial centers worldwide in the US, London, Singapore and Sydney enabling us to support local opportunities as well as global customers. The array of offerings accessible through the Global Risk Platform increases cross sell opportunities and provide highly competitive functionality at competitive cost.

The Board

Garry Jones, Steve Sparke and Kim Suter joined the board and bring a wealth of Industry credibility and contacts to assist us on the next phase of growth. I would again like to thank Karen Bach, David Ellis, Jim Oliff and Matt Reed who stepped down from the board for the insights and assistance during the formation and early period of KRM22.

The team and communities

We could not have achieved so much without the energy and commitment of our team for which the board and I thank them.

We have been able to support a few charities, including 'Future for Kids', as part of our commitment to fulfilling a full role in our industry and community.

Outlook

The coronavirus (COVID-19) pandemic and related risks and uncertainties continue to evolve however we are confident that we will deliver on our growth and adjusted EBITDA profit plans.

Keith Todd CBE

Executive Chairman and CEO

20 May 2019

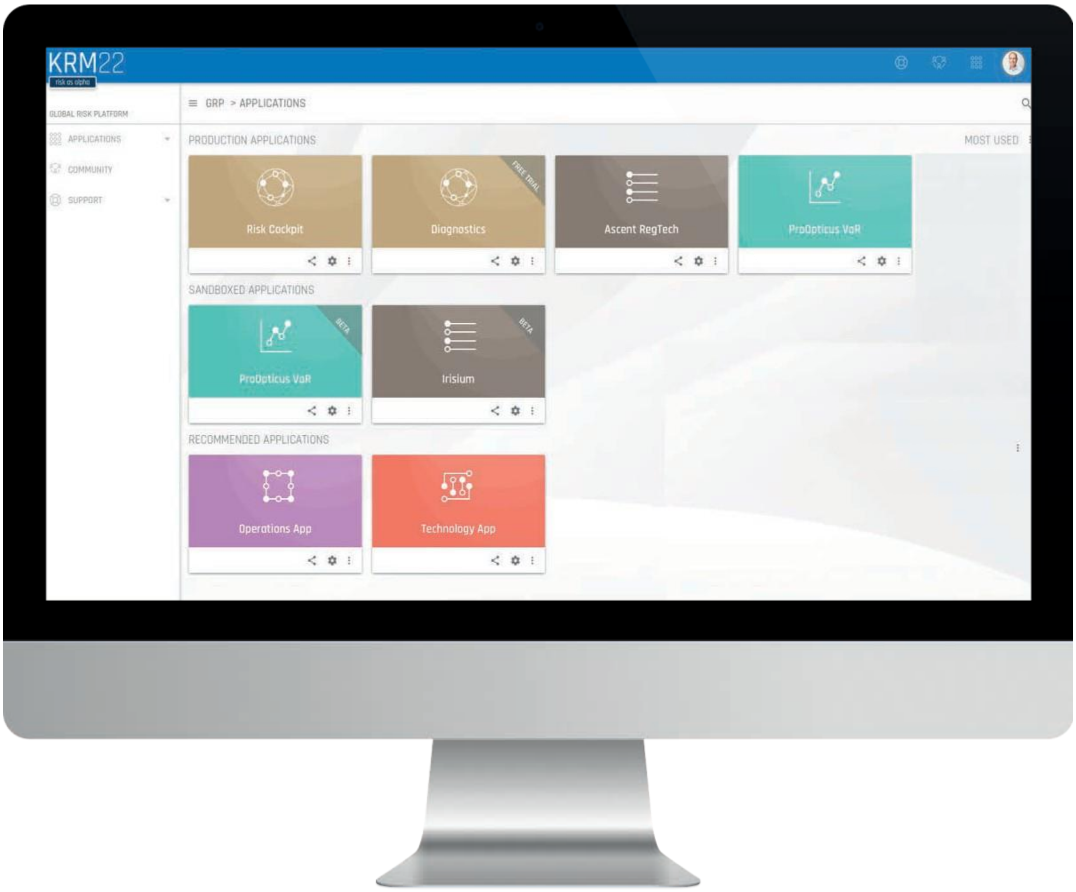
Strategic Report

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

The Risk Cockpit improves your team's process efficiency and accuracy by capturing all risk management data in a single place for automated analysis.

Your senior management and risk teams can:

- **Eliminate** the need for cumbersome spreadsheets
- **Automate** processes and workflows
- **Define and embed** accountabilities within the firm
- **Increase** your ability to capture and analyse operational losses
- **Create** a common risk management language and approach
- **Deliver** enterprise risk analysis and reporting

REGULATORY NAVIGATOR

The Regulatory Navigator brings out-the-box regulatory functionality covering Market Abuse, SM&CR and Financial Crime. Address your overall regulatory risk and compliance position through real-time, meaningful management information, sourced from the entire regulatory application suite.

Your senior management and risk and compliance teams can:

- **Eliminate** the need for cumbersome spreadsheets
- **Automate** key regulatory processes and monitoring workflows
- **Embed** regulatory industry best practice within the firm
- **Increase** your ability to monitor and manage regulatory breaches
- **Benchmark** versus continuously evolving industry best practice
- **Deliver** a culture of individual accountability and transparency

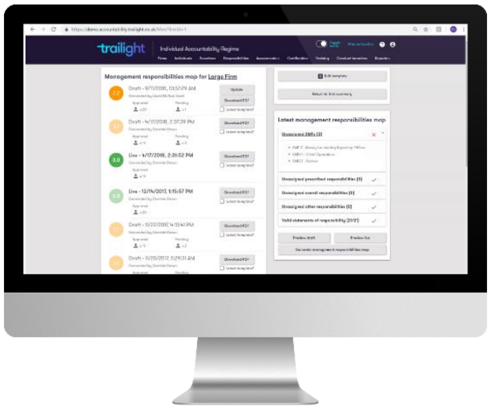
SURVEILLANCE

Irisium provides insightful analytics and contextual surveillance to help capital markets firms identify and manage the potential risks of market abuse, fraud and operational breaches.

Your risk and control team can:

- **Initiate** their daily workflow through alerts
- **Identify** the appropriate actions to manage alerts
- **Configure and analyse** alert scenarios in real-time
- **Develop** case management workflows
- **Investigate** the risk profile of your firm
- **Provide** business intelligence by exploring the underlying data

INDIVIDUAL ACCOUNTABILITY REGIME

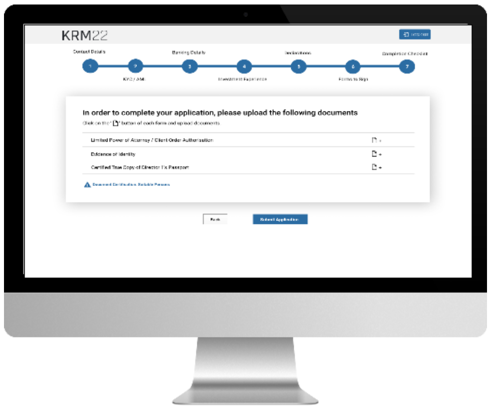


The Individual Accountability Regime allows financial institutions to manage accountability throughout the firm, and comply with SMCR and conduct rules, through governance tools and frameworks that evolve as regulation and the business change.

Your compliance and HR teams can:

- **Save time** by automating IAR workflows
- **Increase** visibility of responsibilities
- **Understand** certification position of individuals
- **Trace** workflows through time-stamped audit trails
- **Drive** culture and accountabilities
- **Automate** SMCR breach reporting

CLIENT ONBOARDING

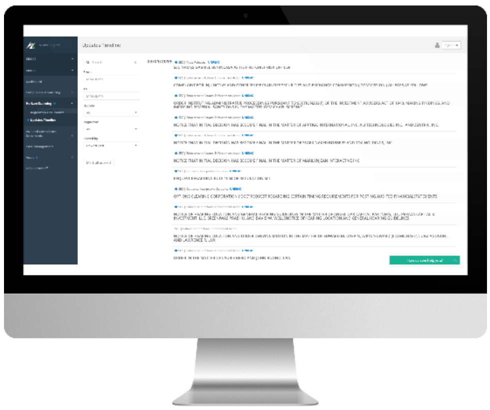


Digital client onboarding provides capital market firms with the tools to make client onboarding as seamless as possible whilst allowing them to fulfil their regulatory obligations.

Your credit and compliance teams can:

- **Execute** KYC and AML checks on new and existing clients
- **Understand** deep detail about clients through enhanced checks
- **Classify** clients and investors to make risk-based decisions
- **Check** audit controls through supporting documentation storage
- **Ensure** approval with declarations, terms and e-signatures
- **Validate** the data provided in real-time to make rapid choices

ASCENT



Ascent uses AI and machine learning to digitise the regulatory, internal compliance and policy information into defined obligations.

Your compliance officers can:

- **View** their current regulatory position overview
- **Track** the impact of regulatory changes on your firm
- **Be alerted** to changes in their upcoming regulatory landscape
- **Research** how your firm applies the rules stated
- **Collaborate** on case management throughout your firm
- **Report** on workflow history and actions

REGULATORY REPORTING

Regulatory Reporting enables capital market firms to comply with its regulatory reporting obligations across multiple jurisdictions including EMIR, REMIT, FinfraG, MifIR, MiFIDII and SFTR.

Your operational teams can:

- **Comply** with complex reporting obligations including reconciling data with trade repositories
- **Validate** data in seconds in order to take timely corrective action
- **Control** remove the need to delegate providing you full control
- **Straight-through-processing** with an end to end solution with TR's
- **Monitor** all reporting processes using intuitive dashboards
- **Check** audit controls and logs over every process

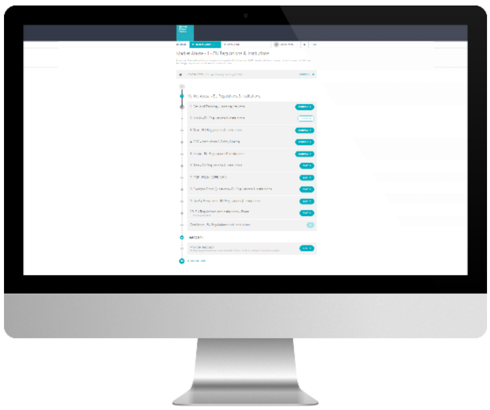
ENHANCED DUE DILIGENCE

Enhanced Due Diligence enables firms to better understand online reputational risks and evidence compliance, supporting the mandatory due diligence requirements of a person's honesty and integrity as part of the Fit and Proper assessment.

Your compliance and HR teams can:

- **Access** data not visible to traditional web searches
- **Eliminate** false positives in due diligence
- **Understand** online reputational risks
- **Confirm** employee suitability
- **Leverage** AI techniques not bound by any single natural language
- **Remove bias** from regulatory decisions

ONLINE TRAINING



Regulatory training helps regulated firms address their mandatory training requirements by ensuring individuals understand the fundamentals of Market Abuse, Financial Crime and SM&CR.

Your regulated employees and managers can:

- **Facilitate** the prevention and detection of misconduct through a framework for training
- **Undertake** simple interactive training delivered through on-demand videos and handbooks
- **Learn** at their own pace with 24/7 access
- **Understand** key regulatory compliance obligations
- **Access** examination certificates to provide training evidence
- **Track** their completed and passed courses

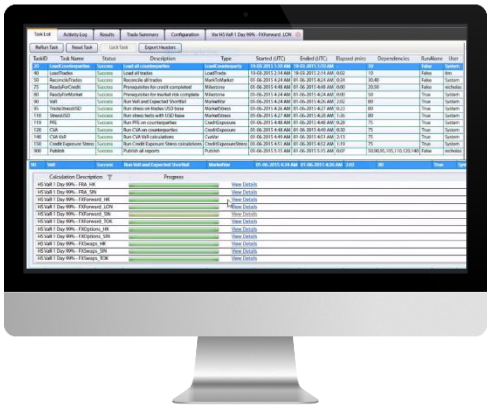
PROOPTICUS

ProOpticus meets your stress management goals by scaling the type and amount of risk calculations performed before passing the trade to the exchange.

Your firm can:

- **React** to extreme volatility through intraday P&L
- **Analyse** multiple market stress scenarios in real-time
- **Understand** your exposure with multi-level margin requirements
- **Define** single and multi-dimensional limit alerts
- **Drill down** into underlying alert conditions
- **Establish** an audit trail by commenting on alerts and notifications

PROOPTICUS VAR



ProOpticus VaR provides the unique view of multiple VaR calculations across the whole portfolio in a single place.

Your risk and credit managers can:

- **Manage** multiple asset classes and portfolios
- **Understand** the components of a VaR calculation
- **Establish** portfolio positions for the VaR calculation
- **Identify** the risk factors affecting valuation of positions
- **Assign** probabilities to possible risk factor values
- **Create** pricing functions for positions
- **View** three VaR models - Historic, Parametric and Monte Carlo

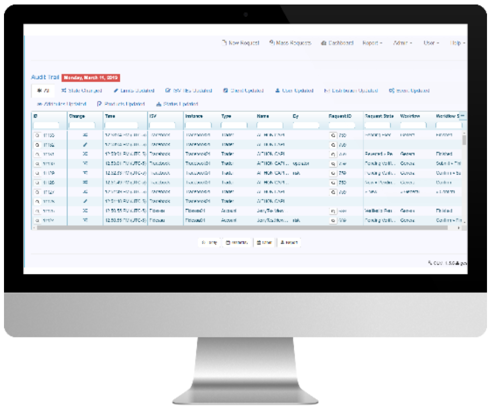
RISK MONITOR

Risk Monitor is an invaluable tool for clearing houses, clearing members, traders, brokers and other financial institutions that make decisions based on the management of risk.

