KRM22

Annual Report 2020

Risk as alpha

CONTENTS

HIGHLIGHTS

Financial

- Total revenue recognised of £4.6m (2019: £4.1m)
- A significantly improved adjusted EBITDA loss[1] of £0.2m (2019: £3.1m)
- Annualised Recurring Revenue (ARR)[2] as at 31 December 2020 of £4.3m (2019: £4.3m) at the 2020 constant rate (£4.1m at current rates)
  - New contracted ARR in the year ended 31 December 2020 of £0.8m
- Gain on extinguishment of debt (net) of £0.7m
- Impairment of intangibles of £3.0m (2019: £ 2.3m)
- Loss before tax of £5.7m (2019: loss of £7.3m)
- Group cash at 31 December 2020 of £2.0m (2019: £1.1m)
- Net increase in cash and cash equivalents of £0.9m (2019: outflow of £2.3m)
- Completed two capital raises in the year
  - An equity fundraise in May 2020 raising gross proceeds of £1.3m through a placement and subscription for new ordinary shares
  - Replacement of the Harbert £10.0m loan facility, of which we had drawn down £1.0m in 2019, with a new £3.0m convertible loan facility with Kestrel Partners in September 2020

Operational

- Acquisition of remaining 40% shareholding in KRM22 Market Surveillance in April 2020
- Managing the impact of COVID-19 with KRM22 with the Company being fully operational, globally, from home as a result of internal infrastructure and process implemented from launch
- Group restructure, with annual cost savings of £0.7m
- Soc 2 accreditation approved in March 2021

1 Adjusted EBITDA is the reported loss for the year, adjusted for recurring non-monetary costs including depreciation, amortisation gain on extinguishment of debt, unrealised foreign exchange loss, deferred salary bonus accrual write back and share-based payment charges and non-recurring costs including profit/(loss) on tangible/intangible assets, impairment charges, reorganisation costs and acquisition and funding costs.

2 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.

CHAIRMAN'S STATEMENT

KEITH TODD CBE, CHAIRMAN AND CEO

KRM22 continued to make good progress in 2020, winning top tier institutions and broadening its product offerings delivered through the Global Risk Platform. We are creating a powerful platform to help capital markets participants manage risk. The Company reported a small, adjusted EBITDA loss for the year of £0.2m compared with an adjusted EBITDA loss of £3.1m in 2019 on revenue of £4.6m (2019: £4.1m).

We completed one equity capital and one debt capital raise in 2020 to provide working capital and strengthen the balance sheet. This, together with the improving financial performance, provides KRM22 with a strong financial base for 2021.

When we started 2020, we did not envisage the dramatic impact the pandemic would have on the operating environment. In April 2020, we implemented cost cutting actions through a voluntary salary waiver that all team members participated in and general overhead reductions. In June 2020, we made some roles redundant as we continued to adjust to a slowing business climate. Travel was suspended and all team members operated from home from March 2020. There was little impact on our operating effectiveness as a result of the infrastructure and processes that we implemented from launch in 2018.

Our customers and prospects were however significantly impacted. Across the board the high volume of trading in March 2020 and April 2020, at a time when they were implementing home working for the first time, meant that there was no time for new initiatives and therefore consideration of our products was not an immediate priority. Whilst trading activity had evened out by the middle of the third quarter, adjustments to normal business practices had to be absorbed to support prospect and customer engagement through remote channels versus in person visits. The consequence of this was significant delays in new customer signings. However, despite this new contract wins in the year included the sale of new risk products to existing customers and the signing of a new contract for a suite of risk products with a major London based brokerage firm, with the customer seeing the benefits of our ability to simplify the cost and complexity of risk through technology delivered on one platform as a one-stop service. This impacted the carrying value of our intangibles, including goodwill, asset base too. We experienced an unprecedented impact of churn in the year as traders withdrew from trading while the trading pits were closed or suspended as well as some customer retrenching and reducing external spend. While some churn in 2021 can be expected as part of any market, we anticipate the level of churn going back to more normalised levels.

Market

As we enter 2021, we are seeing strong engagement from prospects and existing customers.

Regulators are moving to an enforcement phase with increasing fines and threats of fines covering a plethora of regulatory areas. The pressure on cost efficiency, alongside regulatory compliance is top of the agenda.

Vision and mission

Our vision 'A world in which organisations operate at their optimal threshold of risk to drive increased returns' and mission 'To bring increased visibility and lower cost risk management to capital market organisations' have not changed since our inception.

Our ability to offer integrated functionality as a technology service significantly reduces the cost and complexity of managing risk for our customers. Most organisations are, in today's market, tackling the challenges of an increase in costs added to historically costly infrastructure leading to a motivation to reduce cost. We are however on a journey with our customers to help them optimise business performance and thus deliver superior returns to their shareholders. We do this by providing cost effective risk tools as a service that eliminate multiple distinct applications that demand separate infrastructure and data sources. The replacement solution is one holistic Global Risk Platform that operates a series of risk based business processes, increasingly supported by AI tools, that operate on one single data source. As our journey progresses, and with customer agreement, we will be able to create risk benchmarks and indices that will fundamentally change how the industry measures itself. It is a truly exciting journey we are on.

What we sell

We position our product offerings within five domains of risk Enterprise, Market, Compliance, Operations and Technology. They are delivered through our single Global Risk Platform.

The Global Risk Platform is not sold as a separate product, it comes with any functional offering and includes the ability to receive news feeds, raise support questions and provides insight to other integrated risk offerings that are not currently used by the customer. The Global Risk Platform provides the unifying glue between the offerings, reduces integration costs and provides a platform for our growth. Our product offerings are supported by experienced subject matter experts which prospects and customers leverage to help define and manage risk on new instruments, respond to regulatory changes and build the ultimate risk platform tailored for each customer.

Our 'Risk Cockpit' offering has a full range of functionality to support real time enterprise risk as well as other department use cases. We have found that the application of what we know as the Risk Cockpit to have specific use cases within operations, compliance as well as others such as people and culture risk. The structured accountability framework, along with integrated risk functionality and dashboards, provides customers with a holistic view of a risk area and the ability to track and improve risk management. We are now exploring the use of AI to help predict risk events. This will become an add on sale to the core Risk Cockpit.

Our Market Risk offerings cover the life cycle of risk: Pre-trade, At-trade and Post-trade risk. The offerings are used across the spectrum of customers from Tier one banks to traders.

Our Compliance offerings cover a full range of regulatory requirements, the anchor of which is surveillance but extends across market abuse online training, digital on boarding (Know Your Customer) as well as regulatory reporting, enhanced individual due diligence and senior management regime. Our Compliance offering includes many partner products which expand what we can do for customers and leverages the partners investment in offerings as well as subject matter expertise.

We launched our People and Culture Risk offering in February 2021 in conjunction with Kintail Consulting as part of our Operations offering. This will leverage the Risk Cockpit functionality and online training partnerships and specifically addresses one of the industries key risk areas as identified by the Regulators - people and culture.

How we sell

We have a clear focus for increasing sales, starting with expanding sales to current customers and then targeting people we know and who are within our addressable market. We are increasing our online marketing presence as we are no longer able to attend physical industry conferences due to the pandemic. We specifically target a range of buying points within a customer organisation so that we can benefit from the master services agreement we have and internal cross referencing about the positive KRM22 experience.

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.

Organic growth

Organic growth is the central tenant of our business approach. In 2020 we secured £0.8m of new business however this organic growth was offset by an unprecedented level of existing customer churn in the year. We have implemented a sophisticated customer relationship management system that provides visibility and allows us to manage and track sales activities through completion of sales opportunities. We have a very strong pipeline of prospects across Enterprise, Market, Compliance and Operations risk.

Business automation

We have implemented extensive business automation to ensure we have a scalable operational foundation covering customer acquisition, service delivery and through to financial control and administration. This will ensure that as we increase margin, we will also improve the bottom line performance.

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 established partnerships to complement our existing portfolio across Market, Compliance and Operations risk. We had to hold back on acquisitions and further partnerships in 2020 but we look to reignite these initiatives in 2021.

Team effectiveness

The investment in the team we have recruited and acquired is at the heart of our business. Team members know their roles and that KRM22 operates under the philosophy that business is a team game. The Board and I would like to thank the team for their commitment and work during a difficult year.

We are fully committed to our stakeholders including the communities in which we work. The Executive team and Board will take further action to establish a more comprehensive Environmental, Social and Governance ("ESG") programme in 2021.

Outlook

After a challenging 2020, we have entered the new financial year stronger than last year. A higher quality of customers that can grow with us and an extensive sale opportunities and prospects list, together with vaccines helping to bring the pandemic under control, we are confident of continuing our growth and delivering market expectations.

Keith Todd CBE

Executive Chairman and CEO

15 March 2021

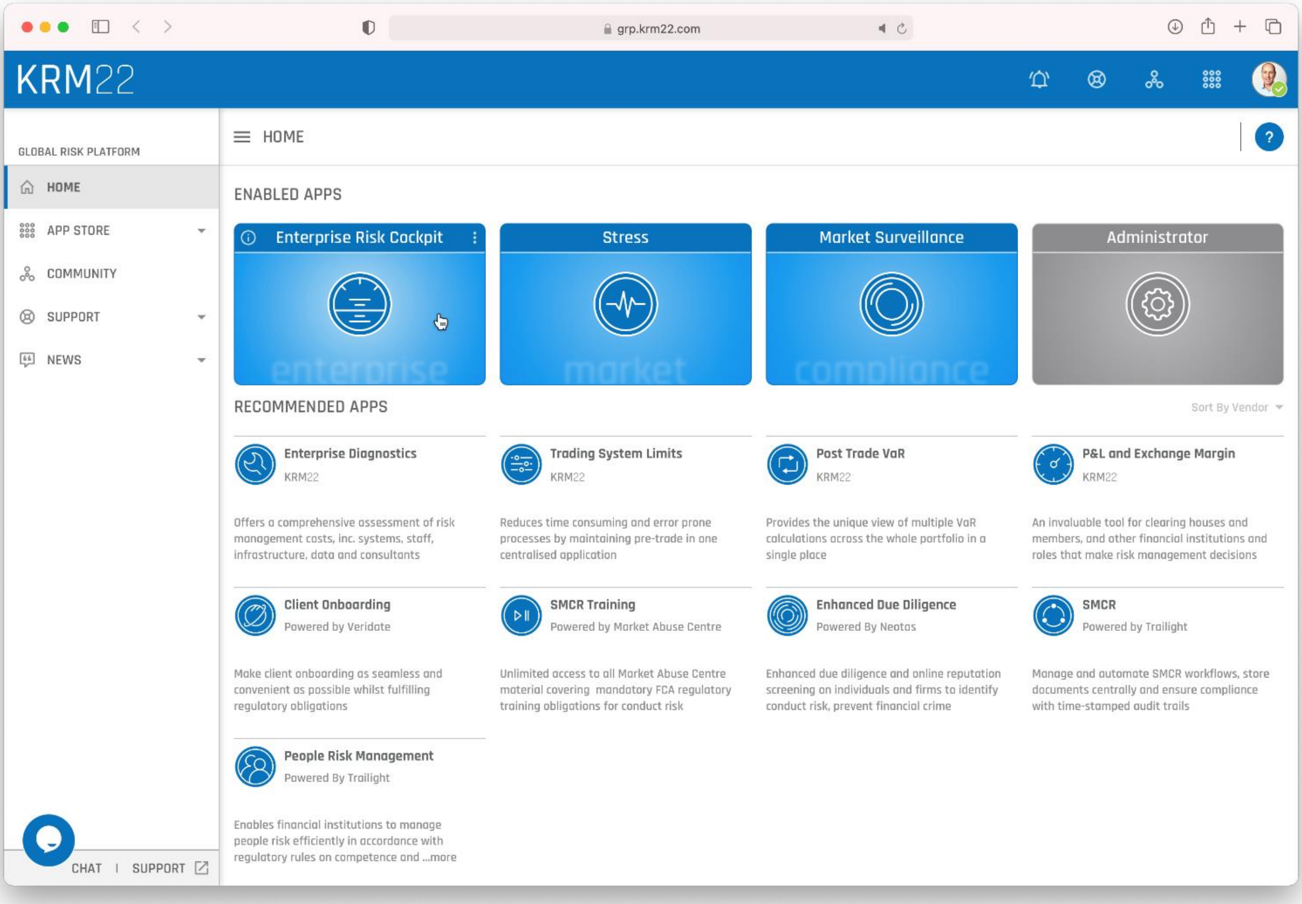
Strategic Report

THE GLOBAL RISK PLATFORM

All the risk applications of a customer in one place

The KRM22 Global Risk Platform brings all client's risk 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 avoid duplication of 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

Market Surveillance

Market surveillance provides insightful analytics and contextual market 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

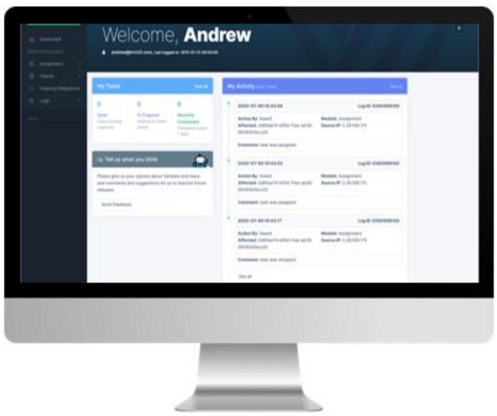
Individual Accountability Regime

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

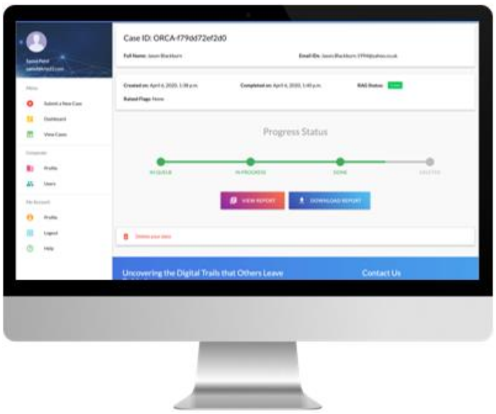
Regulatory Reporting

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

Regulatory 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

Post-Trade Risk - Stress

Post-Trade Stress scales the type and amount of risk calculations performed against multiple set of limits and risk slides, offering a unique “max risk calculation” for risk managers.

