KRM22

Annual Report 2022

KRM22 Plc

Company number: 11231735

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HIGHLIGHTS

Financial

- Annualised Recurring Revenue (ARR)[1] as at 31 December 2022 of £4.8m (2021: £3.8m) – growth of 26.3%
  - New contracted ARR in 2022 of £1.3m (2021: £0.7m) – growth of 85.7%
- Total revenue recognised of £4.3m (2021: £4.1m) – growth of 4.9%
- Adjusted EBITDA loss[2] of £1.7m (2021: £0.7m)
- An improved loss before tax of £3.0m (2021: loss of £3.4m)
- Gross cash as at 31 December 2022 of £1.9m (2021: £5.4m)

Operational

- More than 20 new ARR contracts signed in the year with 11 new customers
- Launch of "Limits Manager" and "Risk Manager", the first products with Trading Technologies International, Inc ("TT") following the distribution agreement signed in 2021
- Conversion of additional sales opportunities generated by the TT relationship
- Significant reduction in unplanned churn to £0.1m (2021: £0.7m)
- Ambition to target 20%+ annual growth of ARR

Post Year-End Events

- Replacement of existing Kestrel debt facility with a new £5.0m facility provided by TT
- Growth in ARR to £4.9m as at the date of this report

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, unrealised foreign exchange gain/(loss) and share-based payment charges and non-recurring costs including profit on disposal of tangible/intangible assets and acquisition and funding costs. A reconciliation of Adjusted EBITDA loss to the reported operating loss for the year is detailed on page 7.

CHAIRMAN'S STATEMENT

2022 was a year of transition for KRM22, placing it back on the growth path. Stephen Casner took over as CEO of KRM22 as I transitioned to running Trading Technologies International, Inc. ("TT"), the Company's major shareholder. He and the KRM22 team have refocused the business and driven Annualised Recurring Revenue ("ARR") growth to £4.8m at 31 December 2022, up from £3.8m at December 2021, and a credible 26% growth year on year.

Since we launched KRM22 in April 2018, it has been five turbulent years with the UK exiting the European Union, Covid disruption and significant political turmoil globally as well as locally in the UK. Despite these challenges, KRM22 has been established as a credible name in capital markets with many leading institutions as current customers but many more in the immediate pipeline.

At the beginning of 2022, we announced the TT partnership, and we are pleased to say that we have made excellent progress to date. This includes integrating the KRM22 software into the TT platform within the TT firewalls, signing new customers as well as establishing a very strong 2023 sales pipeline including many tier one banks.

Outside of the TT partnership, the KRM22 team has refocused the product offering, as well as restructured and strengthened the sales team providing a platform for growth, demonstrated by the growth in ARR through direct sales channels.

We were pleased to have recently concluded a debt financing facility with TT for £5.0m after a competitive process, providing the Company with access to capital to continue its growth. The terms include a higher convertibility threshold compared to the previous debt facility and lower interest cost compared to alternative debt financing arrangements.

The Board and I wish to thank not just the customers and investors but the KRM22 team for the continued commitment for delivering high quality products and services to the capital markets risk community. We look forward to seeing continued growth in 2023 and beyond as well as crossing the cash generation line.

Keith Todd CBE

Executive Chairman

27 June 2023

CHIEF EXECUTIVE OFFICER'S REPORT

2022 saw KRM22 advance all of its key initiatives and solidly place the Company on track to meet our goal of moving towards a £10.0m Annualised Recurring Revenue ("ARR") business by 2026 with positive EBITDA performance and cash flow and an ambition to grow ARR by 20% year on year.

We are doing this through four key initiatives:

(1) generating revenue from the relationship with Trading Technologies International, Inc. ("TT");
(2) growing ARR, through direct sales and the TT partnership;
(3) reducing the level of customer churn as experienced in previous years, whilst improving the success and adoption rate of the Risk Cockpit; and
(4) reorganisation of the workforce to help grow the business and support other initiatives.

I am pleased to report that KRM22 has found success in each of these endeavours.

In addition to these initiatives, the Company has secured a new £5.0m secured debt facility from TT, our largest shareholder, to replace a £3.0m secured debt facility that was due to mature in September 2023.

As you review the progress made in the year, I would like to highlight how we stand on the key initiatives we embarked on at the start of 2022 and will continue in 2023.

Creating revenue from TT's customer base

Our relationship with TT was one of the keys to our success in 2022. We signed our first sales contract from the TT sales channel in June 2022. This contract allows us to leverage our Pre-Trade Limit Manager product to be used as a custom limit system for a major European commodity exchange. This three-year contract provides £0.1m of ARR to KRM22 in addition to £0.2m of one-off non-recurring revenue.

We announced in 2022 the two key products that TT will distribute for KRM22, Limits Manager and Risk Manager. A major component of the announcement was that these products would operate on TT's technical platform. This allows TT customers to contract for the KRM22 services under their existing TT license agreement conforming to technical audits and without migrating data to a different environment. We jointly decided to make this investment to reduce the amount of "friction" TT would experience in selling KRM22's products.

This is a direct response to how our core market has changed the way they acquire software products, allowing them to test and use the applications before making a financial commitment.

We are impressed with how KRM22 and TT worked collaboratively on our first product. By the end Q3 of 2022, the KRM22 Limits Manager product had been successfully integrated into the TT platform.

This allowed us to commence TT's sales campaign for KRM22's Limits Manager in Q4 2022 which has resulted in creating an impressive pipeline of sale opportunities for the Limits Manager product in 2023 which has already resulted in a product sale to one of the world's largest financial institutions.

The power of the TT sales channel became evident as the financial institution in question was able to go live on the Limits Manager product in less than two weeks after signing a sales order with TT – a process that would ordinarily take months of effort to accomplish if it were a direct sales opportunity.

A second KRM22 product, Risk Manager, has been launched on the TT platform and another major global financial institution has begun testing and evaluating this new product. We expect revenue from this product to come forward in the second half of 2023 and be a significant contributor to achieving our revenue goals.

Revenue growth

While our relationship with TT is important, we must also demonstrate that we can directly sell our products to new customers and expand the use of our products by our existing customers. I am pleased to report our 2022 selling initiatives have been successful and our new sales team is being led by the Company's Chief Revenue Officer, Billy Murray.

As of the date of this report, our ARR is £4.9m up from £3.8m at 31 December 2021, an increase of approximately 29% which we are pleased with. In 2022 the Company signed 22 new contracts totalling £1.3m – 11 with new customers, including a Tier One bank, and 11 with existing customers for new products and extensions of existing products.

Whilst we have had strong performance generating new contractual ARR, we have been less successful in delivering non-recurring revenue which would have improved the underlying financial position for 2022. We expect a renewed focus on non-recurring revenue in 2023 resulting in a significant improvement to adjusted EBITDA performance in 2023.

Retention of customers and making the Risk Cockpit successful

The level of customer attrition the Company experienced in prior years, with total churn of £1.4m notified to us in 2021, covering contract terminations in 2021 and the first two months of 2022, was unprecedented and not sustainable. The churn was from legacy customers on old deployed software that did not want to migrate to SaaS delivered services. Whilst some level of customer churn is expected, we needed to implement a plan to mitigate and reduce the level of churn to a more acceptable level.

We embarked upon a defined customer retention plan led by our Customer Services team which resulted in the prevention of "surprise" churn in the customer base in 2022. Throughout the whole of 2022 we only had one customer contract that we did not anticipate terminating, with ARR of £0.1m, and this was a Belarusian customer with the termination driven by the Russia/Ukraine geopolitical crisis.

A highlight of our retention plan included the roll out of a series of "KRM22 health dashboards" to our customers. This initiative highlights how many transactions we process for our customers each day, gives our customers a direct and instantaneous view of open and closed support tickets as well as the availability of future product updates and associated new features and functions. These dashboards, in combination with our monthly newsletter program, has significantly extended our daily customer touch points and improved the value we deliver to each of our customers every day.

Another key part of our customer retention plan was to deliver the integrated benefit of KRM22's Global Risk Platform to our Showcase Global Risk Platform Customer, and we delivered excellent progress in the period. The Global Risk Platform is now fully operational for Trading and Corporate risk at our Showcase Global Risk Platform Customer with the Risk Cockpit product being utilised into production to support a key risk evaluation parameter for them. We expect to "package" this success to begin accelerating revenue from the Risk Cockpit in 2023.

We have been disappointed in the historical rate of adoption of the Risk Cockpit product since the product was developed and launched in 2019. We have created a new plan with new resources to help us make that change by further tailoring the product for the Capital Markets industry and helping existing customers with their alignment to FCA requirements, e.g. ICARA. The results of our efforts are now evident at our showcase customer.

Reorganise the workforce

At the start of 2022, and following my appointment as CEO of KRM22, we restructured KRM22's internal teams and their responsibilities, as this is key to the Company's future success. The senior leadership team was streamlined and refocused into four distinct areas: Revenue, Customer Services, Technology and Finance/HR/Legal. We completed a successful search for a new Chief Revenue Officer, Billy Murray, who joined in September 2022. Dan Carter was promoted to run Customer Services, Viliam Dzupin's Technology responsibilities were extended to cover Product, whilst Kim Suter's responsibilities were extended to cover legal contracts and administration.

This new leadership team has brought clarity and efficiency to the organisation and, together with the teams that they manage, is a primary reason for the Company's success in 2022.

Outlook

Overall, we are on the right path to achieve the objectives and internal KPI's set out at the start of 2022. These provide a strong foundation on which to build in 2023.

We have defined a goal to get to £10.0m of ARR by 2026 through delivering 20% compounded ARR growth each year while achieving positive EBITDA and cash flow and we have the right foundations in place to achieve this goal. Notwithstanding a backdrop of challenging market conditions, which we do not expect to materially change in the near term, we will continue to consistently drive the acceleration of revenue through each of our sales channels. We also will continue to manage the underlying cost base of the business to ensure we have sufficient cash to give us the runway to achieve our goal.

Whilst we have defined our goal of growing KRM22 to a £10.0m ARR business, the amount of variables we have in our revenue plan still inhibit us from publishing market forecasts. We believe that by remaining diligently focused on growing ARR, retaining customers and managing costs, the time frame for our success will begin to come into focus in our subsequent reporting periods.