Your risk and credit managers can:

- **Understand** your true exposure at all times
- **React** to extreme volatility across the book
- **Receive** automatic alerts of limit violations
- **Access** a centralised source of market and trade information
- **Obtain** real-time data directly from Exchanges
- **Monitor** your firms margin requirements and P&L information
- **Generate** multiple and flexible stress scenarios

ORDER LIMIT MANAGEMENT



Order Limit Management helps combat time consuming and error prone processes by maintaining pre-trade limits in one centralised application.

Your risk and credit managers can:

- Reduce errors and manual input of limits
- View alerts of unauthorised limit changes made in the trading venues
- Support multiple trading venues with ease
- Access all ISVs and proprietary trading systems in one place
- Create integrated reports with centralised monitoring
- Audit all events from one central place

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.
New contract signings	Delays in new customer contract signings will impact business results and the cash position of KRM22. Investors are expecting KRM22 to sign new customer contracts and increase ARR and any delays in this will impact shareholder confidence.	All sales opportunities are assigned a business development manager who updates the executive team on a regular basis. The CFO maintains detailed cash forecasts based on different revenue scenarios. These are reviewed and discussed on a weekly basis between the CFO and CEO so that they can manage the cost base and cashflow accordingly. The forecasts are also discussed at the monthly board meetings.
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 share 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, EUR 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.
Debt facility	The debt facility with Harbert requires KRM22 to comply with various obligations including payment of capital and interest by due dates and the reporting of management information within agreed timeframes. Failure to meet these obligations will result in an Event of Default which may result in Harbert withdrawing the Debt Facility with all amounts accrued under the Debt Facility becoming immediately due and payable which KRM22 would be unable to settle.	The risk of being unable to pay Debt Facility liabilities as they become due would be mitigated by growth generated through new customer agreements. The risk of non-compliance with reporting obligations is mitigated by maintaining a diary, with reminders in advance of all deadlines, so that KRM22 complies with the various obligations.

<table>
<tr><th>Risk and uncertainty</th><th>Potential impact</th><th>Mitigating actions</th></tr>
<tr><td>Brexit</td><td>The risk that Brexit leads to a macroeconomic downturn in the UK.</td><td>KRM22 operates internationally with 10% of FY19 recognised revenue derived from customers in the UK. As such we do not anticipate a material impact of Brexit on the business.</td></tr>
<tr><td>Coronavirus</td><td>The rapid spread of the coronavirus and resulting COVID-19 global pandemic has caused economic growth to slow abruptly with repercussions around the world. The coronavirus and related risks and uncertainties continue to evolve daily so there is no way of predicting with certainty the extent to which it will impact all stakeholders of the business.</td><td></td></tr>
<tr><td></td><td>Liquidity of customers
As detailed in note 6, KRM22 has a global customer base with these customers being stakeholders in their own supply chain. Our customers liquidity will be dependent on a number of factors including the ability of their own customers paying sales invoices, their suppliers providing services that support their own revenue and the availability of staff to perform the work that drives their revenue and liquidity of the business. The actions of these stakeholders will impact our customers liquidity and their ability to pay our sales invoices.</td><td>KRM22 has a centralised finance function with accounts receivable balances reviewed on a regular basis with account managers and executives of the Company. The use of automated centralised systems allows AR balances to be updated daily and, should an AR balance become overdue, appropriate action can be taken to resolve payment of any outstanding amounts. Sensitivity analysis is included on AR payments when preparing cash forecasts.</td></tr>
<tr><td></td><td>Cashflow of the business
KRM22 operates globally and cashflow is dependent on customer revenue and managing the cost base. Delays in payment by our customers and increased costs from our suppliers could have an adverse impact on the Company's working capital and the ability to make payment of capital and interest on the debt facility provided by due dates. This would result in an Event of Default which may result in Harbert withdrawing the Debt Facility with all amounts accrued under the Debt Facility becoming immediately due and payable which KRM22 would be unable to settle.</td><td>As detailed above, management of the AR function is automated with the team taking prompt action when sales invoices become due. All purchase invoices and costs are recorded regularly so that accurate cashflow forecasts can be maintained and discussed on a weekly basis by the CFO and CEO. The Directors are exploring different options to ensure there is sufficient cash including, but not limited to:
• Effective 1 April 2020, and for the remainder of 2020, KRM22 has implemented a salary deduction of between 10 and 25% across the Company which will result in cash savings of approximately £0.6m in 2020;
• Taking advantage of deferred VAT and payroll tax payments;
• Pursuing other government backed initiatives in each location where KRM22 operates including government backed loans; and
• Dialogue with our existing investors and debt providers about raising additional funds.</td></tr>
<tr><td></td><td>Sales pipeline
Coronavirus could delay purchasing decisions by sales prospects which will impact cashflow and the ability to meet market expectations on ARR growth. This in turn could impact shareholder confidence and the ability to drawdown funds from the Debt Facility as further drawdown amounts are linked to ARR.</td><td>Cash forecasts are maintained on a regular basis that include sensitivity analysis applied to new sales opportunities including delayed sales, reduced recurring and non-recurring revenue values and no future sales growth. The executive team review and maintain the sales pipeline on a regular basis so that changes in sales pipeline opportunities are reflected in forecasts.</td></tr>
<tr><td></td><td>Investor attitude
Investors lose faith in KRM22 and the ability to grow the business at a rate that provides them with a suitable return on investment.</td><td>The CEO and CFO meet institutional shareholders, fund managers and analysts at least twice a year to understand how the strategy and the Board's decisions impact on and are received by investors</td></tr>
</table>

Risk and uncertainty	Potential impact	Mitigating actions
	Staff retention Failure of KRM22 to retain staff as a result of the salary deductions implemented for the remainder of 2020.	Share options will be granted to staff at the end of each calendar quarter to compensate staff for the salary deduction. In addition, there is regular staff engagement and communication including formal monthly internal company meetings where the Executive team update all staff on business wide issues and encourage team participation.
	Going concern The inability of KRM22 to demonstrate that it is a going concern would create reputational damage with sales opportunities deciding not to purchase KRM22 products thus impacting the Company's cashflow and ability to pay suppliers and staff. Similarly, key suppliers may cease to provide services to KRM22 on the basis of being perceived as a risk, which could in turn affect our ability to perform our services under existing customer contracts and customers having the ability to terminate their contracts due minimum Service Level Agreements ('SLA's') not being achieved.	In addition to the aforementioned mitigating actions around sales pipeline and existing customer retention, regular dialogue is maintained with finnCap, as KRM22's Nominated Advisor, on responsibilities as an AIM listed business. The cashflow forecasts, and the sensitivity applied to them, are used as the basis for determining actions to be taken to ensure that KRM22 can continue as a going concern. Actions include managing the cost base, agreeing payment plans with suppliers and dialogue with investors and Harbert, provider of the Debt Facility, on additional funding options. As part of the cashflow forecasts, a range of scenarios and sensitivities have been considered in assessing KRM22's ability to continue as a going concern including, but not limited to: • No further debt or equity funding; • Existing customer churn at different rates between 0% and 10%; • No new sales; • Delays to new sales; • Implementing further cost control measures; and • A combination of these different sensitivities.

Section 172 Statement

Under section 172(1) of the Companies Act 2006, the Directors of a company have a duty to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

a) The likely consequences of any decision in the long-term;
b) The interests of the company's employees;
c) The need to foster the company's business relationships with suppliers, customers and others;
d) The impact of the company's operations on the community and environment;
e) The desirability of the company maintaining a reputation for high standards of business conduct; and
f) The need to act fairly as between members of the company.

During the year ended 31 December 2019, the key decisions considered by the board were fundraising, acquisitions, cost control and cash management.

The key stakeholders considered as part of the decision-making process were KRM22's shareholders, broker, nomad, employees, customers, suppliers, partners and since April 2019 Harbert, as provider of the £10.0m Debt Facility.

Fundraising and acquisitions

In 2018 the Company raised total gross proceeds of £13.6m through the IPO on 30 April 2018 and a subsequent placement on 26 September 2018. The proceeds were used to complete three acquisitions, develop the Global Risk Platform and build the operational infrastructure and team to help KRM22 to deliver future growth.

At the start of 2019, the Board planned to raise additional funds to allow KRM22 to continue its acquisition strategy to invest in specialised risk management SaaS businesses and deliver recurring revenue. This acquisition strategy is based on the long-term target of creating a profitable business and increasing value and returns for shareholders. The Executive Directors, together with finnCap as broker, engaged with KRM22's existing shareholders and potential new investors to raise additional equity funding as well as sources of debt funding so that KRM22 could complete three acquisition opportunities. As a result of market circumstances, with Brexit uncertainty and the effect of revised FCA regulation on fund liquidity, only £1.8m in equity funding was raised by KRM22 on 3 April 2019 which supported KRM22's working capital need however, as a result, two of the three acquisition opportunities failed.

On 29 April 2019, KRM22 secured a growth debt facility of £10.0m with Harbert of which an initial £1.0m was drawn down on 30 April 2019. The interest rate is 11% per annum on the initial drawdown and, in conjunction with the Debt Facility, the Company has constituted warrants over a number of Ordinary shares in the Company to Harbert.

The Directors believe that, whilst the interest rate payable on the loan is high, and therefore impacting KRM22's profitability, and that the warrants are potentially dilutive for existing shareholders, the debt facility was required to complete the acquisition of Object+, thus increasing ARR, adding important products to the Company offering and to provide additional working capital for the business. Whilst the medium-term impact of additional costs affects the Company's profitability, together with the requirement for KRM22 to make capital repayments which impacts cashflow, the long-term of objective of increasing value and returns for shareholders is maintained. The Company has considered the wider stakeholders needs while considering these cost control measures which is articulated further within the paragraphs below on cost control and cash management.

In November 2019, the Executive Directors, together with finnCap as broker, engaged with existing and new investors to raise £1.0m of additional equity funding to provide working capital to support the business.

Cost control and cash management

In February 2019, and as a result of delays in funding, together with delays in the signing of new customer sales contracts, the Executive Directors presented a paper to the Board to make £3.0m of cost savings per annum, based on the 2018 exit run rate.

The cost savings proposal included reduced headcount through employee redundancies, termination of contractors, reduced use of external agencies and temporary cost savings through salary deferrals. The Board considered how the proposal would impact the affected stakeholders in terms of:

- Employee/staff morale, as a result of redundancies;
- Employee motivation, as a result of staff taking temporary salary deferrals;
- The reduction of headcount, both employee and contractors, and the impact on deliverables such as development of the Global Risk Platform and Enterprise Risk Cockpit which would help drive the Company's ARR; and
- The ability to grow KRM22 operations, as a result of terminating contractors and external agencies.

Having considered the impact on the affected stakeholders, the Board were of the opinion that this was necessary to ensure the long-term success of KRM22 and approved the approach.

The Executive Directors engaged with the impacted stakeholder groups: employees, contractors and suppliers, through consultations. There is a natural conflict between these stakeholders and the shareholders as employees and contractors want job security and to be remunerated accordingly whilst the shareholders want a return from their investment and for KRM22 to be profitable.

The final decision made to reduce headcount promotes the short-term and long-term interest of KRM22 as it allowed cost savings to be made which improved cashflow, thus ensuring that the Company remained solvent and it will help improve profitability in the long-term and ensure that KRM22 continues as a going concern.

In September 2019, when it became clear that acquisition capital would not be available from capital markets until the second half of 2020, the Board approved an additional cost savings plan through a further round of employee redundancies and elimination of third party spend. The process for engaging with stakeholders, the conflicts that arose and why decisions were made were the same as those considered earlier in the year. The board believed that these decisions were in the short-term and long-term interest of shareholders.

Following the acquisition of Object+, and as a result of being unable to raise the required funding to complete further acquisitions in the year, the Board revised the strategy to grow ARR for the remainder of 2019 through organic growth rather than a combination of acquisitive and organic growth.

This created a conflict as the shareholder's expectation when KRM22 listed in 2018 was that ARR growth would be both organic and acquisitive. The CEO and CFO met with investors following publication of the 2018 accounts and 2019 interim accounts and advised them of the change in strategy. The shareholders were broadly supportive of the revised approach of growing ARR organically, managing the cost base and cash. This demonstrates that decision to change strategy promotes the long-term interest of KRM22 and that the Board and shareholders were aligned with the decision.

As a result of the revised strategy, it became clear that the work required as part of an acquisitive strategy, including due diligence, fundraising and transition of legacy systems following implementation, would not be required in the short-term. This was taken into consideration as part of the reorganisation of the business and the cost savings implemented in the year.

None of the key decisions considered by the Board in 2019 had an environmental impact and the Directors are satisfied that decisions made by the Board promote the long-term interest of KRM22 for the benefit of its members as a whole.

Financial Review

The 2019 financial results for KRM22 reflect our first full year of trading in which we have grown revenue, increased our contracted annualised recurring revenue (ARR), completed an acquisition and managed tight control of our cost base. 2018 was a trading year however the financial results were driven largely by transactions in the period since IPO on 30 April 2018.