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

Post-Trade Risk - VaR

Post-Trade VaR provides the unique view of multiple VaR calculations across a single account, product or the whole portfolio in a single place.

Your risk and credit managers can:

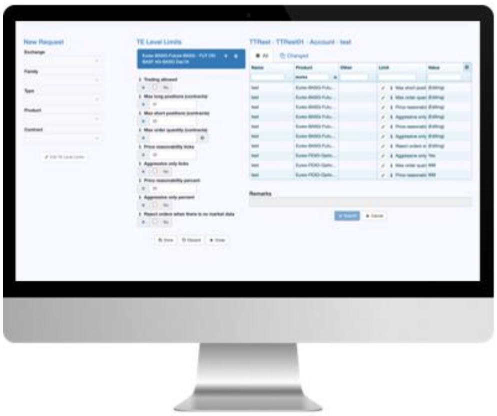
- **Manage** multiple asset classes and portfolios
- **Understand** the components of a VaR calculation
- **Establish** portfolio positions for the VaR calculation
- **Identify** the risk factors affecting valuation of positions
- **Assign** probabilities to possible risk factor values
- **Create** pricing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

At-Trade Risk

At-Trade Risk provides P&L and Exchange Margin 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

Pre-Trade Risk



Pre-Trade Risk 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, including the use of the Risk Cockpit to help monitor and manage these risks, 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
COVID-19	The spread of coronavirus and resulting COVID-19 global pandemic caused economic growth to slow abruptly in 2020 with repercussions around the world. Coronavirus and the related risks and uncertainties continue to evolve and there is no way of predicting with certainty the extent to which it will impact stakeholders of the business. In 2020 the pandemic impacted customer retention, delays in new contract signings, liquidity of customers and staff retention. The potential impacts are detailed further under the separate risk and uncertainty components.	The mitigating actions associated with COVID-19 related risks and uncertainties are included in further detail under each risk and uncertainty component listed below.
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 that include sensitivity analysis applied to new sales opportunities including delayed sales, reduced recurring and non-recurring revenue values and no future sales growth. These are reviewed and discussed on a regular 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.
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.

Risk and uncertainty	Potential impact	Mitigating actions
Liquidity of customers	KRM22 has a global customer base with these customers being stakeholders in their own supply chain. Our customer's liquidity will be dependent on a number of factors including the ability of their own customers to pay 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.	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.
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.
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 so that they have a vested interest in the long-term success of KRM22.
	Failure to recruit, retain and motivate 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 KRM22 failing to meet its 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. There is regular staff engagement and communication including formal bi-weekly internal company meetings where the Executive team update all staff on business wide issues and encourage team participation. In addition, formal staff appraisals are completed three times a year for employees and their managers to give direct feedback and to understand staff morale, flight risks and any gap in skills or qualifications. The output of each appraisal is discussed by the Executive Directors with any remedial action plans implemented accordingly.
Debt facility	The Convertible Loan with Kestrel Partners requires KRM22 to adhere with various obligations including compliance with financial covenants and the provision of forward looking compliance information, payment of interest by due dates and the reporting of management information within agreed timeframes. Failure to comply with a financial covenant will result in an Event of Default which may result in Kestrel Partners withdrawing the Convertible Loan with all amounts accrued becoming immediately due and payable which KRM22 would be unable to settle.	The risk of failing to adhere with financial covenants is mitigated by growth in ARR generated through new customer agreements, management of the cost base and ensuring that regular forecasts are maintained that include sensitivity analysis applied to new sales opportunities. Forecasts, with specific reference to the financial covenants are also reviewed and discussed at each board meeting. There are defined reporting obligations that KRM22 has to Kestrel Partners and this includes a process to engage together in advance of any forecasted issues and risks.

Risk and uncertainty	Potential impact	Mitigating actions
Investor attitude and confidence	Investors lose faith in KRM22 and the ability to grow the business at a rate that provides them with a suitable return on investment.	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. In addition, the CEO and CFO maintain regular contact with finnCap, as Broker and NOMAD, who keep in regular contact with our investor base.
Information security	To be a credible and competitive Software-as-a-Service (SaaS) organisation who stores, processes or transmits critical information, well defined controls and procedures are required to be defined and adhered to. Without these controls and procedures, unauthorised access and theft of customer and Company data could materialise and be extremely damaging to the Company, both financially and reputationally.	SOC 2 requires organisations to establish and follow strict information security policies and procedures, encompassing the security, availability, processing, integrity and confidentiality of customer data. After a successful audit phase, the Company has obtained SOC 2 Type 1 accreditation. In addition to mitigating information security risks, SOC 2 accreditation will also provide KRM22 with an edge over competitors who cannot show compliance
Impact of Brexit	The United Kingdom ("UK") formally left the European Union ("EU") on 31 January 2020.	The Directors deem that the effects of the UK leaving the EU has not had a significant impact on KRM22's operations and the Directors, together with management, are constantly monitoring the situation.

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 2020, the key decisions considered by the board were fundraising, cost control and cash management, all of which were set against the backdrop of the COVID-19 global pandemic.

The key stakeholders considered as part of the decision-making process were KRM22's shareholders, customers, employees and providers of the Group's debt facilities in the year.

COVID-19

In response to the impact of COVID-19, the business transitioned to home and flexible working, recognising that employees had to adapt to new ways of working with the additional personal pressures of home schooling and childcare. In addition, COVID-19, and the global economic uncertainty that ensued, extended the sales cycle and time taken to close new sales. The closing of floor trading at the CME precipitated an unprecedented level of churn with our trader customers as traders withdrew from trading while the trading pits were closed or suspended. This created additional pressure on the Company's cash position.

The Directors responded to this by implementing a range of cost control and cash management measures, completed a equity fundraise of £1.3m and replaced the existing £10.0m Harbert Debt Facility, of which an initial £1.0m was drawn down in 2019, with a new £3.0m Convertible Loan provided by Kestrel Partners.

Cost control and cash management

In March and April 2020, the Board considered a range of cost saving measures including short-term measures through salary sacrifices in exchange for the grant of share options and long-term measures by reducing headcount through employee redundancies. The Board considered how the proposal would impact the affected stakeholders in terms of:

- Team motivation, as a result of staff taking temporary salary sacrifices;
- Team morale, as a result of staff redundancies;
- The reduction of headcount and the impact on customer deliverables and development of core products which would help drive the Company's ARR; and

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 cost management measures. There is natural stakeholder conflict as employees want job security and to be remunerated accordingly whilst the shareholders want a return from their investment and for KRM22 to be profitable.

The Executive Directors engaged with employees through a consultation process and kept employees regularly updated with anticipated timeframe for reinstatement of full salaries. KRM22 undertakes staff appraisals each semester and used this form of stakeholder engagement to understand employee morale in response to the temporary salary sacrifice. Having completed the assessment in the summer of 2020, the Directors made a decision to reinstate full salaries for those employees who accepted a 10% salary sacrifice from October 2020 with all other employee salaries being reinstated to full salary from January 2021.

As part of the cost saving measures to reduce headcount, a formal redundancy consultation process was followed in line with the relevant laws and regulations applicable to each geographical location where redundancies were implemented.

The final decision made to reduce headcount promotes the short-term and long-term interest of KRM22 as it allowed cost savings of approximately £0.7m 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.

Fundraising

In response to extended sales cycles, the Executive Directors, together with finnCap as broker, engaged with KRM22's existing shareholders and potential new investors in May 2020 to raise £1.3m of equity funding to provide working capital to support the business.

On 15 September 2020, KRM22 replaced its existing £10.0m Harbert Debt Facility with a new £3.0m Convertible Loan Facility provided by Kestrel Partners. The interest rate on the Convertible Loan is 9.5% per annum, which is less than the interest rate of 11% per annum on the Harbert Debt Facility.

Repayment of the Harbert Debt Facility incurred an early repayment charge of 5% and the Convertible Loan Facility included an arrangement fee of 2%, both of which impacted KRM22's profitability. Whilst the short-term impact of additional costs affects the Company's profitability, there is no requirement for KRM22 to make capital repayments which improves cashflow and provides stability during times of economic certainty, thus helping to provide confidence and stability for all KRM22 stakeholders.

In addition, Kestrel Partners, including individual holdings, have a 20% shareholding in the Company which means that the long-term goals of our debt provider and shareholders are aligned.

None of the key decisions considered by the Board in 2020 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

Despite the challenging trading conditions in the year due to the COVID-19 pandemic, total revenue recognised for the year was £4.6m, an increase of 11% on 2019 and adjusted EBITDA loss for the year was £0.2m, a significant reduction on 2019 when the Company reported an adjusted EBITDA loss of £3.1m. The reduction in adjusted EBITDA loss was a result of the continued tight control of the cost base, the full year effect of company reorganisations completed in 2019, together with a further reorganisation in 2020, and short-term cost savings through temporary salary sacrifices accepted by all staff in 2020.

Scope of financial results

This financial review focuses on the twelve month period ending 31 December 2020, whilst the prior year comparatives include the seven months of revenue and costs for the Object+ group of companies from the date of acquisition on 30 May 2019 and full year revenue and costs for all other KRM22 group companies.

Profit and Loss

Total revenue

Revenue recognised for the year to 31 December 2020 was £4.6m (2019: £4.1m), an increase of 11% compared with the prior year, with 91% (2019: 91%) of total revenue generated from recurring customer contracts. Non-recurring revenue the year ended 31 December 2020 totalled £0.4m (2019: £0.3m) and related principally to customer implementations and proof of concept work.

Recurring revenue

A key revenue metric for KRM22 is ARR (Annualised Recurring Revenue) and as at 31 December 2020, ARR was £4.1m at the year end FX rate or £4.3m at the FY20 average FX rate. KRM22 signed new contracted ARR in 2020 of £0.8m (2019: £0.7m) with £0.1m generated from Enterprise Risk products, £0.5m from Market Risk products and £0.2m from Compliance Risk products. The increase in ARR was offset by an increased level of churn and also impacted by the increased strengthening of Sterling against the US dollar.

Gross profit

Gross profit for the year to 31 December 2020 was £4.2m (2019: £3.7m) and the consistent gross profit margin of 90% continues to demonstrate the operating leverage of the business and indicates how the cost base can be covered efficiently as new recurring revenue contracts are signed.

Capitalised research and development

A total of £1.0m (2019: £1.5m) of research and development was capitalised in the year to 31 December 2020. Capitalised research and development is amortised over three years.

Impairment

In the year ended 31 December 2020, impairment costs of £2.7m were recognised in connection with the recoverability of goodwill associated with the acquisition of KRM22 Market Surveillance, KRM22 ProOpticus and Object+ and impairment on account of trademarks at £0.3m. The impairment reflects the uncertain economic conditions in 2020 and in year revenue growth which was less than initial forecasts. The impairment does not reflect a change in the overall Group's strategic outlook.

Reorganisation costs

In response to delays in new customer contract signatures and general economic uncertainty as a result of COVID-19, a total or 8 FTE roles were made redundant and our Spanish operations were closed. As a result of the staff redundancies made in the year, a total of £0.4m (2019: £0.5m) of company reorganisation costs has been recognised in the year ended 31 December 2020.

Extinguishment of debt

On 16 April 2020, the Group acquired the remaining 40% minority interest in KRM22 Market Surveillance Limited ("KRM22 Market Surveillance") from Cinnober Financial Technology AB ("Cinnober"). Under the terms of the transaction, a total of £2.9m in debt due to 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 KRM22 Market Surveillance immediately prior to KRM22 consolidating its ownership of KRM22 Market Surveillance.

