

ANNUAL REPORT



2019



INNOVATION GROWTH MOMENTUM



2019 has been an excellent year for Osirium. We added new customers, saw 100% retention among our existing clients, expanded our network of channel partners, and successfully brought two new solutions to market.

David Guyatt, CEO

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Strategic Report

2019 with Osirium



Members of the Osirium team at Infosec Europe, London, June 2019

at a
Glance

| Operational Highlights

Continuing Strong Performance

- Significant increase in business performance with bookings up by 54% to £1.82 million (2018: £1.18 million), total revenues by 22%, and deferred revenues by 89%
- Added new customers in established sectors such as finance and the NHS, as well as securing new accounts in fleet management services and central government
- Recorded first sale of our Privileged Process Automation offering, enabling customers to automate complex processes, delegate tasks to lower costs resources and clear operational backlogs
- Clear illustrations of successful “land and expand” strategy with strong expansion and on-sell contracts
- Maintained 100% renewals with existing customers

Continuing Investment in the Business

- Grew and strengthened teams in engineering, sales, support, marketing
- Expanded product portfolio to three solutions with the release of Privileged Process Automation and Privileged Endpoint Manager, opening up further revenue opportunities with both existing customers and new business prospects
- Successfully completed a funding round of £4.78 million
- Launched new website driving a significant increase in traffic and time spent on the new site

Post Year End

- In a direct response to the COVID19 pandemic the Group has taken a number of actions to ensure that all staff are healthy, safe and working from home. This has allowed Osirium to continue supporting our customers with no compromise on service levels or delivery.
- Established a presence in Benelux and started sales and marketing initiatives in the region as well as in the Nordics
- Further sales in the NHS and Ambulance Services
- Competitive wins, demonstrating our increasing reputation as a solution provider with a clear understanding of the challenges facing this sector
- Additional sales in North America

Financial Highlights

Total Revenue (2018: £957,461)

£1,171,586

up **22% YoY**

Total Bookings (2018: £1,171,292)

£1,815,812

up **54% YoY**

Deferred Revenue (2018: £724,600)

£1,368,826

up **89% YoY**

Operating Loss (2018: £2,674,800)

£3,399,731

In line with Management expectations and primarily reflecting increased investment in sales and marketing and additional headcount in the R&D and Customer Support teams.

Cash and Cash Equivalents as at 31st December 2019 (2018: £2,386,624)

£3,854,922

Total Revenue Comparison

Increase of **£214,125**

Total Revenue 2019: £1,171,586

Total Revenue 2018: £957,461

Total Bookings Comparison

Increase of **£638,520**

Total Bookings 2019: £1,815,812

Total Bookings 2018: £ 1,171,292

Deferred Revenue Comparison

Increase of **£644,226**

Deferred Revenue 31/12/2019: £1,368,826

Deferred Revenue 31/12/2018: £724,600

Cash and Cash Equivalents Comparison

Increase of **£1,468,298**

Cash as at 31/12/2019: £3,854,922

Cash as at 31/12/2018: £2,386,624

Protecting Vital Assets

Automating Key Processes

Privileged Access Security Securing. Protecting. Automating.

Over the course of 2019 Osirium has continued to shape and define key aspects of IT security and operational effectiveness. The framework in which we do this is Privileged Access Security.

Privileged Access Security controls and protects access to customers' most valuable shared applications, services and devices. However, although founded on our expertise in Privileged Access Management (PAM), our vision for Privileged Access Security looks beyond traditional PAM. While PAM protects and manages administrator or supervisor accounts, at Osirium we see Privileged Access Security building on this governance to streamline administrator workloads, securely automate business and IT processes, and remove risky local administrator accounts from endpoints.

The solutions offered in the Osirium Privileged Access Security portfolio are:



Osirium Privileged Access Management

Minimise the risk of security breaches by controlling, securing and auditing the vital assets in privileged accounts.



Osirium Privileged Process Automation

Free up specialist skills and boost security by automating essential IT and business processes.



Osirium Privileged Endpoint Management

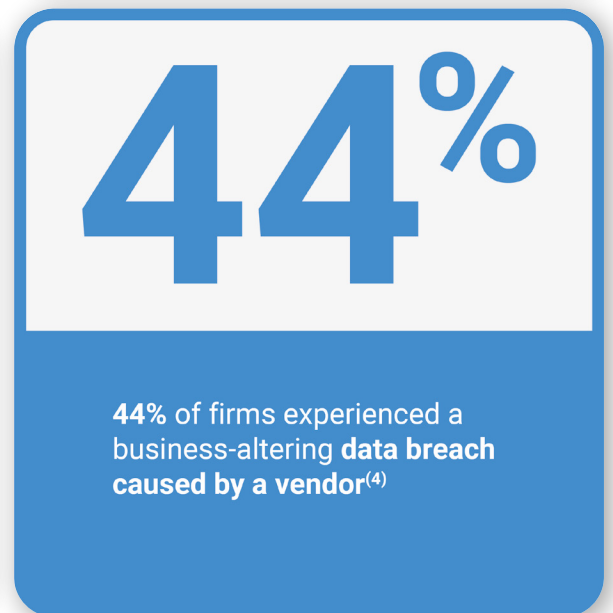
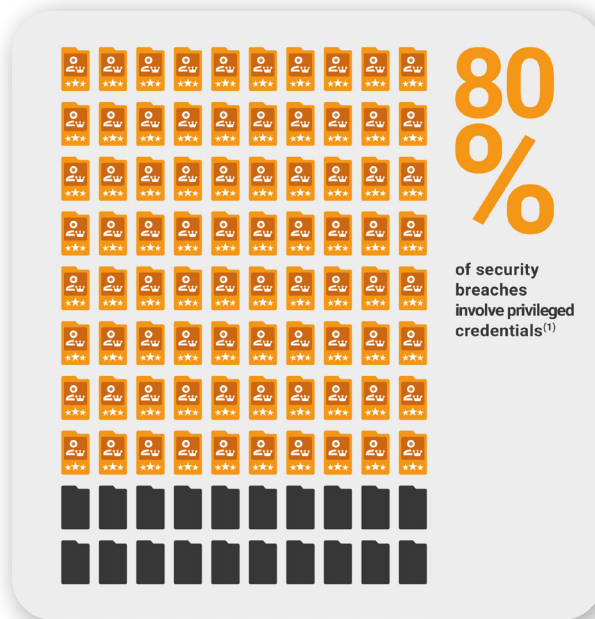
Protect critical desktop applications by removing potentially risky local admin rights.

Privilege? What do we mean by "Privilege"?

Privileged accounts are those accounts customers should never lose control of. Privileged accounts can be seen as administrative accounts that provide a higher level of access, typically to configure, manage and otherwise support a system. If not managed rigorously, these accounts can be the source of catastrophic security breaches and operational dysfunction.

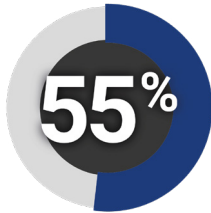
Looking beyond purely defensive security, Privileged Access Security is an enabler for digital transformation and business innovation.