As always, we thank you for your support and look forward to continuing to build one of the capital markets best risk management companies.

Stephen Casner

CEO

27 June 2023

CHIEF FINANCIAL OFFICER'S REPORT

Following a challenging couple of years with the COVID-19 pandemic, impacting KRM22 through extended sales cycles and significant customer churn, 2022, against a backdrop of increasing global economic uncertainty, saw an increase in total revenue recognised, a significant increase in its ARR and a reduction in customer churn compared with prior years. Whilst total revenue recognised in the year saw an increase of 4.9% to £4.3m from £4.1m, the Company's ARR at year end saw a net increase of 26.3% to £4.8m from £3.8m at 31 December 2021.

Profit and Loss

Total revenue

Revenue recognised for the year to 31 December 2022 was £4.3m (2021: £4.1m), an increase of 4.9% compared with the prior year, with 92% (2021: 96%) of total revenue generated from recurring customer contracts. Non-recurring revenue for the year ended 31 December 2022 totalled £0.3m (2021: £0.2m) and related principally to customer implementations and proof of concept work.

Recurring revenue

ARR ("Annualised Recurring Revenue") is a key metric for KRM22 and as at 31 December 2022, ARR had increased by 26.3% to £4.8m (2021: £3.8m), a net increase of £1.0m (2021: net decrease of £0.3m). New contracted ARR in the year totalled £1.3m (2021: £0.7m) of which £0.7m (2021: £0.3m) was from new customers and £0.6m (2021: £0.4m) was generated from existing customers.

Total churn in the year was £0.6m (2021: £0.9m), of which £0.1m was from the termination of one customer in the year and which was unexpected, however this was from a Belarusian customer with the termination driven by the Russia/Ukraine geopolitical situation, and £0.5m which terminated in early 2022 and which KRM22 had been notified of in 2021.

Gross profit

Gross profit for the year to 31 December 2022 was £3.3m (2021: £3.5m). The reduction in gross profit margin to 77% this compared to the prior year margin of 84% was due to additional hosting capacity required to service the increase in customer numbers and this was further compounded by the volatility and adverse movement in foreign currency rates, with a significant proportion of the Company's cost of sales being Amazon Web Services server costs which are invoiced in US dollars. In addition, KRM22 generates revenue through partner products and services, primarily through data and news feeds with minimal margin to KRM22, and this accounted for 6% of recurring revenue recognised in the year ended 31 December 2022 (2021: 4%) which contributed to the reduction in gross profit margin.

Capitalised development

A total of £0.8m (2021: £0.7m) of development was capitalised in the year to 31 December 2022. Capitalised 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 2022 was a £1.7m loss (2021: loss of £0.7m). Following the investment from Trading Technologies International, Inc ("TT") in December 2021 of £4.7m, the Company completed an internal reorganisation of the business to help drive business growth, including investing in additional resource, and this contributed to the increase in adjusted EBITDA loss however this investment, and ultimately the increase in the cost base of the business in the year, is generating a return for the business, evident by the growth in ARR in the year.

The increase in the Company's adjusted EBITDA loss was also on the back of two years of trying to grow the business through cost-cutting during the COVID-19 pandemic, together with the added benefit in 2021 of a £0.2m (US$0.3m) Payback Protection Program ("PPP") loan, converted to a grant under the rules of the PPP scheme, and recognised as Other operating income.

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

	2022 £'m	2021 £'m
Adjusted EBITDA loss	**(1.7)**	(0.7)
Depreciation and amortisation	**(1.6)**	(1.7)
Unrealised FX gain/(losses)	**0.8**	(0.1)
Contingent consideration charge	**–**	(0.1)
Share-based payment expense	**(0.1)**	(0.4)
Operating loss	**(2.6)**	(3.0)

Operating loss

Reported operating loss for the year to 31 December 2022 was £2.6m (2021: loss of £3.0m).

Finance charges

Net finance expense in the year was £0.6m (2021: £0.4m) and includes:

- Loan interest of £0.3m (2021: £0.3m);
- IFRS16 lease liability interest of £0.1m (2021: £0.1m); and
- Derivative financial instrument fair value adjustment of £0.2m (2021: £0.0).

Taxation

The tax credit in the year was £0.2m (2021: credit of £0.1m) which includes £0.1m (2021: £nil) R&D tax credit received.

Financial position

Assets

The cash balance as at 31 December 2022 was £1.9m (2021: £5.4m).

Current assets at 31 December 2022 include trade and other receivables of £1.5m (2021: £0.7m).

Non-current assets were £7.8m (2021: £8.1m) relating principally to: £6.1m for goodwill and assets acquired (2021: £6.1m), £0.4m for right of use assets recognised under IFRS16 (2021: £0.6m) and £1.3m (2021: £1.3m) for capitalised development costs.

Liabilities

As at 31 December 2022, 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, 15 September 2020, subject to certain conditions regarding the Company's share price at that time.
- £1.0m (US$1.1m) deferred consideration for earn out payments for the acquisition of Object+. The deferred consideration can be satisfied in either cash or Company ordinary shares at the Company's discretion.
- £0.6m 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 2023, with the balance for periods greater than one year.
- £1.8m 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, representing 10.6% of the Company's issued share capital.

Funding

The Company has a £3.0m convertible loan (the "Kestrel Convertible Loan") with Kestrel Partners LLP ("Kestrel"). The interest rate payable on the Kestrel Convertible Loan is 9.5% per annum and is paid quarterly in arrears. Kestrel can convert the Kestrel 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, 15 September 2020, 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 Kestrel Convertible Loan is secured on certain KRM22 assets and includes covenants based on the Group's financial performance.

Since the year end the Company has secured a new £5.0m convertible loan facility with TT (the "TT Convertible Loan") to replace the existing Kestrel Convertible Loan. Further detail on the TT Convertible Loan is detailed in the Directors report on page 37.

Use of cash in the year

Our net cash outflow in the year was £3.5m, of which £0.7m was used for capitalised development, £0.3m was used to pay interest on the Kestrel 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 36 – 37.

Shareholdings and Earnings per share

As at 31 December 2022, KRM22 had 35,666,336 shares in issue and this was also the undiluted weighted average number of shares for the period. The resulting Earning per Share ("EPS") is a 8.7p loss per share (2021: loss of 12.4p). Due to the loss made by the Company in the year, the 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

In 2022, KRM22 has utilised the funds received from the TT investment in December 2021 to grow the business through new customer sales and reducing the level of customer churn, with net growth in ARR of 26.3%. The Company now has the foundations in place for this momentum to continue into 2023 and beyond, with significant sales pipeline opportunities, both from direct selling opportunities and through the TT distribution agreement, to increase ARR and improve the adjusted EBITDA position.

Approved by the Board and signed on its behalf by:

Kim Suter

CFO

27 June 2023

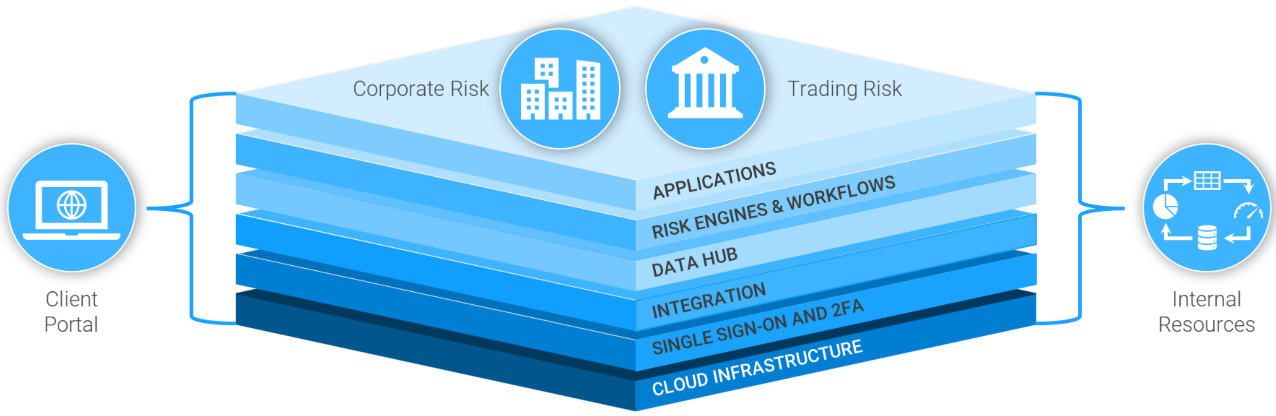
Strategic Report

OUR PRODUCTS

Built on the Global Risk Platform, KRM22 offer products addressing risk management challenges across Corporate and Trading risk. By layering on data from throughout a customer's environment, customers are now able to better assess, monitor and manage the increasing correlation between these risk areas.

The Global Risk Platform

The KRM22 Global Risk Platform is a cloud-based SaaS service for Corporate and Trading risk that securely connects and integrates into existing and new client portals from one integrated system.