On completion of the debt to equity conversion in KRM22 Market Surveillance, KRM22 immediately acquired the remaining 40% stake in KRM22 Market Surveillance for a total consideration of £0.6m payable to Cinnober by way of a convertible loan note (CLN) provided by KRM22 to Cinnober. The CLN was for a one-year term and could be satisfied by either the allotment and issue of ordinary shares by no later than 31 July 2020 or settled by cash at any point in the CLN term, at the Company's sole discretion. On 28 June 2020, the CLN was converted into 1,454,434 new ordinary shares at 38.4p per share in the Company and therefore no cash consideration was paid as part of the acquisition. The settlement of £1.3m of debt due to Cinnober, through the issue of the CLN, resulted in a gain on extinguishment of debt of £0.7m which has been recognised in the consolidated income statement for the year ended 31 December 2020.

Adjusted EBITDA

Adjusted EBITDA is the key metric that the Company considers 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 2020 was a £0.2m loss (2019: loss of £3.1m) and was in line market forecasts and a significant reduction on prior year. The reduction in Adjusted EBITDA loss was driven by new sales, tight management of the underlying cost base of the business, the full year impact of cost savings plans and company reorganisations implemented in 2019, a further company reorganisation implemented in June 2020 and reduced salaries paid in the year due to the voluntary temporary salary sacrifice scheme. A reconciliation of Adjusted EBITDA loss to the reported operating loss is provided as follows:

	2020 £'m	2019 £'m
Adjusted EBITDA loss	**(0.2)**	(3.1)
Depreciation and amortisation	**(1.7)**	(1.3)
Unrealised FX losses	**(0.2)**	–
Impairment of intangible assets	**(3.0)**	(2.3)
Contingent consideration write back	**0.3**	1.5
Acquisition and debt expenses	**(0.4)**	(0.4)
Gain on extinguishment of debt (net)	**0.7**	–
Group restructuring costs	**(0.4)**	(0.5)
Deferred salary bonus accrual write back	**0.4**	–
Share-based payment expense	**(0.9)**	(1.0)
Operating loss	**(5.4)**	(7.1)

Finance charges

Net finance expense in the year was £0.3m (2019: £0.2m) and includes:

- Interest paid of £0.1m (2019: £0.1m), inclusive of early repayment charges of 5%, on the Harbert debt facility;
- Interest accrued/paid on the Kestrel Convertible Loan Facility of £0.1m; and
- IFRS16 lease liability interest of £0.1m (2019: £0.1m).

Taxation

The tax credit in the year was £0.2m (2019: credit of £0.8m) which includes £0.1m (2019: £0.6m) R&D tax credit received.

Reported operating loss

Reported operating loss for the year to 31 December 2020 was £5.5m (2019: loss of £6.5m).

Financial position

Assets

The cash balance as at 31 December 2020 was £2.0m (2019: £1.1m).

Current assets at 31 December 2020 include trade and other receivables of £1.4m (2019: £1.4m).

Non-current assets were £9.2m (2019: £13.1m) relating principally to: £6.7m for goodwill and assets acquired (2019: £10.4m), £1.0m for right of use assets recognised under IFRS16 (2019: £1.6m) and £1.3m (2019: £0.8m) for capitalised development costs.

Liabilities

As at 31 December 2020, our principal liabilities were:

- £3.0m Convertible Loan owed to Kestrel Partners LLP. The interest rate payable on the loan is 9.5% payable in cash quarterly in arears. The loan can be converted into new Ordinary Shares in the Company at any time at a conversion price of 38p and the conversion can be requested by Kestrel Partners at any time. The Company has the right to request conversion eighteen months following the date of the agreement, subject to certain conditions regarding the Company's share price at that time.
- £0.8m (US$1.1m) discounted contingent consideration (£1.1m (US$1.6m) undiscounted) for earn out payments for the acquisition of Object+. The contingent consideration can be satisfied in either cash or Company or ordinary shares at the Company's discretion. The undiscounted contingent consideration of US$1.6m was reduced by US$0.5m, reflecting re-appraisal of expected cash outflows given probable conditions at the balance sheet date and this adjustment has been included in the discounted liability of £0.8m recognised at the statement of financial position date.
- £1.0m 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 2021, with the balance for periods greater than one year.
- £1.5m of deferred revenue; contracted and paid services that will be released in a future period.

As a result of acquiring the remaining 40% shareholding in KRM22 Market Surveillance, by way of a Convertible Loan Note ("CLN") and the subsequent conversion of the CLN into ordinary shares in the Company, a total of £1.3m in debt was removed from the statement of financial position in the year ended 31 December 2020.

Investors

As an AIM-listed business, a large proportion of KRM22's shareholders are professional investment funds. In addition, the Directors together owned 3,701,389 shares at the year end.

Funding

On 13 May 2020, the Company raised £1.3m gross proceeds in equity funding through a subscription and placement of 4,266,664 new shares at 30 pence per share.

On 15 September 2020, KRM22 entered into an agreement for a new three year £3.0m convertible loan facility (the "Convertible Loan") with Kestrel Partners LLP ("Kestrel"), the Company's largest shareholder following the fundraise completed on 13 May 2020. The proceeds of the Convertible Loan were used to replace the Company's existing debt facility (the "Debt Facility") provided Harbert European Growth Capital Fund II ("Harbert"). The outstanding balance of the Debt Facility, inclusive of loan principal, accrued interest and early repayment charges of 5%, was £0.8m.

In conjunction with the Debt Facility, the Company issued warrants over 495,049 new ordinary shares in the Company to Harbert with an exercise price of £1.01 per ordinary share. Whilst the balance of the Debt Facility was settled, the warrants remain in place and are exercisable by Harbert until 29 April 2029.

The interest rate payable on the Convertible Loan is 9.5% per annum, which compares favourably to the 11% per annum interest rate on the Harbert Debt Facility, and is paid quarterly in arrears. Kestrel can convert the Convertible Loan into new ordinary shares in the Company at any time at a conversion price of 38p. The Company has the right to request conversion 18 months following the date of the agreement, subject to certain conditions regarding the Company's share price at that time. Kestrel has the right to prevent any conversion which would trigger a Rule 9 event under the Takeover Code.

The Convertible Loan is secured on certain KRM22 assets and includes covenants based on the Group's financial performance, based on ARR, solvency and profitability.

COVID-19 reinforced the principle that companies need access to greater to liquidity to address uncertainties, extended sales cycles and provide potential customers with confidence in the financial strength of the Group. In addition, the Convertible Loan strengthened the financial position of the Company and provides access to working capital and growth capital.

Use of cash in the year

Our net cash inflow in the year was £0.9m, which included the £3.0m Kestrel Convertible Loan receipt, of which £1.0m was used for capitalised research and development, £0.9m was used to settle the Harbert Debt Facility and the balance was used to provide working capital for KRM22.

Going concern

As noted in our Chairman's report, COVID-19 has impacted the Group. It is not yet clear when global economic activity will return to normal, therefore we must prepare the business for varying levels of performance. To that end, we have modelled the effects of differing levels of sales decline along with the measures we can take to ensure that the Group remains within its available working capital, and we have prepared cash flow forecasts for a period in excess of twelve months.

The Directors have no reason to believe that customer revenue and receipts will decline to the point that the Group no longer has sufficient resources to fund its operations. However, in the unlikely event that this should occur, the Group will have to manage its working capital positions, as well as making significant reductions in its fixed cost expenses. Further, analysis of KRM22's going concern position is detailed in the Directors report on pages 43 - 44.

Shareholdings and Earnings per share

As at 31 December 2020, KRM22 had 26,719,127 shares in issue. The undiluted weighted average number of shares for the period to 31 December 2020 was 24,414,093. The difference in the two numbers results from the timing of shares issued for the equity fundraise completed on 13 May 2020 and the conversion of the Cinnober Convertible Loan Note on 28 June 2020.

The resulting Earning per Share ("EPS") is a 24.1p loss per share (2019: loss of 30.4p) on a weighted average number of shares basis (equivalent to 24,414,093 on the shares in issue at year end). Due to the loss made, diluted EPS is the same as EPS.

Dividend

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

Conclusion

Whilst 2020 has been challenging in terms of time taken to convert the sales pipeline and increased customer churn, adjusted EBITDA loss has reduced to £0.2m from £3.1m in 2019 and total recognised revenue has increased to £4.6m from £4.1m in 2019. The Kestrel Convertible Loan has helped strengthen the financial position of KRM22 and this, together with the sales pipeline opportunities, means that KRM22 is well placed for growth in 2021.

Approved by the Board and signed on its behalf by:

Kim Suter

CFO

15 March 2021

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 and a board Advisor to Horizon Software.

From 2002 to March 2017 he served as Executive Chairman of Aim listed FFastFill plc, provider of SaaS to the global derivatives community and from 2013 to March 2017 Chairman of Ion Agency Trading.

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, our market risk products as well as the Company's mergers and acquisitions. He has led the acquisition and integration of Prime Analytics in Chicago and Object+ in Amsterdam for KRM22.

Stephen has accumulated over 35 years of experience in the "Fin-Tech" industry. He has been as a senior leader or CEO of 5 different start-ups; of which two are current industry leaders in their respective markets (Quantra and HazelTree).

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 23 year derivative 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. Currently Sandy works with a number of companies as an expert witness for Regulatory, Trading and Competition issues.

Garry Jones

Non-Executive Director

Garry Jones is currently CEO of Perfect Channel, a leading technology company operating in the marketplace and auction technology space - overlaying platform 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.

With many years' experience in financial services, Garry 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.

Garry 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)

CORPORATE GOVERNANCE STATEMENT

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/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 the Board have applied the guidance as well as the reasons for any departures from the guidance.

At the centre of KRM22's philosophy are four groups of stakeholders:

- **Customers:** Customers should enjoy doing business with KRM22, receive value for money and understand that KRM22 is aligned with their values.
- **Investors:** Investors should receive superior returns from KRM22, governed along established lines.
- **Team:** The team should be highly motivated, well rewarded and believe in the Company vision.
- **Community:** The local and global community should see KRM22 as an asset.

In adopting QCA principles, the Directors have ensured alignment with the goals of the Company's stakeholders.

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, market, compliance, operations and technology, shareholder feedback, debt provider feedback and employee participation which has 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.

In adopting Principle 1, KRM22 is assisting investors to obtain superior returns.

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.

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. The CEO and CFO 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.

In adopting Principle 2, KRM22 assures investors that the Company is aligned to their needs, expectations and values.

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

The Board believes that KRM22 should be seen as an asset to its stakeholders, aligned with their values. This is why the Board plans to establish of an Environment, Social and Governance ("ESG") programme in 2021.

The ESG programme will be centred around meeting the United Nations 17 Sustainable Development Goals ("SDGs") (https://sdgs.un.org/goals). In order to work towards these SDGs, KRM22 will promote a culture of transparency and discussion amongst all four stakeholder groups.

The first phase of the ESG programme is an exercise to benchmark the Company against the SDGs with the aim of establishing the areas of focus for the remainder of the programme. During this benchmarking phase, each stakeholder group will be considered and if necessary, consulted to establish alignment with their views and values.

In addition to the ESG programme, KRM22 continually gathers feedback from all stakeholder groups.

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.

Team: KRM22 communicates regularly with the cross-country, multi-national and diverse team in multiple ways. Bi-weekly 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, formal performance appraisals are completed three times a year, with informal appraisals completed throughout the year, and "all-employee" announcements (for example, on acquisitions/investments, new customer contract wins, customer projects and other business-wide news).

Principle 3 provides the main methodology of meeting KRM22's ESG goals across all four stakeholder groups.

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

Good effective risk management is part of KRM22's DNA and the Company has built the Enterprise Risk Cockpit as a product to market and sell and also use internally to effectively manage risk throughout the Company. 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, compliance risk and enterprise risk experts. As a company dedicated to risk management technology, the KRM22 team has a high understanding and experience in managing risk.

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 has implemented 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.

Whilst QCA guidelines encourage the role of Chairman and CEO to be held by two different people, Keith Todd's experience helps him perform these two roles with self-challenge. In addition, the Board currently comprises an equal number of executive and non-executives which encourages healthy challenge and debate with the non-executives providing additional independence.

The Board believes strongly that a mix of professional skills, risk management experience and capital market understanding make a difference, as does diversity, and one of the responsibilities of the Nomination Committee is to undertake an annual assessment of Board Effectiveness which includes a review of skills, experience and composition.

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, 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. 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 KRM22's growth and performance.

As the business has grown, KRM22 has adopted corporate policies, staff handbooks and accounting policies which are aligned with the needs of the Group, 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. Each member of the team is expected to sign and adhere to certain policies, including the Business Code of Conduct which outlines key responsibilities in terms or ethics.

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.

As discussed in Principle 3, KRM22's ESG programme is focused on meeting the United Nations 17 SDGs which promotes a strong ethical culture within all areas of the Company.