Scope of financial results

This financial review focuses on the twelve month period ending 31 December 2019 and include the results of the Object+ group of companies from 30 May 2019, whilst the prior year comparatives include twelve months of costs for the core KRM22 group and the revenue of Irisium and ProOpticus from the date of acquisition on 5 June 2018 and 25 September 2018 respectively.

The financial results of the entities acquired in the year (Object+) have been aligned with IFRS and KRM22's accounting policies.

Acquisitions

Object+

On 30 May 2019, we acquired 100% of the issued share capital and voting rights of Object+ Holding B.V. ("Object+").

Amsterdam-based Object+, provides post-trade services software and, at the time of investment had 8 institutional customers and £0.5m ARR. Revenue generated by Object+ in 2019 in the seven months post acquisition was £0.4m.

On completion of the acquisition of Object+, KRM22 paid US$0.5m (£0.4m) in cash consideration and issued 606,909 KRM22 Plc shares to the Object+ vendors. Based on the revenue growth of Object+ products and services, a total discounted earn out consideration of US$1.5m (£1.2m) (undiscounted earn-out consideration of US$2.7m (£2.3m)) may be payable in three tranches over a three year period following acquisition, payable in cash or shares, at KRM22's discretion.

Profit and Loss

Total revenue

Revenue recognised for the year to 31 December 2019 was £4.1m (2018 - £1.3m) and this was seven months of revenue generated by Object+ (£0.4m) and twelve months of revenue generated by remaining KRM22 group companies. Revenue recognised in 2018 was based on seven months of revenue generated by Irisium and three months of revenue generated by ProOpticus.

Revenue generated from recurring customer contracts for the year ended 31 December 2019 was 91% (2018 - 87%). In addition, KRM22 generates some non-recurring revenue related principally to customer implementations and, following the acquisition of Object+, legacy recurring consultancy revenue. Non-recurring revenue recognised for the year ended 31 December 2019 was £0.3m (2018 - £0.2m).

Recurring revenue

The key revenue metric for KRM22 is ARR (Annualised Recurring Revenue) and as at 31 December 2019, we had grown ARR by £1.0m to £4.3m, which included acquired ARR of £0.5m following the acquisition of Object+. Since 31 December 2019, we have signed new contracts totalling £0.1m however one customer has terminated their contract for £0.1m ARR for cost purposes and two customers with total ARR of £0.4m are in dispute. At the date of this report, KRM22 has non-disputed contracted ARR of £4.0m.

Whilst ARR growth in 2019 was behind market forecasts, net organic growth in 2019 was 21% (2018 – 10%) which includes 33% ARR growth from institutional customers. 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.

Gross profit

Gross profit for the year to 31 December 2019 was £3.7m (2018 - £1.1m) and included £0.4m gross profit contribution from Object+. This 90% 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 2019 was £2.5m (2018 - £2.7m). Of this, £1.5m or 60% was capitalised and the amount of development capitalised by product was:

- KRM22 Global Risk Platform £0.5m;
- KRM22 Enterprise Risk Cockpit £0.1m;
- Irisium £0.7m;
- ProOpticus £0.1m; and
- Object+ £0.1m.

Capitalised research and development is amortised over three years.

Impairment

In the year ended 31 December 2019, impairment costs of £2.3m were recognised in connection with market surveillance development costs. The carrying amount of these development costs has been impaired on the basis that development work has been suspended in 2020 due to lack of capital and it is therefore prudent to assume that capitalised development costs will not generate cash inflows in the near future.

Reorganisation costs

A total of £0.5m of company reorganisation costs has been recognised in the year ended 31 December 2019 and were a result of staff redundancies made in the year. The key drivers of the redundancies were:

- Synergies as a result of Irisium and ProOpticus, the acquisitions completed in 2018, being fully integrated into central KRM22 systems;
- Delays in new customer contract signatures; and
- Fundraising challenges experienced in the year to continue our acquisition strategy.

As detailed in the Section 172 Statement on pages 16 - 18, at the start of 2019 KRM22 planned to raise additional funding to continue the acquisition strategy of investing in specialised risk management businesses however, as a result of market circumstances, with Brexit uncertainty and the effect of revised FCA regulation on fund liquidity, KRM22 was not able to secure the necessary funding to complete all planned acquisition opportunities. The limited access to funding impaired the ability to close all the acquisition opportunities and investments planned, resulting in KRM22 scaling back certain business operations resulting in staff redundancies.

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 2019 was a £3.1m loss (2018 – loss of £3.3m) and was in line market forecasts. The Adjusted EBITDA loss is as per the reported operating loss, adjusted for:

- Depreciation and amortisation £1.3m;
- Impairment charges £2.3m;
- Contingent consideration write back £1.4m;
- Reorganisation costs £0.5m;
- Non-recurring costs of acquisitions of £0.2m;
- Non-recurring costs of debt and equity funding £0.2m; and
- Share-based payment cost £1.0m.

Finance charges

Net finance expense in the year was £0.2m (2018 - £0.1m) and includes:

- accrued interest due on the Cinnober shareholder loan of £0.1m;
- interest paid of £0.1m on the initial £1.0m draw down on the Harbert debt facility before accounting for a £0.1m fair value gain on the warrants issued in conjunction with the debt facility; and
- IFRS16 lease liability interest of £0.1m.

Taxation

The tax credit in the year was £0.8m (2018 – credit of £0.0m) which includes £0.6m (2018 - £nil) R&D tax credit received.

Reported operating loss

Reported operating loss for the year to 31 December 2019 was £6.5m (2018 – loss of £5.4m).

Balance sheet

Assets

As at 31 December 2019, we held current assets of £1.1m cash (2018 - £3.4m) and trade and other receivables of £1.4m (2018 - £1.1m).

Non-current assets were £13.1m (2018 - £12.4m) relating principally to: £10.4m for goodwill and assets acquired (2018 - £8.7m), £1.6m for right of use assets recognised under IFRS16 (2018 - £1.6m) and £0.8m (2018 - £1.8m) for capitalised development costs.

Liabilities

As at 31 December 2019, our principal liabilities were:

- £1.2m minority shareholder loan owned to Cinnober by Irisium. Cinnober owned 40% of Irisium and this balance includes capitalised interest. As detailed in the Directors Report on page 42 - 43, the loan and capitalised interest was converted to equity on 16 April 2020 and replaced by a convertible loan note.
- £0.8m loan owed to Harbert European Growth Capital Fund II. The interest rate payable on the loan is 11% per annum, is repayable in monthly instalments and will be repaid in full by October 2022.

- £1.1m (US$1.5m) discounted contingent consideration (£1.7m (US$2.2m) undiscounted) for earn out payments for the acquisition of Object+.
- £1.5m for the right of use of assets relating to all future payments of leased-office rentals under IFRS16 'Leases' 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 2020, with the balance for periods greater than one year.
- There is £1.1m of contingent revenue; contracted and paid services that will be released in a future period.

Investors

As an AIM-listed business, a large proportion of KRM22's shareholders are professional investment funds. In addition, the Directors together owned 3,463,334 shares at the year end.

Funding

On 3 April 2019, we raised £1.8m gross proceeds in equity funding through a subscription and placement of 2,118,967 new shares at 85 pence per share. Subsequently on 7 November 2019, we raised £1.0m gross proceeds and issued 1,895,765 new shares at 52 pence per share. Funding fees for both transactions totalled £0.1m.

On 29 April 2019, we entered into a five-year debt facility (the "Debt Facility") with Harbert European Growth Capital Fund II ("Harbert") to support future business growth. 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.

Since year end, and as detailed on page 43, we have raised £1.3m of gross proceeds in equity funding.

Use of cash in the year

Our net cash outflow in the year was £2.3m, of which, £1.5m was used for capitalised research and development, £0.4m was used to fund the acquisition of Object+, £0.8m for acquisition and funding fees and the balance used for building the infrastructure of KRM22.

Going concern

Analysis of KRM22's going concern position is detailed in the Directors Report on page 42.

Shareholdings and Earnings per share

As at 31 December 2019, KRM22 had 20,998,029 shares in issue. The undiluted weighted average number of shares for the period to 31 December 2019 was 18,552,176. The difference in the two numbers results from the timing of shares issued for the equity fundraise completed on 3 April 2019 and 7 November 2019 and the Object+ acquisition on 30 May 2019.

The resulting Earning per Share ("EPS") is a 30.4p loss per share (2018 – loss of 55.5p) on a weighted average number of shares basis (equivalent to 18,552,176 on the shares in issue at year end). Due to the loss made, diluted EPS is the same as EPS.

Financial processes and integration

As KRM22 continues to grow, we aim to support that growth by effective and efficient internal systems and processes. When KRM22 completes an acquisition, the detailed financial history of the acquired company is fully transferred onto central KRM22 systems with bank accounts and all processes centrally managed. The agile integration approach not only establishes good governance but also frees up the acquired management team and allows them to focus on customers, product development and growth. Object+ was fully integrated into central KRM22 systems by 31 December 2019.

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

Whilst 2019 has been challenging in terms of fundraising to continue our acquisition strategy and time taken to convert the sales pipeline, we have recognised revenue of £4.1m, increased ARR by £1.0m, achieved organic growth of 21%, maintained strong relationships with institutional customers, expanded our product offering and restructured our cost base to utilise operational efficiencies.

Approved by the Board and signed on its behalf by:

Kim Suter

CFO

20 May 2020

Corporate Governance

Board of Directors

Keith Todd CBE

CEO and Chairman

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

As well as being Executive Chairman and CEO of the Company, he is currently Non-Executive Chairman of Blighter Surveillance, a private Radar business.

From 2002 to 2017 he served as Executive Chairman of Aim listed FFastFill plc ("FFastFill"), provider of SaaS to the global derivatives community. Keith retained this position even after FFastFill was acquired by Ion Group in 2013.

He was Non-Executive chairman of AIM-listed Amino Technologies plc a provider of digital TV entertainment and cloud solutions to network operators from 2005 to 2017.

He also served as Non-Executive Chairman of UK Broadband Stakeholder Group (a UK Government advisory board), Easynet PLC and Chief Executive of ICL PLC.

Stephen Casner

President

Stephen serves as President of KRM22 with specific responsibility for our North American business operations and our market risk products. He has over 35 years of experience in the "Fin-Tech" industry with tremendous scale-up experience being involved in 5 start ups of which 2 are current industry leaders in their respective markets.

In 2010 he co-founded and served as the CEO of Hazeltree until 2017. At Hazeltree he transformed an internal technology team of a $6 billion New York based hedge fund into one of the premier global providers of Treasury Management technology for alternative asset managers who collectively manage trillions of dollars in assets under management.

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 used by major institutional banks and hedge funds in the United State and Europe.

In 1999 he became CEO of a Dallas based, venture backed technology company Picasso Software and led the company to be named by SMU's Cox school of business one of the 100 fastest growing technology businesses in 2001. From 1990 to 1997 helped lead Quantra create and deliver a property management software system named SKYLINE that is still used today by thousands of real estate managers. At Quantra, he helped lead the successful sale of the company to SS&C Technologies in 1997.

Kim Suter

CFO

Kim has significant experience in building and leading finance functions to support business growth.

He started his career in practice, covering all aspects of audit, financial reporting and tax for a range of clients, providing him with a broad knowledge of how finance functions operate across different business sizes and industries. Kim has since applied this knowledge to support structured growth at a number of start-up organisations prior to joining KRM22. Kim joined KRM22 in July 2018 as Head of Finance to set up the finance function for the KRM22 group and has served as CFO since July 2019.

Kim is a qualified Chartered Certified Accountant.

Sandy Broderick

Independent Non-Executive Director

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

Non-Executive Director

Garry Jones is currently CEO of Perfect Channel, a leading technology company operating in the exchange and auction technology space - overlaying traditional technology with machine learning and artificial intelligence. As well as being a Non-Executive Director of KRM22, he is a member of the board of ICBCS, an emerging markets investment bank.

He has many years' experience in financial services, and has been CEO of three of the largest derivatives and OTC exchanges in Europe: BrokerTec, LIFFE and the LME, as well as taking leadership roles in the parent companies of NYSE Euronext and HKEX.

He has contributed to the business change, growth, and globalisation in the exchange world as technology has fundamentally changed the way that we trade, driving the momentum behind electronic trading and increased efficiency in the post trade environment.

Steve Sparke

Non-Executive Director

Steve has over 35 years' experience in Financial Services, trading Interest Rate products for the first 15 years, and subsequently in the Exchange Traded Derivatives ("ETD") and Commodity industry with extensive board-level experience for global ETD and Commodities organisations.

Prior to his role as Vice Chairman, leading the Conduct and Culture initiatives of Marex Spectron, Steve spent 10 years as Group COO, responsible for the firm's operating environment, including IT, Operations, Risk, Compliance and HR.

Before joining Marex Spectron, Steve spent 20 years with UBS where he was Managing Director and Global Head of Exchange-Traded Derivatives.

Steve also holds NED positions on the UK Regulated Entities of TP ICAP and was Non-Executive Chairman of FIA's European Advisory Board until the end of 2019, where he continues as a Board Advisor. Steve was previously a NED of NYSE Euronext LIFFE (now ICE Europe) for over 10 years and was a NED at PATS Systems, an AIM-listed DMA system provider.

Steve has a Law degree from Nottingham University.