Why Privileged Access Management is an Increasing Issue



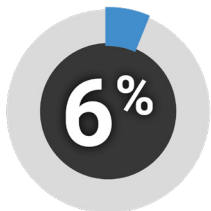
(1) Forrester, (2) and (3) Ponemon "Cost of Data Breach" report 2019, (4) eSentire / Spiceworks

Understanding Where Breaches in Privileged Accounts Originate



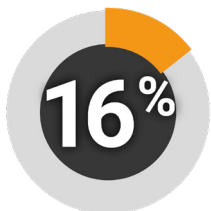
Attack Vector One

Illegal access through privileged accounts
Sharing accounts
Weak and re-used passwords
Legacy accounts



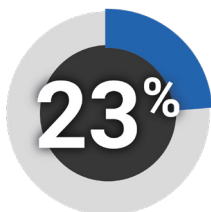
Attack Vector Two

Abuse of authorised role
(don't care if they get caught)



Attack Vector Three

Abuse of authorised role
(don't want get caught)



Attack Vector Four

Over-privileged access
'Have-a-go' heroes
'Do-gooders'

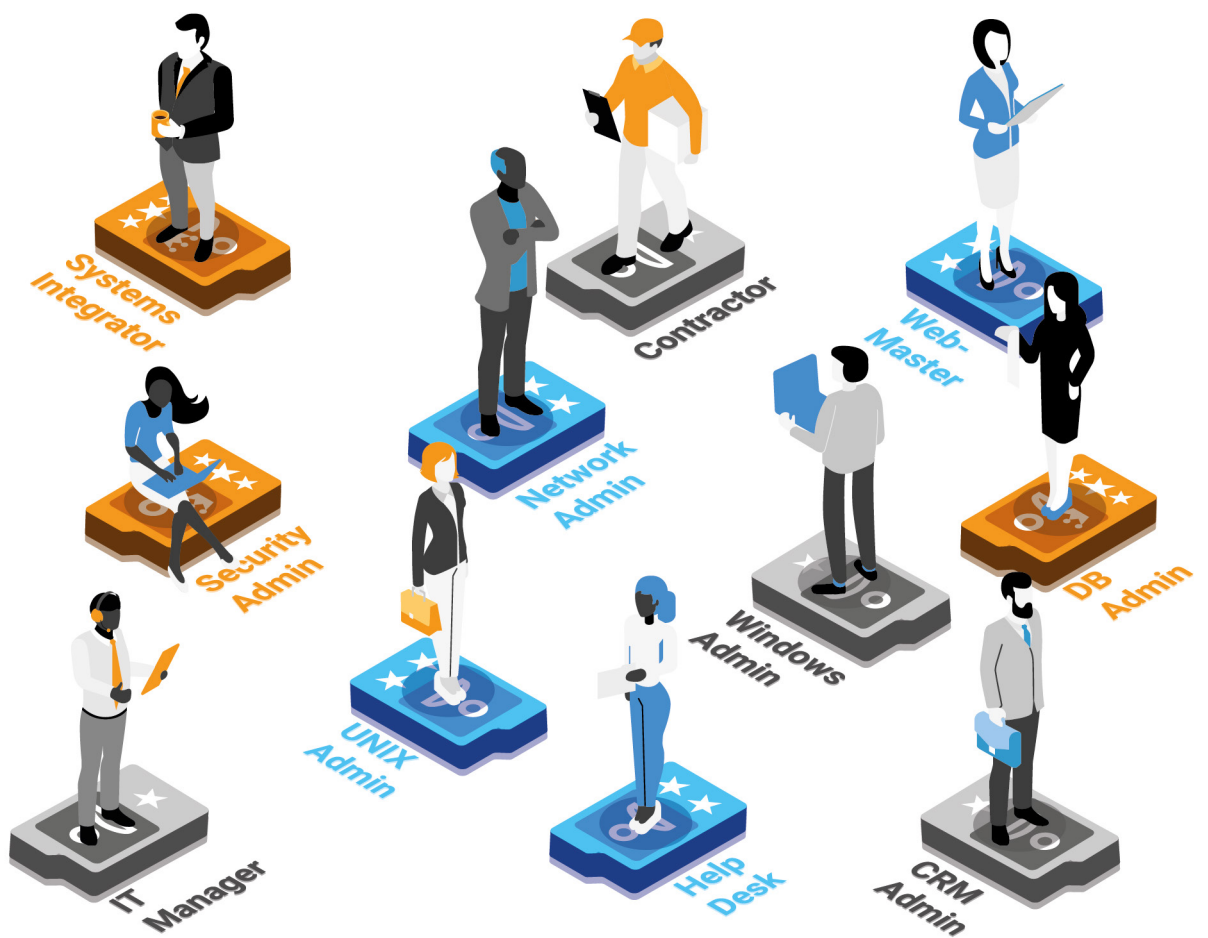
The nature of security breaches to Privileged Accounts can be malicious or unintentional, or originate from within or outside an organisation.

External breaches use techniques such as phishing or malware to compromise a user's system. From there, they can exploit bad practices like password sharing or weak, predictable or re-used passwords to access critical systems and the infrastructure - the crown jewels for any attacker.

Internal breaches could come about by poor control over third party contractor or vendor access to privileged accounts, or by giving too much privilege to too many staff. These may be deliberate (for example, a disgruntled employee) or accidental (such as an over-privileged employee accessing systems they should not). Both can have disastrous consequences for the organisation.

Osirium PAM: Addressing the Challenge of Ever-Increasing Complexity

Privileged accounts are everywhere, not just for specialists in the IT department, but spread across the organisation in marketing, finance, HR and elsewhere.



That means lots of people, with considerable power and extensive access to extremely valuable and sensitive information.

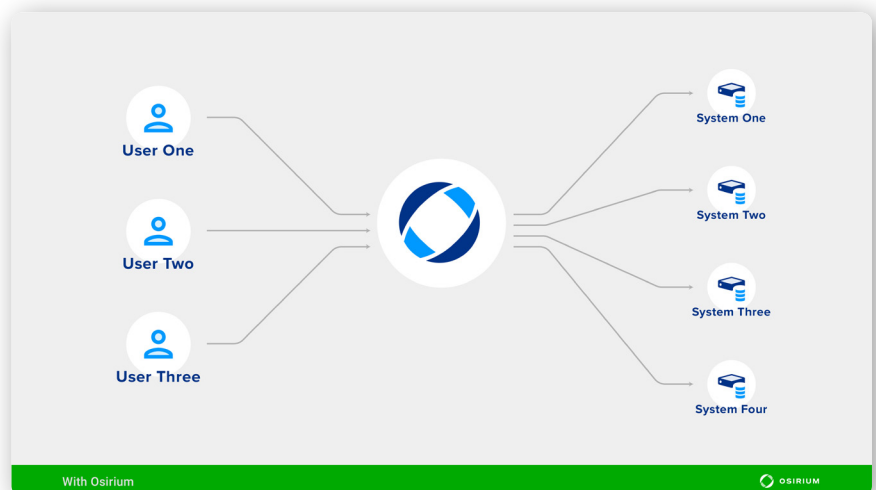
Without Osirium

In today's IT environment securing, controlling and auditing who has access to what and when rapidly becomes a task of unmanageable complexity. The result: the increased risk of myriad security breaches, an increasing management burden and costs, negligible visibility, poor auditability.



With Osirium

Acting as a proxy, the Osirium PAM Solution elegantly manages the control of the Privileged Account environment. With simple, intuitive operation, we allow customers to enforce the Principle of Least Privilege, ensuring the right administrators have the right degree of privilege, to the right accounts and devices, for the right period of time, with detailed session recording and auditing.