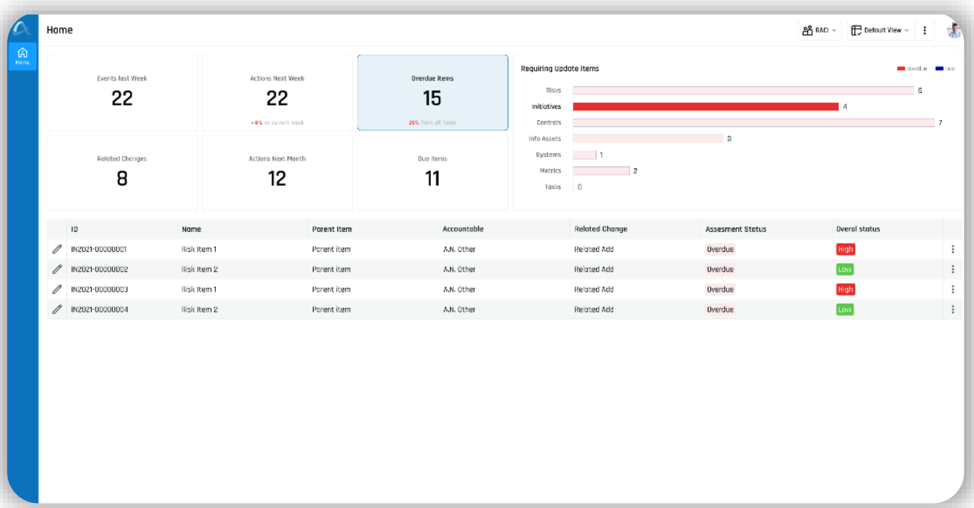


Corporate Risk

Risk Cockpit

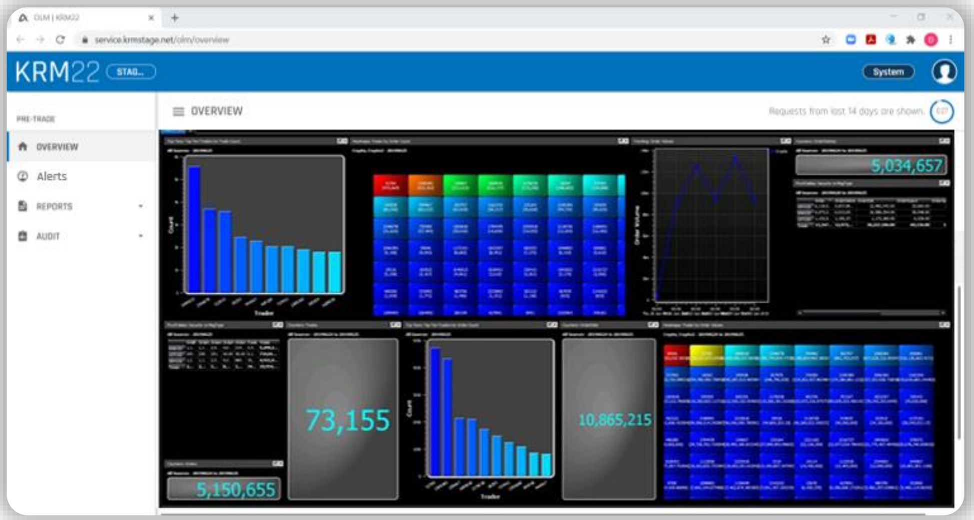
The Risk Cockpit is a digital risk register that brings risk policies and operational controls to life through a proven risk assessment workflow

- Enforce risk controls
- Capture, assess and remediate events
- Track and understand metrics
- Generate regulatory and historic reporting



Market Surveillance

Market Surveillance provides insightful analytics and contextual market surveillance to help capital market firms identify and manage the potential risks of market abuse



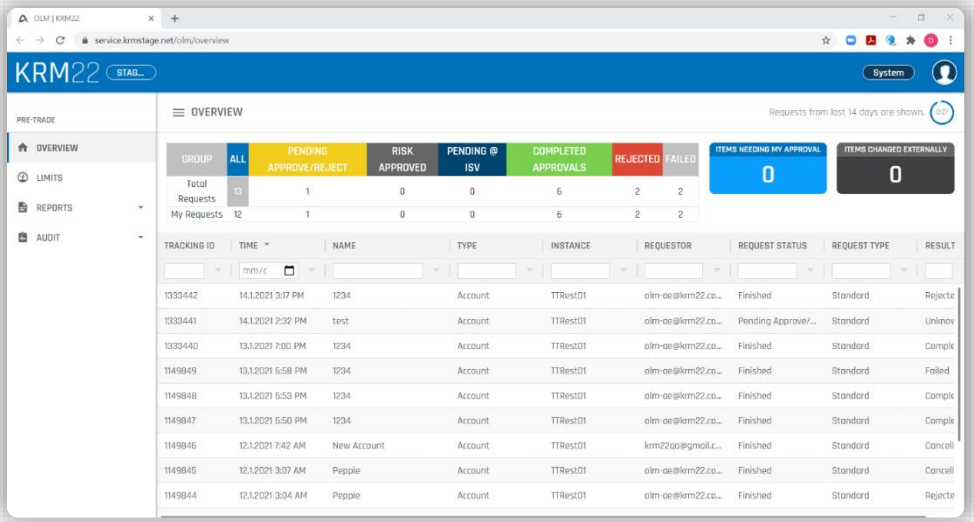
- 30+ alerts including Layering and Spoofing, Wash Trading and Insider Trading, Abnormal Trade, Volatility Spike and Unusual Price Movement
- Identify the appropriate actions to manage alerts
- Configure and analyse alert scenarios in real-time
- Sophisticated case management workflows

Trading Risk

Pre-Trade Centralised Risk Management

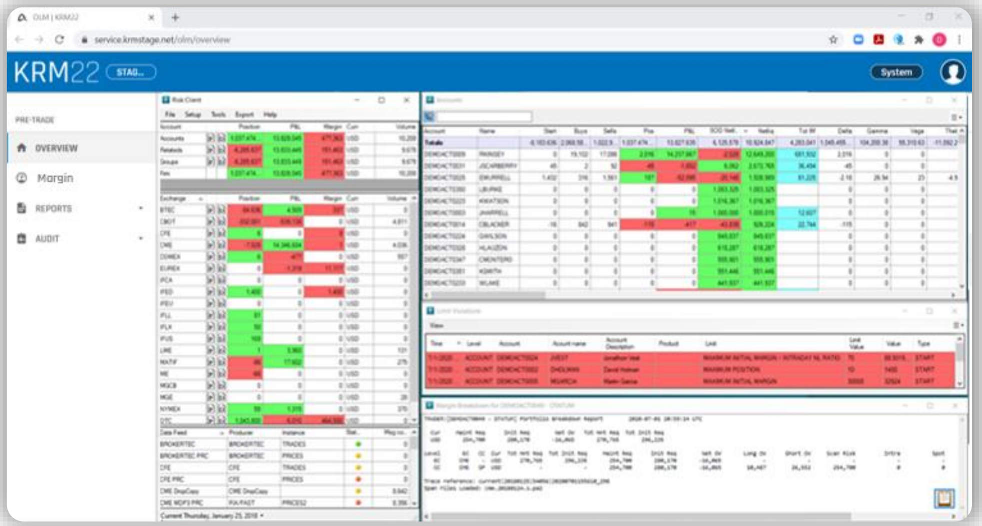
Pre-Trade combats time consuming and error prone processes by maintaining, auditing and approving trading limits across multiple platforms in one centralised application

- Submit, review and approve limit change requests for software trading platforms
- Automate pre-approved limit changes
- View the completed status of limit requests
- Capture all limit activity and simplify reporting
- Maintain a database of account limits by date or date range, detailing adjustments since inception



At-Trade P&L and Margin

At-Trade meets your risk management goals for P&L, Margin and position management in real-time

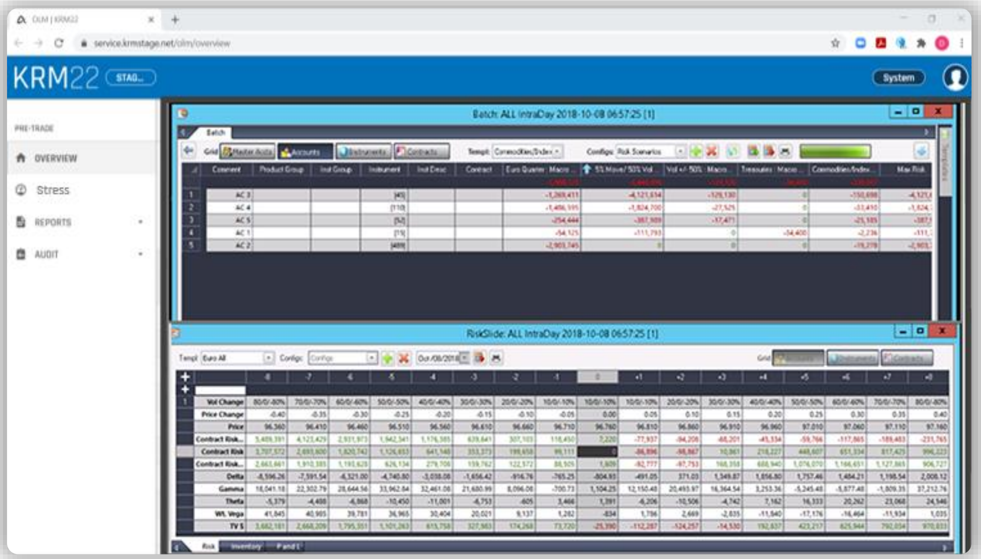


- Understand exposure at all times
- Receive automatic alerts of limit violations
- Obtain real-time data directly from exchanges and clearing houses
- Calculate SPAN, SPAN2, PRISMA and custom margin requirements in real time
- Build "what if" portfolios to test trading strategies

Post-Trade Stress

Post-Trade supports the creation of custom risk views to scale both the amount and type of risk calculations performed, delivering a "Maximum Risk" value

- React to extreme volatility through intraday stress, P&L and position monitoring
- Analyse multiple market stress scenarios simultaneously
- Understand your exposure with multi-level stress risk scenarios
- Define single and multi-dimensional limit alerts
- Provide parametric, historic and Monte Carlo analysis criteria



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 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
Global economic uncertainty and rising inflation	Global economic uncertainty, and the risk of an impending recession, together with significant increases in inflation will impact all of KRM22's stakeholders. Economic uncertainty could impact liquidity of existing customers and the ability by KRM22 to convert new sales opportunities. Rising inflation of more than 10%, or as high as 18% in Czech Republic where KRM22 has an office, will increase the cost of goods and services purchased from third parties. High inflation creates liquidity issues and uncertainty for KRM22 staff which in turn leads to an increase in salary and compensation expectations. All of these stakeholders have the ability to impact the profitability of KRM22. The potential impacts are detailed further under the separate risk and uncertainty components.	The mitigating actions associated with global economic uncertainty and rising inflation 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 equity awards, including share options and restricted stock units ("RSUs") 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. KRM22 completes salary reviews on an annual basis and, as part of this review, undertakes a salary benchmarking exercise to ensure that salaries are in line with current market trends across the different geographical locations in which it operates.
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.

