

KRM22

risk as alpha

Half Year Results

KRM22

25/09/2018

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KRM22 plc (AIM: KRM.L), a specialist software investment business, with focus on risk management software and technology predominantly for capital markets, announces its unaudited interim results for the six months ended 30 June 2018 (“H1 2018”, the “Period”).

Highlights

- Successful IPO in April 2018, raising gross proceeds of £10.32m
- Maiden investment: acquired 60% of Irisium Limited (“Irisium”), a market surveillance technology company generating £1.0m annualised recurring revenue (“ARR”)
- Adjusted operating loss* of £0.9m (2017 - £nil)
- Operating loss of £1.4m (2017 - £nil)
- Cash and cash equivalents at 30 June 2018 of £6.9m

Post-Period Events

- Partnership with Ascent Technologies Inc. (“Ascent”) for KRM22 companies to distribute and support Ascent’s Regulatory Technology Platform on the KRM22 Global Risk Platform
- New contract win by Irisium in the crypto-currency sector
- Investment in KRM22’s Enterprise Risk team with three subject matter experts

* The adjusted operating loss equals the reported operating loss less IPO and acquisition costs of £0.4m and share-based payments of £0.2m.

Commenting on the results, Executive Chairman and CEO of KRM22, Keith Todd CBE, said:

“It has been just a few months since our IPO, but in that short time we have achieved a great deal. We have secured our first investment and have wasted no time in building out the early foundations of what, we believe, will be the new standard in risk management for capital markets. Our excitement at the market opportunity is even stronger than at IPO. We look forward to building the Global Risk Platform and a strong, recurring revenue business.”

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014

For further information please contact:**KRM22 plc**

Keith Todd CBE, Executive Chairman and CEO

Karen Bach, COO

via FTI Consulting LLP**finnCap Ltd (Nominated Adviser and Sole Broker)****+44 (0)20 7220 0500**

Carl Holmes / Kate Bannatyne

FTI Consulting LLP**+44 (0)20 3727 1000**

Matt Dixon / Jamille Smith / Debbie Oluwaseyi Sonaïke

About KRM22 plc

KRM22 is a closed-ended investment company which listed on AIM on 30 April 2018. The Company has been established with the objective of creating value for its investors through the investment in, and subsequent growth and development of, target companies in the technology and software sector, with a focus on risk management in capital markets.

Through its investments and the Global Risk Platform, KRM22 helps capital market companies reduce the cost and complexity of risk management - a fundamental challenge that erodes their profitability and constrains opportunities to generate alpha.

Through the KRM22 Global Risk Platform, KRM22 offers a modular application portfolio addressing risk management challenges across risk domains, covering market, regulatory, technology and operations risk, and across these domains as enterprise risk to assess, monitor and manage the increasing correlation between them.

Capital markets companies' partner with KRM22 to optimize risk management systems and processes to improve profitability and expand opportunities to increase portfolio returns by successfully leveraging risk into alpha.

KRM22 PLC is listed on AIM and the Group is headquartered in London, with offices in several of the world's major financial centres.

See more about KRM22 at KRM22.com.

CHAIRMAN'S REPORT

Introduction

I am delighted to announce our maiden financial results, albeit for such a short period and so early in our journey.

We believe that the KRM22 journey will be an exciting one and that we have a significant opportunity to build the Global Risk Platform as a software-as-a-service solution ("SaaS") for capital market customers.

About KRM22

KRM22 is a specialist software investment business led by industry experts, with an investment focus on risk management software and technology predominantly for capital markets.

KRM22 envisions a world in which capital market organisations operate at an optimal threshold of risk to improve alpha and drive increasing profits. It is our mission to deliver a Global Risk Platform that brings increased visibility of risks to CEOs and senior executives while simultaneously lowering the cost of risk management systems to capital market organisations.

The KRM22 Global Risk Platform ('GRP')

The GRP will combine multiple software applications in one place for the customer, allowing single-sign-on and integration of multiple operational risk tools.

The KRM22 GRP will be delivered as a SaaS offering and will generate recurring revenue.

Strategy

To deliver the GRP, we will:

- Invest in businesses with specialised risk management software and subject matter expertise that deliver SaaS and recurring revenue (or those that we can quickly convert to our model);
- Develop the underlying technology of the GRP and add to that our own Enterprise Risk applications; and
- Establish partnerships with third-party applications to distribute those products on a revenue-share model.

Specialised risk management businesses

In capital markets, there are a multitude of software products provided by small businesses who have deep subject matter expertise but face challenges to scale up to a large market presence.

By bringing such businesses into the KRM22 group:

- KRM22's customers will gain access to quality products, often with more flexible technology versus customers' incumbent applications;
- The acquired businesses themselves will solve their scaling challenges and gain cross-selling opportunities within the KRM22 customer-base; and

- KRM22 will accelerate its GRP product offering and the breadth of its customer base, thereby accelerating the potential generation of investor returns.

The functionality acquired from the applications we invest in will be integrated on to the GRP in progressive steps. In parallel, we will continue to generate new sales in each acquired business and leverage the cross-selling opportunities that we will generate.

Investing policy

KRM22 seeks to invest in businesses with some, or all, of the following features:

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

Enterprise Risk Applications

The KRM22 Enterprise Risk Applications include a Risk Cockpit that will deliver a dashboard to customers that shows them “red-amber-green” risk traffic lights across their business in real-time. The best analogy is that of an airplane cockpit, allowing the pilot to see the status of all flight functions at all times in flight.

The Risk Cockpit is one native application that KRM22 is developing internally for the GRP. It will be configurable by each customer and relevant to all our customer base, whether acquired through investment or organically.

Distribution of third-party applications

On the GRP, KRM22 will also make available third-party specialised risk management applications so that a customer can access additional solutions from our single platform. This simplifies real-time risk management for the customer and offers a route to market for those application-providers. KRM22 will generate revenue through these partnerships on a revenue-share basis.

The Market Opportunity

Capital market organisations are under growing pressure from:

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

These trends impact not only tier 1 banks but all organisations across the key financial hubs.

An Accenture survey in 2017 found that 89% of 160 Compliance Execs expected continued cost increases in their compliance departments over the next two years. Of their organisations, 23% spend more than 5% of net income on compliance.¹

A Deloitte survey in 2017 found that 86% of 77 financial institutions said their Board of Directors are devoting more time to risk management than 2 years ago.²

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

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

Progress

In the short time since admission to AIM on 30 April 2018, we have rapidly proceeded to execute our strategy in line with our investing policy.

Irisium – first investment

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

London-based Irisium provides trade surveillance software and, at the time of investment, had 13 customers and £1.0m annualised recurring revenue ("ARR"). The Irisium system gives customers configurable market-specific alerts, tailored reports, and integrated case management to make trade surveillance efficient and straightforward. In addition to traditional market abuse scenarios, Irisium monitors high frequency trading, abusive trading patterns and entity relationships.

The remaining 40% of the issued share capital of Irisium remains owned by Cinnober Financial Technology AB ("Cinnober"). Cinnober continues to use its sales strength to sell the Irisium product offering to its core exchange market. KRM22 provides Irisium access to new sales channels to sell its product to derivatives trading firms and hedge funds while Irisium continues to sell directly into other capital market sectors.

On completion of the acquisition of Irisium, KRM22 paid £1.7m to Cinnober in cash consideration for its shares, and £0.9m to acquire 60% of a shareholder loan previously held by Cinnober. Based on revenue performance by Irisium, an earn-out consideration of £0.6m may be payable in 2019, payable in cash or shares, at KRM22's discretion. In addition, KRM22 has agreed to provide up to £1.0m to satisfy future funding requirements to further develop Irisium's surveillance product offering.

On 12 July 2018, we announced a contract signed by Irisium with a new customer in the cryptocurrency sector. The additional contract means that Irisium now has 14 customers and £1.1m ARR.

Ascent Technology – first distribution partnership

On 11 July 2018, we entered into a channel development and royalty agreement as well as a sales distribution agreement with Ascent Technologies Inc. ("Ascent") to distribute this third-party application through the GRP.

Ascent's "RegTech" SaaS product utilizes specialized Artificial Intelligence (AI) technology for capital markets companies to build, manage and automate their own regulatory compliance programmes. Ascent uses machine learning and predictive analysis to analyse the multitude of rules and regulations from sources including Exchanges, Primary Regulators and other laws and guidelines across the globe. Ascent codifies the rules from each regulatory source and links related topics from those sources to simplify compliance implementation.

Ascendore – investment in Enterprise Risk Management

On 17 July 2018, we entered into an employment agreement with Enterprise Risk Management expert Andrew Smart. In parallel, two other subject matter experts in enterprise risk, who had been developing software for Andrew, also accepted job offers.

In parallel to these appointments, we acquired certain assets of Ascendore Limited, including a contracts database, goodwill and existing product code all focused on Enterprise Risk Management.

KRM22 is leveraging the knowledge and experience of this team, and building on the acquired assets, to accelerate development of the Risk Cockpit.

Outlook

As at the date of this shareholder report, the Group has a total of £1.1m Annualised Recurring Revenue ("ARR") and 14 customers. Even prior to IPO we had been building the GRP, building customer interest and building the back-office systems ready to drive growth across the existing and future Group businesses.

I am proud of the momentum we have achieved and am confident that we have the team to deliver the GRP, to successfully generate recurring revenue and to deliver returns to our shareholders.

I thank our initial investors for supporting us at the IPO on 30 April 2018 and we look forward to delivering the Global Risk Platform together.

Keith Todd

Executive Chairman and CEO

24 September 2018

¹ <https://newsroom.accenture.com/news/compliance-costs-for-financial-institutions-will-continue-to-increase-over-the-next-two-years-driven-by-regulations-and-emerging-risks-according-to-global-accenture-survey-of-executives.htm>

² https://www2.deloitte.com/content/dam/insights/us/articles/3654_Global-risk-mgmt-survey-10/DUP_Global-risk-management-survey-10th-ed.pdf

FINANCIAL REVIEW

Financial numbers included in the Period

The accounts for the six months to 30 June 2018 include:

- Two-and-a-half months of central costs for KRM22 (from 19 April 2018, the date at which KRM22 Plc acquired KRM22 Central Ltd) plus
- One month of Irisium revenues and costs (from 1 June 2018, the financial effective date of the acquisition made on 5 June 2019).

Revenue

KRM22 reported revenues of £0.1m for the Period. These revenues were generated by Irisium in the one month following acquisition and are recurring revenues.

In line with the KRM22 strategy, Irisium generates a high percentage of recurring revenue and, as at 30 June 2018, had contracted ARR of £1.0m from 13 customers. Since that date, and as previously highlighted, Irisium has signed a new customer and, as at the date of this report, has £1.1m in contracted ARR.

Losses

KRM22 reported a loss of £1.4m for the Period. This loss includes:

- £0.4m for funding and acquisition fees;
- Two-and-a-half months operational costs and set-up costs of KRM22 centrally;
- One month of Irisium operations; and
- £0.2m for share-based payments.

The adjusted operating loss for the Period was £0.9m.

Cash

At IPO on 30 April 2018, KRM22 raised £10.32 gross proceeds (before total fees of £0.5m; of which £0.4m is recognised in the statement of comprehensive loss and £0.1m allocated to the share premium reserve).

Subsequently in June, KRM22 paid £1.7m to acquire 60% of Irisium's equity and £0.9m to acquire 60% of the shareholder loan in Irisium.

Other cash expenditure included group set-up costs, acquisition fees and the building of the international team.

As of 30 June 2018, KRM22 held £6.9m in cash, mainly in British Pounds Sterling ('GBP'). Our intention is to use this cash balance to achieve a break-even business, with or without further investments under the Investing Policy.

Interim consolidated statement of comprehensive loss for the six months ended 30 June 2018

	Not e	Period ended 30 Jun 2018 6 months (unaudited) £'000	Period ended 31 Dec 2017 5 months (unaudited) £'000																				
Revenue		73	-																				
Administrative expenses	5	(1,488)	(6)																				
Operating loss		(1,415)	(6)																				
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Adjusted loss</td> <td></td> <td style="text-align: right;">(869)</td> <td style="text-align: right;">-</td> </tr> <tr> <td>IPO funding expenses</td> <td></td> <td style="text-align: right;">(274)</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Acquisition expenses</td> <td></td> <td style="text-align: right;">(114)</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Share based payment expense</td> <td></td> <td style="text-align: right;">(158)</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Operating loss</td> <td></td> <td style="text-align: right;">(1,415)</td> <td style="text-align: right;">(6)</td> </tr> </table>				Adjusted loss		(869)	-	IPO funding expenses		(274)	-	Acquisition expenses		(114)	-	Share based payment expense		(158)	-	Operating loss		(1,415)	(6)
Adjusted loss		(869)	-																				
IPO funding expenses		(274)	-																				
Acquisition expenses		(114)	-																				
Share based payment expense		(158)	-																				
Operating loss		(1,415)	(6)																				
Finance expense		(3)	-																				
Loss before taxation		(1,418)	(6)																				
Taxation		-	-																				
Loss for the period		(1,418)	(6)																				

Other comprehensive expenses

Exchange differences on translating foreign operations	(2)		-
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Total comprehensive loss for the period

	(1,420)		(6)
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Loss for the period attributable to:

Owners of the parent	(1,287)		(6)
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Non-controlling interest	(131)		-
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	(1,418)		(6)
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Total comprehensive loss for the period attributable to:

Owners of the parent	(1,289)		(6)
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Non-controlling interest	(131)		-
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	(1,420)		(6)
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Earnings per share for loss for the period attributable to the owners of the parent during the period

Basic earnings per share (pence)	6	(0.20)	(0.60)
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Diluted earnings per share (pence)	6	(0.20)	(0.60)
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All amounts relate to continuing activities.

The notes on pages 7 to 14 form part of these interim financial statements

Interim consolidated statement of financial position

at 30 June 2018

	Note	30 Jun 2018 (unaudited) £'000	31 Dec 2017 (unaudited) £'000
Assets			
Non-current assets			
Goodwill	9	2,368	-
Other intangible assets	9	2,633	-
Property, plant and equipment		108	-
		<u>5,109</u>	<u>-</u>
Current assets			
Trade and other receivables		913	1
Cash and cash equivalents		6,945	14
		<u>7,858</u>	<u>15</u>
Total assets		<u>12,967</u>	<u>15</u>
Liabilities			
Current liabilities			
Trade and other payables		962	11
Non-current liabilities			
Provisions		486	-
Loans and borrowings		588	-
		<u>1,074</u>	<u>-</u>

Total liabilities	<u>2,036</u>	<u>11</u>
Net Assets	<u>10,931</u>	<u>4</u>
Issued capital and reserves attributable to owners of the parent		
Share capital	1,232	10
Share premium reserve	9,151	-
Merger reserve	(228)	-
Foreign exchange reserve	(2)	-
Share-based payment reserve	158	-
Retained earnings	(1,287)	(6)
	<u>9,024</u>	<u>4</u>
Non-controlling interest	1,907	-
Total equity	<u>10,931</u>	<u>4</u>

The notes on pages 7 to 14 form part of these interim financial statements

Interim consolidated statement of cash flows for the six months ended 30 June 2018

	Note	30 Jun 2018 6 months (unaudited) £'000	31 Dec 2017 5 months (unaudited) £'000
Cash flows from operating activities			
Loss for the period		(1,418)	(6)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment		2	-
Finance expense		3	-
Share-based payment expense		158	-
		(1,255)	(6)
Increase in trade and other receivables		(279)	(1)
Increase in trade and other payables		489	11
		210	10
Net cash flows from operating activities		(1,045)	4
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		(1,779)	-
Purchases of property, plant and equipment		(21)	-
		(1,800)	-
Net cash used in investing activities		(1,800)	-

Financing activities

Proceeds from IPO	10,320	-
Other shares issued	-	10
Repayment of subsidiary undertaking loan	(530)	-

Net cash from financing activities

9,790	10
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Net cash increase in cash and cash equivalents

6,945	14
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Cash and cash equivalent at beginning of the period

-	-
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Cash and cash equivalent at end of the period

6,945	14
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The notes on pages 7 to 14 form part of these interim financial statements

Notes to the unaudited financial information

1. General information

KRM22 Plc (the “Company”) is a public limited company incorporated in England and Wales on 2 March 2018 under registration number 11231735. The address of its registered office is 5 Ireland Yard, London, EC4V 5EH. The Company listed on the London Stock Exchange on 30 April 2018.

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

The consolidated financial statements of the Company include the results of the Company for the period from incorporation on 2 March 2018 to 30 June 2018 together with the consolidated results of its subsidiaries from the date on which they became part of the Group. KRM22 Central Limited and its subsidiaries (the “KRM22 Central Group”) became part of the Group on 19 April 2018 and Irisium Limited became part of the Group on 5 June 2018.

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

The interim consolidated financial statements for the period ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 24 September 2018.

2. Basis of preparation and consolidation

These interim consolidated financial statements have been prepared using accounting policies based on International Financial Reporting Standards (IFRS and IFRIC Interpretations) issued by the International Accounting Standards Board (“IASB”) as adopted for use in the EU. They do not include all disclosures that would otherwise be required in a complete set of financial statements. The financial information for the half years ended 30 June 2018 and period to 31 December 2017 does not constitute statutory accounts within the meaning of Section 434 (3) of the Companies Act 2006 and both periods are unaudited.

New standards impacting the Group that will be adopted in the annual financial statements for the year ended 31 December 2018 are:

- IFRS 9 Financial Instruments; and
- IFRS 15 Revenue from Contracts with Customers

Details of the impact of these two standards are given below. Other new and amended standards and interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to have a material impact on the Group.

IFRS 9 Financial Instruments

IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement, and has had an effect on the Group in the following area:

The impairment provision on financial assets measured at amortised cost (such as trade and other receivables) have been calculated in accordance with IFRs 9's expected credit loss model, which differs from the incurred loss model previously required by IAS 39. This has not resulted in a material change to the impairment provision at 1 January 2018.

IFRS 15 Revenue from Contract with Customers

IFRS 15 has replaced IAS 18 Revenue and IAS 11 Construction Contracts as well as various Interpretations previously issued by the IFRS Interpretations Committee, noting the Company has adopted the modified retrospective approach. There is no material impact on any revenue stream for the Group. Specifically

- The directors have specifically considered the adoption of IFRS 15 on the revenue recognition of the Group's on-premise software subscription contracts, which combine the delivery of software, and support & maintenance services. Under our current policies, the Group recognises the entire fee rateably over the subscription term.
- As part of the review of the new IFRS15 accounting policies, the directors have considered whether such contracts represent a right to use the software at the point of initial delivery (with license revenue recognisable at that point), or access the software over the contracts applicable term (with license revenue recognised pro-rata over the term), irrespective of associated cashflows.
- The directors have concluded that these subscription contracts do represent access to the software over the contract term as the fee for the delivery of software, support and maintenance services is fully combined and prepaid without distinction. The directors have therefore concluded that the fee for the combined delivery of software, support and maintenance services should continue to be recognised rateably over the subscription term under IFRS 15

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to 31 December 2018 (the date on which the company's next annual financial statements will be prepared up to) that the Group has decided not to adopt early. The most significant of these is IFRS 16 Leases (mandatorily effective for periods beginning on or after 1 January 2019).

After making enquiries, the directors have concluded that the Group has adequate resources to continue operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half-yearly consolidated financial statements. Further details are in note 3.

The Board of Directors approved this interim report on 24 September 2018

3. Accounting policies

Going concern

The Company meets its day-to-day working capital requirements through cash generated from the capital it has raised on AIM. It has £6.9m in cash at bank which is sufficient for its present needs. The Company is likely to need to raise additional funds for planned acquisitions of controlling stakes in businesses in the risk sector and this will likely be obtained through further transactions through the market.

Taking its cash position into account, and in carrying out a business review, the directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and for a period of not less than 12 months from the date of signing the accounts. The directors are satisfied that the going concern basis is appropriate.

Intangibles

IAS 36 requires the directors to consider intangible assets and goodwill for impairment on an annual basis. The last review was performed at 30 June 2018.

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. 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.

Fair value is measured by use of the Monte Carlo pricing model because the warrants and options are subject to market conditions, specifically the company's share price growing above specified hurdles in the period to the relevant testing dates. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

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

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 Group incurring losses on continuing operations for the period.

4. Segmental information

The total amount of revenue recognised in the interim consolidated financial statements is derived from Irisium Limited which was acquired on 5 June 2018. Given that only one month of Irisium Limited's revenue has been included in these interim financial statements, a segmental analysis has not been provided on the basis that the numbers are immaterial and do not provide any meaningful analysis, however this will be provided in the future.

5. Administration costs

	30 Jun 2018	31 Dec 2017
	6 months	5 months
	(unaudited)	(unaudited)
	£'000	£'000
Personnel, external consultants and recruitment expense	436	2
Advertising and marketing	24	-
Travel	66	2
Depreciation	2	-
Professional fees	345	-
Costs relating to IPO	274	-
Costs relating to acquisition of subsidiaries	114	-
Share-based payment charge	158	-

6. Earnings per share

The Company was incorporated on 2 March 2018 and issued 2 ordinary shares. On 19 April 2018, the Company issued 1,999,998 ordinary shares as part of a share exchange with its subsidiary KRM22 Central Limited. On 30 April 2018, the Company was admitted to the AIM of the London Stock Exchange. On admission, 10,320,239 ordinary shares were issued.

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

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

	30 Jun 2018	31 Dec 2017
	6 months (unaudited)	5 months (unaudited)
	£'000	£'000
Loss attributable to equity shareholders of the parent	(1,287)	(6)
Basic weighted average number of shares in issue	6,446,122	10,000
Diluted weighted average number of shares in issue	9,631,122	10,000
Basic and diluted loss per share (pence)	(0.20)	(0.60)

7. Share capital

	30 Jun 2018	31 Dec 2017
	6 months (unaudited)	5 months (unaudited)
	£'000	£'000
Allotted, called up and fully paid		
12,320,239 Ordinary shares of £0.10 each	1,232	-
10,000 Ordinary shares of £1.00 each	-	10
	<hr/>	<hr/>
	1,232	10
	<hr/>	<hr/>

8. Share options

Warrants

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

Employee Share Option Plan

On 24 April 2018, the Company passed a resolution to set up the KRM22 Employee Share Option Plan ("ESOP"). At 30 June 2018, no options have been granted under the ESOP.

Share based payments

Warrants are exercisable at a price equal to the fair value of the Company's shares on the date of the grant. The vesting period is three years and the warrants can be exercised if, at a testing date, the specific performance conditions are met, or the directors, in their absolute discretion, determine that an option may be exercised at any other time and in any other circumstances. If the options remain unexercised after a period of ten years from the date of the grant the options expire.

Details of the share options outstanding during the period are as follows:

	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
	30 Jun 2018 6 months (unaudited) £	30 Jun 2018 6 months (unaudited)	31 Dec 2017 5 months (unaudited) £	31 Dec 2017 5 months (unaudited)
Outstanding at the beginning of the period	-	-	-	-
Granted during the period	1.00	6,000,000	-	-
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-

Expired during the period	-	-	-	-
Outstanding at the end of the period	6,000,000			-

The exercise price of options outstanding at the end of the period was £1.00 and their weighted average contractual life was 3 years.

The following information is relevant in the determination of the fair value of options granted during the current and previous years under the equity-settled shared based remuneration scheme.

	2018 (unaudited)	2017 (unaudited)
Weighted average share price at grant date	£1.3198	-
Exercise price	100 pence	-
Weighted average contractual life	3 years	-
Expected volatility	30%	-
Expected dividend growth rate	0.8287%	-
Risk-free interest rate	1.2%	-

The Monte Carlo option pricing model was used to value the share-based payment awards as it was considered that this approach would result in materially accurate estimate of the fair value of warrants granted.

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of similar listed technology companies.

The share-based remuneration expense comprises:

	30 Jun 2018 6 months (unaudited) £'000	31 Dec 2017 5 months (unaudited) £'000
Equity-settled schemes	158	-

9. Business combination

On 5 June 2018, KRM22 Central Limited, a wholly owned subsidiary of the Company, acquired 60% of the issued share capital in Irisium Limited ("Irisium"), a financial technology provider specialising in capital markets regulation. The acquisition was for an initial consideration of £1.7m and deferred consideration ("Deferred Consideration") of £0.6m. Under IFRS3, the Company is required to account for the enterprise value as consideration for the business, this being initial consideration, Deferred Consideration and assignment of shareholder loans.

	£'000
Purchase consideration:	
Cash paid	1,698
Fair value of deferred consideration	486
Assignment of shareholder loan	873
	3,057
 Total consideration	 3,057

10. Related party transactions

As detailed in note 9, on 5 June 2018 the Group acquired a 60% shareholding in Irisium Limited ("Irisium") from Cinnober Financial Technology AB ("Cinnober"). Under the terms of the acquisition, the maximum consideration for the investment in Irisium is £2.3m with an initial consideration of £1.7m. An additional deferred consideration of up to a maximum of £0.6m (the "Deferred Consideration") is payable in the event that Irisium achieves £2.0m of annualised recurring revenue as at 30 June 2019. The Deferred Consideration can be satisfied in either cash or ordinary shares of the Company at the Company's discretion.

In addition to the acquisition of Irisium, the Company paid £0.9m to Cinnober to assign 60% of a shareholder loan previously provided by Cinnober to Irisium. Cinnober is a shareholder of the Company.

11. Events after the reporting period

On 11 July 2018, the Group entered into a channel development and distribution agreement with Ascent Technologies Inc. ("Ascent") to distribute and support Ascent's regulatory technology platform on the KRM22 Global Risk Platform.

On 13 July 2018, the Group signed a Sale and Purchase of Assets Agreement for the purchase of assets from Ascendore Limited (in liquidation) ("Ascendore").

On 24 July 2018, the Group established KRM22 Singapore Pte Limited, a wholly owned subsidiary incorporated in Singapore with a view to expanding the KRM22 business in the Asia Pacific region. On 27 July 2018, the Group established KRM22 Development Spain S.L., a wholly owned subsidiary incorporated in Spain, with a view to furthering the Company's development activities.

This document contains certain forward-looking statements relating to KRM22 plc ('the Group'). The Group considers any statements that are not historical facts as "forward-looking statements". They relate to events and trends that are subject to risk and uncertainty that may cause actual results and the financial performance of the Group to differ materially from those contained in any forward-looking statement. These statements are made by the directors in good faith based on information available to them and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Copies of this report and all other announcements made by KRM22 plc are available on the Company's website at <https://www.krm22.com/investor-information>.