Karen Bach

Non-Executive Director (previously Chief Operating Officer until 30 June 2019, resigned 2 April 2020)

David Ellis

Non-Executive Director (resigned 30 April 2019)

Jim Oliff

Non-Executive Director (resigned 5 March 2019)

Matt Reed

Non-Executive Director (resigned 3 December 2019)

Statement of Corporate Governance

In applying a recognised corporate governance code, 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 which led to a clearer definition of KRM22's strategy.

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 CEO and CFO meet institutional shareholders, fund managers and analysts at least twice a year to understand how the strategy and the Board's decisions impact on and are received by investors.

As a result of the additional share subscription and placements made in 2019, such meetings have been more regular. The Annual General Meeting provides an opportunity for all shareholders to meet the Directors and raise any questions.

finnCap act 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 Kim Suter 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 and Auditors 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 Object+;
- Listen to and work closely with all partners and its professional advisors; and
- Listen to all external and internal stakeholders and communicate clearly.

KRM22 continually gathers feedback from customers, employees, advisors and shareholders.

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 communicates regularly with the cross-country, multi-national and diverse team in multiple ways. Monthly internal company meetings are held where the Executive team update all staff on business-wide issues and encourage team participation. In addition, KRM22 uses centralised internal systems including team-wide easy-to-use communication tools, regular performance appraisals, both formal and informal, 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.

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

Controls and processes: The Directors are continually reviewing controls and processes in all key areas on an ongoing basis. When an acquisition is completed, the acquired company's control's and processes are reviewed and are aligned with group policy as quickly as possible, with a target of within three months from the date of acquisition.

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

Role and composition of the board:

Keith Todd is the 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, and as at 31 December 2019, the Board had two Executive Directors, and four Non-Executive Directors. The Board believes strongly that a mix of professional skills, risk management experience and capital market understanding make a difference, as does diversity. The KRM22 leadership is described on pages 25 - 27.

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 six Directors at 31 December 2019, five have worked within capital markets, two are qualified accountants and one is a qualified lawyer. All six 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 two independent Non-Executive Directors at 31 December 2019. See more details in principle 9.

The responsibilities of the Nomination Committee include an annual assessment of Board Effectiveness. The last assessment was completed in March 2020. The Directors assessed the Board on:

- Risk management (including Going Concern);
- 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 Nomination Committee regarded the Board's performance, effectiveness and composition as appropriate considering the size and stage of KRM22's development however they continue to monitor the Board's construction and remit as KRM22 develops and grows.

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

KRM22 has grown fast and brought together different business and nationality cultures, through acquisitions and its own organic growth, and therefore the Board is very people-focused, including all stakeholders whether internal or external.

Team

The aim of the Directors is to build and maintain 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 for all.

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 has grown, KRM22 has adopted corporate policies, employee handbooks and accounting policies which are aligned 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 CFO.

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 Board is regularly provided with financial information for monitoring performance and to make strategic decisions

Risk Management

The Board is intending to use its own Enterprise 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 KRM22 as a whole.

Independence

At 31 December 2019 the Board was comprised of two executives and four Non-Executive Directors. Three of the Non-Executive Directors are considered independent as they 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.

Nineteen scheduled board meetings were held during the year.

Board meeting attendance 2019	Maximum possible meeting attendance	Number of meetings attended	% of meetings attended
Executive Directors			
Keith Todd	19	19	100
Stephen Casner	19	17	89
Non-Executive Directors			
Sandy Broderick	19	16	84
Garry Jones	13	10	77
Steve Sparke	2	2	100
Former Non-Executive Directors			
Karen Bach	19	18	94
David Ellis	6	5	83
Jim Oliff	2	2	100
Matt Reed	17	15	88

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 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 is 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.

The CEO and CFO meet with institutional fund investors to communicate progress and plans at least twice a year 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 is included in our Annual Report and Accounts each year.

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

Internally KRM22 uses multiple team-tools to communicate – see Principal 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, was chaired by Matt Reed until his resignation as a Director on 3 December 2019. From 3 December 2019, and to date, the Committee was chaired by Steve Sparke. Steve Sparke has extensive board level experience and has previously been the Chairman of the Audit and Risk Committee at NYSE Euronext LIFFE (now ICE Europe). In addition to Matt Reed and Steve Sparke chairing the Audit Committee, the Committee consisted of Jim Oliff and David Ellis until their resignation as Non-Executive Directors on 5 March 2019 and 30 April 2019 respectively. 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.

The responsibilities of the Audit Committee are detailed in the Audit Committee Report on page 34.

Remuneration Committee

The Remuneration Committee, which meets at least once a year, consisted of Sandy Broderick and former Non-Executive Directors Jim Oliff and David Ellis, until their resignations as Non-Executive Directors on 5 March 2019 and 30 April 2019 respectively. Garry Jones became a member of the Remuneration Committee following his appointment as Non-Executive Director 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 2019, and to date, the Committee was chaired by Sandy Broderick.

The responsibilities of the Remuneration Committee are detailed in the Remuneration Committee are detailed in the Remuneration Committee Report on page 36.

Nomination Committee

The Nomination Committee, which meets at least once a year, consisted of Sandy Broderick, David Ellis, until his resignation as Non-Executive Director on 30 April 2019 and Garry Jones, following his appointment as Non-Executive Director on 30 April 2019. The Committee was established by a resolution of the Board. During the year to 31 December 2019, 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 39.

For and on behalf of the Board

Keith Todd CBE

Executive Chairman and CEO

20 May 2020

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 year the Audit Committee reviewed the 2018 annual report, 2019 interim report and the 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.

Until December 2019, the Committee was composed of Matt Reed as Chairman and, whilst they were Non-Executive Directors of KRM22, David Ellis, Garry Jones and Jim Oliff. I was appointed Chairman of the Committee in December 2019 following Matt Reed's resignation and the Committee is currently comprised of myself and Garry Jones. I have extensive board-level experience and have previously been the Chairman of the Audit and Risk Committee at NYSE Euronext LIFFE (now ICE Europe) and, whilst working at Marex Spectron, the Internal Audit group reported to me and was a standing attendee of the Audit and Compliance committee. The Board is of the view that we have recent and relevant financial experience. Kim Suter (CFO) and other Executive Directors may attend Committee meetings by invitation. The Committee formally met on two occasions during the year. 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 the year included:

- Consideration of risk management and internal control systems;
- Review of audited annual report;
- Consideration of key audit matters and how they are addressed;
- Review of the unaudited 2019 interim report;
- Review suitability of the external auditor; 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 KRM22 decided to early adopt IFRS16 'Leases' in 2018, there were no material changes in accounting policy for the Committee to consider. 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.

Risk management and interim 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 pages 13 - 15.

Through the control systems outlined in the Statement of Corporate Governance on pages 28 - 33, 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 Executive Directors.

During the year, the internal control process has been monitored and reviewed by the Committee and the Board and where necessary improvements have been identified and implemented. In addition the Committee has reviewed the Board's process 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 8 to KRM22's financial statements. The non-audit fees primarily relate to taxation advice and compliance.

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 2020.

For and on behalf of the Audit Committee

Steve Sparke

Audit Committee Chairman

20 May 2020

Remuneration Committee Report

The Board has prepared this Report in relation to all Directors who have served during the year to 31 December 2019. 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, unless otherwise stated.

Composition

The terms of reference for the Remuneration 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.

During 2019 the Committee was composed of myself (Sandy Broderick) as Chairman and Jim Oliff and David Ellis until their resignation on 5 March and 30 April 2019 respectively. Garry Jones was appointed a Committee member following his appointment as Non-Executive Director on 30 April 2019.

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 the 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-oriented 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 were made during the year or on 1 January 2020.

Performance bonus

These are designed to reflect 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 share options and warrants were held by Directors in the year.

Option holder	Date of grant	Options held
Sandy Broderick	10/06/2019	10,000
Garry Jones	10/06/2019	176,471
Total		186,471

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

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

Service contracts

The 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 to which KRM22 operates. They may be invited to participate in the KRM22 share options scheme.

Directors' Emoluments

The remuneration of the Executive and Non-Executive Directors (audited) for the year ended 31 December 2019 was as follows:

	2019						2018					
	Salary & Fees £'000	Benefits £'000	Bonus £'000	Share based payments £'000	Pension £'000	Total £'000	Salary & Fees £'000	Benefits £'000	Bonus £'000	Share based payments £'000	Pension £'000	Total £'000
Keith Todd	175	8	(6)	518	–	695	117	3	6	347	–	473
Stephen Casner	226	–	–	188	1	415	160	–	–	126	–	286
Karen Bach	110	6	(5)	141	11	263	107	2	5	95	11	220
Sandy Broderick	30	–	–	–	–	30	23	–	–	–	–	23
David Ellis	10	–	–	–	–	10	17	–	–	–	–	17
Garry Jones	17	–	–	5	–	22	–	–	–	–	–	–
Jim Oliff	4	–	–	8	–	12	21	–	–	32	–	53
Matt Reed	28	–	–	–	–	28	20	–	–	–	–	20
Steve Sparke	2	–	–	–	–	2	–	–	–	–	–	–
Total	602	14	(11)	860	12	1,477	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 2019 had the following interest in the ordinary share capital of the Company as at that date:

Director	At 31 December 2019 No. of ordinary shares of	At 31 December 2018 No. of ordinary shares of £1 each
Keith Todd	2,347,052	1,588,000
Stephen Casner	513,143	512,143
Karen Bach	225,000	225,000
Sandy Broderick	11,765	–
Garry Jones	176,471	–
Steve Sparke	189,903	–

Sandy Broderick

Remuneration Committee Chairman

20 May 2020

Nomination Committee Report

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 2019 the Committee was composed of Sandy Broderick as Chairman and its other members were Jim Oliff and David Ellis until their resignation as Non-Executive Directors on 5 March 2019 and 30 April 2019 respectively. Garry Jones was appointed a member of the Committee on 30 April 2019 following his appointment as a Non-Executive Director of KRM22 on the same date.

The main duties of the Committee are set out in its terms of reference, which are available on KRM22's website. The Committee met on two occasions in 2019 to consider the appointment of Garry Jones and Steve Sparke to the Board as Non-Executive Directors and members of Audit, Remuneration and Nomination Committees.

Sandy Broderick

Nomination Committee Chairman

20 May 2020

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 2019. 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

Stephen Casner

President

Kim Suter

CFO (appointed 2 April 2020)

Sandy Broderick

Non-Executive Director

Garry Jones

Non-Executive Director (appointed 30 April 2019)

Steve Sparke

Non-Executive Director (appointed 3 December 2019)

Karen Bach

Non-Executive Director (previously Chief Operating Officer until 30 June 2019, resigned 2 April 2020)

David Ellis

Non-Executive Director (resigned 30 April 2019)

Jim Oliff

Non-Executive Director (resigned 5 March 2019)

Matt Reed

Non-Executive Director (resigned 3 December 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, Euro and Czech Kroner.

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.

COVID-19 risk

The global COVID-19 pandemic creates increased levels of risk to due to the difficulty in being able to predict the timing and certainty of events affecting KRM22 and its stakeholders. Delays in the conversion of sales pipeline opportunities will impact cashflow and, whilst KRM22 cannot control external factors around the timing and certainty of new contract sales, actions have been taken to reduce the cost base and manage cashflow.

Overseas branches

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

Research and Development

KRM22 dedicates resource to develop its projects:

- KRM22 Global Risk Platform;
- KRM22 Enterprise Risk Cockpit;
- Irisium;
- ProOpticus; and
- Object+.

In accordance with IAS38 'Intangible Assets', expenses are capitalised when it is probably 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 2019, total expenditure that has been capitalised on these projects totalled £1.5m (2018 - £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 - 23 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 61 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.

In considering the global coronavirus (COVID-19) pandemic, the resultant global economic uncertainties and impact on delayed sales cycles, the Directors have undertaken a significant assessment of the cashflow forecasts covering a period of at least 12 months from the date of approval of the financial statements.

Cashflow forecasts has been prepared based on a range of scenarios including, but not limited to, no further debt or equity funding, existing customer churn at different churn rates, no new contracted sales revenue, delayed sales, cost reductions, both limited and extensive, and a combination of these different scenarios.

Having assessed the sensitivity analysis on cashflows, the key risks to KRM22 remaining a going concern without implementing extensive cost reduction measures is existing customers paying on payment terms and within 45 days of invoice, customer churn of up to 10%, conversion of some of the sales opportunities that are currently at contract negotiation stage and maintaining control of the cost base.

If the forecast and 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, is key. 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. In such circumstances, KRM22 would be obliged to seek additional funding through a placement of shares or other sources of funding.

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 a going concern. However the Directors expect to be able to raise funds through a placement of shares or other source of funding and 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, being 12 months from their signing of their financial statements. The financial statements do not include the adjustments that would be required if the Company and Group were unable to continue as a going concern.

See note 3 on page 65 for further information on going concern.

Post year-end reporting date events

On 16 April 2020, KRM22 Central Limited acquired the remaining 40% minority interest in Irisium from Cinnober Financial Technology AB ("Cinnober"). Under the terms of the transaction, a total of £2.9m in debt due KRM22 and Cinnober (together the "Parent Companies") together with £0.3m of other liabilities due to the Parent

Companies was converted into ordinary shares in Irisium immediately prior to KRM22 consolidating its ownership of Irisium.

