KRM22

Annual Report 2021

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HIGHLIGHTS

Financial

- Gross cash as at 31 December 2021 of £5.4m (2020: £2.0m)
- Annualised Recurring Revenue (ARR)[1] as at 31 December 2021 of £3.8m (2020: £4.1m)
    - New contracted ARR in the year ended 31 December 2021 of £0.7m
- Total revenue recognised of £4.1m (2020: £4.6m)
- Adjusted EBITDA loss[2] of £0.7m (2020: £0.2m)
- An improved loss before tax of £3.4m (2020: loss of £5.7m)
- Further funding received in December 2021 of £4.7m (gross) through a direct strategic investment by Trading Technologies International, Inc.

Operational

- Distribution agreement signed with Trading Technologies International, Inc. in December 2021 following its strategic investment which will help provide a platform for future growth
- Deployment of a major futures brokerage customer adopting multiple KRM22 risk management products using a single data set
- 69% of customers now contacted under a Master Services Agreement on multi-year contracts with increased ARR on an annual basis over the term of the contract with contract commitments of between two and five years
- Soc 2 accreditation approved in March 2021 demonstrating KRM22 has internal controls in place to safeguard customer data which will assist in new customer procurement processes

1 Annualised Recurring Revenue (ARR) is the value of contracted Software-as-a-Service (SaaS) revenue normalised to a one year period and excludes one-time fees.

2 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.

CHAIRMAN'S STATEMENT

2021 was a challenging year for KRM22 however we have entered 2022 well positioned for the next phase of the Company's growth. In the almost four years since we floated on AIM, we have created a capital markets SaaS based risk business with £3.8m of Annual Recurring Revenue and 28 institutional customers with multi-year contracts.

We have endured two years of the COVID-19 pandemic which has placed restrictions on the traditional sales methods and tackled the transitioning of acquired deployed software to SaaS platform delivered services.

We exit 2021 with a strong shareholder base and balance sheet as well as an extensive array of risk services on our Global Risk Platform as well as many new and renewed multi-year contracts.

Trading Technologies International Inc. ("TT") acquired a 25% strategic stake in KRM22 in December 2021 through a subscription for new shares and we have entered into a distribution agreement with TT to take KRM22's products progressively into the TT customer base with significant opportunities for growth and cross selling.

In 2021 we secured £0.7m of new business however this organic growth was offset by an unprecedented level of existing customer churn in the year. The churn was from legacy customers on old deployed software that did not want to migrate to SaaS delivered services. This has been a common theme over the last two years of the COVID-19 pandemic. Whilst some churn is expected and budgeted for in 2022, we now believe to be at the end of that excessive churn process and expect to see positive growth in ARR going forward.

I am pleased that Stephen Casner is taking the Company forward as CEO. Stephen's plans to strengthen sales and marketing resource as well as continue investment in the Global Risk Platform and KRM22 risk products, will help accelerate KRM22 for a sustained period of growth backed up by a strong balance sheet.

Keith Todd CBE

Executive Chairman

22 March 2022

CEO'S STATEMENT

KRM22 is poised for a significant and rewarding year in 2022. We ended 2021 with a significant influx of capital from a new investor, a new distribution channel with one of our industry's premier technology providers and a renewed commitment to redeploy our sales and marketing resources, all of which is expected to provide accelerated growth over the next two years.

2021 brought significant change to our target market. We saw companies change the way they use, deploy and consolidate risk technology. This change was predicted by KRM22 and underpinned the rationale for the acquisition of legacy software products like Ancoa, ProOpticus and Object+ which have subsequently been enhanced and rebranded as Market Surveillance, Post-Trade, At-Trade and Pre-Trade products and the development of our Global Risk Platform. Those acquisitions brought KRM22 key risk management talent and technology solutions that could be modeled into services for our Global Risk Platform, as well as a portfolio of customers who trusted these systems on a daily basis to manage risk on their assets.

We knew the products we acquired, and their competitors, were created in isolation of each other and significant benefit would come from standardisation on to a seamless platform. Disruption would come to these legacy platforms and our investments in creating a next generation, SaaS based Global Risk Platform would prove to be a natural constituent for the market to progress into.

2021 saw KRM22 make good progress on delivering the Global Risk Platform. A new showcase customer was deployed, creating the first instance of an "end to end" risk platform customer. This platform enabled our customer to use one risk system, the KRM22 Global Risk Platform, with a common set of data elements to manage market, compliance and enterprise risk. I am proud to announce that this key engagement continues to be a success and new services are being deployed weekly to further grow and mature this next generation system.

A key deliverable last year was our ability to completely rebuild one of the legacy systems we acquired into fresh technology and successfully deploy it for a tier one bank as a new customer of KRM22. This Pre-Trade Risk Limit Management application is now a key focal point of our Global Risk Platform and is being deployed for the "showcase customer" right now. We believe by the end of 2022 that our "showcase" will be complete and that the full power of the Global Risk Platform will be easy to identify and its value proposition obvious. This will have a significant impact on our core market and will act as an accelerant to KRM22's success in becoming the capital markets premier provider of risk technologies.

In Blackrock's CEO Larry Fink's 2022 Letter to their CEO's, he stated that the pandemic "has turbocharged an evolution in the operating environment for virtually every company.". This is true for KRM22 as well.

He went on to say "It's changing how people work and how consumers buy. It's creating new businesses and destroying others. Most notably, it's dramatically accelerating how technology is reshaping life and business. Innovative companies looking to adapt to this environment have easier access to capital to realize their visions than ever before. And the relationship between a company, its employees, and society is being redefined.".

The pandemic's "turbo-charging" had significant consequences for KRM22. Customer use of the legacy applications we acquired diminished, as five major organisations "swapped" our legacy products for newer products. While new customer acquisition was still strong, the sting of customer losses made it appear that KRM22 was basically "treading water", but nothing could be further from the truth.

Our products continued to grow into a formidable platform, our new customers are some of the most exciting and dynamic firms in our industry and our staff of talented risk "knowledge merchants" found a successful way to work remotely while building great new products and providing exceptional global support services.

One "turbo-charged" effect of the pandemic was the change in the "buying process" our target market uses to evaluate and adopt new technology. The traditional industry events that could highlight and showcase new products were either cancelled, reformulated into webinars or so lightly attended that they were no longer effective marketing and selling events. Customers no longer tolerated the amount of "friction" in adopting modern technology. They increasingly demand "on the go" applications that they can use without long implementation planning and use of internal resources to manage large scale projects.

In response to that dynamic, KRM22 announced in September 2021 that it was looking for a strategic partner to help battle back these headwinds, accelerate the adoption of our new products, stem the tide of customer losses and provide capital to accelerate new features and products on the Global Risk Platform while we build one of the best sales organisations in our industry.

To that end we took in a strategic investment and signed a major distribution agreement with Trading Technologies International Inc. ("TT"), one of the futures industry's most iconic technology firms. We now begin 2022 with a strong balance sheet and one of the biggest growth opportunities for the Global Risk Platform since we launched the platform in 2019.

We will use our balance sheet strength to continue adding to the Global Risk Platform, to invest in new sales and marketing resources and efforts that recognise the "new post-pandemic normal", whilst also adhering to any financial covenants associated with the Kestrel loan facility. We are currently working hand in hand with our new distribution partner and will deliver exciting and proven risk technology to their customers before mid-year in a "frictionless" method, matching exactly how these customers want to buy. We will allow TT users to adopt KRM22 technology without having to wait for long term implementations, risk will be available to them at the "touch of a button". This ability quickly validates the value proposition our technology brings and creates a "stickiness" for our applications that will pave the way for these new customers to explore and use more and more of our Global Risk Platform.

While we expect 2022 to be a year of transformation for KRM22, it is coming from a sound basis of great technology, expert resources and enriching partnerships.