Risk and uncertainty	Potential impact	Mitigating actions
Debt facility	The convertible loan with Kestrel Partners (the "Kestrel Convertible Loan") 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 Kestrel Convertible Loan with all amounts accrued becoming immediately due and payable which would impact KRM22's cashflow. On 17 June 2023, Trading Technologies International Inc. ("TT") provided a new debt facility (the "TT Convertible Loan") to KRM22 with some of the proceeds used to repay the Kestrel Convertible Loan. The principal risks and uncertainties associated with the Kestrel Convertible Loan are also applicable to the TT Convertible Loan.	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. The mitigations associated with the Kestrel Convertible Loan also apply to the TT Convertible Loan.
Technology	To remain successful, KRM22 must ensure that its products continue to meet the requirements of customers. If products do not meet the requirements of customers, they could seek alternative solutions, resulting in loss of revenue.	KRM22's Product Managers are subject matter experts in their fields and understand the trends of the market and customer needs. In addition, customer account managers gather requirements of the existing customer base and feedback that information to product development. KRM22's CTO, together with the Product Managers, use this information and feedback and invest in the products and underlying technology to enhance the existing products and develop new features.
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 is SOC 2 accredited with an audit being undertaken on an annual basis each year for accreditation to continue. In addition to mitigating information security risks, SOC 2 accreditation provides 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. KRM22 has Cyber Essentials accreditation which provides reassurance that it has sufficient defences against the vast majority of common cyber attacks. 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.

Set out below is a summary of how the Directors have performed their duty under section 172(1) of the Companies Act, including how the Board has engaged with key stakeholders during the year.

Why engagement is important	How Directors and/or management engage	Strategic decisions in the year
Customers		
Regular customer engagement ensures that KRM22 understands customer expectations so that it can meet or exceed these requirements. In addition, it allows management to understand the risk of churn and take corrective action to mitigate this risk.	The easing of COVID related travel restrictions allowed the reintroduction of face-to-face meetings with key customers and sales prospects on a regular basis.	Open dialogue with customers and understanding their needs influenced the product roadmap of ongoing development work and release on new features in the KRM22 product suite.
Investors		
Allows communication of KRM22's long-term strategic objectives to secure the investors ongoing support for strategic objectives and provides an opportunity for investors to raise any questions.	Following the release of the Company's FY21 full year results and FY22 interim results in March and September 2022 respectively, the CEO and CFO met with individual investors to discuss the results.	No strategic decisions were made in the year affecting investors.
Team		
Continuous engagement and two-way communication with staff allows staff to understand and deliver KRM22's long-term strategic objectives. Transparency and openness improve motivation and productivity rates and helps to maintain low staff turnover.	Monthly "All Hands" meetings in which management update staff on company progress with two-way participation encouraged. Staff appraisals completed twice a year with a review of accountabilities and the setting of objectives. Anonymous monthly "pulse" survey completed with results discussed by management and action taken where appropriate. Following the easing of COVID related travel restrictions, management regularly visit overseas offices.	Strategic decision made early in the year to complete a reorganisation of the internal KRM22 team into four distinct pillars: • Revenue: help focus on growing ARR; • Customer Services: improve account management and reduce customer churn; • Technology: enhance product development, together with software development and internal IT; and • Finance/HR/Legal: enhancing internal administration to support business growth. Implementation of LTIP equity bonus plans for all staff based on corporate, team and individual performance.

Why engagement is important	How Directors and/or management engage	Strategic decisions in the year
Suppliers		
Engagement with key suppliers ensures that KRM22 operates its business effectively and without disruption.	KRM22 nominates internal resource to manage key supplier relationships with regular meetings between these parties which is reported back to management.	No strategic decisions were made in the year affecting suppliers.
Trading Technologies International, Inc.		
In December 2021, and as part of Trading Technologies International Inc. ("TT") investment in KRM22, both parties entered into a distribution agreement for the distribution of KRM22 products into the TT customer base with significant opportunities for growth and cross selling. Collaborative engagement was important as it would enable products to be launched in a timely manner to help drive the growth of KRM22.	A project team, represented by key individuals from both parties, was established to agree on the order of priority for making KRM22 products available to TT customers. The team meet on a weekly basis to collaborate on ideas and resolve any operational and technical issues prior to the launch of the products.	A strategic decision was made to prioritise the launch of Limits Manager on the TT platform in March 2022 and Risk Manager in November 2022.
Kestrel Partners, as debt provider		
Communication of forward-looking compliance information under terms of the Kestrel Convertible Loan allows the Directors and Kestrel Partners to evaluate any risks and agree remedial action if required.	KRM22 reports on compliance with financial covenants and provides forward-looking compliance information at the end of each quarter. In addition to the CEO and CFO meeting with Kestrel to discuss the underlying data and projections.	Given that the original Kestrel Convertible Loan had a maturity date of 15 September 2023, refinancing the debt facility became an increasing focus as the year progressed. The CEO and CFO explored, and were offered, alternative sources of funding to replace the existing facility and on 17 June 2023 KRM22 signed a new debt facility (the "TT Convertible Loan") with Trading Technologies International, Inc. ("TT") to replace the Kestrel Convertible Loan.

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. As well as being Executive Chairman of KRM22, he is currently CEO of Trading Technologies International, Inc.

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, having previously served as President and, previous to that, CEO of the North American business since KRM22's inception. 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, Steve spent 10 years as Group COO, responsible for the firm's operating environment, including IT, Operations, Risk, Compliance and HR.

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

Since retiring from Marex, Steve 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.

At the start of 2022, and following the appointment of Stephen Casner as CEO, the Board refined the strategy, based on customer feedback, additional input from risk management experts at KRM22, shareholder feedback, debt provider feedback and employee participation which has led to a clearer definition of KRM22's strategy. The strategy previously focused on five domains of risk: Enterprise, Market, Compliance, Operations and Technology, and this has been simplified into two segments as Trading Risk and Corporate Risk.

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 longer-term 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 is working 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 Revenue 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, a monthly "pulse" where staff participate on an anonymous basis to help the Executive team understand the mood of business 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 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 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 experts in in Trading and Corporate risk. As a company dedicated to risk management technology, the KRM22 team has a high understanding and experience in managing risk.

Risk Cockpit: The 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, in addition to managing specific projects. KRM22 has implemented the Risk Cockpit internally to monitor and manage risks including the development of customer dashboards built on the Risk Cockpit framework.

Controls and processes: The Directors are continually reviewing controls and processes in all key areas on an ongoing basis.

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

The Board comprises three executives, including the Executive Chairman, and three non-executives which encourages healthy challenge and debate with the non-executives providing additional independence.

The principal role of the Executive Chairman, Keith Todd, is to manage and to provide leadership to the Board of Directors of the Company. The Executive Chairman is accountable to the Board. The principal role of the CEO, Stephen Casner, is to make major corporate decisions, manage the overall operations and resources and act as the ultimate point of communication with stakeholders. In keeping these two roles separate, KRM22 is 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 20 – 22.

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 2022. 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 of the Company however they continue to monitor the Board's construction and remit.

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. 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 aims to meet for scheduled Board meetings ten times per year, plus ad hoc meetings as required.

Risk Management

The Company uses its own 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 2022 the Board was comprised of the Executive Chairman, two 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.

Nine board meetings were held during the year.

Board meeting attendance 2022	Maximum possible meeting attendance	Number of meetings attended	% of meetings attended
Executive Chairman			
Keith Todd	9	9	100
Executive Directors			
Stephen Casner	9	9	100
Kim Suter	9	9	100
Non-Executive Directors			
Sandy Broderick	9	7	78
Garry Jones	9	9	100
Steve Sparke	9	8	89

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 Kestrel 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, Garry Jones and Sandy Broderick, all of whom were non-executive directors of the Company. During the year to 31 December 2022, 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 29.

Remuneration Committee

The Remuneration Committee, which meets at least once a year, consisted of Sandy Broderick, Garry Jones and Steve Sparke, all of whom were non-executive directors of the Company. The Committee was established by a resolution of the Board on the recommendation of the Nomination Committee. During the year to 31 December 2022, 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 31.

Nomination Committee

The Nomination Committee, which meets at least once a year, consisted of Sandy Broderick, Garry Jones and Steve Sparke, all of whom are non-executive directors of the Company. The Committee was established by a resolution of the Board. During the year to 31 December 2022, 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 34.

For and on behalf of the Board

Keith Todd CBE

Executive Chairman

27 June 2023

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 2021 annual report, 2022 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 2022 the Audit Committee was composed of myself, Steve Sparke, as Chairman, Sandy Broderick and Garry Jones. I have extensive board-level experience and have previously been the Chairman of the Audit and Risk Committee at NYSE Euronext LIFFE (now ICE Europe) and, whilst working at Marex, 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 2021 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 2021 audited annual report and financial statements;
- consideration of key audit matters and how they are addressed;
- review of the unaudited 2022 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 2022. 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 14 – 16.

Through the control systems outlined in the Statement of Corporate Governance on pages 23 – 28, 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 2023.

For and on behalf of the Audit Committee

Steve Sparke
Audit Committee Chairman

27 June 2023

REMUNERATION COMMITTEE REPORT

The Board has prepared this report in relation to all Directors who have served during the year to 31 December 2022. 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.

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 2022 the Committee was composed of myself (Sandy Broderick) as Chairman, Garry Jones and Steve Sparke.

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 options, restricted stock units ("RSUs") and warrant awards (collectively "Equity Incentive 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. The Executive Chairman and Executive Director 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.

Equity Incentive Awards

The following Equity Incentive Awards covering share options, RSUs 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
	16/12/2022	£0.630	16/12/2022 – 15/12/2025	100,000
				471,466
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				**1,172,742**

RSU 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 425,557 share options were granted, of which 100,000 share options were granted to Kim Suter as part of a LTIP.

Further information on Equity Incentive Awards 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 KRM22's Equity Incentive Award schemes.