On completion of the debt to equity conversion in Irisium, the Company immediately acquired the remaining 40% stake in Irisium for a total consideration of £0.55m payable to Cinnober by way of a convertible loan note (CLN) provided by KRM22 to Cinnober. The CLN is for a one-year term and can be satisfied by either the allotment and issue of ordinary shares of the Company by no later than 31 July 2020 or settled by cash at any point in the CLN term, at the Company's sole discretion. The number of ordinary shares to be allotted to Cinnober shall be equal to £0.55m divided by £0.48 or the price at which KRM22 allots shares on any placement concluded before 31 July 2020. The interest rate payable on the CLN is 8 per cent. per annum payable quarterly. Cinnober is currently a 5.71% shareholder of KRM22. No cash consideration was payable at the point of acquisition.

On 14 May 2020, the Company raised gross proceeds of £1.3m through a conditional placing of 3,816,666 new ordinary shares of 10 pence each in the Company (the "Placing Shares") at a price of 30 pence per Ordinary Share (the "Issue Price") and a subscription of 449,998 new ordinary shares (the "Subscription Shares") at the Issue Price.

Substantial Shareholders

As at 31 December 2019, 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	3,755,838	17.9
Canaccord Genuity Wealth Management	2,931,988	14.0
Herald Investment Management	2,098,123	10.0
Premier Miton Investors	1,558,392	7.4
Cinnober Financial Technology AB	1,200,000	5.7
Octopus Investments	1,134,308	5.4
Gresham House	1,000,000	4.8
Rathbone Investment Management	706,281	3.3

Corporate governance

The Company adopts the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies ("QCA guidelines") as set out on pages 28 - 33.

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 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:

Kim Suter

Company Secretary

20 May 2020

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 2019 which comprise the consolidated income statement and the statement of comprehensive income for the group, the consolidated statement of financial position for the group, the company statement of financial position, the consolidated statement of changes in equity for the group, the company statement of changes in equity, the consolidated statement of cash flows for the group and the company statement of cash flows, and notes to the consolidated 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 2019 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, especially in light of the current COVID-19 pandemic causing economic uncertainty and making accurate forecasting even more judgemental and complex. These events or conditions, along with the other matters as set out in note 3, indicate that a material uncertainty exists 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:

- Review of the internal forecasting process to confirm the projections are prepared by an appropriate level of staff that are aware of the detailed figures included in the forecast but also have an understanding of the entity's market, strategy and changes in the customer base and the potential impact that Covid-19 might have on these projections;
- Reviewing management's assessment of going concern through analysis of the group's cash flow forecast and other projections through to 31 December 2021, including assessing and challenging the assumptions as to determine whether there is adequate support for the assumptions underlying the forecasts 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. This includes, taking account of the Covid-19 pandemic, reverse stress testing to ascertain what levels of cost increases or revenue decline cause a cash shortage at any point in management's post balance sheet assessment period and considering the likelihood that those fact patterns could occur;
- 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 actual cash flow position against that budgeted; 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.

Key Audit Matter	How the key audit matter was addressed in our audit
Revenue Recognition	
The group, as a software business, generates revenue primarily from the sale of recurring software as a service licenses, and non-recurring software implementation and set up services too. Details of the group's revenue streams and accounting policies applied during the period are given in note 3 on page 65.	With regards to the risk of material misstatement related to the inappropriate or incorrect recognition of revenue we performed the following specific testing: • Verified 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

We considered there to be a significant audit risk arising from inappropriate or incorrect recognition of revenue.

The key audit matters related to revenue recognition are as follows:

- The risk of material misstatement in relation to revenue recognition concerns the recognition around the year end, particularly in relation to license sales. License sales require a username and password to be provided to the customer, which enables access. This in turn provides evidence of delivery to the customer in relation to the contractual performance obligation; and

- There is also a risk that all revenue streams have not been recognised in line with the revenue recognition policy, in particular the unbundling of any contracts in line with their performance obligations, to ensure each revenue stream had a standalone value and that revenue is not recorded inaccurately / recognised prematurely and to ensure the appropriate application of IFRS 15 has been applied.

revenue recognition in accordance with IFRS 15.

- Agreed a sample of the group's non-recurring revenue (mainly implementation fees) received through to delivery order confirmation and ultimate cash receipt and confirm that it has a standalone value; and
- Cut-off procedures including testing invoices raised in December 2019 and January 2020, verifying back to underlying agreements, to check revenue has been recognised within the correct period.

We assessed whether the revenue recognition policies adopted by the Group comply with IFRS as adopted by the European Union and Industry Standard. The relevant IFRS is International Financial Reporting Standard 15 Revenue from Contracts with Customers.

Key observations:

Based on the procedures performed, we noted no material instances of management bias or error associated with the inappropriate or incorrect recognition of revenue, nor with the accounting of any associated components to the sales agreements. Based on the work performed we consider that revenue has been materially recognised appropriately and in accordance with the group's revenue recognition accounting policy

Acquisition of Object + Holding BV ('Object+'): Accounting for acquisition and the business combination

See accounting policy in note 3, the intangibles assets note (note 13) and the business combinations note (note 28).

The acquisition of Object+, the details of which are provided in note 28, was completed on 30 May, 2019. The acquisition resulted in the group holding, on consolidation, goodwill and intangible assets of £1.92m and £0.47m respectively.

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 engaged external valuations experts to undertake the purchase price allocation exercise required.

We obtained the valuation report from management's experts and performed the following substantive audit procedures:

- We assessed the competency, qualifications, independence and objectivity of the experts engaged by management and reviewed the terms of their engagement to identify any matters that could have affected their independence and objectivity or imposed scope limitations upon them.
- Involved valuation specialists to challenge the assumptions underpinning the significant judgements and estimates provided by management in the assessment of the fair values of the assets and liabilities acquired and consideration paid. These assumptions included revenue and profit forecasts, discount rates, growth rates and customer attrition rates.

The inherent complexity of the judgements involved in assessing the fair values have led us to assess this as a key audit matter.	• In respect the fair value of the assets, there was a specific focus on: o 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. o Trade receivables – the audit team looked at post acquisition amounts received to check that the acquired accounts receivable balances were held at fair value. o 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 • Tested that the valuation methodologies used for each type of asset were appropriate and consistent with market practice. • Reviewed underlying cash flow projections and compared against post-year end outturn, to ascertain the reasonableness of management process for preparing projections. • Considered the appropriateness of discount rates applied and the long term growth rates against market data. Further, we evaluated the disclosures provided in the financial statements and checked that these are consistent with the terms of the acquisition and amounts disclosed accurately reflect the value of the assets acquired and the requirements of IFRS. **Key observations** Based on the procedures performed, we noted no instances of material numerical or presentational misstatements in the year relating to the accounting for the acquisition of the Object+ Group.

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 £336,000 (FY18: £353,000), which represents 5% of loss before tax (FY18: 5% of loss before tax). We used loss before tax as a benchmark as this is a primary KPI used to address the performance of the business by the Board.

Materiality for the parent company has been calculated using 1% of total assets, at £176,000 (FY18: £139,000), using 1% of total assets), as the parent company primarily acts as a holding company for the group's investments

The individual component materiality values used for the individual subsidiary components were set at 30%-75% group materiality, at £100,000 - £252,000 for overseas components. For UK components, this was set at 5% of loss before tax, which ranged between £41,000 to £191,000.

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 70% of materiality, being £235,000 (FY18: 65% and £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 £10,100 (FY18: £7,000), which are identified during the audit. We also agreed to report differences below these thresholds that, in our view, warranted reporting 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.

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 six individually significant components, which makes up 86% of Group loss before tax and also covers 95% of the total assets of the group. There is also one further UK component subject to statutory audit to component materiality levels.

The significant components in all territories were audited by the group audit team, as the group's finance team and information for all territories are based within the UK and 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, KRM22 ProOpticus LLC, and Object+ Financial Services BV 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 Annual Report 2019, 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.

Responsibilities of directors

As explained more fully in the Statement of directors' responsibilities set out on page 44, 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, UK

20 May 2020

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 2019

	Note	2019 £'000	2018 £'000
Revenue	6	**4,143**	1,288
Cost of sales		**(434)**	(142)
Gross profit		**3,709**	1,146
Administrative expenses	7	**(10,830)**	(6,497)
Operating loss before interest, taxation, depreciation, amortisation, share based payment and exceptional items ('Adjusted EBITDA')		**(3,072)**	(3,319)
Depreciation and amortisation		**(1,259)**	(523)
Impairment of intangible assets		**(2,344)**	(75)
Profit and loss disposal of tangible assets		**22**	–
Contingent consideration write back		**1,493**	–
IPO funding expenses		**–**	(299)
Acquisition expenses		**(413)**	(478)
Company reorganisation costs		**(527)**	–
Share-based payment charge		**(1,021)**	(657)
Operating loss		**(7,121)**	(5,351)
Finance charges	10	**(196)**	(82)
Loss before taxation		**(7,317)**	(5,433)
Taxation	11	**792**	13
Loss for the year		**(6,525)**	(5,420)
Loss for the year attributable to:			
Equity shareholders of the parent		**(5,648)**	(5,217)
Non-controlling interest		**(877)**	(203)
		(6,525)	(5,420)
Other comprehensive income Item that may be reclassified to subsequently to profit and loss; Exchange gain on translation of foreign operations		**33**	24
Total comprehensive loss for the year		**(6,492)**	(5,396)
Total comprehensive loss for the year attributable to:			
Equity shareholders of the parent		**(5,615)**	(5,193)
Non-controlling interest		**(877)**	(203)
		(6,492)	(5,396)
Loss per ordinary share			
Basic earnings per share	12	**(30.4p)**	(55.5p)
Diluted earnings per share	12	**(30.4p)**	(55.5p)

All amounts relate to continuing activities.

The notes on pages 63 to 95 form part of these financial statements.

Consolidated statement of financial position for the group

AS AT 31 DECEMBER 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Goodwill	13	7,667	5,928
Other intangible assets	13	3,562	4,523
Property, plant and equipment	14	233	304
Right of use assets	20	1,642	1,602
Other receivables	16	42	–
		13,146	12,357
Current assets			
Trade and other receivables	16	1,358	1,131
Cash and cash equivalents	18	1,076	3,355
		2,434	4,486
Total assets		15,580	16,843
Current liabilities			
Trade and other payables	19	2,954	2,177
Loans and borrowings	21	388	–
Lease liabilities	20	488	541
Derivative financial liability	21	45	–
		3,875	2,718
Net current (liabilities)/assets		(1,441)	1,768
Non-current liabilities			
Trade and other payables	19	1,179	1,563
Loans and borrowings	21	1,597	1,193
Lease liabilities	20	988	1,046
Deferred tax liability	22	536	619
		4,300	4,421
Total liabilities		8,175	7,139
Net assets		7,405	9,704
Equity			
Share capital	24	2,100	1,638
Share premium		15,435	12,659
Merger reserve		(190)	(190)
Foreign exchange reserve		(9)	24
Share-based payment reserve	25	1,678	657
Retained earnings		(10,871)	(5,223)
		8,143	9,565
Non-controlling interest		(738)	139
Total equity		7,405	9,704

The financial statements were approved by the Board and authorised for issue on 20 May 2020 and are signed on its behalf by:

Kim Suter

Company Secretary

The notes on pages 63 to 95 form part of these financial statements.

Company statement of financial position

AS AT 31 DECEMBER 2019

	Note	2019 £'000	2018 Restated £'000
Non-current assets			
Investments	15	301	225
Intercompany loans	16	1,297	11,321
		1,598	11,546
Current assets			
Trade and other receivables	16	290	307
Cash and cash equivalents	18	88	2,210
		378	2,517
Total assets		1,976	14,063
Current liabilities			
Trade and other payables	19	366	243
Net assets		1,610	13,820
Equity			
Share capital	24	2,100	1,638
Share premium		15,435	12,659
Share-based payment reserve	25	1,678	657
Retained earnings		(17,603)	(1,134)
Total equity		1,610	13,820

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 £16,469,000 (2018 – restated loss of £1,134,000).

The financial statements were approved by the Board and authorised for issue 20 May 2020 and are signed on its behalf by:

Kim Suter

Company Secretary

The notes on pages 63 to 95 form part of these financial statements.

Consolidated statement of changes in equity for the group

FOR THE YEAR ENDED 31 DECEMBER 2019

	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 2019	1,638	12,659	(190)	24	657	(5,223)	139	9,704
Loss for the year	–	–	–	–	–	(5,648)	(877)	(6,525)
Other comprehensive income	–	–	–	(33)	–	–	–	(33)
Total comprehensive loss	–	–	–	(33)	–	(5,648)	(877)	(6,558)
Allotment of share capital	462	2,776	–	–	–	–	–	3,238
Share-based payments	–	–	–	–	1,021	–	–	1,021
At 31 December 2019	**2,100**	**15,435**	**(190)**	**(9)**	**1,678**	**(10,871)**	**(738)**	**7,405**

The notes on pages 63 to 95 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 2018	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 63 to 95 form part of these financial statements.