Stephen Casner

CEO

22 March 2022

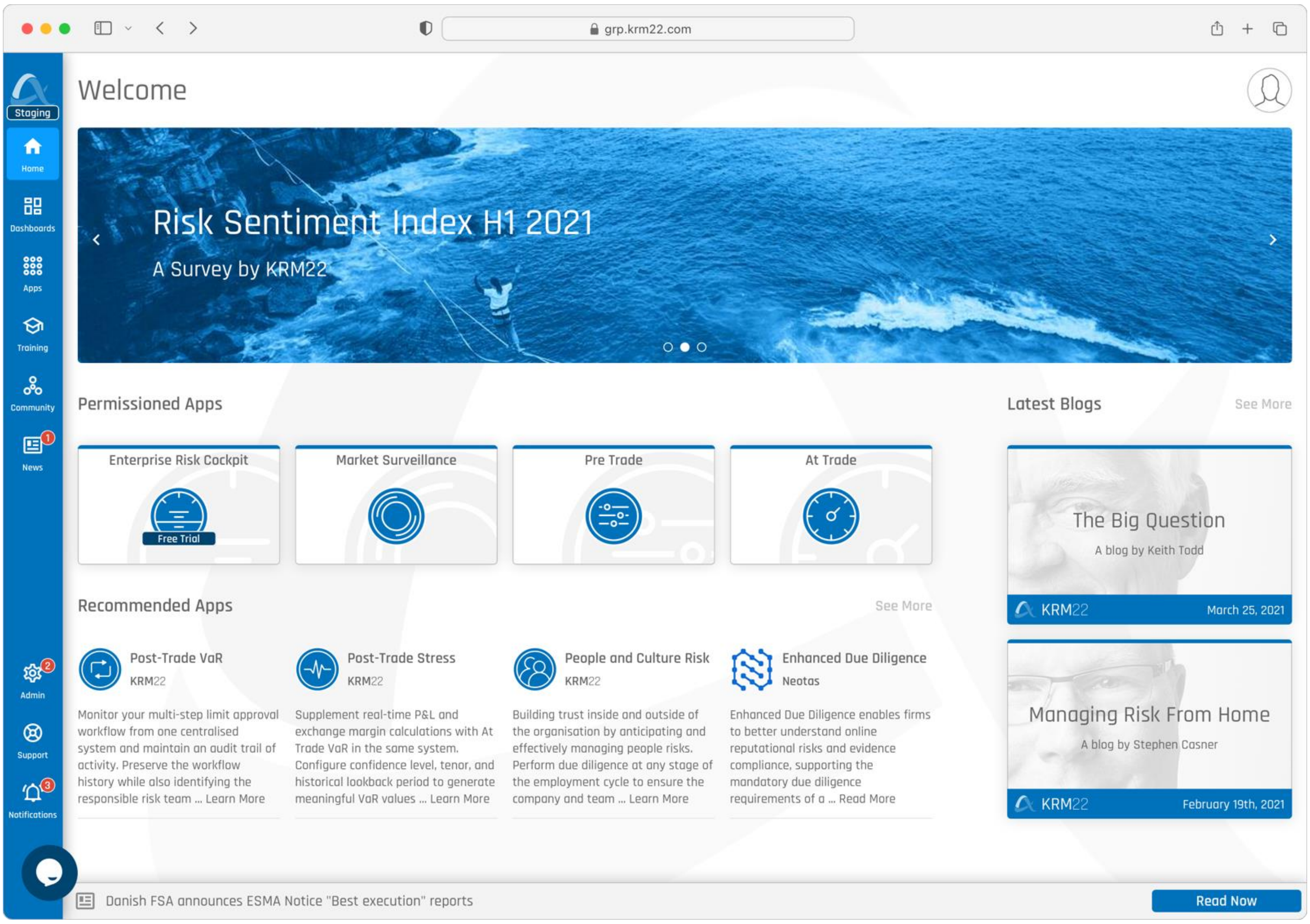
Strategic Report

THE GLOBAL RISK PLATFORM

All the risk applications of a customer in one place

The KRM22 Global Risk Platform brings all of a customer'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

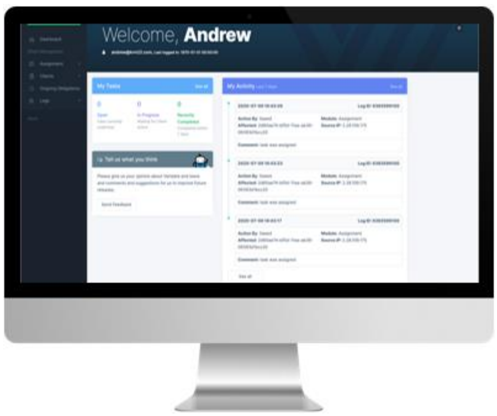
Individual Accountability Regime

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

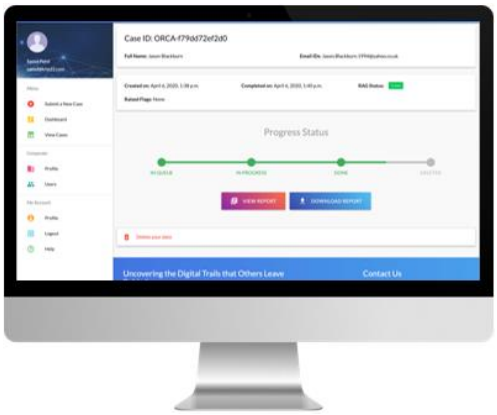
Regulatory Reporting

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 sets 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

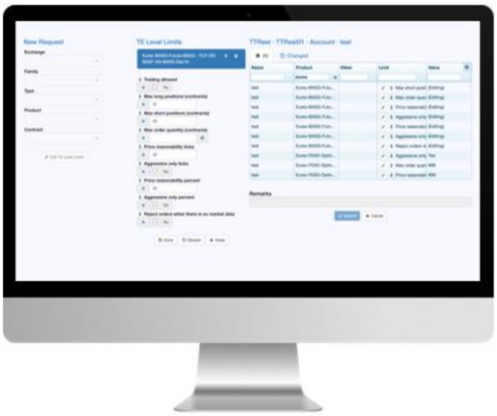
At-Trade Risk provides P&L and Exchange Margin for clearing houses, clearing members, traders, brokers and other financial institutions that make decisions based on the management of risk.

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 has had economic and operational 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 2021 the pandemic impacted customer retention, delays in new contract signings, liquidity of customers and staff and resource availability both within KRM22 and its stakeholders. 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 customer 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 key internal contact at KRM22 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. 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 the customers liquidity and their ability to pay KRM22 sales invoices.	KRM22 has a centralised finance function with accounts receivable ("AR") 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 receipts when preparing cash forecasts with any bad or doubtful AR balances excluded from base case 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 monthly 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 two 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 would impact KRM22's cashflow.	The risk of failing to adhere with financial covenants is mitigated by growth in ARR generated through new customer agreements, management of cash, 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 Nominated Advisor, who keep in regular contact with KRM22's 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. The Company obtained SOC 2 accreditation in 2021 and a SOC2 audit will continue to be undertaken on an annual basis in future years. In addition to mitigating information security risks, SOC 2 accreditation will also provide KRM22 with an edge over competitors who cannot show compliance.
	In addition to the risk of customer and Company data theft, KRM22 is susceptible to more general fraud and security risks including spam and phishing emails sent to KRM22 staff. If such emails, and any attachments are opened by staff, the email and/or attachment could instal fraud spyware and/or impact services. If any phishing emails requesting a payment to be made are received and actioned, KRM22 could make fraudulent payments resulting in financial loss.	In addition to SOC2, all staff are provided with regular training on information security and fraud and are expected to review and formally acknowledge the Company's Information Security Code of Practice on an annual basis. KRM22 has anti-virus software installed on all machines which is managed by central IT services and audited on a regular basis. All bank payments require dual approval to mitigate the risk of an unapproved payment being made to a fraudulent third party.

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 2021, the principal decisions considered by the board were fundraising and cash management, which continued to be set against the backdrop of the COVID-19 pandemic and the impact on extended sales cycles.

The key stakeholders considered as part of the decision-making process were KRM22's shareholders, Kestrel Partners, as debt provider, customers and employees.

Fundraising

The Company holds investor roadshows when the full year and interim results are released to ensure investors are kept updated and can ask questions of the Board. Following the release of the interim results in September 2021, the CEO and CFO engaged with KRM22's existing shareholders and Kestrel Partners, as provider of the Convertible Loan Facility, to share thoughts on strategic options that would help drive the business forward and increase growth in ARR. These strategic options included a strategic partnership and potential trade investment in KRM22. The existing shareholders were broadly supportive of the strategic options being evaluated by the Board as they would promote the long-term interest of KRM22.

In November 2021, KRM22 announced a conditional subscription agreement with 7RIDGE for up to 25% of the enlarged ordinary share capital of the Company to raise £4.7m. The subscription was conditional on a number of items including the execution of a distribution agreement with Trading Technologies International Inc. ("TT") and the release of Keith Todd from his role as CEO of KRM22 to become CEO of TT whilst remaining Executive Chairman of the Company.

The Board considered how the subscription, and specifically the release of Keith Todd as CEO of KRM22, would impact existing shareholders and Kestrel, noting that a number of these stakeholders had invested in Keith's vision when KRM22 completed its IPO in 2018.

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. The release of Keith Todd as CEO allowed for the subscription by TT of £4.7m to complete in December 2021 and therefore provided working capital to support the business, provides job security and stability for KRM22 employees and ensures that KRM22 continues as a going concern. The distribution agreement with TT will help provide a springboard for growth in future years thus enabling investors to obtain the return on investment they anticipated when they invested in KRM22.

Cost control and cash management

In response to extended sales cycles and the unanticipated level of churn, the Board considered a range of short-term cost saving measures including employee salary sacrifices in exchange for the grant of share options. The Board considered how the proposal would impact employees in terms of team motivation and morale.

Given the fact that temporary salary sacrifices had been implemented in 2020, the Board were of the opinion that any company wide temporary staff cost savings should not be implemented in 2021. Whilst shareholders want a return from their investment and for KRM22 to be profitable, the Board deemed the impact on staff morale and the risk of increased staff turnover, as a result implementing temporary staff costs savings, outweighed the benefit from any short-term cost savings.

None of the key decisions considered by the Board in 2021 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

We continued to experience challenging conditions in the year with the COVID-19 pandemic continuing to have an impact on extended sales cycles and customer churn which reduced total revenue recognised in the year by 10% to £4.1m (2020: £4.6m). Adjusted EBITDA loss for the year increased to £0.7m (2020: loss of £0.2m) however the loss for the year included staff salaries being paid at their full rate compared to the prior year when all staff agreed to temporary salary waivers at the start of the pandemic to help KRM22's cash flow.