The Result

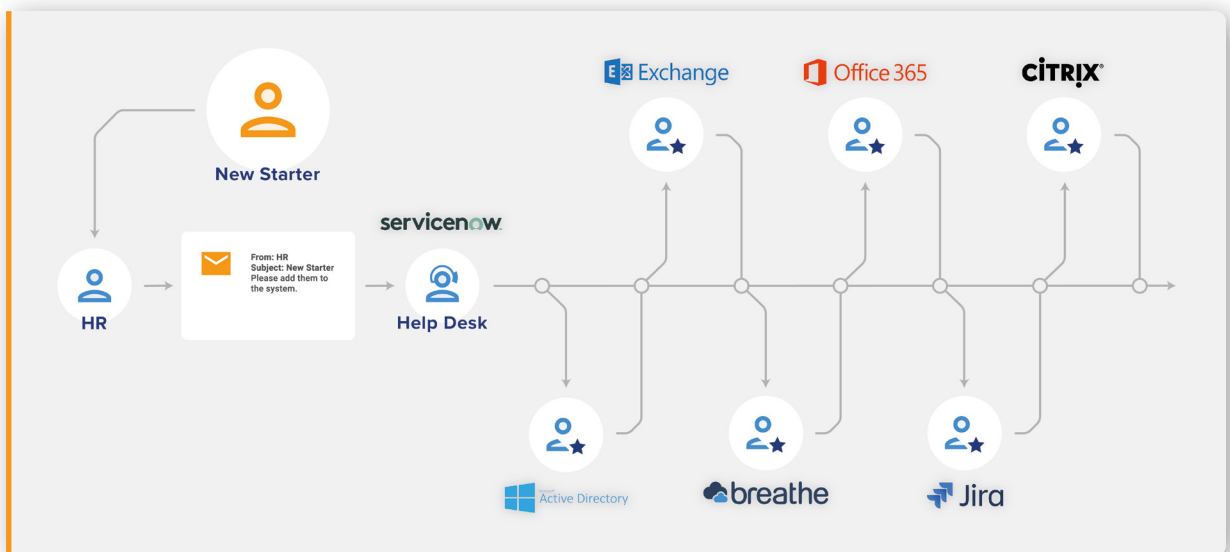
Substantially improved operations, reduced time and costs, with extensively reduced risk of security breaches.

Osirium PPA: Intelligent Automation made Simple

Privileged Process Automation (PPA) allows IT teams to address a growing challenge: how to face a flood of demands from users across the business to transform the effectiveness of their processes. Automation is increasingly the desired response, but needs to be implemented without compromising security.

PPA is a framework for automating IT and business processes traditionally requiring expert skills. PPA's simple interface allows users to guide a process that behind the scenes is performing complex, highly privileged actions across multiple systems. By hiding the complexity and specialist technical knowledge, this process can now be securely delegated and accelerated.

PPA can be applied to address multiple use cases requiring automation of processes, such as faster operations, improved DevOps, rigorous compliance.



The cases above shows one example. Adding a new starter to a business is a process repeated many times, but each instance involves multiple systems and multiple, probably different, IT specialists. Delays occur if one of the specialists is unavailable. Security breaches occur when over-privileged but under-skilled staff try to address the challenge.

For an instance like this Osirium PPA automates the process, allowing it to be delegated from an IT specialist to a Help Desk resource or user within a department. The process is completed more rapidly, costs are lowered, and the IT specialists are free to concentrate on major tasks.

Osirium PEM: Reducing Risk by Removing Local Administrator Accounts

Privileged Endpoint Management, or PEM, addresses the issue of having local administrator accounts on the computers that every worker has access to every day.

Local administrator accounts were often created to reduce the number of calls to the IT Help Desk. But these accounts are very risky, potentially allowing installation of malware by an attacker to gain access to the corporate network.

However, not having local admin rights can hurt user productivity and can also mean a deluge of calls to the help desk to manage these rights.



Osirium PEM allows customers to strike an effective balance between **security** and **productivity**. PEM allows organisations to remove local administrator rights from users, while at the same time enabling them to have escalated privileges only for specific processes and executables. The balance tips back towards productivity while increasing the organisation's overall security.

Chairman and Chief Executive's Statement

Overview

We are pleased to report the Group's results for the year to 31 December 2019 which show strong financial progress in line with our operational objectives for the year. We experienced a step change in traction for our next generation enterprise Privileged Access Security solutions with bookings, our key financial measure, growing 54% over the prior year to £1.82 million. Investment in our product range during the year has expanded our addressable market and we have established the right teams internally to springboard our growth strategy in the year ahead.

Our strategic focus on growing market presence through new contract wins and 'land-and-expand' orders from existing accounts, whilst maintaining 100% customer retention levels across the board, has driven the Group's growth in the period. During the year we expanded our footprint within existing customer sectors, with a number of new business wins in the finance and NHS sectors, while also establishing a foothold in new verticals, including fleet management services and central government. As we win new business, we are becoming further entrenched in our customers' organisations as our solutions touch end users across all aspects of a business's operations.

In line with the Group's ambition to extend its market reach beyond its direct sales channel, several new business wins in the year were delivered and managed through channel partnerships, consisting of Managed Service Providers and Security Integrators. The Group continues to build its channel partner relationships and sees this an important route to market, in conjunction with its direct marketing efforts.

Investment in the business remains a key priority as the Group scales, while maintaining tight controls on costs. As a result of investing in product development during the year, we brought to market two pioneering new solutions in what we define as our overall Privileged Access Security portfolio. The expansion to three complementary offerings is an important development for the Group, significantly widening the market opportunity, enhancing our value proposition with cross-selling opportunities, and strengthening our position as a leading innovator in the Privileged Access Security market. To support and scale the expanded offering, we have also invested in the technical and commercial teams, employed our first sales specialist in mainland Europe, launched a refreshed website to attract new business, and believe we are well resourced to execute the Group's ambitious growth plans in the year ahead.

The Group completed a fundraise in October, raising in aggregate £4.78 million (before expenses) through the issue of subscription shares, convertible loan notes and a placing at a premium of approximately 3% to pre-announcement closing price, supporting the Group's investment programme and growth strategy. The substantial participation in the fundraise by Group employees, contributing 10.3% of the overall funds raised, is a reflection of the ambition shared across the whole team at Osirium and the confidence we have in the opportunity ahead. On behalf of the Board, we would like to thank all our shareholders for their continued support as well as all employees for their ongoing commitment and dedication.

The market opportunity is large and growing in sophistication, with Privileged Access now no longer viewed in the context of a niche offering but as an indispensable asset for corporate cybersecurity protection. Our reputation in this market as a leading specialist is growing and we have significantly enhanced the Group's infrastructure to capture this opportunity as we move forward.



Simon Lee
Non-Executive Chairman



David Guyatt
Chief Executive Officer

Results

Total bookings in the period increased 54% to £1.82 million (2018: £1.18 million). This translated into recognised revenue for the year of £1.17 million, an increase of 22% (2018: £0.96 million). As a result of the Group's Software-as-a service ("SaaS") revenue recognition policy, which recognises revenues over the course of multi-year contracts, deferred revenue grew to circa. £1.37 million (2018: £0.72 million), providing the Company with greater visibility of future revenues as we enter the new financial year. Cash balances as at 31 December 2019 were £3.9 million (31 December 2018: £2.4 million).