Company statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2019

	Ordinary shares £'000	Share premium £'000	Share-based payment reserve £'000	Retained losses £'000	Total equity £'000
Balance as at 31 December 2018 as originally presented	1,638	12,659	657	(502)	14,452
Restatement – See Note 5	–	–	–	(632)	(632)
Restated total equity s at 1 January 2019	1,638	12,659	657	(1,134)	13,820
Loss for the period	–	–	–	(16,469)	(16,469)
Allotment of share capital	462	2,776	–	–	3,238
Share-based payments	–	–	1,021	–	1,021
As at 31 December 2019	**2,100**	**15,435**	**1,678**	**(17,603)**	**1,610**

The notes on pages 63 to 95 form part of these financial statements.

Company statement of changes in equity

RESTATED FOR THE PERIOD ENDED 31 DECEMBER 2018

	Ordinary shares £'000	Share premium £'000	Share-based payment reserve £'000	Retained losses £'000	Total equity £'000
As at 2 March 2018	–	–	–	–	–
Loss for the period	–	–	–	(1,134)	(1,134)
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
As at 31 December 2018	**1,638**	**12,659**	**657**	**(1,134)**	**13,820**

The notes on pages 63 to 95 form part of these financial statements.

Consolidated statement of cash flows for the group

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £'000	2018 £'000
Cash flows from operating activities		
Loss for the year	(6,525)	(5,420)
Adjustments for:		
Tax credit	(792)	(13)
Net finance expense	196	82
Amortisation of intangible assets	672	233
Depreciation of property, plant and equipment and right of use assets	587	290
Impairment of intangible assets	2,344	75
Equity-settled share-based payment expense	1,021	657
Write back of contingent consideration	(1,493)	–
Income taxes received	562	–
	(3,428)	(4,096)
Decrease in trade and other receivables	98	148
Increase in trade and other payables	71	1,427
	169	1,575
Net cash flows used in operating activities	(3,259)	(2,521)
Cash flows from investing activities		
Acquisition of subsidiary undertakings (net of cash acquired)	(379)	(5,084)
Purchase of intangible assets	(1,599)	(1,983)
Purchase property, plant and equipment	(16)	(148)
Net cash used in investing activities	(1,994)	(7,215)
Cash flows from financing activities		
Proceeds from issue of shares	2,787	13,635
Costs of the issue of shares	(65)	(320)
Lease payments principal	(559)	(182)
Lease payments interest	(93)	(56)
Receipts from borrowings	1,056	–
Repayments of borrowings	(203)	–
Net cash from financing activities	2,923	13,077
Net (decrease)/increase in cash and cash equivalents	(2,330)	3,341
Cash and cash equivalents at beginning of the year	3,355	14
Bank overdraft	22	–
Effect of foreign exchange rate changes	29	–
Cash and cash equivalents at the end of the year	1,076	3,355

The notes on pages 63 to 95 form part of these financial statements.

Company statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £'000	2018 Restated £'000
Cash flows from operating activities		
Loss for the year	(16,469)	(1,134)
Adjustments for:		
Net finance income	(1,119)	(325)
Increase in provisions against intra-group loans	15,927	–
Equity-settled share-based payment expense	946	632
	(715)	(827)
Decrease/(Increase) in trade and other receivables	16	(307)
Increase in trade and other payables	123	243
	139	(64)
Net cash outflows used in operating activities	(576)	(891)
Cash flows from investing activities		
Advance of loans to subsidiaries	(4,268)	(10,214)
Net cash outflow used in investing activities	(4,268)	(10,214)
Cash flows from financing activities		
Proceeds from issue of shares	2,787	13,635
Costs of the issue of shares	(65)	(320)
Net cash inflow from financing activities	2,722	13,315
Net increase/(decrease) in cash and cash equivalents	(2,122)	2,210
Cash and cash equivalents at beginning of the year	2,210	–
Cash and cash equivalents at the end of the year	88	2,210

The notes on pages 63 to 95 form part of these financial statements.

Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2019

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.

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 Parent Company too. 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 2019. 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.

Adoption of new and revised standards

There are no new standards impacting the Group that have been adopted in the annual financial statements for the year ended 31 December 2019, which have given rise to material changes in the Group's accounting policies.

Standards, amendments and interpretations to published standards not yet effective

There are a number of new standards and amendments to and interpretations of existing standards, which have been published and are not yet mandatory and which the Group has decided not to adopt early, as below:

	Issue date	Effective date for Annual periods beginning on/after	Expected impact
Amendments to IAS 1: Classification of Liabilities as Current or Non-current (not EU endorsed)	23-Jan-20	01-Jan-23	None
Amendments to References to the Conceptual Framework in IFRS Standards	29-Mar-18	01-Jan-20	None
Amendments to IFRS 3 Business Combinations: Definition of a Business	22-Oct-18	01-Jan-20	None

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'.

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 Group and Company meets their day-to-day working capital requirements through cash generated from the capital it has raised on AIM, and a debt facility with Harbert European Growth Capital Fund II ("Harbert"). On 29 April 2019 KRM22 entered into a five-year debt facility for up to £10.0m with Harbert 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. At 31 December 2019 KRM22 had £1.1m of cash at bank and debt due to Harbert of £0.9m (gross).

In considering the global coronavirus (COVID-19) pandemic, the resultant global economic uncertainties and impact on delayed sales cycles, the Directors have undertaken a significant assessment of the cashflow forecasts covering a period of at least 12 months from the date of approval of the financial statements.

Cashflow forecasts have been prepared based on a range of scenarios including, but not limited to, no further debt or equity funding, existing customer churn at different churn rates, no new contracted sales revenue, delayed sales, cost reductions, both limited and extensive, and a combination of these different scenarios. Having assessed the sensitivity analysis on cashflows, noting that £1.3m gross proceeds, which was included in the forecasts, was raised subsequent to the year end (see note 30), the key risks to KRM22 remaining a going concern without implementing extensive cost reduction measures is, existing customers paying on payment terms and within 45 days of invoice, customer churn of up to 10%, conversion of some of the sales opportunities that are currently at contract negotiation stage and maintaining control of the cost base. If the forecasts are 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, is key. 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. In such circumstances, KRM22 would be obliged to seek additional funding, in addition to the £1.3m successfully raised in May 2020, through a placement of shares or other source of funding.

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 a going concern. However the Directors expect to be able to raise funds through a placement of shares or other source of funding and 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, being 12 months from their signing of their financial statements. The financial statements do not include the adjustments that would be required if the Company and Group were unable to continue as a going concern.

Revenue recognition

Revenue comprises recurring revenue, non-recurring revenue and other 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:

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, revenue represents the value of service provided to date based on completed implementations as defined in the contract. 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. The implementation fee is a distinct obligation and therefore recognised at a point in time.

Other revenue

Other revenue comprises miscellaneous revenue that is not part of providing SaaS services, either as recurring revenue or non-recurring implementation fees, and is not part of KRM22's core business. Turnover represents the value of service provided and 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 2019, the balance of deferred revenue was £1.3m (2018 – £0.6m) and this will be released to the income statement in full within one year of the statement of financial position date.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

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 assumed 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;
- expenditure on the development of the asset can be measured reliably; and
- 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.

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
Motor vehicles	-	straight line over 5 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 cost 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 the Company's statement of financial position when KRM22 and the 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.

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.

Financial liabilities are classified as at FVTPL when the financial liability is held for trading or is a derivative (except for effective hedge) or are designated upon initial recognition as FVTPL.

Gains or Losses, including any interest expense on liabilities held for trading or a derivative, are recognised 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.

Fair value measurement

Fair value is measured using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. The different levels can be defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within level that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are based on observable market data (unobservable inputs).

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.

Companies within the group may be entitled to claim special tax allowances in relation to qualifying research and development expenditure (e.g. R&D tax credits). The Group accounts for such allowances as tax credits which means they are recognised when it is probable that the benefit will flow to the group and that the benefit can be reliably measured. R&D tax credits reduce current tax expense and to the extent the amounts are due in respect of them and not settled by the statement of financial position date, reduce current tax payable.

(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.

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 period, 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.

Leases

IFRS16 'Leases' replaces the previous leases standard, IAS 17 'Leases', and its related interpretations and was to be applied for accounting periods beginning on or after 1 January 2019 with early application of the standard permissible. 2018 was the first year that accounts were prepared for KRM22 and the Directors applied the standard early on the basis that the new accounting treatment would have a material impact on the way the accounts are presented. As a result, there is no change in lease accounting policy to report.

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 assets 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.

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 five areas within the financial statements which constitute critical accounting judgements as follows:

I. Contingent consideration

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

The contingent 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.

II. Revenue

The allocation and timing of the recognition of revenue requires management judgement. Contracts can include both the sale of licences and the provision of services including integration and development.

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. In respect of provision of services and integration and development this would usually be the period of time in which the integration and development services were completed.

III. 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.

IV. Leases

The recognition of 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.

V. Business combinations

The valuation of contingent 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.

5. Prior period restatement (company only)

The Directors have reappraised the employment status of the beneficiaries to the group's warrants, which clarified they were predominantly employees of the Parent Company and not KRM22 Central Limited its subsidiary. As a result, the Directors have concluded that the investment in subsidiaries at 31 December 2018 were overstated by £0.6m and restated the investment in subsidiaries by this amount. The impact of this prior period error was to reduce the investment in subsidiaries by £0.6m and increase share option expense recognised on share options and warrants, thereby increasing the loss for the prior period by the same amount. There was no impact on the net assets of the Group at 31 December 2018.

The error has been corrected by restating each of the affected financial statement line items for the prior period as follows:

	2018 As previously stated £'000	Increase/ (Decrease) £'000	**2018 Restated £'000**
Impact on statement of financial position			
Assets			
Investments	857	(632)	**225**
Net assets	857	(632)	**225**
Equity			
Retained earnings	(502)	(632)	**(1,134)**
Total equity	(502)	(632)	**(1,134)**
Impact on income statement			
Share based payment charge	–	632	**632**
Total	–	632	**632**

6. Segmental reporting

The Board of Directors, as the chief operating decision maker in accordance with IFRS 8 Operating Segments, has determined that KRM22 have identified five risk domains as operating segments, however for reporting purposes into a single global business unit and operates as a single operating segment, as the nature of services delivered are common.

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.

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

	2019 Revenue £'000	**2019 Non-current assets £'000**	2018 Revenue £'000	2018 Non-current assets £'000
UK	**422**	**5,151**	229	6,422
Europe	**798**	**2,463**	382	38
USA	**2,489**	**5,531**	629	5,897
Rest of world	**434**	**1**	48	–
Total	**4,143**	**13,146**	1,288	12,357

The Directors consider that the business has five risk domains: Enterprise, Market, Operations, Regulatory and Technology as is described in Strategic Report. Within these five risk domains, there are three revenue streams with different characteristics, which are generated from the same assets and cost base.

For the year ended 31 December 2019, no customer generated more than 10% of total revenue. For the year ended 31 December 2018, one customer, reported in the Europe segment, generated more than 10% of total revenue and the revenue received from this customer was £0.4m.

Non-current assets include goodwill and intangible assets recognised on consolidation and are classified by reference to the geographical location of the KRM22 group company which initially acquired the acquiree.

Recurring revenue is recognised over the period of time and non-recurring revenue is recognised at a point in time. Other revenue comprises miscellaneous revenue that is not part of KRM22's core business.

	2019 £'000	2018 £'000
Recurring revenue	**3,753**	1,121
Non-recurring revenue	**305**	167
Other revenue	**85**	–
Total revenue	**4,143**	1,288

	2019 £'000	2018 £'000
Enterprise	**81**	–
Market	**2,447**	514
Regulatory	**1,530**	774
Other	**85**	–
Total	**4,143**	1,288

7. Operating loss

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

	2019 £'000	2018 £'000
Depreciation of property, plant and equipment	**92**	44
Depreciation of right of use assets	**495**	246
Amortisation of intangible assets	**672**	233
Impairment of intangible assets	**2,344**	75
Acquisition expenses (refer to note below)	**413**	478
Company reorganisation costs (refer to note below)	**527**	–
Contingent consideration written back (refer to note below)	**(1,493)**	–
Operating lease costs	**41**	17
Foreign currency exchange losses	**111**	16

I. Company reorganisation costs

Reorganisation costs in the year ended 31 December 2019 of £0.5m (2018 - £nil) were recognised and related to staff redundancy costs as a result of KRM22 scaling back certain business operations.

II. Acquisition related costs

Total acquisition related costs in the year ended 31 December 2019 of £0.4m (2018 - £0.5m) were recognised and include £0.2m for the acquisition of Object+ and £0.2m in connection with target acquisitions opportunities not completed.

III. Contingent consideration write back

A contingent consideration write back of £1.5m (2018 - £nil) was recognised in connection the write back of previously recognised contingent consideration associated with the acquisition of

ProOpticus. The Directors believe that the contingent consideration will not be payable and have therefore written back this element of consideration from the fair value of the total consideration that could have been paid under the terms of the share purchase agreement.