Directors' Emoluments

The remuneration of the Executive and Non-Executive Directors (audited) for the year ended 31 December 2022 was as follows:

	2022					2021				
	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	60	13	8	–	81	28	8	105	–	141
Stephen Casner	244	–	32	–	276	111	–	68	–	179
Kim Suter	160	4	10	9	183	119	3	17	6	145
Sandy Broderick	31	–	2	–	33	30	–	2	–	32
Garry Jones	25	–	2	–	27	25	–	9	–	34
Steve Sparke	30	–	–	–	30	30	–	–	–	30
Total	550	17	54	9	630	343	11	201	6	561

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 2022 had the following interest in the ordinary share capital of the Company as at that date:

Director	At 31 December 2022 No. of ordinary shares of 10p each	At 31 December 2021 No. of ordinary shares of 10p each
Keith Todd	2,763,677	2,763,677
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

27 June 2023

NOMINATION COMMITTEE REPORT

During 2022 the Nomination Committee was composed of Sandy Broderick, as Chairman, Garry Jones and Steve Sparke.

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 2022 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 of the Company and would continue to monitor the Board's construction and remit. In considering the performance of the Nomination Committee, the Committee deemed their performance as satisfactory and that everything within its scope had been considered satisfactorily.

In addition to evaluating Board performance, the Committee considered the reappointment of Directors that were required to retire and offer themselves for reappointment at the AGM in May 2022. Having reviewed their performance, the Committee recommended to the Board that the retiring Directors be reappointed to the Board.

Sandy Broderick

Nomination Committee Chairman

27 June 2023

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 2022. 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

Stephen Casner

CEO

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.

Credit risk

KRM22 is exposed to credit risk from its operations, primarily from trade receivables. The credit risk is managed through setting payment terms and credit limits with its customers and, where possible, for revenue to be invoiced in advance of the service being provided.

Foreign exchange risk

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

Overseas branches

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

Development

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

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 2022, total expenditure that has been capitalised on these projects totalled £0.8m (2021: £0.7m).

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 10 – 18 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 54 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. Reasonable downside scenarios have been considered and management consider with appropriate actions being undertaken KRM22 has the ability to meet the various financial covenants.

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.

See note 3 on page 56 for further information on going concern.

Post year-end reporting date events

On 17 June 2023, the Company entered into an agreement for a new £5.0m convertible loan facility (the "TT Convertible Loan") arranged by Trading Technologies International, Inc. ("TT"), the Company's largest shareholder, to replace the existing Kestrel Convertible Loan and to support future business growth.

The TT Convertible Loan is for up to £5.0m with an initial £4.0m drawn down on 23 June 2023, of which £3.1m was used to repay the outstanding Kestrel Convertible Loan debt of £3.0m plus interest of £0.1m.

The interest rate payable on the TT Convertible Loan is the aggregate of the SOFR average rate and a margin of 5.5% provided that the amount of such aggregate percentage rate shall be a minimum of 9.25%. Interest on the TT Convertible Loan is paid quarterly however in the first 18 months of the TT Convertible Loan term, interest can be deferred with 50% of any deferred interest being paid at 18 months and the remaining balance of deferred interest being paid at 21 months. The term of the TT Convertible Loan is three years with the option to extend by a further year to four years.

TT can convert the TT Convertible Loan into new ordinary shares in the Company at any time at the lowest conversion price of: 46p, the volume weighted average price of the Company's ordinary shares for the three-month period prior to service of a conversion notice; or the lowest daily closing price for the 30 completed calendar days prior to service of a conversion notice. TT has the right to prevent any conversion which would trigger a Rule 9 event under the Takeover Code. The TT Convertible Loan is secured on certain KRM22 assets and includes covenants based on the Group's financial performance, based on ARR, revenue recognised and solvency.

Substantial Shareholders

As at 31 December 2022, 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	6,322,956	17.7
KRM22 Concert Party	4,392,827	12.3
Canaccord Genuity Wealth Management	3,750,000	10.5
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 23 – 28.

Dividends

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

Staff Equity Incentive Schemes

Details of staff Equity Incentive 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 UK adopted 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 UK adopted 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

27 June 2023

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 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of KRM22 Plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2022 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and Financial Reporting Standard 101 reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

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.

Conclusion relating to the going concern

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.

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 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 Director's assessment of going concern through analysis of the Group's cash flow forecast through to 30 June 2024, including assessing and challenging Director's assumptions underlying the forecasts and comparison against post year-end results to date;
- Checking and challenging the sensitivity analysis performed by Director's, 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 new financing agreement and covenants attached to it, 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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Overview

<table>
<tr><td rowspan="1">Coverage</td><td colspan="3">90% (2021: 96%) of Group loss before tax

94% (2021: 87%) of Group revenue

95% (2021: 90%) of Group total assets</td></tr>
<tr><td rowspan="5">Key audit matters</td><td></td><td>2022</td><td>2021</td></tr>
<tr><td>Going Concern</td><td>-</td><td>✓</td></tr>
<tr><td>Revenue Recognition</td><td>✓</td><td>✓</td></tr>
<tr><td>Impairment of intangible assets (including Goodwill)</td><td>✓</td><td>✓</td></tr>
<tr><td colspan="3">Going concern was no longer considered to be a key audit matter due to the Group obtaining new funding providing sufficient funds available for next 12 months from the date of approval of the accounts by the directors.</td></tr>
<tr><td>Materiality</td><td colspan="3">Group financial statements as a whole

£198,000 (2021: £193,000) based 6.05% of loss before tax (2021: 5.65% of loss before tax).</td></tr>
</table>

An overview of the scope of our audit

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

In establishing the overall approach to the Group audit, we assessed the audit significance of each component in the Group by reference to both its individual financial significance to the Group or other specific nature or circumstances. We identified six individually significant components, including the parent company, which makes up 90% of Group loss before tax and also covers 95% 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 Americas Inc, KRM22 Development Limited, KRM22 Market Surveillance Ltd and KRM22 ProOpticus LLC;
- The Group audit team performed specified audit procedures around administrative expenses for Object + Americas LLC , Object + Financial Products BV and Object + Financial Services BV due to their significance to the Group ; 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 94% 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.

Key audit matter		**How the scope of our audit addressed the key audit matter**
Revenue Recognition (Note 3,4 and 5)	As disclosed in note 3, 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. We considered there to be a significant audit risk arising from inappropriate or incorrect recognition of revenue from new contracts entered during the period and the non-recurring revenue. The key audit matters related to revenue recognition are as follows: • For new contracts the risk of material misstatement is in relation to revenue recognition of new licenses prior to delivery of the service; and	We performed the following specific testing: To address the risk of new license contracts we: • Verified a sample of Software-as-a-Service ('SaaS') licence fees recognised from new contracts in the year, reconciling to underlying agreements; • For the selected samples we have also checked that license revenue has commenced when access has been provided to the customer over the period of the license by reviewing the activity on the software platform, whilst the maintenance and support has also been correctly apportioned over the contract;

	• There is also a risk of material misstatement in relation to recognition of non-recurring revenue prior to the services being delivered.	For non-recurring revenue; • Agreed a sample of the Group's non-recurring revenue (mainly implementation and support fees) received to order and delivery confirmations, to underlying contracts and checked that services provided had a standalone value; **Key observations:** Based on the work performed we consider that revenue has been recognised appropriately.
Impairment of intangible assets (including Goodwill) (Note 3 and 13)	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 estimated involved in the determination of the recoverable amount of the intangibles (including goodwill).	Our audit procedures included the following: • We challenged management's inputs to the impairment assessment - growth rate, weighted average cost of capital, terminal value and model 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 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 as well as considering the overall sales pipeline identified by management. • We have also recalculated the different downside 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 financial reporting requirements of the related accounting policies and disclosures in the financial statements against the requirements of the accounting standards. • We have assessed and compared the current market capitalisation with the carrying value of the Goodwill and Intangibles, observed adequate headroom was available.

		Key observations Based on the procedures performed, we consider that management's estimates in determining the recoverable amount of intangibles including goodwill are reasonable. We consider the disclosure within the accounts is appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements		Parent company financial statements	
	2022	**2021**	**2022**	**2021**
Materiality	£ 198,000	£ 193,000	£ 31,240	£ 146,000
Basis for determining materiality	6.05% of losses before tax	5.65% of losses before tax	1.3% 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 a holding company an asset based metric was considered most appropriate.	
Performance materiality	£ 138,000	£ 135,000	£ 21,868	£ 102,000
Basis for determining performance materiality	a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments			

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, apart from the Parent Company whose materiality is set out above, at 50%-75% of Group materiality, dependent on the size and our assessment of the risk of material misstatement of that component, at £55,000 - £148,500 for components. 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 £9,900 (2021: £5,790). 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 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, 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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance including the Audit Committee;
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations; and

we considered the significant laws and regulations to be the applicable accounting framework, UK tax legislation, AIM Listing Rules and Companies Act 2006.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation etc.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations; and
- Review of financial statement disclosures and agreeing to supporting documentation;

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance also considered Audit Committee regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:

- Detecting and responding to the risks of fraud; and
- Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these;

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and revenue recognition.

Our procedures, in addition to those set out in the Key Audit Matter regarding Revenue, in respect of the above included:

- A review and verification of specific journal entries made in the year, agreeing the journals to supporting documentation and considering whether they are appropriate. We determined key risk characteristics, such as unusual pairings with a particular emphasis on revenue and cash journals;
- A critical review of the consolidation and, in particular, manual "top side journals" or late journals posted at consolidated level;
- A review of estimates and judgements applied by Management in the financial statements to assess their appropriateness and the existence of any systematic bias; and
- Review of unadjusted audit differences for indications of bias or deliberate misstatement.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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.