The Group's loss before tax for the year was £3.45 million, increased from the loss of £2.67 million for the year to 31 December 2018, in line with the Board's expectations.

The Group's focussed R&D programme, a key pillar of our long-term growth strategy, resulted in R&D spend for the year of £1.77 million on direct staff and contractor costs for research and development. The focus of product investment is in enhancements to the portfolio including clustering PAM servers to deliver greater scalability, developing machine-guided automation in PPA as well as human-guided automation, and creating our first Privileged Endpoint Management solution. The Group anticipates revenues to increase further during 2020 and is targeting increased service revenues with the addition of extra consultancy resource.

Business Model

The Group's revenue is composed of SaaS software licences, with the Group's Privileged Access Management (PAM) product charged per device, and the new Privileged Process Automation (PPA) product charged per user. The recently released Privileged Endpoint Management (PEM) product will be charged per protected endpoint. Service revenue comes largely from existing customers as they grow and expand their use of Osirium's software solutions.

Bookings, the Group's key financial metric, is the total value of a contract signed in a given year. Therefore, recognised revenue will lag bookings while the business is in growth phase.

Due to the quality of the Osirium software, support and professional services received by our clients we are pleased to report a 100% renewal rate among our existing customers.

As awareness of Osirium grew in 2019 we saw customers increasingly willing to make a purchase without requiring a Proof of Concept ("POC"). However, when a POC has been or is required, Osirium Professional Services have developed a rigorous POC process incorporating objectives, requirements, agreed metrics for success, implementation, training and project management. In 2019 these resulted in a 100% conversion rate from POC to final customer sale.

Chairman and Chief Executive's Statement

Market – the Growing Awareness of 'Privilege'

The threat posed by cybersecurity breaches to the business community continues to be elevated to the top of corporate agendas with headline-grabbing incidents fuelling demand for expertise and solutions. Cybersecurity is no longer viewed as an isolated IT issue, but rather as a key risk management issue at the core of corporate governance for businesses across all sectors. 2019 was no exception with high profile breaches resulting in reputational damage and severe punishment from authorities for a number of household brand names.

The recurring use cases driving customer demand for control of privileged access are:

- **Insider Threats:** sometimes concern over maliciously-driven security breaches caused by disgruntled employees, but increasingly and inadvertently caused by too many people (often without the necessary skills) having too much access to too many privileged accounts
- **External Attacks:** hacker attacks targeting privileged accounts
- **Third Parties and Vendors:** securely managing internal staff can be a challenge. Many prospects find it even more difficult to maintain visibility and control over an ever-changing network of contractors, outsourced staff and vendors who require some access to privileged accounts to do their work.
- **Audits and Compliance:** without rigorous controls over who had access to which systems and performed which tasks at what time, meeting compliance obligations becomes impossible.

Within the umbrella of cybersecurity solutions, Privileged Access Management (PAM), the cornerstone of the Osirium Privileged Access Security portfolio, addresses the threat involved in 80% of cybersecurity breaches, namely the loss or theft of privileged credentials (Forrester Wave report, Nov 2018). PAM solutions tightly control and monitor access by users with elevated 'privileges' to an enterprise's most valuable IT assets in order to minimise the risk of security breaches. It is more evident than ever that this message is resonating with our customers and potential customer base with growing awareness of what 'Privilege' means in a cybersecurity environment. As a result, we have built our largest new business pipeline to date as businesses seek to acquire the necessary tools they need for adequate protection.

Forecasts for the PAM market consistently point to a substantial market opportunity, with the Gartner Forecast for Information Security and Risk Management, Q2 2019, expecting the PAM market to reach \$2.5bn worldwide by 2023.



Members of the Osirium team at Infosec Europe, London, June 2019

Growth Strategy

The Group's growth strategy is centred around three core principles: innovation, customer focus and market expansion.

Commitment to Innovation

Osirium's technology is uniquely positioned as a purpose-built solution portfolio, designed specifically to address the challenges of Privileged Access. Our 'next generation' products have been built from the ground up and are not modifications of acquired solutions designed to address other needs. As a result, the simplicity of implementation remains a key differentiator for the Group.

We have invested in our product offering ahead of the curve and we are now seeing the anticipated market take-up. It is this commitment to ongoing innovation that drove the launch of two new, highly relevant products in the period, bringing the total solutions range to three complementary offerings. The Group's full Privileged Access Security portfolio now consists of:

- **Privileged Access Management 'PAM'** the Group's cornerstone product, protecting Privileged Accounts
- **Privileged Process Automation 'PPA'** (launched in Q2 under the initial code name 'Opus') a framework for securely automating complex IT processes
- **Privileged Endpoint Management 'PEM'** (launched in Q4) a solution allowing customers to control and remove potentially risky admin rights from endpoints

We were delighted to report our first sale of our PPA product during the year, very soon after launching the product. This contract, with an existing Osirium customer, is an example of how we can broaden our relationships within the customer base whilst also expanding our new business discussions. This was clear validation of the value derived from our targeted R&D programme and the market readiness for our offering.

The focus for product development in the year ahead is the ongoing refinement of the platform's technical specifications and user interface. We will be adding new functionality and capabilities to the three core offerings, and will be exploring an offering targeted at the Managed Service Provider sector.

Chairman and Chief Executive's Statement

Growth Strategy - Continued

Customer Focus

"Land and Expand", our model of securing an initial sale with a customer and the following with additional licences or product orders, remains a key strategy for the company.

Customer service and retention is at the heart of Osirium. The Group is proud to have achieved a 100% customer retention rate during the year, and it is this focus that provides the foundation for future growth as new customers are acquired and the 'land and expand' cycle begins again.

During the year we received a major expansion order with a UK provider of software and IT services to the public sector following an initial order nine months earlier in the year. The revised contract represented an expanded base of protected devices for the customer by more than ten-fold, demonstrating the success of the 'land-and-expand' model and customer first approach.

Market Expansion

We saw a step change in the traction that our offerings are gaining in the market. This has been driven by both maintaining a direct-touch model with our customers as well as the expansion of our indirect channel via channel partners. We have also expanded our channel model to encompass Managed Service Providers and specialist Managed Security Service Providers, who have already delivered significant contract wins, and who we see as a core part of our growth strategy.

Our key target market remains mid-tier and upper mid-tier enterprises. We have established a key presence in sectors such as financial services, the NHS and retail, and are building out our presence in new sectors including fleet services, manufacturing and energy. As well as continuing to develop our home market in the UK we see growing interest from prospects across the rest of Europe and beyond, including the Group's first sales in North America. As a result, the Group has established a base in mainland Europe to service these prospects and capitalise on the expanding market opportunity.

Current trading, Coronavirus Effect and Outlook

This past year has seen substantial progress achieved against our growth plans with an expanded product suite, a confident team, and accelerating traction in terms of our market presence. The market opportunity is clearer than ever as Privileged Access Security is increasingly a corporate priority, helping to deliver our strongest pipeline to date.