8. Auditor's remuneration

	2019 £'000	2018 £'000
For audit services		
Audit of the financial statements of the Company	115	75
Audit of the financial statements of the Company's subsidiaries	13	11
	128	86
For other services		
Tax services of the Company	8	11
Tax services for the Company's subsidiaries	15	4
Tax services around acquisitions	3	15
Adviser fees in respect of IPO	–	26
	26	56

9. Employee information

I. Employee numbers

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

	2019 No.	2018 No.
UK	35	30
Europe	20	8
USA	15	19
Rest of world	2	1
Total	72	58

II. Employee benefits

The aggregate payroll cost of these persons were as follows:

	2019 £'000	2018 £'000
Wages and salaries	3,818	2,349
Social security costs	189	179
Pension costs to defined contribution schemes	175	50
Share-based payments	1,021	657
Total	5,203	3,235

III. Directors' remuneration

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

	2019 £'000	2018 £'000
Remuneration for qualifying services	603	481
Social security costs	48	38
Pension contributions to defined contribution schemes	12	11
Share-based payments	860	600
Total	1,523	1,130

Full details of Directors' remuneration is presented in the Remuneration Committee Report on page 38. Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2019 £'000	2018 £'000
Remuneration for qualifying services	228	160
Total	228	160

The number of Directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2018 – 1).

10. Finance expense

	2019 £'000	2018 £'000
Interest income	(1)	–
Interest expense on financial liabilities	101	26
Interest expense on lease liabilities	96	56
Net finance expense	196	82

11. Taxation

	2019 £'000	2018 £'000
Current tax		
UK Corporation tax at 19% on loss for the year (2018 – 19%)	–	–
Prior year adjustment to deferred tax	(28)	–
Research and Development tax credits	(562)	–
Total current tax	(590)	–
Deferred tax:		
Origination and reversal of temporary differences	(37)	31
Intangible assets recognised on acquisition	(165)	(44)
Total deferred tax (note 22)	(202)	(13)
Total tax credit	(792)	(13)

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

	2019 £'000	2018 £'000
Losses before tax	(7,317)	(5,433)
Loss before tax based on corporation tax 19% (2018: 19%)	(1,390)	(1,032)
Accelerated capital allowances	(37)	31
Expenses not deductible for tax purposes	86	102
Intangible assets recognised on acquisition	(165)	(44)
Adjustments to brought forward values	(28)	
Losses carried forward	742	930
Total tax credit	(792)	(13)

12. 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 share 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.

	2019 £'000	2018 £'000
Loss for the year attributable to equity holders of the parent	(5,648)	(5,217)
Basic weighted average number of shares in issue	18,552,176	9,407,958
Diluted weighted average number of shares in issue	25,933,265	13,760,193
	(30.4p)	(55.5p)

13. 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 2019	5,928	2,448	589	1,789	10,754
Acquisition of subsidiaries	1,922	421	55	–	2,398
Additions	–	–	61	1,531	1,592
Foreign exchange movements	(183)	(13)	(1)	–	(197)
At 31 December 2019	7,667	2,856	704	3,320	14,547
Accumulated amortisation					
At 1 January 2019	–	210	93	–	303
Amortisation for the year	–	431	87	154	672
Impairment charge for the year	–	–	–	2,344	2,344
Foreign exchange movements	–	(1)	–	–	(1)
At 31 December 2019	-	640	180	2,498	3,318
At 31 December 2018	5,928	2,238	496	1,789	10,451
At 31 December 2019	**7,667**	**2,216**	**524**	**822**	**11,229**

Goodwill that arose in prior periods is not amortised. The residual goodwill arising on the acquisition of Object+ is attributable to the enhanced market position of the group, due to the completeness of the solution that KRM22 can offer the market. The recoverable amount of the goodwill can be underpinned on a value in use basis by the expected performance of the Group, which is seen as a single cash-generating unit.

The valuation used for this purpose is based on cash flow projections for the next five years, and thereafter for an indefinite period at a growth assumption of 1 percent. The discount rate (WACC) used was 14 percent. Sensitivity analysis has been performed on these projections, specifically changes in assumed annual revenue growth, profit margin growth and terminal growth rate. This demonstrates valuation headroom above the carrying value of goodwill.

14. Property, plant and equipment

	Motor vehicles £'000	Fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost				
At 1 January 2019	–	254	94	348
Acquisition of subsidiaries	58	–	29	87
Additions	–	9	7	16
Disposals	(58)	(2)	(1)	(61)
At 31 December 2019	–	261	129	390
Accumulated depreciations				
At 1 January 2019	–	36	8	44
Acquisition of subsidiaries	33	–	23	56
Depreciation charge for the year	2	65	25	92
Disposals	(35)	–	–	(35)
At 31 December 2019	–	101	56	157
Net book value at 31 December 2018	–	218	86	304
Net book value at 31 December 2019	**–**	**160**	**73**	**233**

15. Investment in subsidiaries

	2019 £'000	2018 Restated (note 5) £'000
Cost		
At 1 January 2019	**225**	–
Additions	**76**	225
At 31 December 2019	**301**	225
Carrying amount		
At 1 January 2019	**225**	–
At 31 December 2019	**301**	225

The additions in 2019 represents share capital contributions made to the Company's subsidiaries in respect of the share option expense recognised on share options issued by the Company to employees of the appropriate subsidiaries. The capital contribution transaction is a non-cash transaction.

Restatement of prior period balance

The Directors have reappraised the employment status of the beneficiaries to the Group's founder warrants and clarified that the beneficiaries were predominantly employees of the Company and not KRM22 Central Limited its subsidiary. As a result, the Directors have concluded that the investment in subsidiaries, as presented in the accounts for the period ended at 31 December 2018, was overstated by £0.6m and have restated the investment in subsidiaries by this amount in the accounts for the year ended 31 December 2019. For further details see note 5.

Details of the Company's subsidiaries at 31 December 2019 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 SL	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
KRM22 Netherlands B.V.	Max Euweplein 26 1017MB, Amsterdam The Netherlands	100%	Holding company
Irisium Limited	5 Ireland Yard London, EC4V 5EH England	60%	Administrative and sales company
Object+ Holding B.V.	Max Euweplein 26 1017MB, Amsterdam The Netherlands	100%	Holding company
Object+ B.V.	Max Euweplein 26 1017MB, Amsterdam The Netherlands	100%	Holding company
Object+ Financial Services B.V.	Max Euweplein 26 1017MB, Amsterdam The Netherlands	100%	Administrative and sales company
Object+ Financial Products B.V.	Max Euweplein 26 1017MB, Amsterdam The Netherlands	100%	Administrative and sales company
Object+ Americas LLC	111 West Jackson Blvd. Suite 2210 Chicago IL, 60604 USA	100%	Sales company

*Shares held directly by KRM22 Plc

16. Trade and other receivables

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

	2019 £'000 Group	2019 £'000 Company	2018 £'000 Group	2018 £'000 Company
Amounts falling due within one year:				
Trade receivables	620	–	386	–
Trade receivables group companies	–	–	–	196
Other receivables	243	10	511	67
Prepayments and accrued income	495	280	234	44
Total trade and other receivables due within one year	1,358	290	1,131	307
Amounts falling due after more than one year:				
Amounts due from group undertakings	–	1,297	–	11,321
Other receivables	42	–	–	–
Total trade and other receivables due in more than one year	42	1,297	–	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 organic customer growth and acquired customer growth through the previous acquisitions: Irisium, ProOpticus and the Object+ Group. Based on historical observed default rates of the acquired companies, the estimated impairment loss is immaterial. Furthermore, since acquisition the Group has managed customer credit risk in line with Group policy and outstanding receivables are actively monitored and discussed by management. 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.

There are significant doubts as to the future recoverability of these balances, and as such, a provision for bad and doubtful debts of £15.9m (2018 - £nil) has been raised against the amounts due from group undertakings in the Company statement of financial position and recorded as a charge in the Company income statement.

17. Trade receivables – credit risk

Aging of due and past due but not impaired receivables	2019 £'000	2018 £'000
0 – 30 days	566	307
31 – 60 days	–	68
61 – 90 days	51	8
91 – 120 days	3	3
Total trade and other receivables due in less than one year	620	386

18. Cash and cash equivalents

	2019 £'000 Group	2019 £'000 Company	2018 £'000 Group	2018 £'000 Company
Cash at banks and on hand – unrestricted	1,076	88	2,889	1,744
Cash at banks and on hand – restricted	–	–	466	466
	1,076	88	3,355	2,210

When the Company completed the IPO in 2018, 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. At 31 December 2019, the balance of VCT/EIS funds was £nil (2018 - £0.5m). Unrestricted cash can be used by KRM22 for any business activities including acquisitions.

19. Trade and other payables

	2019 £'000 Group	2019 £'000 Company	2018 £'000 Group	2018 £'000 Company
Amounts falling due within one year:				
Bank overdraft	22	–	–	–
Trade payables	867	109	675	65
Trade payables group companies	–	–	–	7
Accruals and deferred income	1,829	117	1,290	171
Social security and other taxation	131	–	126	–
Other payables	105	140	86	–
Total due within one year	2,954	366	2,177	243
Amounts falling due after more than one year:				
Contingent consideration	1,110	–	1,563	–
Provision for dilapidations	69	–	–	–
Total due in more than one year	1,179	–	1,563	–

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

Provisions for dilapidation for expected future expenditure in accordance with lease obligations are based on the Group's best estimate of the likely committed cash outflow. These costs are expected to be incurred at the end of the lease and therefore have been classified as non-current.

20. Finance leases – right of use assets and lease liabilities

Right of use assets

	Total £'000
Cost	
At 1 January 2019	1,840
Additions	1,166
Disposals	(984)
At 31 December 2019	2,022
Accumulated depreciation	
At 1 January 2019	238
Depreciation charge for year	495
Disposals	(352)
Foreign exchange movements	(1)
At 31 December 2019	380
Net book value at 31 December 2018	1,602
Net book value at 31 December 2019	**1,642**

Lease liabilities

	Total £'000
Cost	
At 1 January 2019	1,587
Additions	620
Disposals	(186)
Interest expense	96
Lease payments	(641)
At 31 December 2019	**1,476**

The maturity of the lease liabilities is as follows:

	2019 £'000	2018 £'000
Amounts payable under finance leases		
Within one year	488	541
In two to five years	988	1,046
	1,476	1,587

KRM22's finance leases relate to various office leases held by subsidiary undertakings. In addition to the lease additions and disposals detailed in the table, the lease expiry date of an existing lease was extended to end on 31 July 2024.

21. Loans and borrowings

	2019 £'000	2018 £'000
Current		
Secured loans	388	–
	388	–
Non-Current		
Secured loans	435	–
Unsecured loans	1,162	1,193
	1,597	1,193
	1,985	1,193

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

On 29 April 2019, KRM22 Central Limited entered into a five-year secured 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.

The warrants are treated as a financial instrument and recorded at fair value as a current liability amounting to £0.04m with gain in fair value of £0.07m at the statement of financial position recognised in the income statement (see note 27).

The unsecured loan relates to a shareholder loan provided to Irisium Limited (“Irisium”), a subsidiary of KRM22 Central Limited, by Cinnober Financial Technology AB (“Cinnober”) who own 40% of the issued share capital of Irisium. Loans provided from Cinnober to Irisium are subject to an interest rate of 5% and the loan is repayable on 31 December 2023. As detailed in note 30, on 16 April 2020, the loan due to Cinnober from Irisium was converted into ordinary shares in Irisium.

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
On acquisition	**119**	**–**	**119**
Income statement (credit)	**(165)**	**(37)**	**(202)**
Deferred tax liability at 31 December 2019	**513**	**23**	**536**

KRM22 has tax losses of £14.6m (2018 - £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 £2.9m (2018 - £1.7m).

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 £0.5m has been recognised in relation to intangible assets of £3.3m that arise on the acquisition of Object+ and Irisium, ProOpticus in the prior period.

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 19% 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. Any property leases that have less than twelve months at the date of inception 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:

	2019 £'000	2018 £'000
Due within one year	**25**	26
	25	26

24. Share capital

	2019 No.	**2019 £'000**	2018 No.	2018 £'000
Issue and fully paid 10p Ordinary shares				
At 1 January	**16,376,388**	**1,638**	–	–
Issued for cash during the year*	**4,014,732**	**401**	13,602,873	1,360
Issued as share exchange	**–**	**–**	2,000,000	200
Issued for other consideration	**606,909**	**61**	773,515	78
At 31 December	**20,998,029**	**2,100**	16,376,388	1,638

The following movements in the ordinary share capital of the Company occurred during the year:

- On 3 April 2019, the Company issued 1,883,672 new ordinary shares of 10 pence each at a placing price of 85 pence per share through a placement and subscription. On the same date a subscription was made for further 235,295 new ordinary shares of 10 pence each, to be settled on completion of the requisite subscription paperwork. The subscription was settled on 5 June 2019. The total number of shares issued as part of this share issue was 2,118,967 ordinary shares of 10 pence each to raise £1.8m.
- On 30 May 2019, the Company issued 606,909 new ordinary shares at a price of 85 pence per share as part consideration for the acquisition of Object+ Holding B.V.
- On 7 November 2019, the Company placed a further 1,895,765 new ordinary shares of 10 pence each to raise £1.0m at placing price of 52 pence per share.

The share premium account represents the premium arising on the issue of equity shares, comprising 10 pence ordinary shares, net of share issue expenses.

Total costs relating to the share placement and subscriptions in the year 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

The KRM22 Employee Share Option Plan ('ESOP'), a UK tax authority approved Enterprise Management Incentive (EMI), was set up on 24 April 2018. During the year the Company granted 1,156,471 options to employees of KRM22, which includes 275,000 options (the "Salary Deferral Options") granted to employees who accepted a temporary salary deferral to help the Company's cashflow.

With the exception of the Salary Deferral Options, 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. The Salary Deferral Options vest over a nine-month period and the are not subject to any share price performance conditions.

