KRM22

Interim Results

2020

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RNS

16 September 2020

KRM22 plc
("KRM22", the "Group" or the "Company")

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

KRM22 plc (AIM: KRM.L), the technology and software investment company, with a particular focus on risk management in capital markets, announces its unaudited interim results for the six months ended 30 June 2020 ("H1 2020" or the "Period").

Highlights

Financial

- Total revenue recognised of £2.3m (H1 2019: £1.8m)
- Organic growth in revenue recognised of 19%
- Undisputed Annualised Recurring Revenue* ("ARR") of £4.0m at 30 June 2020 (H1 2019: £4.1m)
- Adjusted EBITDA loss** of £0.3m (H1 2019: loss of £2.4m)
- Loss before tax of £1.2m (H1 2019: £4.4m)
- Cash and cash equivalents at 30 June 2020 of £0.8m (FY 2019: £1.1m)
- Raised gross proceeds of £1.3m in the period through a placement and subscription for new ordinary shares
- Converted £1.3m of debt and liabilities into equity, following the acquisition of the remaining 40% stake in Irisium

Operational

- Acquisition of remaining 40% shareholding in Irisium by the Group
- Managing the impact of COVID-19 with the Company being fully operational, globally, from home as a result of internal infrastructure and process implemented from launch
- Group restructure, with annual cost savings of £0.6m

Post-Period Events

- Growth in undisputed ARR to £4.3m
- R&D tax credit receipt of £0.1m
- Entered into an agreement for a new £3.0m loan facility arranged by Kestrel Partners LLP to replace the existing Harbert debt facility

** Undisputed 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*

*** Adjusted EBITDA is the reported profit/(loss), adjusted for depreciation, amortisation, share-based payment charges and unrealised foreign currency gains/losses and non-recurring exceptional costs including impairment charges, reorganisation costs, gain on extinguishment of debt and acquisition and funding costs*

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

"The first half has naturally been impacted by the effects of COVID-19, with extending sales cycles and delays in decision making but we remain encouraged by our customer engagement and the pipeline remains strong which we are looking to convert in the second half of the year. We have managed through these recent turbulent times and are on track to deliver full year market expectations. The new convertible loan facility, with one of our substantial shareholders, will strengthen the capital base of the company as we drive growth. The outlook for the second half of the year continues to be positive with a broad engagement of prospects in Europe, Asia and North America."

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

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Keith Todd CBE, Executive Chairman and CEO

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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. The Global Risk Platform provides applications to help address firms' regulatory, market, technology and operations risk challenges and to manage their entire enterprise risk profile.

Capital markets companies' partner with KRM22 to optimise risk management systems and processes, improving profitability and expanding opportunities to increase portfolio returns by leveraging risk as 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

The first half of 2020 has been unprecedented, and our activities have not been immune to the effects of COVID-19 with extending sales cycles and delays in decision making by potential customers. However good progress has been made with year on year growth, cost reduction as well as strengthening our access to capital to support future growth.

Growth

The Company has experienced slowed business activity in the period as customers and prospects have transitioned to home working and with the increased operational burden resulting from market volatility. Notwithstanding the backdrop, the Company has secured two new customers in the period for the purchase of Enterprise and Market Risk products in addition to sales of new products to an existing customer. The total revenue recognised in the six-month period was £2.3m (H1 2019: £1.8m) which included 19% organic growth.

The Company had total undisputed ARR as at 30 June 2020 of £4.0m.

As of the date of this report, undisputed ARR has increased to £4.3m following the signing of a new contract in August 2020. The latest contact win is a four-year contract for a UK Brokerage firm worth £1.2m over the life of the contract and covers a range of our Market, Compliance and Enterprise risk products accessed via our Global Risk Platform. The customer saw the benefits of KRM22's ability to simplify the cost and complexity of risk management through technology delivered on one platform as a one-stop service.

The total undisputed ARR of £4.3m, as of the date of this report, is after accounting for the loss of four institutional customers who have terminated their contracts with the Company in the period amounting to an aggregate of £0.3m ARR and one further customer with £0.3m ARR where the contract is in dispute. The terminations were due to a variety of market factors and COVID-19 but are not related to the performance of our product offering. The Company originally had disputed ARR of £0.4m from two customers however, with one of these customers, the Company has now negotiated a contract at a lower value to retain them as a customer and assist their early stage development and the revised contract value is now included in the undisputed ARR of value of £4.0m at 30 June 2020. Discussions continue with the other customer to try and find a commercial resolution for the remaining £0.3m.

The Company continues to have a strong pipeline of opportunities and is progressing well through the procurement process with two further tier one banks which the Company expects will close in the second half of the year.

Adjusted EBITDA

The new contract wins, together with the cost reduction actions implemented, have resulted in a substantial improvement in adjusted EBITDA with a loss of £0.3m (H1 2019: loss of £2.4m) at the period end. The cost reduction has been achieved through a combination of salary sacrifices across all staff in 2020, staff redundancies and general overhead reductions.

Acquisition

In April 2020 we acquired the remaining 40% stake in Irisium for £0.55m, which was paid for through the issue of a Convertible Loan Note ("CLN"). The CLN was converted into 1,454,434 ordinary shares in the Company in June 2020. No cash was paid as part of the transaction and the transaction removed a total of £1.3m of debt and liabilities from the Group's consolidated balance sheet as at 30 June 2020. The settlement of £1.3m of debt, through the issue of the CLN, resulted in a gain on extinguishment of debt of £0.7m which has been recognised in the income statement for the period ended 30 June 2020. Further information on this transaction is disclosed in note 7 of this interim announcement.

Cash

Cash as at 30 June 2020 was £0.8m (31 December 2019: £1.1m). In May 2020, we raised £1.3m in equity through a placement and subscription for ordinary shares to support the Company’s working capital requirements.

Debt

The Group's net debt as at 30 June 2020 was £0.0m (31 December 2019: £0.9m) following the acquisition of the remaining 40% stake in Irisium from Cinnober Financial Technologies AB (“Cinnober”) and the subsequent conversion of the CLN due to Cinnober. The net debt included cash of £0.8m and gross debt of £0.8m (31 December 2019: cash of £1.1m and gross debt of £2.0m).

On the 15 September 2020 the Company entered into an agreement with Kestrel Partners LLP for a new £3.0m three-year, convertible loan. Kestrel Partners LLP currently owns 18.7% of the Company’s issued share capital. The facility will be drawn down shortly to repay the outstanding liabilities of the Harbert Debt Facility and provide additional working capital. The convertible loan has a three-year term and coupon of 9.5%. Kestrel Partners LLP can convert at any time and the Company has the right to force conversion after eighteen months subject to meeting certain share price criteria and other conditions. Full details are in the RNS announcing the facility. We are delighted with the support from one of our major shareholders.

Strategy

The clarity of our strategy has sustained us well though turbulent times. The focus of delivering integrated risk tools as a service through a global risk platform provides our customers with the tools to effectively manage risk and reduces the cost and complexity of their operations. Our focus on combining subject matter experts with high quality integrated technology services differentiates us from the competitive pack. The internal efficiency we have established by driving business automation and building a robust team culture that delivers superior customer service have contributed to the growth and the improved profitability. The integration of our acquisitions and partnership products and development of new products on the Global Risk Platform have underpinned the strengthening of our sales pipeline. Our focus on the five core domains of risk: Enterprise, Compliance, Market, Operations and Technology allow us to address the priority issues prospects and customers face, while providing them optionality to take additional integrated products in the future.

Outlook

COVID-19 has resulted in challenging market conditions with extended sales cycles and has forced the Company to review operations and manage the cost base accordingly however the recent contract win in August 2020 and the maturity of the sales pipeline gives me confidence that KRM22 will generate further recurring revenue in the remainder of the year and achieve market forecasts.

Keith Todd CBE

Executive Chairman and CEO

15 September 2020

FINANCIAL REVIEW

Financial numbers included in the period

The results for the six months to 30 June 2020 include six months of revenue and costs for the Group. For comparative purposes, the results for the six months to 30 June 2019 (H1 2019) include one month of Object+ revenue and costs and six months of revenue and costs for all other KRM22 group companies.

Income statement

Total revenue

Total revenue reported in the period was £2.3m (H1 2019: £1.8m) and 94% was generated from recurring customer contracts. The total revenue recognised includes non-recurring revenue of £0.1m (H1 2019: £0.1m) and this included organic growth of 19%. Organic growth is calculated as the period on period growth in total revenue recognised, excluding revenue recognised by Object+, the acquisition completed in May 2019.

Recurring revenue

Recurring revenue recognised for the period was £2.2m (H1 2019: £1.7m). As at 30 June 2020, the KRM22 group had undisputed contracted ARR of £4.0m. As at the date of this report, contracted ARR had increased to £4.3m.

Gross profit

Gross profit for the period was £2.1m (H1 2019: £1.6m) and the consistent gross profit margin of 91% continues to demonstrate how the Company can cover its cost base efficiently as new recurring revenue contracts are signed.

Loss for the period

The operating loss for the period was £1.0m (H1 2019: loss of £4.4m).

Adjusted EBITDA

Adjusted EBITDA is a key metric to consider in order to understand the cash-profitability of the business due in particular to the non-cash items that impact the Income Statement under IFRS accounting, such as non-cash share-based costs.

Adjusted EBITDA for the period was a loss of £0.3m (H1 2019: loss of £2.4m) and a reconciliation of adjusted EBITDA loss to operating loss is provided as follows:

	H1 2020	H1 2019
	£'m	£'m
Adjusted EBITDA loss	(0.3)	(2.5)
Depreciation and amortisation	(0.9)	(0.6)
Impairment of intangible assets	(0.1)	-
Acquisition and debt expenses	(0.1)	(0.6)
Unrealised foreign exchange gain	0.4	0.1
Gain on extinguishment of debt	0.8	-
Group restructuring costs	(0.4)	(0.3)
Share-based payment expense	(0.4)	(0.5)
Operating loss	(1.0)	(4.4)

Total comprehensive loss

KRM22 reported a total comprehensive loss for the period of £1.2m (H1 2019: loss of £4.4m).

Financial position

Cash

As of 30 June 2020, KRM22 held £0.8m in cash (31 December 2019: £1.1m). The Company raised gross proceeds of £1.3m in the period through the placement and subscription of 4,266,664 new ordinary shares in the Company.

Liabilities

As at 30 June 2020, our principal liabilities were:

- £0.8m loan owed to Harbert European Growth Fund.
- £1.1m (US$1.5m discounted contingent consideration (£1.7m (US$2.2m) undiscounted) for earn out payments for the acquisition of Object+. The contingent consideration can be satisfied in either cash or Company ordinary shares at the Company's discretion.

- £1.2m for the right of use assets relating to all future payments of leased-office rentals under IFRS16 'Leases', of which £0.5m will be paid within twelve months with the balance for periods greater than one year.
- £1.1m of deferred revenue; contracted and paid services that will be released in a future period.

As a result of acquiring the remaining 40% shareholding in Irisium by way of a Convertible Loan Note ("CLN") and the subsequent conversion of the CLN into ordinary shares in the Company, a total of £1.3m in debt has been removed in the six months ended 30 June 2020. The settlement of £1.3m of debt, through the issue of the CLN, resulted in a gain on extinguishment of debt of £0.7m which has been recognised in the income statement for the period ended 30 June 2020.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group remain broadly consistent with the Principle Risks and Uncertainties reported in the Group's 31 December 2019 Annual Report. Since the 2019 Annual Report, the Board have been monitoring and mitigating the effects of the following international events on the Group's business:

COVID-19

In March 2020, the World Health Organisation declared a global pandemic due to the COVID-19 virus that has spread across the globe, causing different governments and countries to enforce restrictions on people movements, a stop to international travel, and other precautionary measures. This has had a widespread impact economically and a number of industries have been heavily impacted. This has resulted in impacts on certain industries and a more general need to consider whether budgets and targets previously set are realistic in light of these events.

As described above, the COVID-19 pandemic has impacted our business but the Board believes that the business is well positioned to be able to navigate through the impact of COVID-19 due to:

- The completion of the £1.3m equity raise completed in May 2020;
- The Group restructure plans implemented in June 2020;
- The replacement of the existing debt facility with a loan of £3.0m; and
- The signing of new customer contracts.

Brexit

The United Kingdom ('UK') formally left the European Union ('EU') on 30 January 2020. The period of time from when the UK voted to exit the EU on 23 June 2016 and the formal process initiated by the UK government to withdraw from the EU, or Brexit, created volatility in the global financial markets. The UK now enters a transition period, being an intermediary arrangement covering matters like trade and border arrangements, citizens' rights and jurisdiction on matters including dispute resolution, taking account of The EU (Withdrawal Agreement) Act 2020, which ratified the Withdrawal Agreement, as agreed between the UK and the EU. The transition period is currently due to end on 31 December 2020 and ahead of this date, negotiations are ongoing to determine and conclude a formal agreement between the UK and EU on the aforementioned matters.

As the Group operates subsidiaries in many countries, there are several channels available to us to continue business with the same customers, should the need arise, with little to no effect from Brexit changes. As such, the Directors currently deem that the effects of the UK's current transitional period outside the EU and the impact of ongoing discussions with the EU will not have a significant impact on the Group's operations due to the global geographical footprint of the business and the nature of is operations. However, the Directors and Senior Leadership Team are closely monitoring the situation to be in a position to manage the risk of any volatility in global financial markets and impact on global economic performance due to Brexit.

Kim Suter

CFO

15 September 2020

Interim consolidated statement of comprehensive loss

for the six months ended 30 June 2020

	Note	6 months to 30 June 2020 (unaudited) £'000	6 months to 30 June 2019 (unaudited) £'000
Revenue	4	2,324	1,770
Cost of sales		(211)	(167)
Gross profit		2,113	1,603
Administrative expenses		(3,155)	(6,004)
Operating loss before interest, taxation, depreciation, amortisation, share based payment and exceptional items ("Adjusted EBITDA")		(319)	(2,549)
Depreciation and amortisation		(896)	(534)
Impairment of intangible assets		(74)	-
Acquisition and debt expenses		(115)	(611)
Foreign exchange gain		413	116
Gain on extinguishment of debt		745	-
Group restructuring costs		(422)	(314)
Share-based payment expense		(374)	(509)
Operating loss		(1,042)	(4,401)

Net finance charge		(152)	(91)
Loss before taxation		(1,194)	(4,492)
Taxation		(31)	3
Loss for the period		(1,225)	(4,489)
Other comprehensive/income			
Exchange gain on translating foreign operations		54	60
Total comprehensive loss for the period		(1,171)	(4,429)
Loss for the period attributable to:			
Owners of the parent		(1,311)	(4,249)
Non-controlling interest		86	(240)
		(1,225)	(4,489)
Total comprehensive loss for the period attributable to:			
Owners of the parent		(1,257)	(4,189)
Non-controlling interest		86	(240)
		(1,171)	(4,429)
Earnings per share for loss for the period attributable to the owners of the parent during the period			
Basic and diluted earnings per share (pence)	5	(0.06)	(0.24)

All amounts relate to continuing activities.

Interim consolidated statement of financial position

at 30 June 2020

	30 June 2020 (unaudited) £'000	31 December 2019 (audited) £'000
Assets		
Non-current assets		
Goodwill	8,028	7,667
Other intangible assets	3,619	3,562
Property, plant and equipment	189	233
Right of use assets	1,292	1,642
Other receivables	45	42
	13,173	13,146
Current assets		
Trade and other receivables	1,367	1,358
Cash and cash equivalents	782	1,076
	2,149	2,434
Total assets	**15,322**	**15,580**
Current liabilities		
Trade and other payables	3,099	2,954
Loans and borrowings	338	388
Lease liabilities	496	488
Derivative financial liability	45	45

	3,978	3,875
Net current liabilities	**(1,829)**	**(1,441)**
Non-current liabilities		
Trade and other payables	1,249	1,179
Loans and borrowings	429	1,597
Lease liabilities	747	988
Deferred tax liability	581	536
	3,006	4,300
Total liabilities	**6,984**	**8,175**
Net Assets	**8,338**	**7,405**
Equity		
Share capital	2,672	2,100
Share premium reserve	16,701	15,435
Merger reserve	(190)	(190)
Foreign exchange reserve	(63)	(9)
Share-based payment reserve	2,052	1,678
Retained losses	(12,834)	(10,871)
	8,338	8,143
Non-controlling interest	-	(738)
Total equity	**8,338**	**7,405**

Interim consolidated statement of cash flows

for the six months ended 30 June 2020

	6 months to 30 June 2020 (unaudited) £'000	6 months to 30 June 2019 (unaudited) £'000
Cash flows from operating activities		
Loss for the period	(1,225)	(4,489)
Adjustments for:		
Deferred tax charge/(credit)	31	(3)
Net finance charge	152	91
Depreciation and amortisation	896	534
Impairment	74	-
Gain on extinguishment of debt	(745)	-
Share-based payment expense	374	509
	(443)	(3,358)
Increase in trade and other receivables	(215)	(69)
Increase in trade and other payables	59	516
	(156)	447
Net cash outflows from operating activities	(599)	(2,911)

Cash flows from investing activities

Cash acquired on acquisition of subsidiary undertakings	-	42
Acquisition of subsidiaries, net of cash acquired	-	(407)
Purchases of intangible assets	(511)	(909)
Purchases of property, plant and equipment	-	(91)
Net cash used in investing activities	(511)	(1,365)
Financing activities		
Proceeds from issue of shares (net)	1,280	1,761
Lease payments principal	(264)	(271)
Lease payments interest	(47)	(43)
Loans and borrowings (net)	(153)	911
Net cash from financing activities	816	2,358
Net cash decrease in cash and cash equivalents	(294)	(1,918)
Cash and cash equivalent at beginning of the period	1,076	3,355
Cash and cash equivalent at end of the period	782	1,437

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 Board of Directors approved this interim report on 15 September 2020.

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 and should be read in conjunction with the 31 December 2019 Annual Report. The financial information for the half years ended 30 June 2020 and 30 June 2019 does not constitute statutory accounts within the meaning of Section 434 (3) of the Companies Act 2006 and both periods are unaudited.

The annual financial statements of KRM 22 Plc ('the group') are prepared in accordance with IFRS as adopted by the European Union. The statutory Annual Report and Financial Statements for 2019 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for the year ended 31 December 2019 was unqualified, did draw attention to a matter by way of emphasis, being going concern and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 31 December 2019 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2020 and will be adopted in the 2020 financial statements. There are deemed to be no new and amended standards and/or interpretations that will apply for the first time in the next annual financial statements that are expected to have a material impact on the Group.

3. **Going concern**
In March 2020, the World Health Organisation declared a global pandemic due to the COVID-19 virus that has spread across the globe, causing different governments and countries to enforce restrictions on people movements, a stop to international travel, and other precautionary measures. This has had a widespread impact economically and a number of industries have been heavily impacted. This has resulted in supply chain disruption in certain industries, uncertainty over cash collection from certain suppliers, and a more general need to consider whether budgets and targets previously set are realistic in light of these events.

In carrying out the going concern assessment, the Directors have considered a number of scenarios, taking account of the possible impacts of the pandemic, in relation to revenue forecasts for the next 12 months. A material downside scenario includes but is not limited to no further debt or equity funding, existing customer churn at differing rates between 0% and 10%, no new sales, delays to sales, implementing further cost control measures and a combination of these different sensitivities. In such a scenario, the Group has identified actions which could be implemented, to help mitigate the impact on cash outflows.

As such, the Directors have concluded that taking account of the Group’s contractually secured working capital at the date of this report, there exists a material uncertainly which may cast doubt as to the Groups ability to continue as a going concern. However, given the working capital options available, including the Company's track record of raising funding when required, the Directors believe the Group will continue as a going concern for the foreseeable future. The interim financial statements do not include the adjustments that would be required if the Group were unable to continue as a going concern.

4. Revenue (and segmental reporting)

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

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

	6 months to 30 June 2020 (unaudited) £'000	6 months to 30 June 2019 (unaudited) £'000
Recurring	2,186	1,703
Non-recurring revenue	113	67
Other revenue	25	-
Total	2,324	1,770

KRM22's revenue from external customers by geography and risk domain is detailed below:

	6 months to 30 June 2020 (unaudited) £'000	6 months to 30 June 2019 (unaudited) £'000
UK	246	177

Europe	404	308
USA	1,383	1,115
Rest of world	291	170
Total	2,324	1,770

	6 months to 30 June 2020 (unaudited) £'000	6 months to 30 June 2019 (unaudited) £'000
Enterprise	201	-
Compliance	850	708
Market	1,220	1,042
Other	53	20
Total	2,324	1,770

5. 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 period.

KRM22 has dilutive ordinary shares, this being warrants and options granted to employees. As KRM22 has incurred a loss in both periods, the diluted loss per share is the same as the basic earnings per share as the loss has an anti-dilutive effect.

	6 months to 30 June 2020 (unaudited) £'000	6 months to 30 June 2019 (unaudited) £'000
Loss for the period attributable to equity shareholders of the parent	(1,311)	(4,249)
Basic weighted average number of shares in issue	22,083,693	17,427,356
Diluted weighted average number of shares in issue	30,237,213	24,457,422
Basic and diluted loss per share (pence)	(0.06)	(0.24)

6. Intangibles

The Group capitalised £0.5m of costs (H1 2019: £0.9m, FY 2019: £1.5m) representing the development of KRM22's products during the period, resulting in a net book value of £1.1m (H1 2019: £2.7m, FY 2019: £0.8m) after an amortisation and impairment charge of £0.2m (H1 2019: £0.0m, FY 2019: £0.2m).

7. Acquisitions

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

On completion of the debt to equity conversion in Irisium, KRM22 immediately acquired the remaining 40% stake in Irisium for a total consideration of £0.55m payable to Cinnober by way of a convertible loan note (CLN) provided by KRM22 to Cinnober. The CLN was for a one-year term and could be satisfied by either the allotment and issue of ordinary shares by no later than 31 July 2020 or settled by cash at any point in the CLN term, at the Company's sole discretion. On 28 June 2020, the CLN was converted into 1,454,434 new ordinary shares at 38.4p per share in the Company and therefore no cash consideration was paid as part of the acquisition. The settlement of £1.3m of debt, through the issue of the CLN, resulted in a gain on extinguishment of debt of £0.7m which has been recognised in the income statement.

8. Cautionary statement

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.