Nonetheless, at the time of writing, we cannot ignore the increasing impact on our business of the Coronavirus pandemic. To the best of our ability we have factored this into our planning. The safety and health of our employees, partners and customers is paramount, and we have taken decisive steps to move fully to remote working, with an online engineering, sales, marketing and support model for engaging with our customers. The Board remains cautious and vigilant in the very short-term as the full impact of COVID-19 on the general economy is not yet known, however we have contingency plans in place and factored these into our planning and are limiting the cash outflows out of the business as best as we can

Despite the significant challenge COVID-19 presents we are moving forward this year with continued business momentum. Our focus on growing our market presence and customer-centric approach, coupled with our expanded offering and a solid foundation of visible revenue, gives the Board confidence in the Group's long-term prospects.

Simon Lee, **Chairman**
15 May 2020

David Guyatt, **CEO**
15 May 2020

Governance

2019

Financial

Review

| Financial Review

Overview

The Group has significantly increased revenue and bookings during the year, demonstrating greater customer engagement and investment. The Group considers bookings to be its key financial measures and a good reflection of the growth the Company experienced in the period under review. Bookings for the 12-month period ended 31 December 2019, represented by total invoiced sales for annual subscriptions, were £1.82 million, an increase of 54% over the previous year (2018: £1.18 million).

Given the Group's revenue recognition policy, which recognises revenue in equal annual instalments over the course of multi-year contracts, revenue for the year was £1.17 million, an increase of 22% over the prior year (2018: £0.96 million).

The 12-month loss after tax for the Group was £2.83 million, increased from the loss of £2.27 million for the year to 31 December 2018, in line with the Board's expectations. The losses of the Group have increased following significant investment in increasing headcount and activity levels in our sales, pre-sales, marketing and engineering departments of the business.

Revenue Analysis

Revenue for the 12-month period ended 31 December 2019 was £1.17m (2018: £0.96m). Total customer count increased by 14 for the year ended 31 December 2019, up to 50 (2018: 36). This customer growth reflects the increasing sales momentum experienced by the business as the Group broadens its customer base, and customer demand for our PAM, PPA and PEM solutions grows.

Company deferred revenues as at 31 December 2019 were £1.37 million, compared with deferred revenues at the end of December 2018 of £0.72 million, helping provide a degree of visibility and certainty over our future revenue streams.

Taxation

The Group has benefited from the tax relief given on development expenditure, which has resulted in a research and development tax credit of £557,000 being claimed for the year to 31 December 2019, compared with £408,000 for the previous year to 31 December 2018. This further demonstrates the consistent investment made in the Company's innovative cybersecurity product and its pioneering qualities

Loss per Share

Loss per share for the year on both a basic and fully diluted basis was 19p. In the prior year the basic and diluted loss per share was 17p.

Results and Dividend

The Directors are not recommending the payment of a final dividend (2018: £nil).

Research and Development & Capital Expenditure

The Group spent £1.77 million (2018: £1.44 million) on direct staff and contractor costs for research and development, of which all was capitalised in both periods. This expenditure relates to the development of new and enhanced software offerings. The Group invests in new product development and the continual modification and improvement of its existing products to meet technological advances, customer and ever-expanding new market requirements of the fast-paced cybersecurity market.

Future Developments

The Group has embarked upon a strategy which will extend its activities to the provision of a full range of Privileged Access Security solutions. As well as expanding into new geographical markets and industry sectors, the Group will continue to invest in developing innovative and differentiated solutions for its growing customer base.

Cash Flow

The Group's cash balances were £3.85 million (2018: £2.39 million).

Cash reserves were boosted by the fund raise that raised £4.78 million gross cash (before expenses, fees and commissions) in October 2019.

Net cash used in operating activities for the period was £1.05 million (2018: £1.17 million).

Rupert Hutton, CFO
15 May 2020

Key Performance Indicators (KPIs)

The Group's progress against its strategic objectives is monitored by the Board of Directors by reference to KPIs. Progress made is a reflection of the performance of the business since publicly listing and the Group's achievement against its strategic plans. The Group considers major KPIs to be bookings, revenue, deferred revenue, channel partners, new customers and sectors, customer renewals, and software evaluations.

Bookings are monitored on a monthly basis and reported in detail at board meetings. Bookings have increased by 54% to £1.82 million for the year to 31 December 2019 from £1.18 million for the year ended 31 December 2018.

As a result of the increase in booking, the revenue KPI is performing well, with total revenue up 22% to £1.17 million (2018: £0.96 million) and deferred revenue up 89% to £ 1.37 million (2018: £ 0.72 million), for the periods under review.

Non-financial KPIs include:

- **Channel partners:** the Group has added sufficient reseller partners to meet our plan and have also been establishing agreements with Managed Service providers and Managed Security Service Providers, who we see as key to opening up new revenue streams. We are also adding to the team a Channel Sales Director to expand the overall indirect sales capability.
- **New customers and sectors wins:** we were pleased to add customers in 2019 in new sectors such as central government and fleet management services. We expect this growth to continue as PAM becomes mainstream and we can independently sell our PPA and PEM solutions as the first Osirium product into a new customer account.
- **Customer retention:** 100% of customers were retained in the year, which compares favourably with our SaaS peers highlighting the 'mission-critical' nature of our solution and customer satisfaction.
- **Software Evaluations:** growing company reputation in the PAM marketplace means that customers are increasingly willing to purchase Osirium solutions without requiring a Proof of Concept (POC). However, in 2019 when POC's were required they resulted in a 100% conversion rate from POC to sale.

The Group also measures and monitors brand recognition and momentum increases in the Osirium name as we continue to build a global brand. Brand recognition includes monitoring Osirium's Search Engine Optimisation Position and quarterly growth in qualified sales leads with a quantified 'call to action'.

Governance

How

Osirium

Manages Risk

| How Osirium Manages Risk

Principle Risks and Uncertainties

The Board of Directors, who are responsible for the Group's system of risk management and control, have established a process for identifying and providing oversight to manage principle risks and uncertainties that could have a material impact on the Group's performance. Apart from the normal commercial and economic risks facing any UK based business looking to not only become the dominant company in its home market, but also expand into overseas territories, the major risks to the Group are the:

- **Loss of a major client and supporter**
- **Loss of a relationship with a major supplier**
- **Development of new technologies that may adversely impact the group's proprietary software, and**
- **Unknown effect of Brexit and Coronavirus on the UK and World economies and business**

These do not constitute all the risks that the Board has identified but those that the Directors believe currently consider the most material. As part of this risk mitigation planning, the Board has ensured specific relationship management systems are in place for managing both new and existing client and supplier relationships. In addition, research and development into various technologies on an ongoing basis is a key pillar of the Board's strategy.

Other Risks Include:

Competitor Risk

The market for Cyber security software is becoming increasingly competitive. To mitigate against this risk, management feel that the years of investment ahead of the maturing Privileged Access Management market and the continued investment in the product will maintain Osirium's leadership position in this market. The Group also has a growing customer base which is becomingly diversified, and the Group maintains a customer-centric focus to ensure strong relationships are maintained and deepened across the customer base.

Commercial Relationships

The Osirium software products are developed and released using open source. To mitigate against this risk all elements and components used within the software are kept under constant review. The Group continues to expand the various sales channels and reseller network, so the Group is not dependent on any one partner.