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 Company uses its own Enterprise Risk Cockpit software tool to assess and monitor risks. This has gradually replaced 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 2020 the Board was comprised of three Executive Directors and three 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 2020	Maximum possible meeting attendance	Number of meetings attended	% of meetings attended
Executive Directors			
Keith Todd	19	19	100
Stephen Casner	19	17	89
Kim Suter	15	15	100
Non-Executive Directors			
Sandy Broderick	19	19	100
Garry Jones	19	17	89
Steve Sparke	19	18	95
Former Non-Executive Directors			
Karen Bach	4	4	100

Board committees

The Directors have 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.

Principle 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 in the investor information section of the KRM22 website (www.krm22.com). 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. In addition, the CEO and CFO meet with Kestrel Partners LLP (the "Security Agent") to report on financial covenants and forward-looking compliance information as part of the reporting obligations of the Convertible Loan Agreement dated 15 September 2020 (the "Convertible Loan").

The Directors believe that these meetings provide valuable two-way communication and allow investors and Security Agent 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 Principle 3.

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 was established by a resolution of the Board on the recommendation of the Nomination Committee. The Audit Committee, which meets at least three times a year, consisted of Steve Sparke and Garry Jones, both of whom were non-executive directors of the Company. Steve Sparke chaired the Committee and has extensive board level experience, having previously been the Chairman of the Audit and Risk Committee at NYSE Euronext LIFFE (now ICE Europe).

The responsibilities of the Audit Committee are detailed in the Audit Committee report on page 35.

Remuneration Committee

The Remuneration Committee, which meets at least once a year, consisted of Sandy Broderick and Garry Jones, both of whom were non-executive directors of the Company. The Committee was established by a resolution of the Board on the recommendation of the Nomination Committee. During the year to 31 December 2020, 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 37.

Nomination Committee

The Nomination Committee, which meets at least once a year, consisted of Sandy Broderick and Garry Jones, both of whom are non-executive directors of the Company. The Committee was established by a resolution of the Board. During the year to 31 December 2020, 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 41.

For and on behalf of the Board

Keith Todd CBE

Executive Chairman and CEO

15 March 2021

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 2019 annual report, 2020 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 require the committee to consist of preferably three members but not less than two members and that a majority of the members shall be independent non-executives with at least one of whom shall have recent relevant financial experience.

During 2020, and to date, the Audit Committee was composed of myself, Steve Sparke, as Chairman 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 I 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 Carol Tarpey (Financial Controller) and other Executive Directors may attend Committee meetings by invitation. The Committee formally met on three 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 and the main items of business considered by the Committee in the year included:

- Consideration of risk management and internal control systems;
- Review and approval of the 2019 audit plan and engagement;
- Review of the 2019 audited annual report;
- Consideration of key audit matters and how they are addressed;
- Review of the unaudited 2020 interim report;
- Review the 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.

There were no material changes in accounting policy for the Committee to consider during 2020 and the key papers reviewed by the Committee included the accounting treatment for the acquisition of the remaining shareholding in KRM22 Market Surveillance Limited, the Kestrel Loan and share-based payments. 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 25 - 34, 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, internal control processes have been monitored and reviewed by the Committee and the Board and, where necessary improvements, have been identified and implemented.

External Auditor

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

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

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 2021.

For and on behalf of the Audit Committee

Steve Sparke

Audit Committee Chairman

15 March 2021

REMUNERATION COMMITTEE REPORT

The Board has prepared this report in relation to all Directors who have served during the year to 31 December 2020. 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 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 2020, and to date, the Committee was composed of myself (Sandy Broderick) as Chairman and Garry Jones.

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 2021 and, in fact, a substantial proportion of executive salaries were only partially paid in the year or replaced with share options. Further detail on share options granted to senior executives are detailed below.

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, Restricted Stock and Warrants

The following share options, restricted stock and warrants were held by Directors in the year.

Option holder name	Date of grant	Exercise price	Vesting period	Number of ordinary shares under option
Keith Todd	18/09/2020	£0.380	18/09/2020 – 17/09/2023	287,831
				287,831
Kim Suter	28/09/2018	£1.000	28/09/2018 – 27/09/2021	50,000
	10/06/2019	£0.850	10/06/2019 – 10/06/2022	50,000
	10/06/2019	£0.850	10/06/2019 – 01/03/2020	30,000
	23/12/2019	£0.525	23/12/2019 – 22/12/2022	60,000
	22/07/2020	£0.300	22/07/2020 – 22/08/2020	21,875
	18/09/2020	£0.380	18/09/2020 – 17/09/2023	124,342
	01/10/2020	£0.380	01/10/2020 – 31/10/2020	17,270
				353,487
Sandy Broderick	10/06/2019	£0.850	10/06/2019 – 03/04/2022	10,000
	18/09/2020	£0.380	18/09/2020 – 17/09/2023	59,210
	01/10/2020	£0.380	01/10/2020 – 31/12/2020	59,211
				128,421
Garry Jones	10/06/2019	£0.850	10/06/2019 – 03/04/2022	176,471
	01/10/2020	£0.380	01/10/2020 – 31/12/2020	49,342
				225,813
Steve Sparke	01/10/2020	£0.380	01/10/2020 – 31/12/2020	59,211
				59,211
Total				**1,054,763**

Restricted stock holder name	Date of award	Exercise price	Vesting period	Number of ordinary shares under option
Stephen Casner	18/09/2020	£0.380	18/09/2020 – 17/09/2023	253,162
Total				**253,162**

Warrant holder name	Date of grant	Exercise price	Vesting period	Warrants held
Keith Todd	30/04/2018	£1.00	30/04/2018 – 29/04/2021	3,300,000
Stephen Casner	24/04/2018	£1.00	24/04/2018 – 23/04/2021	1,200,000
Karen Bach	24/04/2018	£1.00	24/04/2018 – 23/04/2021	900,000
Total				**5,400,000**

During the year, a range of measures were implemented to mitigate the cash impact of COVID and delayed sales including staff accepting a temporary salary sacrifice of between six and nine months. In lieu of staff receiving a reduced level of remuneration, a total of 867,923 share options were granted, of which 206,909 options were granted to the Directors.

In addition, a further 1,187,322 share options and a restricted stock award of 253,162 was awarded in exchange for salary deferrals, and the related accrued repayment bonuses, undertaken by certain employees in March 2019 for twelve months as part of the Company's management of cashflows. The accrued repayment bonuses were due to be repaid at an uncommitted future date however, in conjunction with the Convertible Loan with Kestrel, it was agreed that the accrued deferred salary bonus would be converted to share options. Of the total 1,187,322 share options granted to staff, 471,383 share options were granted to the Directors.

Further information on warrants and share options issued is detailed in note 0 to the financial statements.

Service contracts

The Executive Directors have employment contracts which are subject to between 3- and 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 2020 was as follows:

	2020						2019					
	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	12	8	–	372	–	392	175	8	(6)	518	–	695
Stephen Casner	45	–	–	143	–	188	226	–	–	188	1	415
Kim Suter	56	2	–	13	3	74	–	–	–	–	–	–
Sandy Broderick	5	–	–	5	–	10	30	–	–	–	–	30
Garry Jones	6	–	–	12	–	18	17	–	–	5	–	22
Steve Sparke	8	–	–	4	–	12	2	–	–	–	–	2
Former Directors												
Karen Bach	13	–	–	25	–	38	110	6	(5)	141	11	263
David Ellis	–	–	–	–	–	–	10	–	–	–	–	10
Jim Oliff	–	–	–	–	–	–	4	–	–	8	–	12
Matt Reed	–	–	–	–	–	–	28	–	–	–	–	28
Total	145	10	–	574	3	732	602	14	(11)	860	12	1,477

During the year ended 31 December 2020, the Directors waived some of their salary through a voluntary salary sacrifice scheme and some of the Directors were granted share options in lieu of the reduced salary.

The benefits relate to private medical insurance, 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 2020 had the following interest in the ordinary share capital of the Company as at that date:

Director	At 31 December 2020 No. of ordinary shares of 10p each	At 31 December 2019 No. of ordinary shares of 10p each
Keith Todd	2,700,108	2,347,052
Stephen Casner	513,143	513,143
Kim Suter	26,666	10,000
Sandy Broderick	11,765	11,765
Garry Jones	176,471	176,471
Steve Sparke	273,236	189,903

Sandy Broderick

Remuneration Committee Chairman

15 March 2021

NOMINATION COMMITTEE REPORT

During 2020, and to date, the Committee was composed of Sandy Broderick, as Chairman, and Garry Jones.

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 2020 to undertake an annual review of Board performance and to consider the appointment of Kim Suter to the Board as an Executive Director.

The annual review of Board performance was undertaken in March 2020 and considered the time spent by Non-Executive board members, the structure, size and composition of the Board, the Board's performance and the Nomination Committee's performance. The Committee concluded that the Board's performance, effectiveness and composition was appropriate considering the size and stage of KRM22's development and would continue to monitor the Board's construction and remit as KRM22 grows. In considering the performance of the Nomination Committee, the Committee deemed their performance as satisfactory, given the non-expansionary phase of KRM22, and therefore lack of significant work for the Committee to consider.

Sandy Broderick

Nomination Committee Chairman

15 March 2021

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 2020. 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

Steve Sparke

Non-Executive Director

Karen Bach

Non-Executive Director (resigned 2 April 2020)

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 26.

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 has created 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 impact cashflow and, whilst KRM22 cannot control external factors around the timing and certainty of new contract sales, actions have been taken during 2020 to manage cashflow including the arrangement of the Convertible Loan with Kestrel and managing the underlying cost base of the business.

Overseas branches

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

Research and Development

KRM22 continues to dedicate resource to develop the Global Risk Platform and its suite of risk management products including Enterprise (Risk Cockpit), Market (Pre-Trade, At-Trade and Post-Trade) and Compliance (Market Surveillance).

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 2020, total expenditure that has been capitalised on these projects totalled £1.0m (2019: £1.5m).

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 64 and in note 26 (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, as set out in its Annual report, and include KRM22's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to credit and liquidity risks.

The COVID-19 pandemic impact on our business have been appropriately managed and the Board believes that the business is able to navigate through the impact of COVID-19. Taking account of this, the Directors have undertaken a significant assessment of the cashflow forecasts covering a period of at least twelve 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, existing customer churn at different churn rates, no new contracted sales revenue, delayed sales, cost reductions 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 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. There is no certainty that such funds could be raised.

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 twelve 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 68 for further information on going concern.

Post year-end reporting date events

On 4 March 2021, the Company signed an addendum (the "Addendum") to the Object+ Share Purchase Agreement dated 29 May 2019. Under the terms of the Addendum, the undiscounted deferred consideration of US$1.6m (£1.2m) associated with the third performance milestone was reduced by US0.5m (£0.4m) to US$1.1m (£0.8m) in return for a cash payment of US$0.1m (£0.1m) to the Seller of Object+ and the Company waiving the US$0.1m (£0.1m) promissory loan note due from the Seller to the Company. As of the statement of financial position date the Director's expectation was that such a position was probable taking account of the performance of the Group and engagement with the seller.

Substantial Shareholders

As at 31 December 2020, 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 %
Kestrel Partners	5,366,657	20.1
KRM22 Concert Party	4,317,532	16.2
Canaccord Genuity Wealth Management	3,112,859	11.7
Cinnober Financial Technology AB	2,654,434	9.9
Herald Investment Management	2,431,456	9.1
Octopus Investments	1,134,308	4.3
Gresham House	1,000,000	3.7

Energy and carbon

The 2018 Regulations introduced requirements under Part 15 of the Companies Act 2006 for an enhanced group of companies, which are defined as large by the Companies Act 2006, to disclose their annual energy use and greenhouse gas emissions, and related information. The Group is not currently defined as large. However given the Group's values and taking account of its energy consumption has chosen to apply the 2018 Regulations. KRM22 plc, itself consumes less than 40MWh and therefore as a low energy user, which negates the need to make detailed disclosures of its energy and carbon information. Furthermore and taking account of this, it has applied the option permitted by the 2018 Regulations to exclude any energy and carbon information relating to its subsidiaries where the subsidiary would not itself be obliged to include if reporting on its own account; this applies to all subsidiaries within the group.

Brexit

The United Kingdom ('UK') formally left the European Union ('EU') on 30 January 2020. The period from when the UK voted to exit the EU on 23 June 2016 and the formal process initiated by the UK government to withdraw from the EU, or Brexit, created volatility in the global financial markets. The UK entered a transition period, being an intermediary arrangement covering matters like trade and border arrangements, citizens' rights and jurisdiction on matters including dispute resolution, taking account of The EU (Withdrawal Agreement) Act 2020, which ratified the Withdrawal Agreement, as agreed between the UK and the EU. The transition period ended on 31 December 2020, where upon the UK-EU Trade & Cooperation Agreement (together with other connected Agreements concluded on by the UK and EU, which includes the Exchanging and Protecting of Classified Information Agreement) signed on the 24 December 2020, with UK Parliament approval on 30 December 2020.

As such, the Directors deem that the adoption of the UK-EU Trade & Cooperation Agreement will not have a significant impact on the Company's operations nor consider it likely that the Company will be significantly impacted as it is not an importer or exporter of goods across EU borders. However, the Directors and senior leadership team are closely monitoring the situation to be able to manage the risk of any volatility in global financial markets and impact on global economic performance due to Brexit.