Profit and Loss

Total revenue

Revenue recognised for the year to 31 December 2021 was £4.1m (2020: £4.6m), a reduction of 10% compared with the prior year, with 96% (2020: 91%) of total revenue generated from recurring customer contracts. Non-recurring revenue for the year ended 31 December 2021 totalled £0.2m (2020: £0.4m) 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 2021, ARR was £3.8m (2020: £4.1m). KRM22 signed new contracted ARR in 2021 of £0.7m (2020: £0.8m) with £0.3m generated from new customers and £0.4m generated from existing customers signing new contracts for existing products and contractual price increases. The increase in ARR was offset by the level of customer churn, largely from legacy customers, of £0.9m for the year (2020: £0.9m).

Gross profit

Gross profit for the year to 31 December 2021 was £3.5m (2020: £4.2m). The reduction in gross profit margin to 84% compared to the prior year margin of 90% was due to an increase in the amount of recurring revenue generated from partner products and services.

Capitalised research and development

A total of £0.7m (2020: £1.0m) of research and development was capitalised in the year to 31 December 2021. Capitalised research and development is amortised over three years.

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 payment charges.

Adjusted EBITDA for the year to 31 December 2021 was a £0.7m loss (2020: loss of £0.2m). The increase in adjusted EBITDA loss was driven by the reduction in total revenue recognised, the reduction in gross margin from 90% to 84% and that staff salaries were paid at their full rate in the year following the temporary salary waivers implemented of between 10% and 25% in April 2020 for the remainder of the prior year. Whilst the adjusted EBITDA loss for the year increased compared to 2020, the loss for the year was still a significant reduction compared to 2019 when adjusted EBITDA loss was £3.1m.

KRM22 benefited from a £0.2m (US$0.3m) Payback Protection Program ("PPP") loan, a US government backed loan, with the proceeds being used to cover specific US based payroll costs. Under the rules of the PPP scheme, the total value of the loan was eligible for 100% forgiveness, with the loan being converted to a grant and recognised as Other operating income.

A reconciliation of Adjusted EBITDA loss to the reported operating loss is provided as follows:

	2021 £'m	2020 £'m
Adjusted EBITDA loss	**(0.7)**	(0.2)
Depreciation and amortisation	**(1.7)**	(1.7)
Unrealised FX losses	**(0.1)**	(0.2)
Impairment of intangible assets	**–**	(3.0)
Contingent consideration (charge)/write back	**(0.1)**	0.3
Acquisition, funding and debt expenses	**–**	(0.4)
Gain on extinguishment of debt (net)	**–**	0.7
Group restructuring costs	**–**	(0.4)
Deferred salary bonus accrual write back	**–**	0.4
Share-based payment expense	**(0.4)**	(0.9)
Operating loss	**(3.0)**	(5.4)

Operating loss

Reported operating loss for the year to 31 December 2021 was £3.0m (2020: loss of £5.4m).

Finance charges

Net finance expense in the year was £0.4m (2020: £0.3m) and includes:

- Loan interest of £0.3m (2020: £0.2m); and
- IFRS16 lease liability interest of £0.1m (2020: £0.1m).

Taxation

The tax credit in the year was £0.1m (2020: credit of £0.2m) which includes £nil (2020: £0.1m) R&D tax credit received.

Financial position

Assets

The cash balance as at 31 December 2021 was £5.4m (2020: £2.0m).

Current assets at 31 December 2021 include trade and other receivables of £0.7m (2020: £1.4m).

Non-current assets were £8.1m (2020: £9.2m) relating principally to: £6.1m for goodwill and assets acquired (2020: £6.7m), £0.6m for right of use assets recognised under IFRS16 (2020: £1.0m) and £1.3m (2020: £1.3m) for capitalised development costs.

Liabilities

As at 31 December 2021, 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 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 at any time after eighteen months following the date of the agreement, subject to certain conditions regarding the Company's share price at that time.
- £0.9m (US$1.1m) deferred consideration for earn out payments for the acquisition of Object+. The liability had previously been accounted for as contingent consideration on a discounted basis as the contingent consideration was payable subject to earnt-out performance milestones being achieved. The Directors believe that the third and final performance milestone has been achieved and therefore the consideration is now disclosed as a liability due within one year however the liability can be satisfied in either cash or Company ordinary shares at the Company's discretion.
- £0.8m for the right of use 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 2022, with the balance for periods greater than one year.
- £1.7m of deferred revenue; contracted and paid services that will be released in a future period.

Investors

As an AIM quoted business, a large proportion of KRM22's shareholders are professional investment funds. In addition, the Directors together owned 3,764,958 shares at the year end.

Funding

On 30 December 2021, the Company raised £4.7m proceeds in equity funding through a subscription and placement of 8,916,584 new shares at 53 pence per share.

The Company has a £3.0m convertible loan (the "Convertible Loan") with Kestrel Partners LLP ("Kestrel"). The interest rate payable on the Convertible Loan is 9.5% per annum 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 at any time after the 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.

Use of cash in the year

Our net cash inflow in the year was £3.4m, which included the £4.7m receipt from the share subscription completed in December 2021. Excluding the investment proceeds of £4.7m, the net cash outflow for the year was £1.4m, of which £0.7m was used for capitalised research and development, £0.2m was used to pay interest on the Convertible Loan and the balance was used to provide working capital for KRM22.

Going concern

Analysis of KRM22's going concern position is detailed in the Directors report on pages 40 – 41.

Shareholdings and Earnings per share

As at 31 December 2021, KRM22 had 35,666,336 shares in issue. The undiluted weighted average number of shares for the period to 31 December 2021 was 26,765,037. The difference in the two numbers results from the timing of shares issued for the equity fundraise completed on 30 December 2021.

The resulting Earning per Share ("EPS") is a 12.4p loss per share (2020: loss of 24.1p) on a weighted average number of shares basis (equivalent to 26,765,037 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 2021 has been challenging in terms of time taken to convert the sales pipeline and increased customer churn, the TT investment of £4.7m has helped strengthen the financial position of KRM22 and this, together with the sales pipeline opportunities, both direct and through the distribution agreement signed with TT, means that KRM22 is well placed for growth in 2022.

Approved by the Board and signed on its behalf by:

Kim Suter

CFO

22 March 2022

Corporate Governance

BOARD OF DIRECTORS

Keith Todd CBE

Executive Chairman

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

Keith is Executive Chairman of KRM22, having previously held the joint roll of Executive Chairman and CEO of KRM22 since its inception. As well as being Executive Chairman of KRM22, he is currently CEO of Trading Technologies International, Inc. and Non-Executive Chairman of Blighter Surveillance, a private Radar business.

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

He was Non-Executive chairman of AIM listed Aferian plc, a provider of digital TV entertainment and cloud solutions to network operators from 2005 to 2019. 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

CEO

Stephen became CEO of KRM22 in December 2021. A part of KRM22 since inception, he previously served as President and previous to that, CEO of the North American business. Along with responsibility for the Company's North Americas operations, he has helped form and create KRM22's market risk products as well as lead the Company's acquisition of Prime Analytics in Chicago and Object+ in Amsterdam.

Stephen has accumulated over 35 years of experience in the "Fin-Tech" industry. He served as CEO and Co-Founder of HazelTree, the world's leading treasury technology solution for hedge funds and global asset managers, from 2010 until 2017. He led AIM-TO as CEO from 2004 to 2010 and Picasso Software as CEO when Picasso was named one of the 50 fastest growing technology companies in 2002. He also ran Chicago based Quantra group and drove their growth to a successful sale to SS&C Technologies in 1997.

Kim Suter
CFO

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

He started his career in practice, covering all aspects of audit, financial reporting and tax for a range of clients, providing him with a broad knowledge of how finance functions operate across different business sizes and industries. Kim has since applied this knowledge to support structured growth at a number of start-up organisations prior to joining KRM22. Kim joined KRM22 in July 2018 as Head of Finance to set up the finance function for the KRM22 group. He has served as CFO since July 2019 and joined the KRM22 Board in April 2020. Kim is a qualified Chartered Certified Accountant.

Sandy Broderick
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 Société Générale 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 NovaFori, 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.

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

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

Steve Sparke

Non-Executive Director

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

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

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

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

Steve has a Law degree from Nottingham University.

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-relations/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 an Environment, Social and Governance ("ESG") programme.

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, which KRM22 is in the process of undertaking, 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 and Customer Service teams.

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

From KRM22's inception and throughout 2021, Keith Todd was the Chairman and CEO of KRM22 and as such had 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 helped him perform these two roles with self-challenge. In addition, the Board comprises an equal number of executive and non-executives which encourages healthy challenge and debate with the non-executives providing additional independence.

On 30 December 2021 Keith Todd relinquished his role as CEO of KRM22 while remaining Executive Chairman of the Company and Stephen Casner succeeded Keith Todd as CEO of the Company, thus adhering to the QCA guidelines for the role of Chairman and CEO to be held by two different people.

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 22 – 24.

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 three 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 April 2021. The Non-Executive 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 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.

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 of 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 Board is provided with monthly financial and non-financial information for monitoring performance and to make strategic decisions. The Board has a formal schedule of Matters Reserved for the Board including acquisitions, share subscriptions and approval of the annual budget, together with standing items such as health and safety, conflicts of intertest and concerns reported through whistleblowing procedures. The Board meets for scheduled Board meetings ten times per year, plus ad hoc meetings as required.

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 2021 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.

Fourteen scheduled board meetings were held during the year.

Board meeting attendance 2021	Maximum possible meeting attendance	Number of meetings attended	% of meetings attended
Executive Directors			
Keith Todd	14	13	93
Stephen Casner	14	13	93
Kim Suter	14	13	93
Non-Executive Directors			
Sandy Broderick	14	13	93
Garry Jones	14	13	93
Steve Sparke	14	12	86

Board committees

The Directors have established an Audit Committee, a Nomination 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/investor-relations). This includes AIM rule 26, significant shareholder information and details of the 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 two times a year, consisted of Steve Sparke and Garry Jones, both of whom were non-executive directors of the Company. Sandy Broderick, a non-executive director became a member of the Audit Committee on 16 December 2021. During the year to 31 December 2021, and to date, the Committee was chaired by Steve Sparke. The responsibilities of the Audit Committee are detailed in the Audit Committee report on page 32.

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. Steve Sparke, a non-executive director became a member of the Audit Committee on 16 December 2021. The Committee was established by a resolution of the Board on the recommendation of the Nomination Committee. During the year to 31 December 2021, and to date, the Committee was chaired by Sandy Broderick. The responsibilities of the Remuneration Committee are detailed in the Remuneration Committee report on page 34.

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. Steve Sparke, a non-executive director became a member of the Audit Committee on 16 December 2021. The Committee was established by a resolution of the Board. During the year to 31 December 2021, 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 38.

For and on behalf of the Board

Keith Todd CBE

Executive Chairman

22 March 2022

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 2020 annual report, 2021 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.

Throughout 2021 the Audit Committee was composed of myself, Steve Sparke, as Chairman and Garry Jones with Sandy Broderick joining the Committee on 16 December 2021. 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), Carol Tarpey (Financial Controller) and other Executive Directors may attend Committee meetings by invitation. The Committee formally met on two occasions during the year. However, other informal discussions were held by Committee members during the year and since year end. I report to the Board following an Audit Committee meeting and minutes are available to the Board.

Role of the Committee

The main duties of the Committee are set out in its terms of reference, which are available on KRM22's website 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 2020 audit plan presented by KRM22's auditor, BDO LLP, which set out the proposed scope of work, audit approach, materiality and identified key audit risk areas;
- Review of the 2020 audited annual report and financial statements;
- Consideration of key audit matters and how they are addressed;
- Review of the unaudited 2021 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 2021. 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 12 – 14.

Through the control systems outlined in the Statement of Corporate Governance on pages 25 – 31, 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 8 to KRM22's financial statements. The non-audit fees primarily relate to taxation advice and compliance.

As necessary, the Committee held private meetings with the auditor to review key items within its scope of responsibility. Taking into account the auditor's knowledge of KRM22 and experience, the Committee has recommended to the Board that the auditor is reappointed for the year ending 31 December 2022.

For and on behalf of the Audit Committee

Steve Sparke
Audit Committee Chairman

22 March 2022

REMUNERATION COMMITTEE REPORT

The Board has prepared this report in relation to all Directors who have served during the year to 31 December 2021. 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.

Throughout 2021 the Committee was composed of myself (Sandy Broderick) as Chairman and Garry Jones. Steve Sparke was appointed a member of the Committee on 16 December 2021.

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. A salary increase was made for one Executive Director during the year whilst the remaining executive salaries were only partially paid in the year. Following the changes to the executive roles in December 2021, all three executive salaries and employment contracts were reviewed and amended with effect from 1 January 2022.

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
	12/01/2021	£0.365	12/01/2021 – 12/02/2021	17,979
				371,466
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				**1,072,742**

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
Total				**4,500,000**

During the year, a total of 617,719 share options were granted, of which 17,979 options were granted to Kim Suter in lieu of him receiving a reduced level of remuneration in 2020.

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

Service contracts

The Executive Directors have employment contracts which are subject to between 6- 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 2021 was as follows:

	2021					2020				
	Salary & Fees £'000	Benefits £'000	Share based payments £'000	Pension £'000	Total £'000	Salary & Fees £'000	Benefits £'000	Share based payments £'000	Pension £'000	Total £'000
Keith Todd	28	8	105	–	141	12	8	372	–	392
Stephen Casner	111	–	68	–	179	45	–	143	–	188
Kim Suter	119	3	17	6	145	56	2	13	3	74
Sandy Broderick	30	–	2	–	32	5	–	5	–	10
Garry Jones	25	–	9	–	34	6	–	12	–	18
Steve Sparke	30	–	–	–	30	8	–	4	–	12
Karen Bach	–	–	–	–	–	13	–	25	–	38
Total	343	11	201	6	561	145	10	574	3	732

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 2021 had the following interest in the ordinary share capital of the Company as at that date:

Director	At 31 December 2021 No. of ordinary shares of 10p each	At 31 December 2020 No. of ordinary shares of 10p each
Keith Todd	2,763,677	2,700,108
Stephen Casner	513,143	513,143
Kim Suter	26,666	26,666
Sandy Broderick	11,765	11,765
Garry Jones	176,471	176,471
Steve Sparke	273,236	273,236

Sandy Broderick

Remuneration Committee Chairman

22 March 2022

NOMINATION COMMITTEE REPORT

During 2021 the Committee was composed of Sandy Broderick, as Chairman, and Garry Jones with Steve Sparke appointed a member of the Committee on 16 December 2021.

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 one occasion in 2021 to undertake an annual review of Board performance.

The annual review of Board performance 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

22 March 2022

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of KRM22 Plc (the "Company") and its subsidiary companies (together "KRM22", the "Group"), for the year ended 31 December 2021. 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

Executive Chairman (previously Chairman and CEO until 30 December 2021)

Stephen Casner

CEO (previously President until 30 December 2021)

Kim Suter

CFO

Sandy Broderick

Non-Executive Director

Garry Jones

Non-Executive Director

Steve Sparke

Non-Executive Director

Director indemnification and insurance

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

Financial risk management objectives and policies

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

Liquidity risk

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

Foreign exchange risk

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

COVID-19 risk

The global COVID-19 pandemic continues to create 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 since the start of the pandemic to manage cashflow including the arrangement of the Convertible Loan with Kestrel, the raising of additional capital through the share subscription by Trading Technologies International, Inc. and continuing to manage 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 probable that future economic benefits will be attributable to the asset and these costs can be measured reliably (see note 3). For the year ended 31 December 2021, total expenditure that has been capitalised on these projects totalled £0.7m (2020: £1.0m).

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 5 – 20 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 59 and in note 27 (financial instruments).

These financial statements have been prepared on the going concern basis. The Directors have reviewed KRM22's going concern position taking into account 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 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 and a combination of these different scenarios.

Having assessed the sensitivity analysis on cashflows, the key risks to the 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 in nature, is key. In addition, delayed sales and/or increased existing customer churn could result in KRM22 failing to comply with financial covenants associated with the Convertible Loan and in this circumstance KRM22 would be obliged to seek resolution with Kestrel on these financial covenants and may need to seek additional funding through a placement of shares or other courses of funding which have not yet been secured.

The Directors have concluded that the circumstances set forth above indicates the existence of material uncertainty that may cast significant doubt on KRM22's ability to continue as a going concern. However, given KRM22's forecast, visible sales pipeline and working capital needs, the Directors have considered it is appropriate to prepare the financial statements on a going concern basis and the financial statements do not include the adjustments that would be required if KRM22 were unable to continue as a going concern.

See note 3 on page 63 for further information on going concern.

Substantial Shareholders

As at 31 December 2021, 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 %
Trading Technologies International, Inc.	8,916,584	25.0
Kestrel Partners	5,954,841	16.7
KRM22 Concert Party	4,392,776	12.3
Canaccord Genuity Wealth Management	3,500,000	9.8
Cinnober Financial Technology AB	2,654,434	7.4
Herald Investment Management	2,077,624	5.8
Octopus Investments	1,134,308	3.2

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.

Corporate governance

The Company adopts the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies ("QCA guidelines") as set out on pages 25 – 31.

Dividends

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

Share options schemes

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

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, Directors have prepared the Group and Company financial statements in accordance with international 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 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 has taken all the steps that he ought to have taken as a Director in order to make himself 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

22 March 2022

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 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards 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 2021 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 UK adopted international accounting standards.

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 not be able to comply with financial covenants agreed with its lender. 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.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Because of the judgements made by management, and the significance of this area, we have determined going concern to be a key audit matter. Our evaluation of the directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included:

- Challenge 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 that might impact on these projections;
- Challenge of management's assessment of going concern through analysis of the Group's cash flow forecast through to 30 June 2023, including assessing and challenging management's assumptions underlying the forecasts and comparison against post year -end results to date;
- Checking and challenging the sensitivity analysis performed by management, including the reverse stress test, to assess the impact on cash flow for changes in the level of estimated revenue and costs and considered 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, including assessing the likelihood of a covenant breach within the going concern assessment period;
- Reviewed 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.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	*96% (2020: 86%) of Group loss before tax* *87% (2020: 89%) of Group revenue* *90% (2020: 90%) of Group total assets*		
Key audit matters		**2021**	**2020**
	Going Concern	✓	✓
	Revenue Recognition	✓	✓

	Impairment of intangible assets (including Goodwill)	✓	✓
	Acquisition of the remaining 40% of subsidiary		✓
	Acquisition of the interest in subsidiary was no longer considered to be a key audit matter because it was a specific transaction/event in the prior year.		
Materiality	**Group financial statements as a whole** £193,000 (2020: £244,000) based 7% of loss before tax (2020: 5% of average loss before tax for 3 years in 2020).		

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 96% 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;
- 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 87% of the Group revenue using the materiality levels set out above.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, 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. In addition to the matters described in the Material uncertainty related to going concern section of our report we considered the following matters to be key audit 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 revenue from software implementation and set up services. 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; and
• There is also a risk that not all revenue streams have been recognised in line with the revenue recognition policy, in particular the unbundling of any contracts for installation and license fees in line with their performance obligations, to ensure 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') licence fees recognised in the year, reconciling to underlying agreements, 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 order and delivery confirmations, ultimate cash receipt and confirmed that services provided had a standalone value; and
• Cut-off procedures including testing invoices raised and contracts entered in December 2021 and January 2022, verifying back to underlying agreements, to check revenue has been recognised within the correct period and deferred appropriately.
• 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.
• 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</td></tr>
</table>

		Group's revenue recognition accounting policy.
Impairment of intangible assets (including Goodwill)	Taking account of the Group's accounting policy in note 3, and as disclosed in note 13, the Directors have not determined any impairment of intangible assets (including goodwill) exists. This has been determined based on a value in use model, which includes consideration of probability adjusted scenarios based on different 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).	Our audit procedures included the following: • We challenged management's impairment assessment, based on our knowledge of the Group's business and performance to date. • We considered whether the discounted cash flow model applied to value the recoverable amount of the intangibles appropriately supports the asset value. • We reviewed and challenged the assumptions underpinning the forecasts and the other inputs into the value in use model such as the future revenue growth rate, the budgeted cost base, working capital and the WACC used. 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 that management's judgement that there is no impairment of intangible assets required is reasonable.

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	
	2021	**2020**	**2021**	**2020**
Materiality	£ 193,000	£ 244,000	£ 146,000	£ 126,000
Basis for determining materiality	7% of losses before tax	5% of three year's average of losses before tax	2% of total assets	2% 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	£ 135,000	£ 170,000	£ 102,000	£ 88,200
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% of Group materiality, dependent on the size and our assessment of the risk of material misstatement of that component, at £96,500 - £144,750 for overseas components. For UK components, this was set at 7% of loss before tax, which ranged between £20,000 to £146,000. 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 £5,790 (2020: £12,200). 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 2021 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 42, 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;

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.

Nicole Martin (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

Date: 22 March 2022

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 2021

	Note	2021 £'000	2020 £'000
Revenue	5	**4,128**	4,594
Cost of sales		**(676)**	(440)
Gross profit		**3,452**	4,154
Other operating income	6	**259**	–
Administrative expenses	7	**(6,695)**	(9,570)
Operating loss before interest, taxation, depreciation, amortisation, share based payment and exceptional items ('Adjusted EBITDA')		**(687)**	(167)
Depreciation and amortisation		**(1,696)**	(1,688)
Impairment of intangible assets		**–**	(3,022)
Profit/(loss) on disposal of tangible/intangible assets		**6**	(63)
Contingent consideration (charge)/write back		**(126)**	342
Gain on extinguishment of debt (net)		**–**	677
Unrealised foreign exchange loss		**(112)**	(160)
Acquisition, funding and debt related expenses		**(20)**	(401)
Company reorganisation costs		**–**	(430)
Deferred salary bonus accrual write back		**–**	381
Share-based payment charge		**(349)**	(885)
Operating loss		**(2,984)**	(5,416)
Finance charge (net)	10	**(438)**	(324)
Loss before taxation		**(3,422)**	(5,740)
Taxation credit	11	**92**	246
Loss for the year		**(3,330)**	(5,494)
Loss for the year attributable to:			
Equity shareholders of the parent		**(3,330)**	(5,879)
Non-controlling interest		**–**	385
		(3,330)	(5,494)
Other comprehensive income			
Item that may be reclassified subsequently to profit and loss:			
Exchange loss on translation of foreign operations		**(7)**	(117)
Total comprehensive loss for the year		**(3,337)**	(5,611)
Total comprehensive loss for the year attributable to:			
Equity shareholders of the parent		**(3,337)**	(5,996)
Non-controlling interest		**–**	385
		(3,337)	(5,611)
Loss per ordinary share			
Basic earnings per share	12	**(12.4p)**	(24.1p)
Diluted earnings per share	12	**(12.4p)**	(24.1p)

All amounts relate to continuing activities.

The notes on pages 61 to 92 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE GROUP

As at 31 December 2021

	Note	2021 £'000	2020 £'000
Non-current assets			
Goodwill	13	**4,841**	4,937
Other intangible assets	13	**2,573**	3,065
Property, plant and equipment	14	**54**	136
Right of use assets	20	**632**	1,041
		8,100	9,179
Current assets			
Trade and other receivables	16	**741**	1,434
Cash and cash equivalents	18	**5,362**	1,974
		6,103	3,408
Total assets		**14,203**	12,587
Current liabilities			
Trade and other payables	19	**3,436**	2,539
Lease liabilities	20	**483**	456
Loans and borrowings	21	**97**	97
Derivative financial liability	21	**45**	45
		4,061	3,137
Net current assets		**2,042**	271
Non-current liabilities			
Trade and other payables	19	**45**	882
Lease liabilities	20	**321**	549
Loans and borrowings	21	**2,763**	2,664
Deferred tax liability	22	**301**	405
		3,430	4,500
Total liabilities		**7,491**	7,637
Net assets		**6,712**	4,950
Equity			
Share capital	24	**3,567**	2,672
Share premium		**20,517**	16,676
Merger reserve		**(190)**	(190)
Convertible debt reserve		**224**	224
Foreign exchange reserve		**115**	108
Share-based payment reserve	25	**2,912**	2,563
Retained earnings		**(20,433)**	(17,103)
Total equity		**6,712**	4,950

The financial statements were approved by the Board and authorised for issue on 22 March 2022 and are signed on its behalf by:

Kim Suter
Company Secretary

The notes on pages 61 to 92 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	2021 £'000	2020 £'000
Non-current assets			
Investments	15	**642**	489
Intercompany loans	16	**332**	737
		974	1,226
Current assets			
Trade and other receivables	16	**64**	76
Cash and cash equivalents	18	**4,527**	157
		4,591	233
Total assets		**5,565**	1,459
Current liabilities			
Trade and other payables	19	**210**	150
Loans and borrowings	21	**97**	97
		307	247
Net current assets/(liabilities)		**4,284**	(14)
Non-current liabilities			
Loans and borrowings	21	**2,763**	2,664
		2,763	2,664
Total liabilities		**3,070**	2,911
Net assets/(liabilities)		**2,495**	(1,452)
Equity			
Share capital	24	**3,567**	2,672
Share premium		**20,517**	16,676
Convertible debt reserve		**224**	224
Share-based payment reserve	25	**2,912**	2,563
Retained earnings		**(24,725)**	(23,587)
Total equity		**2,495**	(1,452)

As permitted by s408 Companies Act 2006, the Company has not prepared its own statement of comprehensive Income and related notes. The Company's loss for the year was £1,138,000 (2020: loss of £5,984,000).

The financial statements were approved by the Board and authorised for issue 22 March 2022 and are signed on its behalf by:

Kim Suter

Company Secretary

The notes on pages 61 to 92 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE GROUP

For the year ended 31 December 2021

	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 2021	2,672	16,676	(190)	224	108	2,563	(17,103)	–	4,950
Loss for the year	–	–	–	–	–	–	(3,330)	–	(3,330)
Other comprehensive loss	–	–	–	–	7	–	–	–	7
Total comprehensive loss	–	–	–	–	7	–	(3,330)	–	(3,323)
Allotment of share capital	895	3,841	–	–	–	–	–	–	4,736
Share-based payments	–	–	–	–	–	349	–	–	349
At 31 December 2021	**3,567**	**20,517**	**(190)**	**224**	**115**	**2,912**	**(20,433)**	**–**	**6,712**

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**

The notes on pages 61 to 92 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Ordinary shares £'000	Share premium £'000	Convertible debt reserve £'000	SBP Reserve £'000	Retained losses £'000	Total equity £'000
As at 1 January 2021	2,672	16,676	224	2,563	(23,587)	(1,452)
Loss for the period	–	–	–	–	(1,138)	(1,138)
Allotment of share capital	895	3,841	–	–	–	4,736
Share-based payments	–	–	–	349	–	349
As at 31 December 2021	**3,567**	**20,517**	**224**	**2,912**	**(24,725)**	**2,495**

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)**

The notes on pages 61 to 92 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE GROUP

For the year ended 31 December 2021

	2021 £'000	2020 £'000
Cash flows from operating activities		
Loss for the year	**(3,330)**	(5,494)
Adjustments for:		
Tax credit	**(92)**	(246)
Net finance expense	**438**	324
Amortisation of intangible assets	**1,201**	1,018
Depreciation of property, plant and equipment and right of use assets	**495**	670
Impairment of intangible assets	**–**	3,022
(Profit)/loss on disposal of intangible/tangible assets	**(6)**	63
Contingent consideration charge/(write back)	**126**	(342)
Gain on extinguishment of debt (net)	**–**	(677)
Unrealised foreign exchange loss	**112**	160
Deferred salary bonus accrual write back	**–**	(381)
Equity-settled share-based payment expense	**349**	885
Bad debt provision	**127**	340
Income taxes received	**–**	121
	(580)	(537)
Decrease/(increase) in trade and other receivables	**566**	(76)
Decrease in trade and other payables	**(33)**	(329)
	533	(405)
Net cash flows used in operating activities	**(47)**	(942)
Cash flows from investing activities		
Purchase of intangible assets	**(749)**	(959)
Purchase of property, plant and equipment	**(6)**	(2)
Net cash used in investing activities	**(755)**	(961)
Cash flows from financing activities		
Proceeds from issue of shares	**4,735**	1,280
Costs of issue of shares	**–**	(25)
Lease payments principal	**(204)**	(458)
Lease payments interest	**(56)**	(84)
Receipts from borrowings	**–**	3,000
Interest paid	**(285)**	–
Repayments of borrowings	**–**	(874)
Net cash from financing activities	**4,190**	2,839
Net increase in cash and cash equivalents	**3,388**	936
Cash and cash equivalents at beginning of the year	**1,974**	1,076
Effect of foreign exchange rate changes	**–**	(38)
Cash and cash equivalents at the end of the year	**5,362**	1,974

The notes on pages 61 to 92 form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 £'000	2020 £'000
Cash flows from operating activities		
Loss for the year	**(1,138)**	(5,984)
Adjustments for:		
Net finance income	**(1,415)**	(1,381)
Deferred salary bonus accrual write back	**–**	(107)
Increase in provisions against intra-group loans	**1,827**	6,186
Equity-settled share-based payment expense	**196**	697
	(530)	(589)
Decrease in trade and other receivables	**12**	214
Increase/(decrease) in trade and other payables	**57**	(187)
	69	27
Net cash outflows used in operating activities	**(461)**	(562)
Cash flows from investing activities		
Advance of loans to subsidiaries	**381**	(3,620)
Net cash outflow used in investing activities	**381**	(3,620)
Cash flows from financing activities		
Proceeds from issue of shares	**4,735**	1,280
Costs of the issue of shares	**–**	(25)
Receipts from borrowings	**–**	3,000
Repayments of borrowings	**(285)**	(4)
Net cash inflow from financing activities	**4,450**	4,251
Net increase in cash and cash equivalents	**4,370**	69
Cash and cash equivalents at beginning of the year	**157**	88
Cash and cash equivalents at the end of the year	**4,527**	157

The notes on pages 61 to 92 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 2021. 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 2021, 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 Group and Company'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 the Group'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 (the "Convertible Loan") with Kestrel Partners LLP ("Kestrel"). Further, the Group has infused a capital of £4.7m during the year. At 31 December 2021 the Group had £5.4m 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 and a combination of these different scenarios.

Having assessed the sensitivity analysis on cashflows, the key risks to the Group 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 the sales opportunities that are currently at contract negotiation stage and maintaining control of the cost base.

If the forecast is achieved, the Group will be able to operate within its existing facilities. However, the time to close new customers and the value of each customer, which are deemed individually as high value and low volume in nature, is key. In addition, delayed sales and/or increased existing customer churn could result in the Company failing to comply with financial covenants associated with the Convertible Loan and in this circumstance the Group would be obliged to seek resolution with Kestrel Partners on these financial covenants and may need to seek additional funding through a placement of shares or other courses of funding which have not yet been secured. This event indicates the existence of a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern. However, given the Group's forecast, visible sales pipeline and working capital needs, the Directors have considered it is appropriate to prepare financial statements on a going concern basis and have not included the adjustments that would result if the Group or Company 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 2021, the balance of deferred revenue was £1.7m (2020: £1.5m) 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.

Where KRM22 sublets office space for periods of less than twelve months from the date of commencement of the sublease or where the terms of the sublease differ significantly to the terms of the headlease, these subleases are classified as operating leases. Operating lease income, net of agency management charges, is accounted for as other operating income and credited to the income statement on a straight line basis over the term of the sublease.

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 of 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.
- 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.
- 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.
- 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.

Government grants

Government grants received by KRM22 are initially recognised as deferred income on the statement of financial position and credited to the income statement when there is reasonable assurance that the Company will comply with the conditions attached to the grant and that the grant will be received. Government grants are recognised in the income statement as 'Other operating income' on a systematic basis over the periods in which KRM22 recognises the related costs for which the grants are intended to compensate.

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"). 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 and, 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 13. The information in note 13 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:

	2021 Revenue £'000	2021 Non-current assets £'000	2020 Revenue £'000	2020 Non-current assets £'000
UK	**1,234**	**3,224**	990	3,973
Europe	**895**	**1,918**	763	1,911
USA	**1,697**	**2,958**	2,383	3,294
Rest of world	**302**	**–**	458	1
Total	**4,128**	**8,100**	4,594	9,179

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

For the years ended 31 December 2021 and 2020, 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.

	2021 £'000	2020 £'000
Recurring revenue	**3,955**	4,193
Non-recurring revenue	**173**	401
Total revenue	**4,128**	4,594

	2021 £'000	2020 £'000
Enterprise	**435**	420
Market	**1,881**	2,476
Compliance	**1,812**	1,673
Other	**–**	25
Total	**4,128**	4,594

6. Other operating income

	2021 £'000	2020 £'000
Grant income relate to COVID 19 (refer to note below)	**188**	–
Operating lease income (net)	**71**	–
Total revenue	**259**	–

I. Grant income related to COVID 19

During the year ended 31 December 2021, KRM22 received a £0.2m (US$0.3m) Payback Protection Program ("PPP") loan, a US government backed loan, under the US Department of Treasury CARES Act. The proceeds of the loan were used to cover specific US based payroll costs as specified under the rules of the scheme. As KRM22 was able to demonstrate that the PPP loan proceeds had been used for eligible expenses, the total value of the loan was forgiven by the Small Business Administration and at that point, the value of the loan was released to the income statement as an income-related grant.

II. Operating lease income (net)

In April 2021, KRM22 entered into an agreement to sublet some of its office space on a two-year lease with an eighteen-month break clause. The terms of the sublease differ to the terms of the headlease, which KRM22 recognises as a finance lease, and therefore the sublease is treated as an operational lease with net income generated in the year of £0.1m (2020: £nil).

7. Operating loss

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

	2021 £'000	2020 £'000
Depreciation of property, plant and equipment	**86**	93
Depreciation of right of use assets	**409**	577
Amortisation of intangible assets	**1,201**	1,018
Impairment of intangible assets	**–**	3,022
Acquisition, funding and debt expenses (refer to note below)	**20**	401
Company reorganisation costs (refer to note below)	**–**	430
Contingent consideration charge/(write back) (refer to note below)	**126**	(342)
Gain on extinguishment of debt (net) (refer to note below)	**–**	(677)
Deferred salary bonus accrual write back	**–**	(381)
Operating lease costs	**23**	23
Foreign currency exchange losses	**110**	260

I. Acquisition, funding, and debt related costs

Total acquisition, funding, and debt related costs of £0.0m were incurred in the year ended 31 December 2021 in connection with the share subscription by Trading Technologies International Inc. Costs recognised in the year ended 31 December 2020 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 related to staff redundancy costs as a result of KRM22 scaling back certain business operations. There were no reorganisation costs incurred in the year ended 31 December 2021.

III. Contingent consideration charge/(write back)

A contingent consideration charge of £0.1m (2020: a write back of £0.3m) was recognised in connection with deferred consideration associated with the acquisition of Object+. The Directors believe that the third and final performance milestone was achieved and that the related deferred contingent consideration of £0.9m (US$1.1m) is now payable. Accordingly, the fair value of the third tranche of consideration has been adjusted to reflect the amount payable (see note 28).

IV. Gain on extinguishment of debt (net)

On 15 April 2020, £1.3m of debt due from KRM22 Market Surveillance Limited, a KRM22 group undertaking, 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. There was no similar transaction to report in the year ended 31 December 2021.

V. Deferred salary bonus accrual write back

Total accrued salary bonuses of £0.4m were written back during the year ended 31 December 2020 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 25). There was no similar transaction to report in the year ended 31 December 2021.

8. Auditor's remuneration

	2021 £'000	2020 £'000
For audit services		
Audit of the financial statements of the Company	85	95
Audit of the financial statements of the Company's subsidiaries	8	8
	93	103
For other services		
Tax services of the Company	12	12
Tax services for the Company's subsidiaries	4	14
Tax services around acquisitions	–	2
	16	28

9. Employee information

I. Employee numbers

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

	2021 No.	2020 No.
UK	25	22
Europe	11	17
USA	11	11
Rest of world	2	2
Total	49	52

II. Employee benefits

The aggregate payroll cost of these persons were as follows:

	2021 £'000	2020 £'000
Wages and salaries	2,855	2,520
Social security costs	188	85
Pension costs to defined contribution schemes	126	101
Share-based payments	349	886
Total	3,518	3,592

III. Directors' remuneration

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

	2021 £'000	2020 £'000
Remuneration for qualifying services	354	155
Pension contributions to defined contribution schemes	6	3
Share-based payments	201	574
Total	561	732

Full details of Directors' remuneration is presented in the Remuneration Committee report on page 36. Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2021 £'000	2020 £'000
Remuneration for qualifying services	**128**	61
Total	**128**	61

The number of Directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2020: 1).

10. Finance expense

	2021 £'000	2020 £'000
Interest income	**(2)**	(5)
Interest expense on financial liabilities	**384**	243
Interest expense on lease liabilities	**56**	86
Net finance expense	**438**	324

11. Taxation

	2021 £'000	2020 £'000
Current tax		
UK Corporation tax at 19% on loss for the year (2020:19%)	**–**	–
Prior year adjustment to deferred tax	**–**	11
Research and Development tax credits	**–**	(121)
Total current tax	**–**	(110)
Deferred tax		
Origination and reversal of temporary differences	**(9)**	(14)
Intangible assets recognised on acquisition	**(83)**	(122)
Total deferred tax (note 22)	**(92)**	(136)
Total tax credit	**(92)**	(246)

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

	2021 £'000	2020 £'000
Losses before tax	**(3,422)**	(5,740)
Loss before tax based on corporation tax 19% (2020: 19%)	**(650)**	(1,091)
Accelerated capital allowances	**(9)**	(14)
Expenses not deductible for tax purposes	**27**	78
Intangible assets recognised on acquisition	**(83)**	(122)
Adjustments to brought forward values	**–**	11
Losses carried forward	**623**	892
Total tax credit	**(92)**	(246)

For information on the Group's total available tax losses, see note 22.

12. Loss per share

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

KRM22 has dilutive ordinary shares, this being warrants, 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.

	2021 £'000	2020 £'000
Loss for the year attributable to equity holders of the parent	**(3,330)**	(5,879)
Basic weighted average number of shares in issue	**26,765,037**	24,414,093
Diluted weighted average number of shares in issue	**37,502,896**	33,256,848
	(12.4p)	(24.1p)

13. Intangible assets

	Goodwill on Consolidation £'000	Acquired software and related assets £'000	Capitalised development costs £'000	Total £'000
Cost				
At 1 January 2021	7,656	2,852	4,277	14,785
Additions	–	–	749	749
Foreign exchange movements	(119)	(26)	(24)	(169)
At 31 December 2021	7,537	2,826	5,002	15,365
Accumulated amortisation				
At 1 January 2021	2,719	1,085	2,979	6,783
Amortisation for the year	–	446	755	1,201
Foreign exchange movements	(23)	(6)	(4)	(33)
At 31 December 2021	2,696	1,525	3,730	7,951
At 31 December 2020	4,937	1,767	1,298	8,002
At 31 December 2021	**4,841**	**1,301**	**1,272**	**7,414**

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

KRM22 are now projecting higher revenue growth than that used in the prior year impairment assessment, due to management's commitment to invest in sales and marketing resource following the £4.7m investment by Trading Technologies Inc. ("TT") and the distribution agreement signed with TT in December 2021. Accordingly, the Company has reassessed the recoverability of goodwill and intangible assets and this resulted in significant valuation headroom above the carrying value.

The Company has estimated the recoverable amount at £8.1m 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 FY22 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 FY22 to FY26 %	Annual cost growth FY22 to FY26 %	Value in use £'000	Headroom/ (Impairment) £'000	Probability %
Upside	40%	5%	31,797	24,383	10%
Base case	25%	3%	8,497	1,083	55%
Downside	20%	2%	2,834	(4,580)	30%
Severe downside	5%	1%	(12,878)	(20,292)	5%
Probability weighted average			30,250	594	100%

The single most likely scenario assumed revenue growth of 25% per annum over the period (2020: 18%). The other key assumptions used were:

- The discount rate (WACC) of 13% (2020: 12%). An increase of 1% in WACC rate would result in a £4.4m decrease in the headroom.
- Long-term growth rate of 1.5% (2020: 1.5%). An increase of 1%, in the long-term growth rate would result in a £4.0m increase in the headroom.

14. Property, plant and equipment

	Fixtures and Fittings £'000	Office equipment £'000	Total £'000
Cost			
At 1 January 2021	256	119	375
Additions	–	6	6
Disposals	(18)	–	(18)
Foreign exchange movements	1	(1)	–
At 31 December 2021	239	124	363
Accumulated depreciations			
At 1 January 2021	163	76	239
Depreciation charge for the year	62	24	86
Disposals	(15)	–	(15)
Foreign exchange movements	–	(1)	(1)
At 31 December 2021	210	99	309
Net book value at 31 December 2020	93	43	136
Net book value at 31 December 2021	**29**	**25**	**54**

15. Investment in subsidiaries

	2021 £'000	2020 £'000
Cost		
At 1 January 2021	**489**	301
Additions	**153**	188
At 31 December 2021	**642**	489
Carrying amount		
At 1 January 2021	**489**	301
At 31 December 2021	**642**	**489**

The additions in 2021 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 2021 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	318 W Adams, 10th Floor Chicago IL, 60606 USA	100%	Administrative and sales company
KRM22 Netherlands B.V.	Kleine-Gartmanplantsoen 21-2 1017RP, 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
Object+ Holding B.V.	Kleine-Gartmanplantsoen 21-2 1017RP, Amsterdam The Netherlands	100%	Non-trading intermediate holding company
Object+ B.V.	Kleine-Gartmanplantsoen 21-2 1017RP, Amsterdam The Netherlands	100%	Non-trading intermediate holding company
Object+ Financial Services B.V.	Kleine-Gartmanplantsoen 21-2 1017RP, Amsterdam The Netherlands	100%	Administrative company
Object+ Financial Products B.V.	Kleine-Gartmanplantsoen 21-2 1017RP, Amsterdam The Netherlands	100%	Sales company

Name of undertaking	Registered office	Ownership interest and voting rights	Nature of business
Object+ Americas LLC	318 W Adams, 10th Floor Chicago IL, 60606 USA	100%	Sales company

* Shares held directly by KRM22 Plc
** In liquidation

16. Trade and other receivables

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

	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
Amounts falling due within one year:				
Trade receivables	**328**	**–**	980	–
Other receivables	**217**	**6**	232	29
Prepayments and accrued income	**196**	**58**	222	47
Total trade and other receivables due within one year	**741**	**64**	1,434	76
Amounts falling due after more than one year:				
Amounts due from group undertakings	**–**	**332**	–	737
Total trade and other receivables due in more than one year	**–**	**332**	–	737

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

At 31 December 2021, the Group had trade receivables falling due within one year of £0.4m including provisions of £0.1m (2020: £0.3m), other receivables falling due within one year of £0.2m including provisions of £nil (2020: £0.03m). At 31 December 2021, the Company had amounts due from group undertakings falling due after more than one year of £0.3m including provisions of £1.8m (2020: £0.7m with provisions of £6.2m).

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 £1.8m (2020: £6.2m) has been raised against the amounts due from group undertakings in the Company statement of financial position and recorded as a charge in the Company income statement.

17. Trade receivables – credit risk

Aging of due and past due but not impaired receivables	2021 £'000	2020 £'000
0 – 30 days	**306**	897
31 – 60 days	**3**	9
61 – 90 days	**19**	–
91 – 120 days	**–**	–
120 + days	**–**	74
Total trade and other receivables due in less than one year	**328**	980

18. Cash and cash equivalents

	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
Cash at banks and on hand	**5,362**	**4,527**	1,974	157
	5,362	**4,527**	1,974	157

19. Trade and other payables

	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
Amounts falling due within one year:				
Trade payables	**479**	**67**	373	28
Accruals and deferred income	**1,959**	**143**	1,821	89
Social security and other taxation	**121**	**–**	253	–
Other payables	**877**	**–**	92	33
Total due within one year	**3,436**	**210**	2,539	150
Amounts falling due after more than one year:				
Contingent consideration	**–**	**–**	828	–
Provision for dilapidations	**45**	**–**	54	–
Total due in more than one year	**45**	**–**	882	–

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.

Other payables at 31 December 2021 of £0.9m relate to contingent consideration associated with the acquisition of Object+. The contingent consideration is payable subject to earnout conditions and performance milestones. As detailed in note 28, the Directors believe that the third and final performance milestone was achieved and have therefore reclassed the contingent consideration as other payables due within one year however the liability can be satisfied in either cash or Company ordinary shares at the Company's discretion.

20. Leases – right of use assets and lease liabilities

Right of use assets

	Total £'000
Cost	
At 1 January 2021	1,782
Disposals	(73)
Foreign exchange movements	(1)
At 31 December 2021	1,708
Accumulated depreciation	
At 1 January 2021	741
Depreciation charge for year	409
Disposals	(73)
Foreign exchange movements	(1)
At 31 December 2021	1,076
Net book value at 31 December 2020	1,041
Net book value at 31 December 2021	**632**

Lease liabilities

	Total £'000
Cost	
At 1 January 2021	1,005
Interest expense	56
Lease payments	(260)
Foreign exchange movements	3
At 31 December 2021	**804**

The maturity of the lease liabilities is as follows:

	2021 £'000	2020 £'000
Amounts payable under leases		
Within one year	**483**	456
In two to five years	**321**	549
	804	1,005

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

21. Loans and borrowings

	2021 £'000	2020 £'000
Current		
Secured loans	**97**	97
	97	97
Non-Current		
Secured loans	**2,763**	2,664
	2,763	2,664
	2,860	2,761

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 interest rate payable on the Convertible Loan is 9.5% per annum 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 at any time after 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 57), 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.