Personnel/Key Executives

The Group's future performance is substantially dependent on the continued services and performance of its Directors and senior management plus its ability to attract and retain suitably skilled and experienced personnel in the future. Although certain key executives and personnel have joined Osirium since flotation, there can be no assurance that the Group will retain their services. The loss of any key executives or personnel may have a material adverse effect on the business, operations, relationships and/or prospects of the Group. The Group believes that it has the appropriate incentivisation structures to attract and retain the calibre of employees necessary to ensure the efficient management and development of the Group. However, any difficulties encountered in hiring appropriate employees and the failure to do so may have a detrimental effect on the trading performance of the Group. The ability to attract new employees with the appropriate expertise and skills cannot be guaranteed. To this end the Group has introduced a new set of benefits for employees which we believe act as a further incentive for gifted employees to stay and build their careers at Osirium.

Customer Attraction, Retention and Competition

The Group's future success depends on its ability to increase sales of its products to new prospects. The rate at which new and existing end customers purchase products and existing customers renew subscriptions depends on a number of factors, including the efficiency of the Group's products and the development of the Group's new offerings, as well as factors outside of the Group's control, such as end customers' perceived need for security solutions, the introduction of products by the Group's competitors that are perceived to be superior to the Group's products, end customers' IT budgets and general economic conditions. A failure to increase sales due to any of the above could materially adversely affect the Group's financial condition, operating results and prospects. The Group's success depends on its ability to maintain relationships and renew contracts with existing customers and to attract and be awarded contracts with new customers. A substantial portion of the Group's future revenues will be directly or indirectly derived from existing contractual relationships as well as new contracts driven at least in part by the Group's ability to penetrate new partners, verticals and territories. The loss of key contracts and/or an inability to successfully penetrate new verticals or deploy its skill sets into new territories could have a significant impact on the future performance of the Group.

Reputation

The Group's reputation, regarding the service it delivers, the way in which it conducts its business and the financial results which it achieves, are central to the Group's future success. We run regular security tests on our own infrastructure, including reviews of our resilience and backup procedures.

The Group's services and software are complex and may contain undetected defects when first introduced, and problems may be discovered from time to time in existing, new or enhanced product iterations. Undetected errors could damage the Group's reputation, ultimately leading to an increase in the Group's costs or reduction in its revenues.

Other issues that may give rise to reputational risk include, but are not limited to, failure to deal appropriately with legal and regulatory requirements in any jurisdiction (including as may result in the issuance of a warning notice or sanction by a regulator or an offence (whether, civil, criminal, regulatory or other) being committed by a member of the Group or any of its employees or directors), money-laundering, bribery and corruption, factually incorrect reporting, staff difficulties, fraud (including on the part of customers), technological delays or malfunctions, the inability to respond to a disaster, privacy, recordkeeping, sales and trading practices, the credit, liquidity and market risks inherent in the Group's business.

| How Osirium Manages Risk

Reputation - Continued

Further reputational risks include failure to meet the expectations of the customers, operators, suppliers, employees and intellectual property and technology. The Group's technology is primarily comprised of software and other code ("Software"). Some of the Software has been developed internally and is owned by the Group. Also, some of the Software has been developed by third parties that have licensed rights in the Software to the Group or provided access under free and open source licence. However, a significant proportion of the Software has been developed by third parties and is provided to the Group under licence. It is not uncommon for any company's technology, particularly where it is primarily embodied in Software, to comprise both owned and licensed code. This nevertheless means that the Group's continuing right to use such Software is dependent on the relevant licensors continuing to licence Software to the Group. Again, as is usual, such agreements may be terminated by the licensors due to a breach of their terms by the Group. Any failure by the Group to comply with the terms of the licences granted could, therefore, result in such licences being terminated and the Group no longer being entitled to continue to use the Software in question. Also, use outside of the terms of any relevant licence could expose the Group to legal action for infringement of the rights of the licensor(s).

Further, and in any event, the Group may not have adequate measures in place to ensure that its use of third party software complies with all terms under which such software has been licensed to the Group.

Operations

The Group's facilities could be disrupted by events beyond its control such as fire, pandemics and other issues. The Group undertake nightly backups in 'the cloud' and prepares recovery plans for the most foreseeable situations so that its business operations would be able to continue. This strategic report, as set out on pages 4 to 20, was approved by the board on 15 May 2019.

Rupert Hutton, CFO
15 May 2020

Governance

Corporate
Governance
Report

| Corporate Governance Report

The company has adopted the 2018 Quoted Companies Alliance Corporate Governance Code (the "QCA Code") in line with the London Stock Exchange's changes to the AIM Rules requiring all AIM quoted companies to adopt and comply with a recognised corporate governance code and detail how it complies with that code, and where it departs from its chosen corporate governance code an explanation of the reasons for doing so. The underlying principle of the QCA Code is that "the purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term". The Board believes this continues to be the most appropriate governance framework for the business. The Board is committed to the ongoing development of our governance reporting to support the ongoing growth of the business.

For further details see document on website at [https:// osirium.com/investors/corporate-governance](https://osirium.com/investors/corporate-governance).

Board Structure and Committees

The Board is responsible to shareholders for the proper management of the company. The Board comprises 5 directors, two of whom are Executive Directors and three of whom are Non- Executive Directors, reflecting a blend of different experience and backgrounds. The Board considers Simon Lee, Steve Purdham and Simon Hember to be independent Non- Executive Directors under the criteria identified in the QCA Code.

The Board meets regularly and is responsible for strategy, performance, approval of any major capital expenditure and the framework of internal controls. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings. The Board has established Audit and Remuneration Committees with formally delegated duties and responsibilities and with written terms of reference. Each of these Committees meet regularly and at least twice a year. From time to time separate committees may be set up by the Board to consider specific issues when the need arises. Further details on the Audit and Remuneration Committees are set out below.

Audit Committee

The duties of the Audit Committee are to consider the appointment, re-appointment and terms of engagement of, and keep under review the relationship with, the Group's auditors, to review the integrity of the Group's financial statements, to keep under review the consistency of the Group's accounting policies and to review the effectiveness and adequacy of the Group's internal financial controls. In addition, it has received and reviewed such reports as it from time to time requests from the Group's management and auditors. The Audit Committee has met at least twice a year and has unrestricted access to the Group's auditors. The Audit Committee comprises Steve Purdham, Simon Lee and Simon Hember and has been chaired by Simon Lee.

The Directors acknowledge that relevant corporate governance guidelines, including the QCA Code, state that the Audit Committee should not be chaired by the Chairman of the company. The Directors have considered the membership of the Audit Committee carefully and have concluded that, given the current composition of the Board, Simon is the most appropriate choice to be its Chairman. The Board regularly reviews the effectiveness of the Audit Committee. Once any further appointments have been made to the Board, the Audit Committee will be reviewed to bring its composition into line with corporate governance best practice guidance.

Remuneration Committee

The Remuneration Committee has responsibility for reviewing and determining, within agreed terms of reference, the Group's policy on the remuneration of Senior Executives, Directors and other key employees and specific remuneration packages for Executive Directors, including pension rights and compensation payments. It is also responsible for making recommendations for grants of options under the New Share Option Scheme. It has met not less than twice a year. The remuneration of Non-Executive Directors is a matter for the Board and no Director may be involved in any discussions as to his or her own remuneration. The Remuneration Committee comprises Steve Purdham, Simon Lee and Simon Hember and is chaired by Steve Purdham.

Determination of Directors' and Senior Management's Salaries

The Remuneration Committee believes that the interests of the executive directors, other Group Company directors, senior management and staff and those of the shareholders and other stakeholders are best aligned by a remuneration policy that provides a base salary together with awards under the Group's Share Option Scheme and/or the award of bonuses paid for through the issue of shares. The Remuneration Committee reviews and determines annually directors' and senior management's salaries in relation to the tasks and responsibilities involved and the level of comparable salaries in the market place. In particular, the Committee seeks to ensure that salaries are competitive. In its final determination of salaries, the Committee's conclusions are set within what is affordable.

| Osirium Board of Directors



Simon Lee
Non-Executive Chairman

Simon Lee is an International Advisor to Fairfax Financial where he sits on the Boards of Brit Syndicates Ltd and Fairfax International (Barbados) Ltd. He is also on the Global Advisory Board of Afiniti Ltd, Non-Executive Director of TIA and Atlas Mara Bank and Chairman of iDefigo Ltd and Hospice in the Weald. Until December 2013, Simon was Group Chief Executive of RSA Insurance Group PLC, a FTSE 100 company, operating at the time in 32 countries, employing around 23,000 people, writing c. £9 billion p.a. in premiums with assets of c. £21 billion. Previously, Simon spent 17 years with NatWest Group, working in a variety of roles including Chief Executive NatWest Offshore, Head of US Retail Banking, CEO NatWest Mortgage Corporation (US) and Director of Global Wholesale Markets.



David Guyatt
Chief Executive Officer

Co-founder of Osirium, the management team is led by David Guyatt, who has over 30 years' experience in turning next generation IT products into successful technology businesses. He is a recognised pioneer in establishing the content security software market, being a co-founder and CEO of the Content Technologies group, which created MIMESweeper and became the recognised world leader in content security solutions, with a 40 per cent global market share, and was sold for \$1Bn within 5 years, the largest European cyber security acquisition at the time. Previously, David was Sales & Marketing Director at Integralis from 1990 to 1996, as it established itself as Europe's leading IT security integrator - now part of the NTT group.



Rupert Hutton
Chief Financial Officer

Rupert's most recent deal was while he was working at Artillium Plc and was instrumental in the sale to NYSE listed Pareteum for \$104.7 million (or £78.0 million). Rupert previously served for 12 years as Finance Director of AIM-quoted Atlantic Global PLC, a cloud-based project portfolio management software company, before being sold in February 2012 to KeyedIn Solutions, an international, US private equity backed software business based in Bloomington, Minnesota. Rupert's early career was served as Group Finance Director of the Milton Keynes and North Bucks Chamber of Commerce Training and Enterprise. Rupert trained with Grant Thornton and has an AMBA accredited Masters in Business Administration and is a Fellow of the Association of Chartered Certified Accountants.



Stephen (Steve) Purdham
Non-Executive Director

Steve has spent his entire career in the technology industry, starting with International Computers Limited in 1978 before moving to JSB Computer Systems Ltd. As cofounder of web and email filtering products Surfcontrol, Steve led JSB's flotation on AIM in 1997 as JSB Software Technologies PLC followed by its flotation on EASDAQ and then FTSE Main Market listing in February 2000. Changing its name to SurfControl PLC, the company entered the Techmark index and became a FTSE 250 company for a period of time. Acting as its CEO between 2000 and 2005 and then as a non-executive director until 2007, when the company was sold to Websense Inc. for \$400 million. He was also a founder investor in WE7 Limited, acting as the company's CEO between 2008 and 2013 when it was sold to Tesco PLC for £10.8 million. Steve is currently Executive Chairman and co-founder of 3rings Care Ltd and since 2002, held a number of other nonexecutive directorships including with the Manchester Technology Fund Limited and Identum Limited.



Simon Hember
Non-Executive Director

Simon is Founder and Managing Director of Acumin Consulting. Established in 1998, Acumin is a leading specialist for cybersecurity and information risk management recruitment and executive search operating throughout Europe and the US. Acumin has established relationships with enduser organisations, system integrators, consultancies and vendors across the security industry. Simon has expertise consulting around mergers and acquisitions, facilitating European market entry for high growth companies and working closely with industry leaders and venture capital to create new ventures and business development networks globally. Simon is also Co-Founder and Director of RANT Events, the leading community of senior information security professionals who work within end-user organisations and a Director of Red Snapper Recruitment, which merged with Acumin in July 2015.

| Osirium Senior Management team



Andrew Harris
Chief Technical Officer

In a long and distinguished career, including being Technical Director at Integralis, Andrew has invented many leading-edge technologies including IP Network Translation Gateway, Print Symbiont Technologies for LANbased printers and Disaster Master, a technique of continuously updating a backup site with mirrored data.

As one of the Co-Founders and CTO of MIMESweeper, Andrew was the creator of the world's first content security solution which became the default product in its space. Andrew went on to start WebBrick Systems which was one of the pioneering Home Automation technologies, also a forerunner to what we know as IOT devices today. As Engineering Director, Andrew has created and patented several core components in the Osirium product family.



Catherine Jamieson
Chief Operating Officer

With over 25 years of experience growing start-up businesses, Catherine's career started at Integralis in 1988, when she quickly adopted a sales and customer services role. She moved into more senior sales roles in the early 90's, and established the City Business Unit at Integralis, before accepting the Sales Manager role when the MIMESweeper solution was launched in 1995.

In 1997, Catherine became the SVP Europe at MIMESweeper which, under her leadership from 1997- 2000, grew the European business from \$3 million to over \$15 million in three years, consistently achieving revenue growth of over 100% p.a. with over 50 channel partners in 12 countries. The MIMESweeper business was sold for \$1 billion in 2000. She has since been involved with a few smaller start-up organisations, before joining Osirium in 2010, where she has been responsible for the acquisition of early adopter customers and providing operations support to the business.



Kev Pearce
Professional Services Director

Kevin, who co-founded Osirium with David Guyatt, has over 15 years' experience in the planning, deployment and management of corporate IT infrastructure projects.

Kevin was previously the Head of Consulting at Integralis, Europe's largest Security Solution Provider, which he joined in 1996. Kevin has a BEng (Hons) degree in Microelectronics from Brunel University in 1997 and is also a Certified Information Systems Security Professional (CISSP) and holds many vendor specific certifications.



Stuart McGregor
Sales Director

Stuart has over 20 years in the IT industry with a breadth of experience in leading direct and channel sales teams of SaaS and on premise solutions into mid-market and enterprises across EMEA.

Most recently he was Sales Director for Privileged Access Management vendor, Bomgar, where he established an EMEA operation and led the UK and Northern Europe sales teams. Stuart saw local revenues grow by over 600% and sales operations created in UK, Netherlands, Germany and France. Stuart was also a member of Bomgar's Global Leadership team and managed the integration of sales operations of the acquired Lieberman, Avecto and BeyondTrust businesses.

Stuart has also held successful sales and consulting management positions at EMC, UK start-up software company Thunderhead, BroadVision and Oracle.



Chris Heslop
Marketing Director

Chris has over 25 years' experience in EMEA and worldwide enterprise software solutions marketing and sales. At Osirium he leads the Marketing team, with focus on field and product marketing, campaigns and developing the Osirium brand and market presence.

Prior to Osirium Chris served as Marketing Director for the successful MIMesweeper content security business from early stages to its sale, building up the marketing team from a small, marcoms-orientated team into a global operation encompassing strategy, channels, brand, product, demand generation and communications. He has extensive experience in the industry of leading marketing teams in a variety of sectors, including cybersecurity and supply chain, with senior roles with Vocollect, Honeywell, PolicyMatter and Fujitsu ICL.