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 - 34.

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

15 March 2021

Financial Statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KRM22 PLC

Opinion on the financial statements

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 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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.

We have audited the financial statements of KRM22 Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 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 their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

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, especially in light of the current continuous COVID-19 pandemic causing economic uncertainty and making accurate forecasting even more judgemental and complex. There is no certainty that such funds could be raised. 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 Group's and the parent company 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 30 June 2022, including assessing and challenging the assumptions as to determine whether there is adequate support for the assumptions underlying the forecasts and comparison against post yea -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 and covenants attached to it 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.

Overview

Coverage	*86% (2019: 86%) of Group loss before tax* *89% (2019: 93%) of Group revenue* *90% (2019: 95%) of Group total assets*		
Key audit matters		**2020**	**2019**
	KAM 1	Going Concern	Going Concern
	KAM 2	Revenue Recognition	Revenue Recognition

<table>
<tr><td></td><td>
<table>
<tr><td>KAM 3</td><td>Acquisition of the remaining 40% of subsidiary (KRM22 Market Surveillance Ltd, previously Irisium Ltd)</td><td>Acquisition of Object + Holding BV ('Object+'): Accounting for acquisition and the business combination</td></tr>
<tr><td>KAM 4</td><td>Impairment of intangible assets (including Goodwill)</td><td>-</td></tr>
</table>
KAM 3 in 2019 is no longer considered to be a key audit matter because it was a specific transaction/event during that year. It has been replaced by a specific transaction/event that occurred in 2020. KAM 4 has been added considering there have been indicators identified while testing management's assessment of impairment of the intangibles and the amounts, judgements and estimates relating to these are significant.
</td></tr>
<tr><td>Materiality</td><td>Group financial statements as a whole

£244,000 (2019: £336,000) based 5% of average loss before tax for last 3 years (2019: 5% of loss before tax in 2019)</td></tr>
</table>

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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 seven individually significant components, which makes up 86% of Group loss before tax and also covers 90% of the total assets of the Group.

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 KRM22 Market Surveillance Ltd (previously known as Irisium Ltd);
- The Group audit team performed specified audit 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 86% of the Group revenue and 100% of the intangible assets using the materiality levels set out above.

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

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Revenue Recognition</td><td>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.

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 an activations code 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.</td><td>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 (performance obligations) for revenue recognition;
• 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 2020 and January 2021, verifying back to underlying agreements, to check revenue has been recognised within the correct period.
• We checked the completeness, existence and accuracy of accrued income and deferred revenue balances shown in the statement of financial position at year end. We selected a sample of revenue transactions occurring either side of the year-end reporting date across all revenue streams and checked that the revenues recognised for the year under audit and accrued income and deferred revenues recognised at the year end reporting date had been recorded appropriately with reference to the sampled revenue contract</td></tr>
</table>

		• We assessed whether the revenue recognition policies adopted by the Group comply with accounting standards. **Key observations:** Based on the work performed we consider that revenue has been recognised appropriately and in accordance with the Group's revenue recognition accounting policy.
Acquisition of the remaining 40% non-controlling interest in KRM22 Market Surveillance Ltd	See accounting policy in note 3, the operating expense (note 6) and the business combinations note (note 27). On 16 April 2020, the remaining 40% minority interest in KRM22 Market Surveillance Limited ('the subsidiary') was acquired for a total consideration of £0.55m by way of a convertible loan note ('CLN'). The transaction also involved historic debt due being converted into ordinary shares in the subsidiary immediately prior to consolidating its ownership of the subsidiary. There are risks present as a result of management's requirement to make significant judgements in assessing the fair values of consideration and treatment of the loans extinguished. The inherent complexity of the judgements involved in assessing the fair values have led us to assess this as a key audit matter along with the related disclosures.	We performed the following substantive audit procedures : • Obtained the share purchase agreement, related to the transaction and ensured the accounting treatment is in accordance with the relevant terms of the agreement. • Obtained the CLN agreement entered between the parties and agreed the accuracy and completeness of the relevant terms of the agreement. The terms of the CLN were verified to ensure the instrument was accounted in accordance with IFRS 9 and the calculation for conversion into ordinary shares was arithmetically checked and agreed. • Tested the accuracy of accounting treatment applied, taking account of IFRIC 19, where upon equity instruments are issued to settle financial liabilities and measured at fair value and audited the calculated of the resultant gain on extinguishment being recorded in the consolidated income statement. • 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 remaining 40% non-controlling interest of the subsidiary.
Impairment of intangible assets (including Goodwill)	Taking account of the Group's accounting policy in note 3, and as disclosed in note 12, the Directors have determined that an impairment of intangible assets (including goodwill) does exists, amounting to £3,022k. This has been determined based on a value in use model, which includes consideration of probability adjusted scenarios based on difference revenue and cost growth assumptions, to assess the recoverability of the intangible assets (including goodwill). There are significant judgements involved in the estimation of the recoverable amount of the intangibles (including goodwill). The adequacy of related disclosures also needs to be assessed.	The senior members of the audit team were responsible for completing the work in relation to the assessment of impairment of intangibles (including goodwill) and our audit procedures included the following: • We reviewed management's impairment assessment, based on our knowledge of the Group's business, performance to date and from discussions with management. • We have considered whether the methodology applied to value the recoverable amount of the intangibles appropriately supports the asset value. • We reviewed and challenged of the assumptions underpinning the forecasts and the other inputs into the value in use model. This included a recalculation of the discount rate applied. • We checked that the forecast figures included within the model had been approved by the Board and the base case scenario was consistent with information obtained in other audit procedures. • We have also reviewed the different scenarios used by management and ran our own sensitives to evaluate management's assessment of the recoverability of intangibles (including goodwill). • We assessed the adequacy of the related accounting policies and disclosures in the financial statements. **Key observations** Based on the procedures performed, we consider management's judgements relating to the impairment of intangible assets to be appropriate.

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 level, 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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2020	2019	2020	2019
Materiality	£ 244,000	£ 336,000	£ 126,000	£ 176,000
Basis for determining materiality	5% of three year's average of losses before tax	5% of in year Loss before tax	2% of total assets	1% of total assets
Rationale for the benchmark applied	A primary KPI used by management to assess the performance of the business.		As the parent primarily acts as a holding company for the Group's investments.	
Performance materiality	£ 170,000	£ 235,000	£ 88,200	£ 123,000
Basis for determining performance materiality	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		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	

Component materiality

The individual component materiality values used for the individual overseas components were set at 50%-75% Group materiality, dependent on the size and our assessment of the risk of material misstatement of that component, at £122,000 - £183,000 for overseas components. For UK components, this was set at 5% of loss before tax, which ranged between £26,000 to £104,000. In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £12,200 (2019: £10,100). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report 2020 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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. In the light of the knowledge and understanding of the Group and 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.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities statement set out on page 46, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- We have identified and assessed the potential risks related to irregularities, including fraud, by considering the following:
    - Enquiries of management regarding: the compliance with laws and regulations; the detection and response to the risk of fraud and any knowledge of actual, suspected or alleged fraud; and the controls in place to mitigate risks related to fraud or non-compliance with laws and regulations;
    - Obtaining an understanding of the legal and regulatory framework in which the Group operates. The key laws considered are accounting standards and the Companies Act 2006.
- We have responded to risks identified by performing procedures including the following:
    - Enquiry of in-house management and external legal counsel concerning actual and potential litigation and claims;
    - Performing analytical procedures to identify any unusual or unexpected relationships which may indicate risks of misstatement due to fraud; and
    - Reading the minutes of meetings of those charged with governance.
    - Review of financial statements disclosures and testing to supporting documentation.
- We have also considered the risk of fraud through management override of controls by:
    - Testing on a sample basis the appropriateness of journal entries and other adjustments;
    - Assessing whether the judgements made in making accounting estimates are indicative of potential bias;
    - indicative of potential bias;

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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

Date: 15 March 2021

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 2020

	Note	2020 £'000	2019 £'000
Revenue	5	**4,594**	4,143
Cost of sales		**(440)**	(434)
Gross profit		**4,154**	3,709
Administrative expenses	6	**(9,570)**	(10,830)
Operating loss before interest, taxation, depreciation, amortisation, share based payment and exceptional items ('Adjusted EBITDA')		**(167)**	(3,072)
Depreciation and amortisation		**(1,688)**	(1,259)
Impairment of intangible assets		**(3,022)**	(2,344)
(Loss)/profit disposal of tangible/intangible assets		**(63)**	22
Contingent consideration write back		**342**	1,493
Gain on extinguishment of debt (net)		**677**	–
Unrealised foreign exchange loss		**(160)**	–
Acquisition and debt related expenses		**(401)**	(413)
Company reorganisation costs		**(430)**	(527)
Deferred salary bonus accrual write back		**381**	–
Share-based payment charge		**(885)**	(1,021)
Operating loss		**(5,416)**	(7,121)
Finance charge (net)	9	**(324)**	(196)
Loss before taxation		**(5,740)**	(7,317)
Taxation credit	10	**246**	792
Loss for the year		**(5,494)**	(6,525)
Loss for the year attributable to:			
Equity shareholders of the parent		**(5,879)**	(5,648)
Non-controlling interest		**385**	(877)
		(5,494)	(6,525)
Other comprehensive income			
Item that may be reclassified subsequently to profit and loss:			
Exchange (loss)/gain on translation of foreign operations		**(117)**	33
Total comprehensive loss for the year		**(5,611)**	(6,492)
Total comprehensive loss for the year attributable to:			
Equity shareholders of the parent		**(5,996)**	(5,615)
Non-controlling interest		**385**	(877)
		(5,611)	(6,492)
Loss per ordinary share			
Basic earnings per share	11	**(24.1p)**	(30.4p)
Diluted earnings per share	11	**(24.1p)**	(30.4p)

All amounts relate to continuing activities.

The notes on pages 66 to 99 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE GROUP

As at 31 December 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Goodwill	12	**4,937**	7,667
Other intangible assets	12	**3,065**	3,562
Property, plant and equipment	13	**136**	233
Right of use assets	19	**1,041**	1,642
Other receivables	15	**–**	42
		9,179	13,146
Current assets			
Trade and other receivables	15	**1,434**	1,358
Cash and cash equivalents	17	**1,974**	1,076
		3,408	2,434
Total assets		**12,587**	15,580
Current liabilities			
Trade and other payables	18	**2,539**	2,954
Lease liabilities	19	**456**	488
Loans and borrowings	20	**97**	388
Derivative financial liability	20	**45**	45
		3,137	3,875
Net current assets/(liabilities)		**271**	(1,441)
Non-current liabilities			
Trade and other payables	18	**882**	1,179
Lease liabilities	19	**549**	988
Loans and borrowings	20	**2,664**	1,597
Deferred tax liability	21	**405**	536
		4,500	4,300
Total liabilities		**7,637**	8,175
Net assets		**4,950**	7,405
Equity			
Share capital	23	**2,672**	2,100
Share premium		**16,676**	15,435
Merger reserve		**(190)**	(190)
Convertible debt reserve		**224**	–
Foreign exchange reserve		**108**	(9)
Share-based payment reserve	24	**2,563**	1,678
Retained earnings		**(17,103)**	(10,871)
		4,950	8,143
Non-controlling interest		**–**	(738)
Total equity		**4,950**	7,405

The financial statements were approved by the Board and authorised for issue on 15 March 2021 and are signed on its behalf by:

Kim Suter
Company Secretary

The notes on pages 66 to 99 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Investments	14	**489**	301
Intercompany loans	15	**737**	1,297
		1,226	1,598
Current assets			
Trade and other receivables	15	**76**	290
Cash and cash equivalents	17	**157**	88
		233	378
Total assets		**1,459**	1,976
Current liabilities			
Trade and other payables	18	**150**	366
Loans and borrowings	20	**97**	–
		247	366
Net current (liabilities)/assets		**(14)**	12
Non-current liabilities			
Loans and borrowings	20	**2,664**	–
		2,664	–
Total liabilities		**2,911**	366
Net (liabilities)/assets		**(1,452)**	1,610
Equity			
Share capital	23	**2,672**	2,100
Share premium		**16,676**	15,435
Convertible debt reserve		**224**	–
Share-based payment reserve	24	**2,563**	1,678
Retained earnings		**(23,587)**	(17,603)
Total equity		**(1,452)**	1,610

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 year was £5,984,000 (2019: loss of £16,469,000).