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 52.5 pence per share and 109.5 pence per share. The weighted average remaining contractual life of the share options outstanding at 31 December 2019 is 2 years and 3 months.

	Weighted average exercise price £	2019 Number	Weighted average exercise price £	2018 Number
Outstanding at 1 January	1.00	7,086,000	–	–
Granted during the year – warrants	–	–	1.00	6,000,000
Granted during the year – ESOP	0.70	1,156,471	1.02	1,089,000
Forfeited during the year – ESOP	1.01	(403,000)	–	(3,000)
Exercised during the year	–	–	–	–
Expire during the year	–	–	–	–
Outstanding at 31 December	0.81	7,839,471	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.

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 2019 and 31 December 2018 were as follows:

Grant month	September 2018	June 2019	June 2019	November 2019	December 2019
Weighted average share price at grant date	£1.0950	£0.770	£0.770	£0.535	£0.525
Exercise price	£1.000	£0.850	£0.850	£0.850	£0.525
Weighted average contractual life	3 years	3 years	1 year	3 years	3 years
Expected volatility	30%	30%	30%	30%	30%
Expected dividend growth rate	–	–	–	–	–
Risk-free interest rate	0.86%	0.86%	0.86%	0.86%	0.86%

The fair value of the outstanding warrants with performance conditions was measured using the Monte Carlo simulation model and the inputs to that model in respect of the share options outstanding under each issue were as follows:

	2018
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 2019 arising from equity-settled share-based payment transactions amounted to £1.0m (2018 - £0.7m) and the share-based payment reserve as at 31 December 2019 amounted to £1.7m (2018 - £0.7m).

26. Capital commitments

At 31 December 2019 KRM22 had no material capital commitments (2018 - £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. All items below are stated at amortised cost unless explicitly stated. The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The table below analyses financial instruments carried at fair value by hierarchy level.

	2019 £'000 Group	2019 £'000 Company	2018 £'000 Group	2018 £'000 Company
Financial assets				
Cash at banks and on hand – unrestricted	1,076	88	2,889	1,744
Cash at banks and on hand – restricted	–	–	466	466
Trade receivables group companies	–	1,297	–	11,517
Trade and other receivables	905	–	562	–
	1,981	1,385	3,917	13,727
Financial liabilities				
Bank overdraft	22	–	–	–
Trade and other payables	1,041	109	757	65
Accruals	717	257	734	171
Contingent consideration at FVTPL (Level 3)	1,110	–	1,563	–
Borrowings	1,985	–	1,193	–
Derivative financial liability at FVTPL (Level 1)	45	–	–	–
Finance lease obligations	1,476	–	1,587	–
	6,396	366	5,834	236

The Directors consider that the carrying amount for all financial assets and liabilities which are not held at fair value through profit or loss approximates to their fair value.

In conjunction with the Harbert Debt Facility, the Company has constituted warrants over a number of Ordinary shares. The warrants are treated as a derivative financial instrument and recorded at fair value as a current liability with any adjustment in fair value at the statement of financial position dated recognised within finance charge on financial liabilities in the income statement.

The fair value of the warrant instrument was measured using the binomial option valuation model. The inputs to the model are as follows:

	2019
Share price at grant date	£0.82
Exercise price	£1.01
Contractual life	10years
Expected volatility	30%
Expected dividend growth rate	–
Risk-free interest rate	0.84%

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 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. Further the Group and the Company have inter-company loans made in currencies other than their functional currency.

	USD	EUR	CZK	SGD
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
Year ended 31 December 2019				
Average rate	**1.28**	**1.14**	**29.30**	**1.74**
Year-end spot rate	**1.31**	**1.17**	**29.78**	**1.77**

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 2019 £'000	**Other equity 2019 £'000**	Loss 2018 £'000	Other equity 2018 £'000
US Dollar	**(124)**	**13**	(34)	(42)
Euros	**(29)**	**(18)**	(4)	(5)
Czech Kroner	**(44)**	**(58)**	(20)	(20)
Singapore Dollar	**12**	**3**	(7)	(7)
	(185)	**(60)**	(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.

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 2018				
Trade and other payables	2,177	–	–	2,177
Contingent consideration	–	1,182	1,182	2,364
Unsecured loans	–	–	1,193	1,193
Finance lease obligations	541	468	578	1,587
At 31 December 2019				
Trade and other payables	**1,842**	**–**	**–**	**1,842**
Contingent consideration	**–**	**86**	**1,024**	**1,110**
Secured loans (gross)	**388**	**388**	**164**	**940**
Unsecured loans	**–**	**–**	**1,162**	**1,162**
Finance lease obligations	**488**	**400**	**588**	**1,476**

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 consideration of £0.6m. The contingent consideration was payable in the event that Irisium achieved £2.0m of annualised recurring revenue as at 30 June 2019 and could be satisfied in either cash or Company ordinary shares at the Company's discretion. The contingent consideration performance target was not achieved and therefore the contingent consideration was excluded from the fair value of the total consideration paid under the terms of the share purchase agreement. As detailed in note 30, on 16 April 2020, KRM22 Central Limited acquired the remaining 40% issued share capital in Irisium.

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

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 for the year ended 31 December 2018.

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.

Irisium has contributed £1.5m to group revenues (2018 - £0.8m) and £1.5m to group loss (2018 - £0.9m). For comparative purposes, had the acquisition 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$1.0m (£0.8m) in the Company's ordinary shares together with contingent consideration of US$3.0m (£2.3m). The contingent consideration, which can be satisfied in either cash or Company ordinary shares at the Company's discretion, 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. If the contingent 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 consideration of £2.3m was discounted to a present value of £1.5m based on a WACC of 20%.

The first performance milestone of US$3.0m revenue recognised in the year ended 31 December 2019 was not achieved and the Directors believe that the contingent consideration associated with the first tranche is not payable. Based on the current financial performance of KRM22 ProOpticus, the Directors do not believe that the second performance milestone of US$3.3m revenue recognised in the year ended 31 December 2020 will be achieved. On this basis the Directors believe that none of the contingent consideration will be payable and have therefore excluded this element of consideration from fair value of the total consideration that could have been paid under the term of the share purchase agreement. The adjustment for the write back of contingent consideration of £1.5m has been recognised in the consolidated income statement.

Fair value of consideration paid	£'000
Cash	2,642
KRM22 Plc shares	781
Contingent consideration	1,453
	4,876
Adjustment to contingent consideration	(1,453)
	3,423

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 assets acquired	328	942	**1,270**
Goodwill			**2,834**
Total consideration paid by the Group			**4,104**

Goodwill is recognised on the acquisition as a result of KRM22 ProOpticus' contracted sales pipeline in the financial technology market and synergies that have arisen in the post-acquisition period. 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 for the year ended 31 December 2018.

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.

KRM22 ProOpticus has contributed £2.0m to group revenues (2018 - £0.8m) and £0.3m profit to the group loss (2018 – loss of £0.9m). For comparative purposes, had the acquisition been undertaken at 1 January 2018, KRM22 ProOpticus would have contributed £2.7m to group revenues and £0.4m to group loss.

Object+ Holding B.V.

On 30 May 2019 KRM22 Netherlands B.V., a wholly owned subsidiary of KRM22 Central Limited, acquired Object+ Holding B.V. and its subsidiaries Object+ B.V., Object+ Financial Services B.V., Object+ Financial Products B.V. and Object+ Americas LLC (collectively "Object+"), a risk management and post-trade services technology business focused on capital markets.

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 together with contingent consideration of US$2.7m (£2.3m).

The contingent consideration is payable in three tranches subject to earn-out conditions. The first tranche of contingent consideration of US$0.6m (£0.4m) is payable in the event that the ARR of Object+ native products exceeds US$1.0m (£0.8m) on the first anniversary of acquisition. The second tranche of contingent consideration of US$0.6m (£0.4m) is payable in the event that the ARR of Object+ native products exceeds US$1.5m (£1.1m) on the second anniversary of acquisition. The third and final tranche of contingent consideration of $1.6m (£1.2m) is payable in the event that $0.3m (£0.2m) of ARR can be generated by sales of Object+ native products by new customers by the third anniversary of acquisition. Subject to the first tranche performance milestone being achieved, the third tranche contingent consideration can be paid at any point between the first and third anniversary date of acquisition.

The contingent consideration can be satisfied in either cash or Company ordinary shares at the Company's discretion. If contingent 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 consideration of £2.3m has been discounted to a present value of £1.3m based on a WACC of 13.8%.

Based on the current financial performance of Object+, the Directors do not believe that Object+ will achieve the US$1.0m (£0.8m) ARR target on the first anniversary of acquisition. On this basis the Directors believe that the first tranche of contingent 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 term of the share purchase agreement.

Fair value of consideration paid	£'000
Cash	390
KRM22 Plc shares	514
Contingent consideration	1,150
	2,054

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	29	–	**29**
Software	–	421	**421**
Customer relationships	–	28	**28**
Brand	–	27	**27**
	29	476	**505**
Current assets and liabilities			
Receivables	326	–	**326**
Cash and cash equivalents	28	–	**28**
Payables	(605)	–	**(605)**
Deferred tax	–	(122)	**(122)**
	(251)	(122)	**(373)**
Net identifiable (liabilities)/assets acquired	(222)	354	**132**
Goodwill			**1,922**
Total consideration paid by the Group			**2,054**

Goodwill is recognised on the acquisition as a result of Object+ 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 for the year ended 31 December 2019.

The fair value of receivables acquired was £0.3m 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 Object+ has contributed £0.5m to group revenues and £0.1m to group loss. Had the transaction been undertaken at 1 January 2019, Object+ would have contributed £0.8m to group revenues and £0.1m 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:

	2019 £'000	2018 £'000
Short-term employee benefits	603	481
Social security costs	48	37
Retirement benefits	12	11
Share-based payment benefits	860	600
Total	**1,523**	1,129

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") and the consideration paid was £1.7m. 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 2019 was £1.2m (2018 - £1.0m) and is repayable on 31 December 2023. As detailed in note 30, on 16 April 2020, the loan was converted into ordinary shares in Irisium.

During the year, Irisium charged goods and services to Cinnober of £0.3m (2018 - £0.1m) under normal commercial terms. At 31 December 2019, the balance due to Irisium from Cinnober was £0.1m (2018 - £0.1m). Cinnober is a shareholder of the Company.

30. Events after the reporting date

On 16 April 2020, KRM22 Central Limited acquired the remaining 40% minority interest in Irisium from Cinnober Financial Technology AB ("Cinnober"). Under the terms of the transaction, a total of £2.9m in debt due the KRM22 and Cinnober (together the "Parent Companies") together with £0.3m of other liabilities due to the Parent Companies was converted into ordinary shares in Irisium immediately prior to KRM22 consolidating its ownership of Irisium.

On completion of the debt to equity conversion in Irisium, the Company immediately acquired the remaining 40% stake in Irisium for a total consideration of £0.55m payable to Cinnober by way of a convertible loan note (CLN) provided by KRM22 to Cinnober. The CLN is for a one-year term and can be satisfied by either the allotment and issue of ordinary shares of the Company by no later than 31 July 2020 or settled by cash at any point in the CLN term, at the Company's sole discretion. The number of ordinary shares to be allotted to Cinnober shall be equal to £0.55m divided by £0.48 or the price at which KRM22 allots shares on any placement concluded before 31 July 2020. The interest rate payable on the CLN is 8 per cent. per annum payable quarterly. Cinnober is currently a 5.71% shareholder of KRM22. No cash consideration was payable at the point of acquisition.

On 14 May 2020, the Company raised gross proceeds of £1.3m through a conditional placing of 3,816,666 new ordinary shares of 10 pence each in the Company (the "Placing Shares") at a price of 30 pence per

Ordinary Share (the "Issue Price") and a subscription of 449,998 new ordinary shares (the "Subscription Shares") at the Issue Price.

The rapid emergence of the coronavirus pandemic has caused significant disruption to many businesses where the implementation of social distancing measures is not practical or deemed ineffective. This has had material implications for the wider global economy. As a technology based business we remain able to deploy our technology solutions and provide assistance remotely and we expect this to continue throughout the pandemic. However, there is a risk that the Group will be impacted by decisions in our supply and demand chain leading to delays in contract negotiations and cancelling of anticipated sales, which could affect the Group's working capital. The coronavirus pandemic was not a condition in existence at the year-end date therefore it is being a regarded as a non-adjusting subsequent event.

Company information

The board of directors

Keith Todd CBE
Chairman and CEO

Stephen Casner
President

Kim Suter

CFO (appointed 2 April 2020)

Sandy Broderick
Non-Executive Director

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

Steve Sparke
Non-Executive Director (appointed 3 December 2019)

Karen Bach

Non-Executive Director (previously Chief Operating Officer until 30 June 2019, resigned 2 April 2020)

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

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

Matt Reed
Non-Executive Director (resigned 3 December 2019)

Registered office

5 Ireland Yard, London, EC4V 5EH

Company number

11231735

Company secretary

Kim Suter

Nominated Adviser and Broker

FinnCap, 60 New Broad Street, London, EC2M 1JJ

Solicitors

Fieldfisher LLP, Riverbank House, 2 Swan Lane, London, EC4R 3TT

Auditor

BDO LLP, 55 Baker Street, London, W1U 7EU

Registrars

Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA