KRM22

risk as alpha™

reduce the cost and complexity of risk management

Interim Results 2019

RNS

17 September 2019

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

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 2019 ("H1 2019" or the "Period").

Highlights

Financial

- Total revenue of £1.8m (H1 2018 - £0.1m)
- Annual recurring revenue ("ARR") of £4.1m at 30 June 2019 (H1 2018 - £1.0m)
- £0.3m ARR generated through organic growth and new customer agreements in the period
- Operating loss of £4.4m (H1 2018 - £1.4m)
- Adjusted EBITDA loss* of £2.4m (H1 2018 - £0.9m)
- Cash and cash equivalents at 30 June 2019 of £1.4m (FY 2018 - £3.4m)
- Raised gross proceeds of £1.8m in the period through a placement and subscription for new ordinary shares
- Agreed a £10.0m loan facility, with an initial drawdown of £1.0m in April 2019

Operational

- Acquisition of Object+ Holding B.V. ("Object+") in May 2019 to provide a suite of "pre-trade" and "at trade" market risk applications generating £0.5m ARR
- 3 Key partnership agreements signed to support the FCA's Senior Managers and Certification Regime ("SMCR")
- Global Risk Platform and Enterprise Risk Cockpit launched in March 2019

Post-Period Events

- Partnership with Quant Foundry to allow quantitative risk models to be integrated with the Risk Cockpit
- Partnership with Veridate Financial to distribute and support Digital Client Onboarding application through the Global Risk Platform

** Adjusted EBITDA equals the reported operating loss before interest, taxation, depreciation amortisation, share based payments and exceptional items.*

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

"We have made significant progress in the first six months of the year as we continue to build the company to become the market leader in risk management for capital market firms. Although our pipeline has increased over the period, reflecting new opportunities, we did not close orders as expected during the summer months. As a consequence, our ARR will be lower however the Board and

the executive team continue to monitor cash carefully and we have taken appropriate action on our cost base. Our growing suite of applications provided through the Global Risk Platform helps firms address the cost and complexity of managing their risk and simplify the procurement process. The growth in customer numbers and increase in recurring revenue demonstrates our commitment to investors to building a strong recurring revenue business."

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

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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 optimize 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

In the first six months of the year we have made significant progress in building out our product offering and have continued to execute our strategy in line with our investing policy.

We have launched the Global Risk Platform which brings risk applications together in one central place allowing smooth single sign-on for all users and data sharing across applications. This removes duplication, errors and the need for multiple data feeds for each siloed risk application which currently presents significant costs for firms.

The suite of risk applications available includes products developed in-house by the assets and businesses the Company has invested in and third-party specialised applications made available through partnership and distribution agreements. These applications allow customers to manage their firm's entire risk profile across five domains of risk:

- Enterprise;
- Regulatory;
- Market;
- Technology; and
- Operations

The Global Risk Platform allows risk to be managed across the organisation while reducing the cost and complexity of capital market firms' risk management software estates.

We are progressively making further applications available through the Global Risk Platform to expand its offering.

Development progress

Enterprise Risk Cockpit
The Enterprise Risk Cockpit pulls risk data into one place without the need for cumbersome spreadsheets, providing meaningful management information for better informed decision making. The Enterprise Risk Cockpit is relevant to our entire customer and prospect base and is configurable to each firm's bespoke requirements.

The Enterprise Risk Cockpit was launched through the Global Risk Platform on 11 March 2019.

ProOpticus

ProOpticus provides real-time post-trade portfolio risk management for capital market firms. Development has been completed to integrate ProOpticus with the Enterprise Risk Cockpit to deliver automated risk events and alerts to influence a firm's risk profile.

Acquisitions progress

On 30 May 2019 we completed the acquisition of Object+, a risk management and post-trade services technology business focused on capital markets. At the time of investment, Object+ had 8 customers and ARR of £0.5m. The acquisition of Object+ is the fourth acquisition since our IPO in April 2018.

The acquisition was for an initial consideration of £0.9m with £0.4m payable in cash and £0.5m through the issue of ordinary shares in KRM22. An undiscounted deferred consideration of £2.2m is payable in three tranches over a three-year period, subject to earnout conditions based on the growth of ARR of Object+ products and services. The deferred consideration is payable in cash or shares, at KRM22's discretion.

The acquisition brought four additional products to our market risk offering:

- Order Limit Management: a centralised pre-trade limit management system to combat time consuming and error prone processes
- Risk Monitor: allows firms to calculate positions, P&L, theoretical value and margins in real-time, enabling risk-informed decision making
- Exchange Connector: retrieves clearing data from real time exchange connections for downstream processing in multiple applications
- Reconciliation Tool: helps firms to quickly identify missing trades and make the necessary corrections

These products are complementary to our existing market risk portfolio which includes ProOpticus which provides real-time, multi-asset class post-trade portfolio risk management, and ProOpticus VaR which provides three types of Value at Risk calculations. The acquisition allows us to provide a full suite of pre-trade, post-trade and stress risk management applications to customers.

Partnerships progress

In the six months to 30 June 2019, we have entered into three partnership and distribution agreements, and since this date we have entered into an additional two partnership agreements.

Market Abuse Centre

The Market Abuse Centre is an online training portal designed to deliver simple and interactive training through on-demand videos and handbooks. The four training programmes (SMCR, Market Abuse, Financial Crime and Misconduct at Work) allow firms to provide annual training to their employees in a cost-effective and efficient way, ensuring that they are compliant with the FCA's mandatory training requirements.

On 16 April 2019, we added the Market Abuse Centre to the Global Risk Platform through a partnership agreement with Dutch online training firm Entrima.

Individual Accountability Regime and People Risk Management

Individual Accountability Regime is designed to be the industry benchmark for financial organisations to comply with the FCA Senior Management & Certification Regime ("SMCR"). It provides firms with the control, visibility and agility to manage accountability throughout the organisation.

People Risk Management enables financial institutions to manage people risk efficiently in accordance with regulatory rules on competence and conduct risks.

On 28 May 2019, we signed a partnership with Trailight to distribute and support the Individual Accountability Regime and People Risk Management applications through the Global Risk Platform.

Enhanced Due Diligence

Enhanced Due Diligence provides online reputation screening on individuals and firms to identify conduct risk, prevent financial crime and to comply with the latest regulatory guidelines including SMCR and AML. Using machine learning and natural language processing, Enhanced Due Diligence searches all open web sources including social media platforms, online chatrooms, legal records and deep and dark web sources.

On 18 June 2019, we entered into a partnership agreement with Neotas to distribute and support their Enhanced Due Diligence application through the Global Risk Platform.

Quantitative Risk Analytics

Quantitative Risk Analytics is an additionally licenced Enterprise Risk Cockpit feature providing seven quantitative risk models to provide firms with more sophisticated analytics. Firms licensing this feature will be able to see quantitative and qualitative risk assessments alongside each other through a suite of standardised views or custom dashboards depending on their requirements.

On 10 July 2019, we entered into a partnership with Quant Foundry to integrate their quantitative risk models with the Enterprise Risk Cockpit and we expect this feature to be available in Q1 2020.

Digital Client Onboarding

Digital Client Onboarding enables firms to manage the complexity of onboarding clients more efficiently. Its end to end rules-driven solution manages the documentation requirements and helps firms to comply with KYC and AML regulations. The screening checks are extensive, providing real-time monitoring of sanction and PEP lists.

On 1 August 2019, we entered into a partnership with Veridate Financial to distribute and support the Digital Client Onboarding application through the Global Risk Platform.

Outlook

Fourteen months after listing, we have assembled a competitive suite of products and built a large pipeline of prospects. Assets we have invested in are performing better under the KRM22 leadership. Strategically we are well placed and are in active discussion with a number of strategic investors to help fund the next phase of growth.

At 30 June 2019, KRM22 had a total of £4.1m ARR and 37 institutional customers (FY 2018 – £3.3m ARR and 26 institutional customers). Sales did not close during July and August as anticipated however the sales pipeline continues to build with a number of opportunities in advanced stages of negotiation and a pipeline value of approximately £1.5m which could close before the end of the year. Pursuant to the slower sales cycle, the Board and executive team continue to monitor cash carefully and have continued to reduce the cost base with the objective of ensuring that the business can deliver the expected outturn for the year, supplemented by tax credits it has applied for, which are expected in October 2019.

The KRM22 team has achieved a lot in the challenging market conditions in the first half of the year and I am confident that we will successfully generate additional recurring revenue during the remainder of 2019 and into 2020.

Keith Todd CBE
Executive Chairman and CEO
16 September 2019

Investing Strategy

To deliver applications through the Global Risk Platform, we have continued to:

- Invest in businesses with specialised risk management software and subject matter expertise that deliver SaaS and recurring revenue;
- Develop the technology of the Global Risk Platform and our own native applications, for example, the Enterprise Risk Cockpit; and
- Establish partnerships with third-party organisations to distribute further applications on a revenue-share model through the Global Risk Platform.

Specialised risk management businesses

There are a multitude of risk management software products provided by small businesses who have deep subject matter expertise but face challenges in scaling to a large market presence within capital markets. By bringing such businesses into the KRM22 group:

- Customers gain access to additional high-quality products;
- The acquired businesses solve their scaling challenges; and
- KRM22 will accelerate its Global Risk Platform offering and the breadth of its customer base.

The acquired applications we invest in are integrated with the Global Risk Platform in progressive steps. In parallel, we continue to generate new sales in each acquired business through our business development function and experienced management, leveraging the cross-selling opportunities created by our existing customer base in addition to new business opportunities.

Investing policy

Our policy is 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 offerings, 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 a platform to scale.

Technology development

Core to KRM22's offering is the Global Risk Platform, the underlying technology platform through which we deliver SaaS applications to capital market customers. Our strategy is to simplify the risk management application landscape by providing one central place for customers to access risk applications. We are committed to developing the Global Risk Platform, our native application functionality and to rapidly integrate acquired technology.

Distribution of third-party applications

Our strategy to deliver third-party specialised risk management applications through the Global Risk Platform allows us to expand our offering quickly and efficiently, providing customers with further ways to reduce the cost and complexity of risk management for their firm, and offering an additional route to market for those application providers. KRM22 generates recurring revenue through these partnerships on a revenue-share or mark-up basis.

Financial Review

Financial numbers included in the period

The results for the six months to 30 June 2019 include one month of Object+ revenue and costs (from 29 May 2019) and six months of revenue and costs for all other KRM22 group companies. For comparative purposes, the results for the six months to 30 June 2018 (H1 2018) include two and a half months of central costs for KRM22 plus one month of Irisium revenues and costs.

Income statement

Total revenue

Total revenue reported in the period was £1.8m (H1 2018 - £0.1m) and 96% was generated from recurring customer contracts. The total revenue recognised includes non-recurring revenue of £0.1m (H1 2018 - £nil).

Recurring revenue

Recurring revenue recognised for the period was £1.7m (H1 2018 - £0.1m) and this was six months of revenue generated by KRM22, Irisium and ProOpticus and one month of revenue generated by Object+. KRM22 is focused on building a recurring revenue business and our key revenue metric is ARR. As at 30 June 2019, the KRM22 group had contracted ARR of £4.1m from 37 institutional customers

Loss for the period

The operating loss for the period was £4.4m (H1 2018 – loss of £1.4m).

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 £2.4m (H1 2018 – loss of £0.9m). The adjusted EBITDA is as per the operating loss for the period, adjusted for:

- Depreciation and amortisation £0.6m (H1 2018 - £0.0m);
- Cost savings through restructuring of internal operations £0.3m (H1 2018 - £nil);
- Non-recurring costs of acquisitions, debt facility and share placement and subscriptions £0.6m (H1 2018 - £0.4m, mostly attributable to the IPO listing on AIM); and
- Share-based payments costs of £0.5m (H1 2018 - £0.2m).

Total comprehensive loss

KRM22 reported a total comprehensive loss for the period of £4.4m (H1 2018 – loss of £1.4m).

Balance sheet

Cash

As of 30 June 2019, KRM22 held £1.4m in cash (FY 2018 - £3.4m).

Debt facility

On 29 April 2019, KRM22 entered into a five-year debt facility (the "Debt Facility") with Harbert European Growth Capital Fund II ("Harbert") to support future business growth and allow KRM22 to pursue its pipeline of investment targets.

The Debt Facility is for up to £10.0m of which an initial £1.0m was drawn down on 30 April 2019. The availability of additional drawdowns is based on the value and growth of KRM22's annualised recurring revenues. Drawdowns can be made until 31 December 2020.

The interest rate payable is 11% per annum on the initial £1.0m drawdown. The interest rate payable on future additional drawdowns will be at the higher of 11% or 11% plus one-year EURO Libor. The Debt Facility is secured on the Group's long-term assets and cash assets held however there are no covenants based on KRM22's financial performance.

In conjunction with the Debt Facility, the Company has constituted warrants over a number of Ordinary shares in the Company to Harbert with a total value equal to a maximum of £1.0m. Upon initial drawdown, warrants over 495,049 new Ordinary Shares were issued with an exercise price of £1.01 per Ordinary Share. Additional warrants will be issued in an amount equal to 5.6% of each subsequent drawdown of the Facility (up to a maximum value of £500,000 in aggregate) calculated by reference to an exercise price of the lower of a 10% discount to the prevailing market price or £1.01 per new Ordinary Share.

Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on KRM22's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected results. The annual report for the year ended 31 December 2018 included a detailed explanation of the risks relevant to the Group on page 16 which is available at www.krm22.com. In addition to the risks detailed in the annual report, the Directors consider that Group has the following additional risks and uncertainties as at the date of this report.

Debt facility

The Debt Facility with Harbert requires KRM22 to comply with various obligations including the payment of capital and interest by the due dates and management information to be reported to Harbert within agreed timeframes. Failure to meet these obligations will result in an Event of Default which may result in Harbert withdrawing the Debt Facility with all amounts accrued under the Debt Facility becoming immediately due and payable which KRM22 would be unable to settle. This risk of being unable to pay Debt Facility liabilities as they become due would be mitigated by growth generated through new customer agreements and having a strategic investor on board to help fund the next phase of growth. The risk of non-compliance with reporting is mitigated by maintaining a diary, with reminders in advance of all deadlines, so that KRM22 complies with the various obligations.

Brexit

The continued uncertainty around Brexit poses inherent risks at being able to accurately plan for the future. The risk is managed by the Directors keeping abreast of the latest developments on Brexit, it's possible implications and discussions by management and the executive team.

Interim consolidated statement of comprehensive loss for the six months ended 30 June 2019

	Note	6 months to 30 Jun 2019 (unaudited) £'000	6 months to 30 Jun 2018 (unaudited) £'000
Revenue	5	1,770	73
Cost of sales		(167)	-
Gross profit		1,603	73
Administrative expenses		(6,004)	(1,488)
Operating loss before interest, taxation, depreciation, amortisation, share based payment and exceptional items ("Adjusted EBITDA")		(2,433)	(867)
Depreciation and amortisation		(534)	(2)
IPO funding expenses		-	(274)
Acquisition and debt expenses		(611)	(114)
Group restructuring costs		(314)	-
Share based payment expense		(509)	(158)
Operating loss		(4,401)	(1,415)
Net finance charge		(91)	(3)
Loss before taxation		(4,492)	(1,418)
Taxation		3	-
Loss for the period		(4,489)	(1,418)
Other comprehensive income/(expense)			
Exchange gain/(loss) on translating foreign operations		60	(2)
Total comprehensive loss for the period		(4,429)	(1,420)
Loss for the period attributable to:			
Owners of the parent		(4,249)	(1,287)
Non-controlling interest		(240)	(131)
		(4,489)	(1,418)
Total comprehensive loss for the period attributable to:			
Owners of the parent		(4,189)	(1,289)
Non-controlling interest		(240)	(131)
		(4,429)	(1,420)

Earnings per share for loss for the period attributable to the owners of the parent during the period			
Basic earnings per share (pence)	6	(0.24)	(0.20)
Diluted earnings per share (pence)	6	(0.24)	(0.20)

All amounts relate to continuing activities.

The notes on pages 13 to 17 form part of these interim financial statements

	30 Jun 2019 (unaudited) £'000	31 Dec 2018 (audited) £'000
Assets		
Non-current assets		
Goodwill	9,758	5,928
Other intangible assets	5,211	4,523
Property, plant and equipment	319	304
Right of use assets	1,364	1,602
	16,652	12,357
Current assets		
Trade and other receivables	1,272	1,131
Cash and cash equivalents	1,437	3,355
	2,709	4,486
Total assets	**19,361**	**16,843**
Current liabilities		
Trade and other payables	4,103	2,718
Loans and borrowings	202	-
	4,305	2,718
Net current (liabilities)/assets	**(1,596)**	**1,768**
Non-current liabilities		
Trade and other payables	4,503	2,609
Loans and borrowings	1,929	1,193
Deferred tax liability	616	619
	7,048	4,421
Total liabilities	**11,353**	**7,139**
Net Assets	**8,008**	**9,704**
Equity		
Share capital	1,910	1,638
Share premium reserve	14,664	12,659
Merger reserve	(190)	(190)
Foreign exchange reserve	84	24
Share-based payment reserve	1,167	657
Retained earnings	(9,526)	(5,223)
	8,109	9,565
Non-controlling interest	(101)	139
Total equity	**8,008**	**9,704**

The notes on pages 13 to 17 form part of these interim financial statements

Interim consolidated statement of cash flows for the six months ended 30 June 2019

	6 months to 30 Jun 2019 (unaudited) £'000	6 months to 30 Jun 2018 (unaudited) £'000
Cash flows from operating activities		
Loss for the period	(4,489)	(1,418)
Adjustments for:		
Deferred tax credit	(3)	-
Net finance charge	91	3
Depreciation and amortisation	534	2
Share-based payment expense	509	158
Lease payments	(314)	-
	(3,672)	(1,255)
Increase in trade and other receivables	(69)	(279)
Increase in trade and other payables	516	489
	447	210
Net cash outflows from operating activities	**(3,225)**	**(1,045)**
Cash flows from investing activities		
Cash acquired on acquisition of subsidiary undertakings	42	-
Acquisition of subsidiaries, net of cash acquired	(407)	(1,779)
Purchases of intangible assets	(909)	-
Purchases of property, plant and equipment	(91)	(21)
Net cash used in investing activities	**(1,365)**	**(1,800)**
Financing activities		
Proceeds from issue of shares	1,761	10,320
Loans and borrowings	911	(530)
Net cash from financing activities	**2,672**	**9,790**
Net cash (decrease)/increase in cash and cash equivalents	**(1,918)**	**6,945**
Cash and cash equivalent at beginning of the period	**3,355**	**-**
Cash and cash equivalent at end of the period	**1,437**	**6,945**

The notes on pages 13 to 17 form part of these interim financial statements

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 16 September 2019.

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 2018 ('2018') Annual Report. The financial information for the half years ended 30 June 2019 and 30 June 2018 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 KRM22 Plc ('the Group') are prepared in accordance with IFRS as adopted by the European Union. The comparative financial information for the year ended 31 December 2018 included within this report does not constitute the full statutory Annual Report for that period. The statutory Annual Report and Financial Statements for 2018 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 2018 was unqualified, did draw attention to a matter by way of emphasis, being going concern and did not contain a statement under 498(2) - (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 2018 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 2019 and will be adopted in the 2019 financial statements. There are no new standards impacting the Group that will be adopted in the annual financial statements for the year ended 31 December 2019; other than IFRIC 23 'Uncertainty over Income Tax Positions' which is effective for annual periods beginning on or after 1 January 2019. IFRIC 23 clarifies how to recognise and measure current and deferred income tax assets and liabilities when there is uncertainty over income tax treatments. IFRIC 23 has had no impact on the Group's consolidated financial statements.

3. Going concern

This Interim Report has been prepared on the assumption that the business is a going concern. In reaching their assessment, the Directors have considered a period extending at least 12 months from the date of approval of this half-yearly financial report. This assessment has included consideration of the forecast performance of the business for the foreseeable future, the cash and financing facilities available to the Group, and the repayment terms in respect of the Group's borrowings. 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 existing negotiations and the Company's track record of raising funding when required, the Directors believe the Group will to 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. Accounting policies
Revenue recognition

Revenue comprises recurring revenue and non-recurring 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, turnover represents the value of service provided to date based on a proportion of the total contract value. 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.

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.

4. Accounting policies (continued)
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.

5. 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 is organised for reporting purposes into a single global business unit.

The Directors consider that the business has two revenue streams with different characteristics, which are generated from the same assets and cost base.

	6 months to 30 Jun 2019 (unaudited) £'000	6 months to 30 Jun 2018 (unaudited) £'000
Recurring	1,703	73
Non-recurring revenue	67	-
Total revenue	1,770	73

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

	6 months to 30 Jun 2019 (unaudited) £'000	6 months to 30 Jun 2018 (unaudited) £'000
UK	177	23
Europe	308	38
USA	1,115	12
Rest of world	170	-
Total	1,770	73

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 the period, 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 Jun 2019 (unaudited) £'000	6 months to 30 Jun 2018 (unaudited) £'000
Loss for the period attributable to equity shareholders of the parent	(4,249)	(1,287)
Basic weighted average number of shares in issue	17,427,356	6,446,122
Diluted weighted average number of shares in issue	24,457,422	9,631,122
Basic and diluted loss per share (pence)	(.24)	(0.20)

6. Intangibles

The Group capitalised £0.9m of costs (H1 2018 - £nil, FY 2018 – £1.8m) representing the development of KRM22's products during the period, resulting in a net book value of £2.7m (H1 2018 - £nil, FY 2018 - £1.8m) after an amortisation charge of £0.0m (H1 2018 £nil, FY 2018 - £nil).

7. Acquisitions

On 30 May 2019, the Group completed the acquisition of Object+ Holding B.V. ("Object+"), a risk management and post-trade services technology business focused on capital markets, for a maximum consideration of US$3.9m (£3.1m).

The acquisition was for an initial consideration of US$1.2m (£0.9m) with US$0.5m (£0.4m) payable in cash and US$0.7m (£0.5m) through the issue of 606,909 ordinary shares in the Company. The undiscounted deferred consideration is a maximum of US$2.7m (£2.2m) payable in three tranches subject to earn-out conditions based on the growth of annual recurring revenue of Object+'s products and services. The deferred consideration can be satisfied in either cash or Company ordinary shares at the Company's discretion.

8. Cautionary statement

This document contains certain forward-looking statements relating to KRM22 plc ('the Company'). The Company 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 Company 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.