The financial statements were approved by the Board and authorised for issue 15 March 2021 and are signed on its behalf by:

Kim Suter

Company Secretary

The notes on pages 66 to 99 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE GROUP

For the year ended 31 December 2020

	Ordinary Shares £'000	Share premium £'000	Merger reserve £'000	Convertible debt reserve £'000	Foreign exchange reserve £'000	SBP Reserve £'000	Retained losses £'000	NCI £'000	Total equity £'000
At 1 January 2020	2,100	15,435	(190)	–	(9)	1,678	(10,871)	(738)	7,405
Loss for the year	–	–	–	–	–	–	(5,879)	385	(5,494)
Other comprehensive loss	–	–	–	–	117	–	–	–	117
Total comprehensive loss	–	–	–	–	117	–	(5,879)	385	(5,377)
Non-controlling interest	–	–	–	–	–	–	(353)	353	–
Convertible debt option	–	–	–	224	–	–	–	–	224
Allotment of share capital	572	1,241	–	–	–	–	–	–	1,813
Share-based payments	–	–	–	–	–	885	–	–	885
At 31 December 2020	**2,672**	**16,676**	**(190)**	**224**	**108**	**2,563**	**(17,103)**	**–**	**4,950**

For the year ended 31 December 2019

	Ordinary Shares £'000	Share premium £'000	Merger reserve £'000	Foreign exchange reserve £'000	SBP reserve £'000	Retained losses £'000	NCI £'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 66 to 99 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Ordinary shares £'000	Share premium £'000	Convertible debt reserve £'000	SBP Reserve £'000	Retained losses £'000	Total equity £'000
As at 1 January 2020	2,100	15,435	–	1,678	(17,603)	1,610
Loss for the period	–	–	–	–	(5,984)	(5,984)
Convertible debt option	–	–	224	–	–	224
Allotment of share capital	572	1,241	–	–	–	1,813
Share-based payments	–	–	–	885	–	885
As at 31 December 2020	**2,672**	**16,676**	**224**	**2,563**	**(23,587)**	**(1,452)**

For the year ended 31 December 2019

	Ordinary shares £'000	Share premium £'000	SBP reserve £'000	Retained losses £'000	Total equity £'000
As 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 66 to 99 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE GROUP

For the year ended 31 December 2020

	2020 £'000	2019 £'000
Cash flows from operating activities		
Loss for the year	(5,494)	(6,525)
Adjustments for:		
Tax credit	(246)	(792)
Net finance expense	324	196
Amortisation of intangible assets	1,018	672
Depreciation of property, plant and equipment and right of use assets	670	587
Impairment of intangible assets	3,022	2,344
Loss/(profit) on disposal of intangible/tangible assets	63	(22)
Write back of contingent consideration	(342)	(1,493)
Gain on extinguishment of debt (net)	(677)	–
Unrealised foreign exchange loss	160	85
Deferred salary bonus accrual write back	(381)	–
Equity-settled share-based payment expense	885	1,021
Bad debt provision	340	–
Income taxes received	121	562
	(537)	(3,365)
(Increase)/decrease in trade and other receivables	(76)	98
(Decrease)/Increase in trade and other payables	(329)	8
	(405)	106
Net cash flows used in operating activities	(942)	(3,259)
Cash flows from investing activities		
Acquisition of subsidiary undertakings (net of cash acquired)	–	(379)
Purchase of intangible assets	(959)	(1,599)
Purchase of property, plant and equipment	(2)	(16)
Net cash used in investing activities	(961)	(1,994)
Cash flows from financing activities		
Proceeds from issue of shares	1,280	2,787
Costs of issue of shares	(25)	(65)
Lease payments principal	(458)	(559)
Lease payments interest	(84)	(93)
Receipts from borrowings	3,000	1,056
Repayments of borrowings	(874)	(203)
Net cash from financing activities	2,839	2,923
Net increase/(decrease) in cash and cash equivalents	936	(2,330)
Cash and cash equivalents at beginning of the year	1,076	3,355
Bank overdraft	–	22
Effect of foreign exchange rate changes	(38)	29
Cash and cash equivalents at the end of the year	1,974	1,076

The notes on pages 66 to 99 form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 £'000	2019 £'000
Cash flows from operating activities		
Loss for the year	**(5,984)**	(16,469)
Adjustments for:		
Net finance income	**(1,381)**	(1,119)
Deferred salary bonus accrual write back	**(107)**	–
Increase in provisions against intra-group loans	**6,186**	15,927
Equity-settled share-based payment expense	**697**	946
	(589)	(715)
Decrease in trade and other receivables	**214**	16
(Decrease)/increase in trade and other payables	**(187)**	123
	27	139
Net cash outflows used in operating activities	**(562)**	(576)
Cash flows from investing activities		
Advance of loans to subsidiaries	**(3,620)**	(4,268)
Net cash outflow used in investing activities	**(3,620)**	(4,268)
Cash flows from financing activities		
Proceeds from issue of shares	**1,280**	2,787
Costs of the issue of shares	**(25)**	(65)
Receipts from borrowings	**3,000**	–
Repayments of borrowings	**(4)**	–
Net cash inflow from financing activities	**4,251**	2,722
Net increase/(decrease) in cash and cash equivalents	**69**	(2,122)
Cash and cash equivalents at beginning of the year	**88**	2,210
Cash and cash equivalents at the end of the year	**157**	88

The notes on pages 66 to 99 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. General information

KRM22 Plc, (the 'Company'), is a public company, limited by shares and is listed on the Alternative Investment Market (AIM). 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 enterprise, market, compliance, operational and technology risks.

2. Basis of Preparation and Consolidation

Basis of preparation

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2020. 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 areas 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 2020, 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

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 as 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 Convertible Loan facility with Kestrel Partners LLP ("Kestrel"). On 15 September 2020 KRM22 signed a three-year convertible loan agreement with Kestrel for £3.0m with some proceeds of the loan being used to settle the existing Debt Facility with. At 31 December 2020 KRM22 had £2.0m of cash at bank and debt due to Kestrel of £3.0m (gross).

The Directors have undertaken a significant assessment of the cashflow forecasts covering a period of at least twelve 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, existing customer churn at different churn rates, no new contracted sales revenue, delayed sales, cost reductions 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 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, through a placement of shares or other source of funding. There is no certainty that such funds could be raised.

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 twelve 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 2020, the balance of deferred revenue was £1.5m (2019: £1.1m) 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

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 a 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, deposits held at call with banks and 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 are included as a finance expense 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 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 cost 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 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 award 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

Under IFRS16 'Leases', KRM22 recognises a 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 from the date of commencement, 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 statement 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.
- Convertible debt reserve – This relates to the residual amount of any liability component from the fair value of debt instruments as a whole where the debt instrument includes a liability and embedded equity feature.
- Share-based payment (SBP) 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.

VI. Impairment of goodwill and other intangible assets

The Group has carried out an impairment review of its cash generating unit ("CGU") and recognised an impairment loss on goodwill and trademarks in the year. The recoverable amount of the CGU is based on estimates of future cash flows discounted using an appropriate discount rate. Estimates of future cash flows are inherently uncertain as the long-term impact of the Covid-19 pandemic on the general economy is unclear. To take account of this uncertainty, management have used the "expected cash flow approach" which involves probability weighting several alternate scenarios.

It is possible that changes in economic conditions or deviations in actual performance from forecast could result in a material adjustment to the carrying value of the CGU within the next financial year. The key estimates made by management are set out in note 12. The information in note 12 given on each scenario also provides an indication of the amount of any further impairment for other reasonably possible outcomes.

5. 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:

	2020 Revenue £'000	2020 Non-current assets £'000	2019 Revenue £'000	2019 Non-current assets £'000
UK	**990**	**3,973**	422	5,151
Europe	**763**	**1,911**	798	2,463
USA	**2,383**	**3,294**	2,489	5,531
Rest of world	**458**	**1**	434	1
Total	**4,594**	**9,179**	4,143	13,146

The Directors consider that the business has five risk domains: Enterprise, Market, Compliance, Operations 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 years ended 31 December 2020 and 2019, no customer generated more than 10% of total revenue.

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.

	2020 £'000	2019 £'000
Recurring revenue	**4,193**	3,753
Non-recurring revenue	**401**	305
Other revenue	**–**	85
Total revenue	**4,594**	4,143

	2020 £'000	2019 £'000
Enterprise	**420**	81
Market	**2,476**	2,447
Compliance	**1,673**	1,530
Other	**25**	85
Total	**4,594**	4,143

6. Operating loss

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

	2020 £'000	2019 £'000
Depreciation of property, plant and equipment	**93**	92
Depreciation of right of use assets	**577**	495
Amortisation of intangible assets	**1,018**	672
Impairment of intangible assets	**3,022**	2,344
Acquisition and debt expenses (refer to note below)	**401**	413
Company reorganisation costs (refer to note below)	**430**	527
Contingent consideration written back (refer to note below)	**(342)**	(1,493)
Gain on extinguishment of debt (net) (refer to note below)	**(677)**	–
Deferred salary bonus accrual write back	**(381)**	–
Operating lease costs	**23**	41
Foreign currency exchange losses	**260**	111

I. Acquisition and debt related costs

Total acquisition and debt related costs in the year ended 31 December 2020 of £0.4m (2019: £0.4m) were recognised and related to the acquisition of the remaining 40% shareholding in KRM22 Market Surveillance and the replacement of the Harbert Debt Facility with the Kestrel Convertible Loan facility.

II. Company reorganisation costs

Reorganisation costs in the year ended 31 December 2020 of £0.4m (2019: £0.5m) were recognised and related to staff redundancy costs as a result of KRM22 scaling back certain business operations.

III. Contingent consideration write back

A contingent consideration write back of £0.3m (2019: £1.5m) was recognised in connection the write back of previously recognised contingent consideration associated with the acquisition of Object+. The Directors believe that the second tranche of contingent consideration will not be payable and, as detailed in note 29, part of value of the third tranche of contingent consideration was reduced. The Directors 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.

The contingent consideration write back recognised in the year ended 31 December 2019 was in connection with the acquisition of KRM22 ProOpticus.

IV. Gain on extinguishment of debt (net)

On 15 April 2020, £1.3m of debt due from KRM22 Market Surveillance to Cinnober Financial Technology AB ("Cinnober") was settled through the issue of a £0.6m convertible loan note ("CLN) provided by KRM22 to Cinnober which resulted in the recognition of a gain on extinguishment of debt in the year ended 31 December 2020 of £0.7m (2019: £nil).

V. Deferred salary bonus accrual write back

Total accrued salary bonuses of £0.4m were written back during the year ended 31 December 2020 (2019: £nil) and resulted from employees waiving any entitlement to bonuses accrued in the year ended 31 December 2019 in exchange for the grant of share options (see note 24). The bonuses were in connection with a deferred salary bonus scheme between KRM22 and certain employees in the year ended 31 December 2019.

7. Auditor's remuneration

	2020 £'000	2019 £'000
For audit services		
Audit of the financial statements of the Company	**95**	115
Audit of the financial statements of the Company's subsidiaries	**8**	13
	103	128
For other services		
Tax services of the Company	**12**	8
Tax services for the Company's subsidiaries	**14**	15
Tax services around acquisitions	**2**	3
	28	26

8. Employee information

I. Employee numbers

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

	2020 No.	2019 No.
UK	**22**	35
Europe	**17**	20
USA	**11**	15
Rest of world	**2**	2
Total	**52**	72

II. Employee benefits

The aggregate payroll cost of these persons were as follows:

	2020 £'000	2019 £'000
Wages and salaries	**2,520**	3,818
Social security costs	**85**	189
Pension costs to defined contribution schemes	**101**	175
Share-based payments	**886**	1,021
Total	**3,592**	5,203

III. Directors' remuneration

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

	2020 £'000	2019 £'000
Remuneration for qualifying services	155	603
Pension contributions to defined contribution schemes	3	12
Share-based payments	574	860
Total	732	1,475

Full details of Directors' remuneration is presented in the Remuneration Committee report on page 39. Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2020 £'000	2019 £'000
Remuneration for qualifying services	61	228
Total	61	228

The number of Directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2019: 1).

9. Finance expense

	2020 £'000	2019 £'000
Interest income	(5)	(1)
Interest expense on financial liabilities	243	101
Interest expense on lease liabilities	86	96
Net finance expense	324	196

10. Taxation

	2020 £'000	2019 £'000
Current tax		
UK Corporation tax at 19% on loss for the year (2019: 19%)	–	–
Prior year adjustment to deferred tax	11	(28)
Research and Development tax credits	(121)	(562)
Total current tax	(110)	(590)
Deferred tax		
Origination and reversal of temporary differences	(14)	(37)
Intangible assets recognised on acquisition	(122)	(165)
Total deferred tax (note 21)	(136)	(202)
Total tax credit	(246)	(792)

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

	2020 £'000	2019 £'000
Losses before tax	**(5,740)**	(7,317)
Loss before tax based on corporation tax 19% (2019: 19%)	**(1,091)**	(1,390)
Accelerated capital allowances	**(14)**	(37)
Expenses not deductible for tax purposes	**78**	86
Intangible assets recognised on acquisition	**(122)**	(165)
Adjustments to brought forward values	**11**	(28)
Losses carried forward	**892**	742
Total tax credit	**(246)**	(792)

For information on the Group's total available tax losses, see note 21.

11. Loss per share

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

KRM22 has dilutive ordinary shares, this being warrants, restricted stock awards 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.