Matthew Haverson (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

Date: 27 June 2023

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 2022

	Note	2022 £'000	2021 £'000
Revenue	5	**4,273**	4,128
Cost of sales		**(955)**	(676)
Gross profit		**3,318**	3,452
Other operating income	6	**131**	259
Administrative expenses	7	**(6,077)**	(6,695)
Operating loss before interest, taxation, depreciation, amortisation, share based payment and exceptional items ("Adjusted EBITDA")		**(1,684)**	(687)
Depreciation and amortisation		**(1,637)**	(1,696)
Profit on disposal of tangible/intangible assets		**14**	6
Contingent consideration charge		**–**	(126)
Unrealised foreign exchange gain/(loss)		**812**	(112)
Acquisition, funding and debt related expenses		**–**	(20)
Share-based payment charge		**(133)**	(349)
Operating loss		**(2,628)**	(2,984)
Finance charge (net)	10	**(641)**	(438)
Loss before taxation		**(3,269)**	(3,422)
Taxation credit	11	**168**	92
Loss for the year		**(3,101)**	(3,330)
Loss for the year attributable to:			
Equity shareholders of the parent		**(3,101)**	(3,330)
		(3,101)	(3,330)
Other comprehensive income			
Item that may be reclassified subsequently to profit and loss:			
Exchange loss on translation of foreign operations		**(563)**	(7)
Total comprehensive loss for the year		**(3,664)**	(3,337)
Total comprehensive loss for the year attributable to:			
Equity shareholders of the parent		**(3,664)**	(3,337)
		(3,664)	(3,337)
Loss per ordinary share			
Basic losses share	12	**(8.7p)**	(12.4p)
Diluted losses per share	12	**(8.7p)**	(12.4p)

All amounts relate to continuing activities.

The notes on pages 55 to 82 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE GROUP

As at 31 December 2022

	Note	2022 £'000	2021 £'000
Non-current assets			
Goodwill	13	5,167	4,841
Other intangible assets	13	2,244	2,573
Property, plant and equipment	14	11	54
Right of use assets	20	369	632
		7,791	8,100
Current assets			
Trade and other receivables	16	1,462	741
Cash and cash equivalents	18	1,900	5,362
		3,362	6,103
Total assets		11,153	14,203
Current liabilities			
Trade and other payables	19	3,853	3,436
Lease liabilities	20	493	483
Loans and borrowings	21	2,974	97
Derivative financial liability	21	255	45
		7,575	4,061
Net current (liabilities)/assets		(4,213)	2,042
Non-current liabilities			
Trade and other payables	19	30	45
Lease liabilities	20	122	321
Loans and borrowings	21	–	2,763
Deferred tax liability	22	245	301
		397	3,430
Total liabilities		7,972	7,491
Net assets		3,181	6,712
Equity			
Share capital	24	3,567	3,567
Share premium		20,517	20,517
Merger reserve		(190)	(190)
Convertible debt reserve		224	224
Foreign exchange reserve		(448)	115
Share-based payment reserve	25	3,045	2,912
Retained deficit		(23,534)	(20,433)
Total equity		3,181	6,712

The financial statements were approved by the Board and authorised for issue on 27 June 2023 and are signed on its behalf by:

Kim Suter
Company Secretary

The notes on pages 55 to 82 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	2022 £'000	2021 £'000
Non-current assets			
Investments	15	732	642
Intercompany loans	16	77	332
		809	974
Current assets			
Trade and other receivables	16	96	64
Cash and cash equivalents	18	1,475	4,527
		1,571	4,591
Total assets		2,380	5,565
Current liabilities			
Trade and other payables	19	170	210
Loans and borrowings	21	2,974	97
		3,144	307
Net current (liabilities)/assets		(1,573)	4,284
Non-current liabilities			
Loans and borrowings	21	–	2,763
		–	2,763
Total liabilities		3,144	3,070
Net (liabilities)/assets		(764)	2,495
Equity			
Share capital	24	3,567	3,567
Share premium		20,517	20,517
Convertible debt reserve		224	224
Share-based payment reserve	25	3,045	2,912
Retained earnings		(28,117)	(24,725)
Total equity		(764)	2,495

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 £3,392,000 (2021: loss of £1,138,000).

The financial statements were approved by the Board and authorised for issue 27 June 2023 and are signed on its behalf by:

Kim Suter

Company Secretary

The notes on pages 55 to 82 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE GROUP

For the year ended 31 December 2022

	Ordinary Shares £'000	Share premium £'000	Merger reserve £'000	Convertible debt reserve £'000	Foreign exchange reserve £'000	SBP Reserve £'000	Retained losses £'000	Total equity £'000
At 1 January 2022	3,567	20,517	(190)	224	115	2,912	(20,433)	6,712
Loss for the year	–	–	–	–	–	–	(3,101)	(3,101)
Other comprehensive loss	–	–	–	–	(563)	–	–	(563)
Total comprehensive loss	–	–	–	–	(563)	–	(3,101)	(3,664)
Share-based payments	–	–	–	–	–	133	–	133
At 31 December 2022	**3,567**	**20,517**	**(190)**	**224**	**(448)**	**3,045**	**(23,534)**	**3,181**

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	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**

The notes on pages 55 to 82 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Ordinary shares £'000	Share premium £'000	Convertible debt reserve £'000	SBP Reserve £'000	Retained losses £'000	Total equity £'000
As at 1 January 2022	3,567	20,517	224	2,912	(24,725)	2,495
Loss for the period	–	–	–	–	(3,392)	(3,392)
Share-based payments	–	–	–	133	–	133
As at 31 December 2022	**3,567**	**20,517**	**224**	**3,045**	**(28,117)**	**(764)**

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**

The notes on pages 55 to 82 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE GROUP

For the year ended 31 December 2022

	2022 £'000	2021 £'000
Cash flows from operating activities		
Loss for the year	(3,101)	(3,330)
Adjustments for:		
Tax credit	(168)	(92)
Net finance expense	641	438
Amortisation of intangible assets	1,324	1,201
Depreciation of property, plant and equipment and right of use assets	313	495
Profit on disposal of intangible/tangible assets	(14)	(6)
Contingent consideration charge	–	126
Unrealised (gain)/loss on non-GBP denominated loans	(812)	112
Equity-settled share-based payment expense	133	349
Bad debt provision	–	127
Income taxes received	97	–
	(1,587)	(580)
(Increase)/decrease in trade and other receivables	(721)	566
Increase/(decrease) in trade and other payables	187	(33)
	(534)	533
Net cash flows used in operating activities	(2,121)	(47)
Cash flows from investing activities		
Purchase of intangible assets	(840)	(749)
Purchase of property, plant and equipment	(8)	(6)
Net cash used in investing activities	(848)	(755)
Cash flows from financing activities		
Proceeds from issue of shares	–	4,735
Lease payments principal	(217)	(204)
Lease payments interest	(33)	(56)
Interest paid	(285)	(285)
Net cash (used in)/from financing activities	(535)	4,190
Net (decrease)/increase in cash and cash equivalents	(3,504)	3,388
Cash and cash equivalents at beginning of the year	5,362	1,974
Effect of foreign exchange rate changes	42	–
Cash and cash equivalents at the end of the year	1,900	5,362

The notes on pages 55 to 82 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 UK Adopted 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 2022. 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 UK Adopted international accounting standards, 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 2022, 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-24	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 loan facility (the "Kestrel Convertible Loan") with Kestrel Partners LLP ("Kestrel"). At 31 December 2022 the Group had £1.9m of cash at bank and debt due to Kestrel of £3.0m (gross). As detailed in note 29, on 17 June 2023, the Company entered into an agreement for a new £5.0m convertible loan facility (the "TT Convertible Loan") arranged by Trading Technologies International, Inc. ("TT"), the Company's largest shareholder, to replace the existing Kestrel Convertible Loan.

The TT Convertible Loan is for up to £5.0m with an initial £4.0m drawn down on 23 June 2023, of which £3.1m was used to repay the outstanding Kestrel Convertible Loan debt of £3.0m plus interest of £0.1m. The remaining £1.0m of the £5.0m facility can be drawn down at any point by KRM22.

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. Reasonable downside scenarios have been considered and management consider with appropriate actions being taken KRM22 has the ability to meet the various financial covenants.

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.

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.

Deferred revenue

At 31 December 2022, the balance of deferred revenue was £1.8m (2021: £1.7m) 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 not 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 period, 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 four areas within the financial statements which constitute critical accounting judgements as follows:

I. 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.

II. 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.

III. 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.

IV. 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.

V. 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 two areas of risk management as operating segments, together with a third segment where the two areas of risk management are not easily separable, 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:

	2022 Revenue £'000	2022 Non-current assets £'000	2021 Revenue £'000	2021 Non-current assets £'000
UK	1,712	2,694	1,234	3,224
Europe	716	1,955	895	1,918
USA	1,520	3,141	1,697	2,958
Rest of world	325	1	302	–
Total	4,273	7,791	4,128	8,100

The Directors consider that the business has two areas of risk management: Trading Risk and Corporate Risk as is described in the Strategic Report. Within these segments, there are two revenue streams with different characteristics, which are generated from the same assets and cost base.

One customer generated more than 10% of total revenue during the year ended 31 December 2022. The total revenue received from this customer was £0.5m (2021: £0.4m) and is included within the UK segment. No customer generated more than 10% of total revenue in the year ended 31 December 2021.

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.

	2022 £'000	2021 £'000
Recurring revenue	3,945	3,955
Non-recurring revenue	328	173
Total revenue	4,273	4,128

	2022 £'000	2021 £'000
Trading Risk	**1,867**	1,881
Corporate Risk	**2,258**	2,247
Multiple Risk	**148**	–
Total	**4,273**	4,128

6. Other operating income

	2022 £'000	2021 £'000
Grant income relate to COVID 19 (refer to note below)	**–**	188
Operating lease income (net)	**131**	71
Total revenue	**131**	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. There was no grant income related to COVID-19 received in the year ended 31 December 2022.

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. 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 (2021: £0.1m).

7. Operating loss

Operating loss for the year has been arrived at after charging/(crediting) the following:

	2022 £'000	2021 £'000
Depreciation of property, plant and equipment	**48**	86
Depreciation of right of use assets	**265**	409
Amortisation of intangible assets	**1,324**	1,201
Acquisition, funding and debt expenses (refer to note below)	**–**	20
Contingent consideration charge (refer to note below)	**–**	126
Operating lease costs	**28**	23
Foreign currency exchange (gains)/losses	**(843)**	110

I. Contingent consideration charge

In the year ended 31 December 2021, a contingent consideration charge of £0.1m 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 was adjusted to reflect the amount payable. There was no contingent consideration charge recognised in the year ended 31 December 2022.

8. Auditor's remuneration

	2022 £'000	2021 £'000
For audit services		
Audit of the financial statements of the Company	106	85
Audit of the financial statements of the Company's subsidiaries	–	8
	106	93
For other services		
Tax services of the Company	3	12
Tax services for the Company's subsidiaries	32	4
	35	16

9. Employee information

I. Employee numbers

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

	2022 No.	2021 No.
UK	23	25
Europe	9	11
USA	11	11
Rest of world	2	2
Total	45	49

II. Employee benefits

The aggregate payroll cost of these persons were as follows:

	2022 £'000	2021 £'000
Wages and salaries	3,597	2,855
Social security costs	252	188
Pension costs to defined contribution schemes	145	126
Share-based payments	133	349
Total	4,127	3,518

III. Directors' remuneration

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

	2022 £'000	2021 £'000
Remuneration for qualifying services	567	354
Pension contributions to defined contribution schemes	9	6
Share-based payments	54	201
Total	630	561

Full details of Directors' remuneration is presented in the Remuneration Committee report on page 33. Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2022 £'000	2021 £'000
Remuneration for qualifying services	244	128
Total	244	128

The number of Directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2021: 1).

10. Finance expense

	2022 £'000	2021 £'000
Interest income	(2)	(2)
Interest expense on financial liabilities	610	384
Interest expense on lease liabilities	33	56
Net finance expense	641	438

11. Taxation

	2022 £'000	2021 £'000
Current tax		
UK Corporation tax at 19% on loss for the year (2021:19%)	–	–
Income tax on foreign subsidiaries	8	–
Research and Development tax credits	(97)	–
Total current tax	(89)	–
Deferred tax		
Origination and reversal of temporary differences	–	(9)
Intangible assets recognised on acquisition	(79)	(83)
Total deferred tax (note 22)	(79)	(92)
Total tax credit	(168)	(92)

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

	2022 £'000	2021 £'000
Losses before tax	(3,269)	(3,422)
Loss before tax based on corporation tax 19% (2021: 19%)	(621)	(650)
Accelerated capital allowances	–	(9)
Expenses not deductible for tax purposes	21	27
Intangible assets recognised on acquisition	(79)	(83)
Income tax on foreign subsidiaries	8	–
Losses carried forward	503	623
Total tax credit	(168)	(92)

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.

	2022 £'000	2021 £'000
Loss for the year attributable to equity holders of the parent	**(3,101)**	(3,330)
Basic weighted average number of shares in issue	**35,666,336**	26,765,037
Diluted weighted average number of shares in issue	**46,671,529**	35,502,896
	(8.7p)	(12.4p)

13. Intangible assets

	Goodwill on Consolidation £'000	Acquired software and related assets £'000	Capitalised development costs £'000	Total £'000
Cost				
At 1 January 2022	7,537	2,826	5,002	15,365
Additions	–	–	840	840
Disposals	–	–	(2,353)	(2,353)
Foreign exchange movements	516	118	75	709
At 31 December 2022	8,053	2,944	3,564	14,561
Accumulated amortisation				
At 1 January 2022	2,696	1,525	3,730	7,951
Amortisation for the year	–	453	871	1,324
Disposals	–	–	(2,353)	(2,353)
Foreign exchange movements	190	(2)	40	228
At 31 December 2022	2,886	1,976	2,288	7,150
At 31 December 2021	4,841	1,301	1,272	7,414
At 31 December 2022	**5,167**	**968**	**1,276**	**7,411**

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

The Company has estimated the recoverable amount at £12.8m 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 FY23 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, which includes significant growth from the strategic partnership with Trading Technologies International, Inc. ("TT"). The value in use was estimated by probability weighting the value in use under each scenario as summarised below.

Scenario	Annual Revenue growth FY23 to FY27 %	Annual cost growth FY23 to FY27 %	Value in use £'000	Headroom/ (Impairment) £'000	Probability %
Upside	40%	6%	21,047	13,636	15%
Base case	34%	5%	13,988	6,577	70%
Downside	20%	3%	1,472	(5,939)	10%
Severe downside	10%	2%	(5,868)	(13,279)	5%
Probability weighted average			**30,639**	**995**	**100%**

The single most likely scenario assumed revenue growth of 34% per annum over the period (2021: 25%). The other key assumptions used were:

- The discount rate (WACC) of 20% (2021: 13%). An increase of 1% in WACC rate would result in a £3.6m decrease in the headroom.
- Long-term growth rate of 1.5% (2021: 1.5%). An increase of 1%, in the long-term growth rate would result in a £2.3m increase in the headroom.

14. Property, plant and equipment

	Fixtures and Fittings £'000	Office equipment £'000	Total £'000
Cost			
At 1 January 2022	239	124	363
Additions	–	8	8
Disposals	(90)	(30)	(120)
Foreign exchange movements	15	1	16
At 31 December 2022	164	103	267
Accumulated depreciations			
At 1 January 2022	210	99	309
Depreciation charge for the year	30	18	48
Disposals	(89)	(27)	(116)
Foreign exchange movements	13	2	15
At 31 December 2022	164	92	256
Net book value at 31 December 2021	29	25	54
Net book value at 31 December 2022	**–**	**11**	**11**

15. Investment in subsidiaries

	2022 £'000	2021 £'000
Cost		
At 1 January 2022	642	489
Additions	90	153
At 31 December 2022	732	642
Carrying amount		
At 1 January 2022	642	489
At 31 December 2022	732	642

The additions in 2022 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 2022 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.	1 South Wacker Drive, Suite 1200, Chicago IL 60606 USA	100%	Administrative and sales company
KRM22 ProOpticus LLC	1 South Wacker Drive, Suite 1200, 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	1 South Wacker Drive, Suite 1200, Chicago IL 60606 USA	100%	Sales company

* Shares held directly by KRM22 Plc
** In liquidation

The following subsidiaries have been granted exemption from audit of their individual accounts under section 479A of the Companies Act 2006 following a guarantee given by the parent entity, KRM22 Plc:

- KRM22 Development Limited (Company number: 11082447)
- KRM22 Market Surveillance Limited (Company number: 10754403)

16. Trade and other receivables

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

	2022 Group £'000	2022 Company £'000	2021 Group £'000	2021 Company £'000
Amounts falling due within one year:				
Trade receivables	939	2	328	–
Other receivables	276	9	217	6
Prepayments and accrued income	247	85	196	58
Total trade and other receivables due within one year	1,462	96	741	64
Amounts falling due after more than one year:				
Amounts due from group undertakings	–	77	–	332
Total trade and other receivables due in more than one year	–	77	–	332

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

At 31 December 2022, the Group had trade receivables falling due within one year of £0.9m including provisions of £nil (2021: £0.4m including provisions of £0.1m), other receivables falling due within one year of £0.3m including provisions of £nil (2021: £0.2m including provisions of £nil). At 31 December 2022, the Company had amounts due from group undertakings falling due after more than one year of £0.1m including provisions of £0.3m (2021: £0.3m with provisions of £1.8m).

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 £0.3m (2021: £1.8m) 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	2022 £'000	2021 £'000
0 – 30 days	897	306
31 – 60 days	30	3
61 – 90 days	12	19
Total trade and other receivables due in less than one year	939	328

18. Cash and cash equivalents

	2022 Group £'000	2022 Company £'000	2021 Group £'000	2021 Company £'000
Cash at banks and on hand	1,900	1,475	5,362	4,527
	1,900	1,475	5,362	4,527

19. Trade and other payables

	2022 Group £'000	2022 Company £'000	2021 Group £'000	2021 Company £'000
Amounts falling due within one year:				
Trade payables	393	32	479	67
Accruals and deferred income	2,137	138	1,959	143
Social security and other taxation	325	–	121	–
Other payables	998	–	877	–
Total due within one year	3,853	170	3,436	210
Amounts falling due after more than one year:				
Provision for dilapidations	30	–	45	–
Total due in more than one year	30	–	45	–

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 2022 of £1.0m (2021: £0.9m) relate to contingent consideration associated with the acquisition of Object+. The contingent consideration is payable subject to earnout conditions and performance milestones and the Directors believe that the third and final performance milestone was achieved. 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 2022	1,708
Disposals	(689)
Foreign exchange movements	73
At 31 December 2022	1,092
Accumulated depreciation	
At 1 January 2022	1,076
Depreciation charge for year	265
Disposals	(689)
Foreign exchange movements	71
At 31 December 2022	723
Net book value at 31 December 2021	632
Net book value at 31 December 2022	**369**

Lease liabilities

	Total £'000
Cost	
At 1 January 2022	804
Interest expense	33
Lease payments	(250)
Foreign exchange movements	28
At 31 December 2022	**615**

The maturity of the lease liabilities is as follows:

	2022 £'000	2021 £'000
Amounts payable under leases		
Within one year	493	483
In two to five years	122	321
	615	804

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

21. Loans and borrowings

	2022 £'000	2021 £'000
Current		
Secured loans	2,974	97
	2,974	97
Non-Current		
Secured loans	–	2,763
	–	2,763
	2,974	2,860

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 "Kestrel Convertible Loan") with Kestrel Partners LLP ("Kestrel"). The interest rate payable on the Kestrel Convertible Loan is 9.5% per annum and is paid quarterly in arrears. Kestrel can convert the Kestrel 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 Kestrel Convertible Loan is secured on certain Group assets and includes covenants based on Group financial performance, based on Annualised Recurring Revenue ("ARR") and solvency.

The Kestrel 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 Kestrel Convertible Loan term, subject to the conversion option not being exercised by either Kestrel or KRM22. The Kestrel Convertible Loan is classified as being a compound financial instrument and on this basis IAS 32 requires that the Kestrel 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 52), by deducting the amount calculated for the liability component from the fair value of the instrument as a whole. As the Kestrel 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 Kestrel Convertible Loan is adjusted for total transaction costs incurred of £0.1m.

As detailed in note 29, on 17 June 2023, the Company entered into an agreement for a new £5.0m convertible loan facility (the "TT Convertible Loan") arranged by Trading Technologies International, Inc. ("TT"), the Company's largest shareholder, with an initial £4.0m drawn down on 23 June 2023, of which £3.1m was used to repay the outstanding Kestrel Convertible Loan debt of £3.0m plus interest of £0.1m.

22. Deferred tax

	Intangible assets recognised on acquisition £'000	Accelerated capital allowances £'000	Total £'000
Deferred tax liability at 1 January 2021	396	9	405
Income statement (credit)	(83)	(9)	(92)
Foreign exchange movements	(12)	–	(12)
Deferred tax liability at 31 December 2021	301	–	301
Income statement (credit)	(79)	–	(79)
Foreign exchange movements	23	–	23
Deferred tax liability at 31 December 2022	**245**	**–**	**245**

KRM22 has tax losses of £19.8m (2021: £16.4m) 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 £5.0m (2021: £3.9m).

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 £0.2m (2021: £0.3m) has been recognised in relation to intangible assets of £2.9m (2021: £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 25% 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:

	2022 £'000	2021 £'000
Due within one year	–	2
	–	2

24. Share capital

	2022 No.	2022 £'000	2021 No.	2021 £'000
Issued and fully paid 10p Ordinary shares				
At 1 January	**35,666,336**	**3,567**	26,719,127	2,672
Issued for cash during the year	–	–	8,947,209	895
At 31 December	**35,666,336**	**3,567**	35,666,336	3,567

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 a warrant may be exercised at any other time and in any other circumstances. If the warrants remain unexercised after a period of ten years from the date of the grant the warrants 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 425,557 options to employees of KRM22 and this included 300,000 options (the "LTIP Options") granted to employees as part of long-term incentive plans and 125,557 options (the "Salary Sacrifice Options") granted to employees who waived a proportion of their salary in 2021 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 2022 is 1 year and 2 months (2021: 1 year and 2 months).

	Weighted average exercise price £	2022 Number	Weighted average exercise price £	2021 Number
Outstanding at 1 January	**0.80**	**10,146,447**	0.72	9,703,716
Granted during the year	**0.58**	**425,557**	0.46	617,719
Forfeited during the year	**0.51**	**(16,000)**	0.64	(144,363)
Exercised during the year	**–**	**–**	0.30	(30,625)
Outstanding at 31 December	**0.79**	**10,556,004**	0.80	10,146,447

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

The fair value of the outstanding options without performance conditions was measured using the Black Scholes options valuation model. The inputs to that model in respect of the share options outstanding under each issue were as follows:

Grant month	Sep 2018	Jun 2019	Jun 2019	Nov 2019
Weighted average share price at grant date	£1.0950	£0.770	£0.770	£0.535
Exercise price	£1.000	£0.850	£0.850	£0.850
Weighted average contractual life	3 years	3 years	1 year	3 years
Expected volatility	30%	30%	30%	30%
Expected dividend growth rate	–	–	–	–
Risk-free interest rate	0.86%	0.86%	0.86%	0.86%
Grant month	**Dec 2019**	**Jul 2020**	**Sep 2020**	**Oct 2020**
Weighted average share price at grant date	£0.525	£0.280	£0.380	£0.380
Exercise price	£0.525	£0.300	£0.380	£0.380
Weighted average contractual life	3 years	3 years	3 years	3 years
Expected volatility	30%	30%	30%	30%
Expected dividend growth rate	–	–	–	–
Risk-free interest rate	0.86%	0.86%	0.86%	0.86%
Grant month	**Jan 2021**	**May 2021**	**Feb 2022**	**Dec 2022**
Weighted average share price at grant date	£0.365	£0.475	£0.450	£0.480
Exercise price	£0.365	£0.500	£0.450	£0.630
Weighted average contractual life	3 years	3 years	3 years	3 years
Expected volatility	30%	30%	30%	30%
Expected dividend growth rate	–	–	–	–
Risk-free interest rate	0.86%	0.86%	1.07%	3.30%

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%

Restricted Stock Units

On 18 September 2020, the Company awarded 253,162 Restricted Stock Units ("RSUs") to an Executive Director which vest over three years with an exercise price of 38.0 pence per share and are not subject to any share price performance conditions and do not lapse if the Executive Director ceases to be employed by KRM22. On 27 April 2023, the vesting period for the RSUs was extended from three to five years from the date of award.

The total expense recognised for the year ending 31 December 2022 arising from equity-settled share-based payment transactions amounted to £0.1m (2021: £0.3m) and the share-based payment reserve as at 31 December 2022 amounted to £3.0m (2021: £2.9m).

26. Capital commitments

At 31 December 2022 KRM22 had no material capital commitments (2021: £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.

	2022 Group £'000	2022 Company £'000	2021 Group £'000	2021 Company £'000
Financial assets				
Cash at banks and on hand – unrestricted	**1,900**	**1,475**	5,362	4,527
Trade receivables group companies	**–**	**77**	–	332
Trade and other receivables	**1,215**	**–**	545	–
	3,115	**1,552**	5,907	4,859
Financial liabilities				
Trade and other payables	**1,421**	**32**	1,401	67
Accruals	**293**	**138**	268	143
Borrowings	**2,974**	**–**	2,860	–
Derivative financial liability at FVTPL (Level 1)	**255**	**–**	45	–
Finance lease obligations	**615**	**–**	804	–
	5,558	**170**	5,378	210

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:

	2022
Share price at reporting date	£0.48
Exercise price	£1.01
Expiry period	6years
Expected volatility	30%
Expected dividend growth rate	–
Risk-free interest rate	3.58%

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 2021				
Average rate	1.38	1.17	29.87	1.85
Year-end spot rate	1.35	1.19	29.67	1.82
Year ended 31 December 2022				
Average rate	**1.23**	**1.17**	**28.68**	**1.70**
Year-end spot rate	**1.21**	**1.13**	**27.28**	**1.62**

Foreign currency sensitivity analysis

The following table details KRM22's sensitivity analysis to a 10% (2021: 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 10% (2021: 5%) strengthening of Sterling against the relevant currency there would be a comparable impact on financial performance.

	Loss 2022 £'000	Other equity 2022 £'000	Loss 2021 £'000	Other equity 2021 £'000
US Dollar	**(151)**	**(386)**	(33)	(96)
Euros	**(19)**	**(15)**	(7)	5
Czech Kroner	**(185)**	**(555)**	(75)	(176)
Singapore Dollar	**(6)**	**(3)**	–	1
	(361)	**(959)**	(115)	(266)

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 2021				
Trade and other payables	3,436	–	–	3,436
Secured loans (gross)	285	3,210	–	3,495
Finance lease obligations	483	250	71	804
At 31 December 2022				
Trade and other payables	**2,009**	**–**	**–**	**2,009**
Secured loans (gross)	**3,210**	**–**	**–**	**3,210**
Finance lease obligations	**493**	**122**	**–**	**615**

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. 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:

	2022 £'000	2021 £'000
Short-term employee benefits	567	354
Retirement benefits	9	6
Share-based payment benefits	54	201
Total	630	561

Related party transactions

During the year, the Group recognised revenue from Trading Technologies International, Inc. ("TT") of £0.1m (2021: £nil) under normal commercial terms. At 31 December 2022, the balance due to the Group from TT was £0.0m (2021: £nil). In addition, TT provided services to the Group of £0.0m and the balance due to TT from the Group at 31 December 2022 was £0.0m (2021: £nil). As detailed in note 29, on 17 June 2023, the Company entered into an agreement for a new £5.0m convertible loan facility (the "TT Convertible Loan") arranged by TT, with an initial £4.0m drawn down on 23 June 2023. TT is a 25.0% shareholder of the Company.

On 15 September 2020, KRM22 entered into an agreement for a new three year £3.0m loan facility (the "Kestrel Convertible Loan") with Kestrel Partners LLP ("Kestrel"). The interest rate payable on the Kestrel Convertible Loan is 9.5% per annum payable quarterly in arrears and the total interest charged in the year ended 31 December 2022 was £0.3m (2021: £0.3m). Kestrel can convert the Kestrel 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, 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 Kestrel Convertible Loan is secured on certain KRM22 assets and includes covenants based on the Group's financial performance, based on ARR and solvency. As detailed in note 29, on 23 June 2023, the Company repaid the Kestrel Convertible Loan. Kestrel, inclusive of beneficial interests, is a 17.7% shareholder of the Company.

29. Events after the reporting date

On 17 June 2023, the Company entered into an agreement for a new £5.0m convertible loan facility (the "TT Convertible Loan") arranged by TT, the Company's largest shareholder, to replace the existing Kestrel Convertible Loan and to support future business growth.

The TT Convertible Loan is for up to £5.0m with an initial £4.0m drawn down on 23 June 2023, of which £3.1m was used to repay the outstanding Kestrel Convertible Loan debt of £3.0m plus interest of £0.1m.

The interest rate payable on the TT Convertible Loan is the aggregate of the SOFR average rate and a margin of 5.5% provided that the amount of such aggregate percentage rate shall be a minimum of 9.25%. Interest on the TT Convertible Loan is paid quarterly however in the first 18 months of the TT Convertible Loan term, interest can be deferred with 50% of any deferred interest being paid at 18 months and the remaining balance of deferred interest being paid at 21 months. The term of the TT Convertible Loan is three years with the option to extend by a further year to four years.

TT can convert the TT Convertible Loan into new ordinary shares in the Company at any time at the lowest conversion price of: 46p, the volume weighted average price of the Company's ordinary shares for the three-month period prior to service of a conversion notice; or the lowest daily closing price for the 30 completed calendar days prior to service of a conversion notice. TT has the right to prevent any conversion which would trigger a Rule 9 event under the Takeover Code. The TT Convertible Loan is secured on certain KRM22 assets and includes covenants based on the Group's financial performance, based on ARR, revenue recognised and solvency.

COMPANY INFORMATION

The board of directors

Keith Todd CBE

Executive Chairman

Stephen Casner

CEO

Kim Suter

CFO

Sandy Broderick

Non-Executive Director

Garry Jones

Non-Executive Director

Steve Sparke

Non-Executive Director

Registered office

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Company number

11231735

Company Secretary

Kim Suter

Nominated Adviser and Broker

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Solicitors

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

Auditor

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

Registrars

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