22. Deferred tax

	Intangible assets recognised on acquisition £'000	Accelerated capital allowances £'000	Total £'000
Deferred tax liability at 1 January 2020	513	23	536
On acquisition	(122)	(14)	(136)
Income statement credit	5	–	5
Deferred tax liability at 31 December 2020	396	9	405
Income statement (credit)	(83)	(9)	(92)
Foreign exchange movements	(12)	–	(12)
Deferred tax liability at 31 December 2021	**301**	**–**	**301**

KRM22 has tax losses of £16.4m (2020: £14.7m) 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 £3.9m (2020: £2.9m).

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 £0.3m (2020: £0.4m) has been recognised in relation to intangible assets of £2.9m (2020: £2.9m) that arose 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 23% UK and an effective rate of 23% on our overseas jurisdictions.

23. Operating leases

KRM22 operates from various leased properties around the world and the terms of property leases vary by location. Any property leases that have less than twelve months at the date of inception until termination date are deemed to be short–term leases and recognised as operating leases.

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

	2021 £'000	2020 £'000
Due within one year	**2**	2
	2	2

24. Share capital

	2021 No.	2021 £'000	2020 No.	2020 £'000
Issued and fully paid 10p Ordinary shares				
At 1 January	**26,719,127**	**2,672**	20,998,029	2,100
Issued for cash during the year*	**8,947,209**	**895**	4,266,664	427
Issued for other consideration	**–**	**–**	1,454,434	145
At 31 December	**35,666,336**	**3,567**	26,719,127	2,672

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

- On 19 April 2021, the Company issued 30,625 new ordinary shares of 10 pence each at a price of 30 pence per share as part of an exercise of share options under the Company's Employee Share Options Plan.
- On 30 December 2021, the Company issued 8,916,584 new ordinary shares of 10 pence each at a price of 53 pence per share as part of a share subscription, giving rise to a share premium of £3.8m.

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

25. Share–based payments

Warrants

On 24 April 2018, the Company passed a resolution for a total of 6,000,000 warrants to be granted to certain directors and members of staff conditional on the Company's admission to the AIM. The warrants are exercisable in full in three equal tranches, in the event that the Company's share price equals or exceeds three separate hurdles at the relevant testing or vesting date. The earliest testing date for tranche one was 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 617,719 options to employees of KRM22 and this included 437,000 options (the "LTIP Options") granted to employees as part of long-term incentive plans and 180,719 options (the "Salary Sacrifice Options") granted to employees who waived a proportion of their salary in 2020 to help the Company's cashflow.

The LTIP Options vest over a three-year period and are exercisable on the third anniversary of the grant date provided that the share price has increased by 5% compounded during the period and provided the employee remains employed by KRM22.

The Salary 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.

The Salary Deferral Bonus Options granted in 2020 vest over a three-year period in thirty-six equal monthly instalments, are not subject to any share price performance conditions and do not lapse if an employee ceases to be employed by KRM22.

The Salary Deferral Options granted in 2019 vested over a one-year period, are not subject to any share price performance conditions and lapse on termination of employment with the Company.

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 2021 is 1 year and 2 months (2020: 1 year and 7 months).

	Weighted average exercise price £	2021 Number	Weighted average exercise price £	2020 Number
Outstanding at 1 January	**0.72**	**9,703,716**	0.81	7,839,471
Granted during the year	**0.46**	**617,719**	0.36	2,058,242
Forfeited during the year	**0.64**	**(144,363)**	0.76	(193,997)
Exercised during the year	**0.30**	**(30,625)**	–	–
Outstanding at 31 December	**0.80**	**10,146,447**	0.72	9,703,716

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	Dec 2019
Weighted average share price at grant date	£1.0950	£0.770	£0.770	£0.535	£0.525
Exercise price	£1.000	£0.850	£0.850	£0.850	£0.525
Weighted average contractual life	3 years	3 years	1 year	3 years	3 years
Expected volatility	30%	30%	30%	30%	30%
Expected dividend growth rate	–	–	–	–	–
Risk-free interest rate	0.86%	0.86%	0.86%	0.86%	0.86%
Grant month	**Jul 2020**	**Sep 2020**	**Oct 2020**	**Jan 2021**	**May 2021**
Weighted average share price at grant date	£0.280	£0.380	£0.380	£0.365	£0.500
Exercise price	£0.300	£0.380	£0.380	£0.365	£0.500
Weighted average contractual life	3 years	3 years	3 years	3 years	3 years
Expected volatility	30%	30%	30%	30%	30%
Expected dividend growth rate	–	–	–	–	–
Risk-free interest rate	0.86%	0.86%	0.86%	0.86%	0.86%

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

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

The total expense recognised for the year ending 31 December 2021 arising from equity-settled share-based payment transactions amounted to £0.3m (2020: £0.9m) and the share-based payment reserve as at 31 December 2021 amounted to £2.9m (2020: £2.6m).

26. Capital commitments

At 31 December 2021 KRM22 had no material capital commitments (2020: £nil).

27. Financial instruments and financial risk management

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

The Company has limited financial liabilities as its primary purpose is to hold investments in other group companies. The Company's receivables largely relate to its funding of the operations of KRM22. All items below are stated at amortised cost unless explicitly stated. The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

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

	2021 Group £'000	2021 Company £'000	2020 Group £'000	2020 Company £'000
Financial assets				
Cash at banks and on hand – unrestricted	**5,362**	**4,527**	1,974	157
Trade receivables group companies	**–**	**332**	–	737
Trade and other receivables	**545**	**–**	1,212	–
	5,907	**4,859**	3,186	894
Financial liabilities				
Trade and other payables	**1,401**	**67**	519	61
Accruals	**268**	**143**	355	89
Contingent consideration at FVTPL (Level 3)	**–**	**–**	828	–
Borrowings	**2,860**	**–**	2,761	–
Derivative financial liability at FVTPL (Level 1)	**45**	**–**	45	–
Finance lease obligations	**804**	**–**	1,005	–
	5,378	**210**	5,513	150

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 a debt facility (the "Debt Facility") arranged with Harbert European Growth Capital Fund II ("Harbert") in 2019, the Company 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 2020				
Average rate	1.29	1.12	29.73	1.77
Year-end spot rate	1.36	1.11	28.95	1.80
Year ended 31 December 2021				
Average rate	**1.38**	**1.17**	**29.87**	**1.85**
Year-end spot rate	**1.35**	**1.19**	**29.67**	**1.82**

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 2021 £'000	Other equity 2021 £'000	Loss 2020 £'000	Other equity 2020 £'000
US Dollar	**(33)**	**(96)**	(43)	(68)
Euros	**(7)**	**5**	(7)	(7)
Czech Kroner	**(75)**	**(176)**	(48)	(103)
Singapore Dollar	**–**	**1**	(3)	–
	(115)	**(266)**	(101)	(178)

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 16.

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 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
At 31 December 2021				
Trade and other payables	**3,436**	**–**	**–**	**3,436**
Secured loans (gross)	**285**	**3,210**	**–**	**3,495**
Finance lease obligations	**483**	**250**	**71**	**804**

Capital risk management

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

28. Business combinations

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 and second tranche of contingent consideration totalling US$1.2m (£0.8m) was payable in the event that the ARR of Object+ native products exceeded 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) was 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 contingent consideration can be paid at any point after the first anniversary date of acquisition and can be satisfied in either cash or Company ordinary shares at the Company's discretion. If the contingent consideration is satisfied by the issue of ordinary shares, the number of shares issued will be determined by the market share price at the issue date. The contingent consideration of £2.3m was originally discounted to a present value of £1.3m based on a WACC of 13.8%.

The Directors believe that the first and second performance milestones were not achieved and excluded this element of consideration form the fair value of the total consideration that could have been paid under the terms of the share price agreement.

The Directors believe that the third and final performance milestone was achieved however 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 contingent consideration of £0.9m (US$1.1m) is included as other payables due within one year.

29. Related party transactions

Remuneration of key management personnel

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

	2021 £'000	2020 £'000
Short-term employee benefits	**354**	155
Retirement benefits	**6**	3
Share-based payment benefits	**201**	574
Total	**561**	732

Related party transactions

During the year, KRM22 Market Surveillance Limited charged services to Cinnober Financial Technology AB ("Cinnober") of £0.2m (2020: £0.2m) under normal commercial terms. At 31 December 2021, the balance due to KRM22 Market Surveillance Limited from Cinnober was £nil (2020: £0.1m). Cinnober is a 7.4% 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 and the total interest charged in the year ended 31 December 2021 was £0.3m (2020: £0.1m). 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 at any time after 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 and solvency. Kestrel, inclusive of beneficial interests, is a 16.7% shareholder of the Company.

COMPANY INFORMATION

The board of directors

Keith Todd CBE

Executive Chairman (previously Chairman and CEO until 30 December 2021)

Stephen Casner

CEO (previously President until 30 December 2021)

Kim Suter

CFO

Sandy Broderick

Non-Executive Director

Garry Jones

Non-Executive Director

Steve Sparke

Non-Executive Director

Registered office

5 Ireland Yard, London, EC4V 5EH

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