	2020 £'000	2019 £'000
Loss for the year attributable to equity holders of the parent	**(5,879)**	(5,648)
Basic weighted average number of shares in issue	**24,414,093**	18,552,176
Diluted weighted average number of shares in issue	**33,256,848**	25,933,265
	(24.1p)	(30.4p)

12. Intangible assets

	Goodwill on Consolidation £'000	Acquired software and related assets £'000	Trademarks and licences £'000	Capitalised development costs £'000	Total £'000
Cost					
At 1 January 2020	7,667	2,856	704	3,320	14,547
Additions	–	–	–	959	959
Disposals	–	–	(169)	–	(169)
Foreign exchange movements	(11)	(4)	(19)	(2)	(36)
At 31 December 2020	7,656	2,852	516	4,277	15,301
Accumulated amortisation					
At 1 January 2020	–	640	180	2,498	3,318
Amortisation for the year	–	451	80	487	1,018
Impairment charge for the year	2,719	–	303	–	3,022
Disposals	–	–	(38)	–	(38)
Foreign exchange movements	–	(6)	(9)	(6)	(21)
At 31 December 2020	2,719	1,085	516	2,979	7,299
At 31 December 2019	7,667	2,216	524	822	11,229
At 31 December 2020	**4,937**	**1,767**	**–**	**1,298**	**8,002**

Goodwill that arose in prior periods is not amortised. Impairment testing is carried out at Cash Generating Units (CGU) level on an annual basis.

During the year ended 31 December 2020, the Group's share price declined and management are now projecting lower revenue growth than that used in last year's impairment assessment. Accordingly, the Company has reassessed the recoverability of goodwill and intangible assets and this resulted in an impairment of £3.0m.

The Company has estimated the recoverable amount at £8.0m using a value-in-use model by projecting cashflows for the next five years together with a terminal value using a growth rate. The five-year projections used in the model are based on the FY21 budget approved by the Directors. Given the uncertainty involved in predicting long-term projections, management developed expectations of future performance under a range of scenarios with different levels of future revenue growth. The value in use was estimated by probability weighting the value in use under each scenario as summarised below.

Scenario	Annual Revenue growth FY21 to FY25 %	Annual cost growth FY21 to FY25 %	Headroom/ Value in use £'000	(Impairment) £'000	Probability %
Upside	23%	5%	17,078	6,054	8%
Base case	18%	3%	11,044	20	55%
Downside	11%	2%	2,864	(8,160)	30%
Severe downside	5%	1%	(4,242)	(15,266)	7%
Probability weighted average			8,002	(3,022)	100%

The single most likely scenario assumed revenue growth of 18% per annum over the period (2019: 25%). The other key assumptions used were:

- The discount rate (WACC) of 12% (2019: 14%). An increase of 1% in WACC rate would result in a £1.2m increase in the impairment required.
- Long-term growth rate of 1.5% (2019: 1.0%). An increase of 1%, in the long-term growth rate would result in a £1.0m reduction in the impairment recognised

13. Property, plant and equipment

	Fixtures and fittings £'000	Office equipment £'000	Total £'000
Cost			
At 1 January 2020	261	129	390
Additions	–	2	2
Disposals	(1)	(11)	(12)
Foreign exchange movements	(4)	(1)	(5)
At 31 December 2020	256	119	375
Accumulated depreciations			
At 1 January 2020	101	56	157
Depreciation charge for the year	66	27	93
Disposals	–	(7)	(7)
Foreign exchange movements	(4)	–	(4)
At 31 December 2020	163	76	239
Net book value at 31 December 2019	160	73	233
Net book value at 31 December 2020	**93**	**43**	**136**

14. Investment in subsidiaries

	2020 £'000	2019 £'000
Cost		
At 1 January 2020	**301**	225
Additions	**188**	76
At 31 December 2020	**489**	301
Carrying amount		
At 1 January 2020	**301**	225
At 31 December 2020	**489**	301

The additions in 2020 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.

Details of the Company's subsidiaries at 31 December 2020 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.	444 Madison Ave Suite 2801, New York NY, 10022 USA	100%	Administrative and sales company
KRM22 ProOpticus LLC	111 West Jackson Blvd. Suite 1310, Chicago IL, 60604 USA	100%	Administrative and sales company
KRM22 Netherlands B.V.	Max Euweplein 26 1017MB, Amsterdam The Netherlands	100%	Non-trading intermediate holding company
KRM22 Market Surveillance Limited	5 Ireland Yard London, EC4V 5EH England	100%	Administrative and sales company

Name of undertaking	Registered office	Ownership interest and voting rights	Nature of business
Object+ Holding B.V.	Max Euweplein 26 1017MB, Amsterdam The Netherlands	100%	Non-trading intermediate holding company
Object+ B.V.	Max Euweplein 26 1017MB, Amsterdam The Netherlands	100%	Non-trading intermediate 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 1310, Chicago IL, 60604 USA	100%	Sales company

* Shares held directly by KRM22 Plc
** In liquidation

15. Trade and other receivables

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

	2020 Group £'000	2020 Company £'000	2019 Group £'000	2019 Company £'000
Amounts falling due within one year:				
Trade receivables	**980**	**–**	620	–
Other receivables	**232**	**29**	243	10
Prepayments and accrued income	**222**	**47**	495	280
Total trade and other receivables due within one year	**1,434**	**76**	1,358	290
Amounts falling due after more than one year:				
Amounts due from group undertakings	**–**	**737**	–	1,297
Other receivables	**–**	**–**	42	–
Total trade and other receivables due in more than one year	**–**	**737**	42	1,297

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

At 31 December 2020, the Group had trade receivables falling due within one year of £1.0m including provisions of £0.3m (2019: £0.6m with provisions of £nil), other receivables falling due within one year of £0.2m including provisions of £0.03m (2019: £0.2m with provisions of £nil) and other receivables falling due after more than one year of £nil including provisions of £0.03m (2019: £0.04m with provisions of £nil). At 31 December 2020, the Company had amounts due from group undertakings falling due after more than one year of £0.7m including provisions of £6.2m (2019: £1.3m with provisions of £15.9m).

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 twelve 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: KRM22 Market Surveillance, KRM22 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 intercompany balances, and as such, a provision for bad and doubtful debts of £6.2m (2019: £15.9m) 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.

16. Trade receivables – credit risk

Aging of due and past due but not impaired receivables	2020 £'000	2019 £'000
0 – 30 days	**897**	566
31 – 60 days	**9**	–
61 – 90 days	**–**	51
91 – 120 days	**–**	3
120 + days	**74**	–
Total trade and other receivables due in less than one year	**980**	620

17. Cash and cash equivalents

	2020 Group £'000	2020 Company £'000	2019 Group £'000	2019 Company £'000
Cash at banks and on hand	**1,974**	**157**	1,076	88
	1,974	**157**	1,076	88

18. Trade and other payables

	2020 Group £'000	2020 Company £'000	2019 Group £'000	2019 Company £'000
Amounts falling due within one year:				
Bank overdraft	–	–	22	–
Trade payables	373	28	867	109
Accruals and deferred income	1,821	89	1,829	117
Social security and other taxation	253	–	131	–
Other payables	92	33	105	140
Total due within one year	2,539	150	2,954	366
Amounts falling due after more than one year:				
Contingent consideration	828	–	1,110	–
Provision for dilapidations	54	–	69	–
Total due in more than one year	882	–	1,179	–

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.

19. Leases – right of use assets and lease liabilities

Right of use assets

	Total £'000
Cost	
At 1 January 2020	2,022
Disposals	(188)
Foreign exchange movements	(52)
At 31 December 2020	1,782
Accumulated depreciation	
At 1 January 2020	380
Depreciation charge for year	577
Disposals	(188)
Foreign exchange movements	(28)
At 31 December 2020	741
Net book value at 31 December 2019	1,642
Net book value at 31 December 2020	**1,041**

Lease liabilities

	Total £'000
Cost	
At 1 January 2020	1,476
Interest expense	86
Lease payments	(548)
Foreign exchange movements	(9)
At 31 December 2020	**1,005**

The maturity of the lease liabilities is as follows:

	2020 £'000	2019 £'000
Amounts payable under leases		
Within one year	**456**	488
In two to five years	**549**	988
	1,005	1,476

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

20. Loans and borrowings

	2020 £'000	2019 £'000
Current		
Secured loans	**97**	388
	97	388
Non-Current		
Secured loans	**2,664**	435
Unsecured loans	**–**	1,162
	2,664	1,597
	2,761	1,985

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

On 15 September 2020, the Company entered into an agreement for a new three year £3.0m convertible loan facility (the "Convertible Loan") with Kestrel Partners LLP ("Kestrel"). The proceeds of the Convertible Loan were used to replace the Group's existing secured debt facility (the "Debt Facility") provided Harbert European Growth Capital Fund II ("Harbert") to KRM22 Central Limited. The outstanding balance of the Debt Facility, inclusive of loan principal, accrued interest and early repayment charges of 5%, was £0.8m.

The interest rate payable on the Convertible Loan is 9.5% per annum, which compares favourably to the 11% per annum interest rate on the Harbert Debt Facility, and is paid quarterly in arrears. Kestrel can convert the Convertible Loan into new ordinary shares in the Company at any time at a conversion price of 38p. The Company has the right to request conversion eighteen months following the date of the agreement, subject to certain conditions regarding the Company's share price at that time. Kestrel has the right to prevent any conversion which would trigger a Rule 9 event under the Takeover Code.

The Convertible Loan contains a host liability and embedded (fixed-for-fixed) equity conversion feature on the basis that there is a contractual cash obligation to pay quarterly interest and a requirement to repay the principal amount at the end of three-year Convertible Loan term, subject to the conversion option not being exercised by either Kestrel or KRM22. The Convertible Loan is classified as being a compound financial instrument and on this basis IAS 32 requires that the Convertible Loan is split into equity and liability components. The fair value of the liability component, included in current and non-current borrowings, at initial recognition was calculated using a market interest rate that would apply to a stand-alone loan without a conversion feature (12.65%). The equity component is assigned as the residual amount of £0.2m (see SOCE on page 62), by deducting the amount calculated for the liability component from the fair value of the instrument as a whole. As the Convertible Loan is not quoted on an active market, the transaction price of £3.0m for the instrument is its fair value. The carrying amount of the liability component of the Convertible Loan is adjusted for total transaction costs incurred of £0.1m.

Whilst the balance of the Debt Facility was settled during the year ended 31 December 2020, the warrants over 495,049 new ordinary shares in the Company, that were issued in conjunction with the Debt Facility, remain in place and are exercisable by Harbert until 29 April 2029. The warrants are treated as a financial instrument and recorded at fair value as a current liability amounting to £0.04m (2019: £0.04m) (see note 26).

At 31 December 2019 KRM22 had an unsecured loan of £1.2m relating to shareholder loans provided to KRM22 Market Surveillance Limited ("KRM22 Market Surveillance"), a subsidiary of KRM22 Central Limited, by Cinnober Financial Technology AB ("Cinnober") who owned 40% of the issued share capital of KRM22 Market Surveillance at 31 December 2019. The shareholder loans provided from Cinnober to KRM22 Market Surveillance were subject to an interest rate of 5% and the loan was repayable on 31 December 2023.

On 16 April 2020, the loan due to Cinnober from KRM22 Market Surveillance, which totalled £1.3m, was converted into ordinary shares in KRM22 Market Surveillance. Immediately following the debt to equity conversion, the Company acquired the remaining 40% stake in KRM22 Market Surveillance for a total consideration of £0.6m payable to Cinnober by way of an unsecured convertible loan note ("CLN") provided by KRM22 to Cinnober. The interest rate payable on the loan was 8% per annum.

On 28 June 2020, the CLN was converted into 1,454,434 new ordinary shares at 38.4p per share in the Company and therefore no cash consideration was paid to settle the CLN. The settlement of £1.3m debt, through the issue of the CLN, resulted in a gain on extinguishment of debt of £0.7m (refer note 6) which has been recognised in the income statement for the year ended 31 December 2020.

21. Deferred tax

	Intangible assets recognised on acquisition £'000	Accelerated capital allowances £'000	Total £'000
Deferred tax liability at 1 January 2019	559	60	619
On acquisition	119	–	119
Income statement credit	(165)	(37)	(202)
Deferred tax liability at 31 December 2019	513	23	536
Income statement (credit)	(122)	(14)	(136)
Foreign exchange movements	5	–	5
Deferred tax liability at 31 December 2020	**396**	**9**	**405**

KRM22 has tax losses of £14.7m (2019: £13.6m) 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 (2019: £2.6m).

In addition to the above operating tax losses, a potential deferred tax asset, could relate to pre-acquisition tax losses of KRM22 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 £0.4m (2019: £0.5m) has been recognised in relation to intangible assets of £2.9m (2019: £3.3m) that arise on the acquisition of KRM22 Market Surveillance, KRM22 ProOpticus and the Object+ group in prior periods.

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.

22. 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:

	2020 £'000	2019 £'000
Due within one year	**2**	25
	2	25

23. Share capital

	2020 No.	2020 £'000	2019 No.	2019 £'000
Issue and fully paid 10p Ordinary shares				
At 1 January	**20,998,029**	**2,100**	16,376,388	1,638
Issued for cash during the year*	**4,266,664**	**427**	4,014,732	401
Issued for other consideration	**1,454,434**	**145**	606,909	61
At 31 December	**26,719,127**	**2,672**	20,998,029	2,100

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

- On 14 May 2020, the Company issued 3,816,666 new ordinary shares of 10 pence each at a placing price of 30 pence per share through a placement and subscription. On the same date a subscription was made for further 449,998 new ordinary shares of 10 pence each at a price of 30 pence per share, to be settled on completion of the requisite subscription paperwork. The subscription was settled on 27 May 2020. The total number of shares issued as part of this share issue was 4,266,664 ordinary shares of 10 pence (nominal value) each to raise £1.3m.
- On 29 June 2020, the Company issued 1,454,434 new ordinary shares at a price of 38.4 pence per share as consideration for settlement of the £0.6m convertible loan note due to Cinnober Financial Technology AB for the acquisition of the remaining stake in KRM22 Market Surveillance.

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 subscription of £0.03m have been recognised within share premium.

24. 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 a total of 2,058,242 options to employees of KRM22 and this included 1,187,322 options (the "Salary Deferral Bonus Options") granted to employees who waived their right to receive a salary deferral bonus and 870,920 options (the "Salary Sacrifice Options") granted to employees who waived a proportion of their salary. Both the Salary Deferral Bonus Options and Salary Sacrifice Options were granted to help the Company's cashflow.

The Salary Deferral Bonus Options vest over a three-year period in thirty-six equal monthly instalments and do not lapse if an employee ceases to be employed by KRM22. The Salary Sacrifice Options granted to Executive Directors and employees vest over a one-month period from the date of grant and the Salary Sacrifice Options granted to Non-Executive Directors vest over a three-month period from the date of grant. All Salary Sacrifice Options lapse on termination of employment with the Company and are not subject to any share price performance conditions.

With the exception of the Salary Deferral Bonus Options and Salary Sacrifice Options granted in 2020, together with Salary Deferral Options granted in 2019 which are not subject to any share price performance, all share options vest over a three–year period and are exercisable on the third anniversary of the grant date provided that the share price has increased by 5% compounded during the period and provided the employee remains employed by KRM22.

All options unexercised after a period of ten years from the date of grant expire. KRM22 has no legal or constructive obligation to repurchase or settle the options for cash.

Options are exercisable at a range of between 30.0 pence per share and 109.5 pence per share. The weighted average remaining contractual life of the share options outstanding at 31 December 2020 is 1 year and 7 months (2019: 2 years and 3 months).

	Weighted average exercise price £	2020 Number	Weighted average exercise price £	2019 Number
Outstanding at 1 January	**0.81**	**7,839,471**	1.00	7,086,000
Granted during the year – warrants	**–**	**–**	–	–
Granted during the year – ESOP	**0.36**	**2,058,242**	0.70	1,156,471
Forfeited during the year – ESOP	**0.76**	**(193,997)**	1.01	(403,000)
Exercised during the year	**–**	**–**	–	–
Expire during the year	**–**	**–**	–	–
Outstanding at 31 December	**0.72**	**9,703,716**	0.81	7,839,471

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 were as follows:

Grant month	Sep 2018	Jun 2019	Jun 2019	Nov 2019
Weighted average share price at grant date	£1.0950	£0.770	£0.770	£0.535
Exercise price	£1.000	£0.850	£0.850	£0.850
Weighted average contractual life	3 years	3 years	1 year	3 years
Expected volatility	30%	30%	30%	30%
Expected dividend growth rate	–	–	–	–
Risk-free interest rate	0.86%	0.86%	0.86%	0.86%
Grant month	**Dec 2019**	**Jul 2020**	**Sep 2020**	**Oct 2020**
Weighted average share price at grant date	£0.525	£0.280	£0.380	£0.380
Exercise price	£0.525	£0.300	£0.380	£0.380
Weighted average contractual life	3 years	3 years	3 years	3 year
Expected volatility	30%	30%	30%	30%
Expected dividend growth rate	–	–	–	–
Risk-free interest rate	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 2020 arising from equity-settled share-based payment transactions amounted to £0.9m (2019: £1.0m) and the share-based payment reserve as at 31 December 2020 amounted to £2.6m (2019: £1.7m).

25. Capital commitments

At 31 December 2020 KRM22 had no material capital commitments (2019: £nil).

26. 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.

	2020 Group £'000	2020 Company £'000	2019 Group £'000	2019 Company £'000
Financial assets				
Cash at banks and on hand – unrestricted	**1,974**	**157**	1,076	88
Trade receivables group companies	**–**	**737**	–	1,297
Trade and other receivables	**1,212**	**–**	905	–
	3,186	**894**	1,981	1,385
Financial liabilities				
Bank overdraft	**–**	**–**	22	–
Trade and other payables	**519**	**61**	1,041	109
Accruals	**355**	**89**	717	257
Contingent consideration at FVTPL (Level 3)	**828**	**–**	1,110	–
Borrowings	**2,761**	**–**	1,985	–
Derivative financial liability at FVTPL (Level 1)	**45**	**–**	45	–
Finance lease obligations	**1,005**	**–**	1,476	–
	5,513	**150**	6,396	366

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 495,049 Ordinary shares. Whilst the balance of the Debt Facility was settled during the year ended 31 December 2020, the warrants remain in place and are exercisable by Harbert until 29 April 2029. 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 2019				
Average rate	1.28	1.14	29.30	1.74
Year-end spot rate	1.31	1.17	29.78	1.77
Year ended 31 December 2020				
Average rate	**1.29**	**1.12**	**29.73**	**1.77**
Year-end spot rate	**1.36**	**1.11**	**28.95**	**1.80**

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 impact on financial performance.

	Loss 2020 £'000	Other equity 2020 £'000	Loss 2019 £'000	Other equity 2019 £'000
US Dollar	**(43)**	**(68)**	(124)	13
Euros	**(7)**	**(7)**	(29)	(18)
Czech Kroner	**(48)**	**(103)**	(44)	(58)
Singapore Dollar	**(3)**	**–**	12	3
	(101)	**(178)**	(185)	(60)

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 twelve months and the lifetime of the assets, the Directors have recognised credit losses in respect of other receivables, as detailed in note 15.

c) Liquidity risk

KRM22 is not currently cash generative, however funds were raised as part of the IPO, subsequent share placements and the Kestrel Convertible Loan facility. 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 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
At 31 December 2020				
Trade and other payables	**2,539**	**–**	**–**	**2,539**
Contingent consideration	**–**	**828**	**–**	**828**
Secured loans (gross)	**356**	**285**	**3,214**	**3,855**
Finance lease obligations	**459**	**283**	**375**	**1,117**

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.

27. Business combinations

KRM22 Market Surveillance Limited

On 16 April 2020, KRM22 Central Limited acquired the remaining 40% issued share capital in KRM22 Market Surveillance for a total consideration of £0.6m payable to Cinnober by way of a convertible loan note ("CLN") provided by the Company to Cinnober. On 28 June 2020, the CLN was converted into 1,454,434 new ordinary shares at 38.4p per share in the Company and therefore no cash consideration was paid as part of the acquisition.

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). 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 could be satisfied either cash or Company ordinary shares at the Company's discretion, was payable in two equal tranches of US$1.5m each in the event that KRM22 ProOpticus achieved US$3.0m revenue in the year ended 31 December 2019 and US$3.3m revenue in the year ended 31 December 2020.

The two performance milestones were not achieved and on this basis the Directors excluded this element of consideration from the 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 was recognised in the consolidated income statement for the year ended 31 December 2019.

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) was 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 US$1.6m (£1.2m) is payable in the event that US$0.3m (£0.2m) of ARR can be generated by sales of Object+ native products to new customers by the third anniversary of acquisition. 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%.

The first performance milestone of US$1.0 (£0.7m) ARR by the first anniversary of acquisition was not achieved and therefore the first tranche of contingent consideration was excluded from the initial fair value of the total consideration that could have been paid under the terms of the share purchase agreement.

Based on the current financial performance of Object+, the Directors do not believe that Object+ will achieve the second performance milestone of US$1.5m (£1.1m) ARR target on the second anniversary of acquisition. On this basis the Directors believe that the second 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 terms of the share purchase agreement.

The Directors believe that the third and final performance milestone was achieved at the statement of financial position date. As detailed in note 29, the third and final tranche of contingent consideration of US$1.6m was reduced by US$0.5m on 4 March 2021 in consideration for a cash payment of US$0.1m (£0.1m) and KRM22 waiving a US$0.1m (£0.1m) promissory loan note due from the seller of Object+. The fair value of the third tranche of consideration has been reduced to reflect the reduced consideration.

A total adjustment for the write back of contingent consideration of £0.3m has been recognised in the consolidated income statement.

Fair value of consideration paid	£'000
Cash	390
KRM22 Plc shares	514
Contingent consideration	1,150
	2,054
Adjustment to contingent consideration	(342)
	1,712

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.

Object+ has contributed £0.5m to group revenues (2019: £0.5m) and a profit of £0.1m to group loss (2019: loss of £0.1m). For comparative purposes, had the transaction been undertaken at 1 January 2019, Object+ would have contributed £0.8m to group revenues and £0.1m to group loss.

28. 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:

	2020 £'000	2019 £'000
Short-term employee benefits	**155**	603
Retirement benefits	**3**	12
Share-based payment benefits	**574**	860
Total	**732**	1,475

Related party transactions

On 5 June 2018 the Group acquired a 60% shareholding in KRM22 Market Surveillance Limited from Cinnober Financial Technology AB ("Cinnober"). In addition to the acquisition, Cinnober together with KRM22 each provided loans to KRM22 Market Surveillance and the loans were subject to an interest rate of 5% per annum.

On 16 April 2020, KRM22 Central Limited acquired the remaining 40% minority interest in KRM22 Market Surveillance from Cinnober. Under the terms of the transaction, a total of £2.9m in debt due to 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 KRM22 Market Surveillance immediately prior to KRM22 consolidating its ownership of KRM22 Market Surveillance.

On completion of the debt to equity conversion in KRM22 Market Surveillance, the Company immediately acquired the remaining 40% stake in KRM22 Market Surveillance for a total consideration of £0.6m payable to Cinnober by way of a convertible loan note (CLN) provided by KRM22 to Cinnober. The CLN was for a one-year term and could 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 interest rate payable on the CLN was 8% per annum payable quarterly.

On 28 June 2020, the CLN was converted into 1,454,434 new ordinary shares at 38.4p per share in the Company and therefore no cash consideration was paid as part of the acquisition. The settlement of £1.3m of debt, through the issue of the CLN, resulted in a gain on extinguishment of debt of £0.7m which has been recognised in the income statement.

At 31 December 2020, the balance of loans due from the Group to Cinnober was £nil (2019: £1.2m).

During the year, KRM22 Market Surveillance charged goods and services to Cinnober of £0.2m (2019: £0.3m) under normal commercial terms. At 31 December 2020, the balance due to KRM22 Market Surveillance from Cinnober was £0.1m (2019: £0.1m). Cinnober is currently a 9.9% shareholder of the Company.

On 15 September 2020, KRM22 entered into an agreement for a new three year £3.0m convertible loan facility (the "Convertible Loan") with Kestrel Partners LLP ("Kestrel"). The interest rate payable on the Convertible Loan is 9.5% per annum payable quarterly in arrears. Kestrel can convert the Convertible Loan into new ordinary shares in the Company at any time at a conversion price of 38p. The Company has the right to request conversion eighteen months following the date of the agreement, subject to certain conditions regarding the Company's share price at that time. Kestrel has the right to prevent any conversion which would trigger a Rule 9 event under the Takeover Code. The Convertible Loan is secured on certain KRM22 assets and includes covenants based on the Group's financial performance, based on ARR, solvency and profitability. Kestrel, inclusive of beneficial interests, is a 20.1% shareholder of the Company.

29. Events after the reporting date

On 4 March 2021, the Company signed an addendum (the "Addendum") to the Object+ Share Purchase Agreement dated 29 May 2019. Under the terms of the Addendum, the undiscounted deferred consideration of US$1.6m (£1.2m) associated with the third performance milestone was reduced by US$0.5m (£0.4m) to US$1.1m (£0.8m) in return for a cash payment of US$0.1m (£0.1m) to the Seller of Object+ and the Company waiving the US$0.1m (£0.1m) promissory loan note due from the Seller to the Company. As of the statement of financial position date the Director's expectation was that such a position was probable taking account of the performance of the Group and engagement with the seller.

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

Steve Sparke

Non-Executive Director

Karen Bach

Non-Executive Director (resigned 2 April 2020)

Registered office

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Company number

11231735

Company secretary

Kim Suter

Nominated Adviser and Broker

finnCap, 1 Bartholomew Close, London, EC1A 7BL

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 6D