Barry Scott
Customer Services Director

Barry's career in IT infrastructure and operations spans more than 30 years, across a wide range of verticals and many different technologies. For the last 16 years, Barry has worked for startup software vendors in the Identity and Access Management (IAM), Privileged Access Management (PAM) and Identity as a Service (IDaaS) fields.

Barry helped to grow those companies across EMEA by building technical teams to fulfil customer pre- and post-sales needs, speaking at events across the region and blogging on topics such as GDPR.

I Report of the Directors

Principal Activities

Osirium is a UK-based software developer and vendor of Privileged Access Security solutions. Osirium's cloud-based products protect critical IT assets, infrastructure and devices by preventing targeted cyber-attacks from directly accessing Privileged Accounts, removing unnecessary access and powers of Privileged Account users, deterring legitimate Privileged Account users from abusing their roles and containing the effects of a breach if one does happen.

Osirium has defined and delivered what the Directors view as the next generation Privileged Access Management solution. Osirium's award-winning Privileged Task Management module further strengthens Privileged Account Security by minimising the cyber-attack surface and delivering an impressive return on investment benefits for customers. Building on Osirium's Privileged Task Management module, in May 2019 Osirium launched Privileged Process Automation, providing a highly-flexible platform for automating essential IT processes to set a new benchmark in IT Process Automation. This was followed by the launch of Privileged Endpoint Manager in December 2019, bringing the total portfolio to three complementary solutions.

Results and Dividend

The Directors are not recommending the payment of a final dividend (2018: £nil).

Directors

The Directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

D A Guyatt, R G Hutton, S P G Lee, S Purdham
S E H Hember

Directors' Interest in Shares

Ordinary shares of 1p each as at 31 December 2019

D A Guyatt	1,235,766
R G Hutton	127,142
S P G Lee	269,718
S Purdham	57,142
S E H Hember	103,571

Substantial Shareholdings

AS AT 14 MAY 2020	Ordinary Shares of 1 ^p Each	Percentage Holding
NORTRUST NOMINEES LIMITED	1,498,634	7.7%
THE BANK OF NEW YORK (NOMINEES) LIMITED	1,387,293	7.1%
HSBC GLOBAL CUSTODY NOMINEE (UK) LIMITED	1,321,428	6.8%
Mr David Ashley Guyatt	1,235,766	6.3%
Harwell Capital SPC	1,224,078	6.3%
OCTOPUS AIM VCT PLC	928,529	4.8%
OCTOPUS INVESTMENTS NOMINEES LIMITED	770,922	4.0%
SHARE NOMINEES LTD	720,042	3.7%
CGWL NOMINEES LIMITED	638,295	3.3%
RATHBONE NOMINEES LIMITED	630,805	3.2%
OCTOPUS AIM VCT 2 PLC	619,021	3.2%

The table above is the shareholder list greater than 3% as at 13 May 2019

Strategic Report

Information on research and development activities, future developments and post balance sheet events is not included within the Directors' Report as it is instead included within the Strategic Report on pages 4 to 20 in accordance with S414c(11) of the Companies Act 2006.

Financial Risk Management Policies

Details of the main Financial risks facing the Group and the policies to manage these risks are contained in Note 22 of these Financial statements;

Section 172 Companies Act Statement

The statements below is designed to address the reporting requirements of the Board under Section 172 of the Companies Act and the Companies (Miscellaneous Reporting) Regulations 2018. The Directors are well aware of their duty under section 172 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to the following areas.

Osirium has a clearly stated long term organic growth and land and expand strategy and as such all significant business decisions consider both the short medium and long term consequences of each decision as part of the strategic decision making process. The key to delivering the boards organic growth strategy is to continue to recruit and retain high quality staff to add to the Osirium Team.

In order for Osirium to be an attractive place for high calibre staff to work, it is essential that Osirium maintains its reputation for delivering software and IT projects of the highest quality. Osirium's most valuable asset is its people, be it the development, sales and marketing consulting or presales teams or the support staff. The Board's intention is to behave responsibly and ethically at all times, in line with our company values, and to ensure that our management teams operate the business in a responsible manner maintaining a reputation for the highest standards of business conduct and good governance as set out in in our report and accounts. As a business, we understand the need to foster the Company's business relationships with suppliers, customers and others and dedicate substantial time, effort and resources in working to develop and maintain strong relationships from which all stakeholders benefit. As a people business, the impact of business decisions on our principal stakeholders is always central to the decision making process. The nature of the Group's business is fundamentally low impact to the community and the environment. Furthermore, the Osirium working model which has always enabled the team to deliver their services using technology further reduces the environmental impact as many of our team have never needed to commute to work on a daily basis and this has been extended during the current COVID19 pandemic. The Directors have regard to the interests of the company's employees and treat all members of the Company fairly and consistently, as required by both our professional standards and in compliance with HR legislation. We provide information to all shareholders and other third parties on an equal basis using the RNS news service.

Statement of Disclosure of Information to the Auditor

The Directors who were in of office at the date of approval of these financial statements confirm that, as far as they are aware, there is no relevant information of which the auditor is unaware. Each of the Directors confirm that they have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Annual General Meeting

A resolution to reappoint RSM UK Audit LLP as auditor will be put to the members at the Annual General meeting of the Company which will be held on 16 June 2020 at 11:00 am

On Behalf of the Board
David Guyatt, CEO 15 May 2020

Financials

Financial Statements

Directors' Responsibilities in Preparation of the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that year.

In preparing the Group and Company financial statements, the directors are required to:

- a) Select suitable accounting policies and then apply them consistently;
- b) Make judgements and accounting estimates that are reasonable and prudent;
- c) State whether they have been prepared in accordance with IFRSs adopted by the EU; and
- d) Prepare the financial statements on the going concern basis unless it is appropriated to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Osirium Technologies PLC website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent Auditor's Report to the Members of Osirium Technologies PLC

Opinion

We have audited the financial statements of Osirium Technologies Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the Consolidated Statement of Comprehensive Income, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Changes in Equity, Consolidated and Company Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group and parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Group key audit matters - Development Costs

Risk

The group capitalises software engineers' costs in accordance with IAS 38 Intangible Assets (Note 9) - these include salaries and consultancy expenses. The percentage of each software engineer's salary is capitalised on estimates of the time spent developing new products. There is a risk that these estimates do not accurately reflect the actual time spent on developing projects.

The amortisation policy for development costs is 20% per annum, with a full charge in the year of capitalisation. In accordance with IAS 38 Intangible assets, amortisation should be recognised at the point of product release rather than from the moment of initial capitalisation. Given the fast-moving nature of the industry, there is a risk that brought forward development costs are now obsolete and should be written down.

This matter was considered to be of most significance due to the level of judgment and estimation involved and was therefore determined to be a key audit matter.

Independent Auditor's Report to the Members of Osirium Technologies PLC

Group key audit matters - Development Costs - Continued

Our response

We have audited the amounts capitalised in the year by reference to specific projects commenced, the utilisation of individual software engineers and the recognition criteria prescribed in IAS 38 Intangible Assets. We have considered projects completed in a single period and whether sales have been derived which support the capitalisation policy of the group. Where the percentage capitalised in the financial statements appeared to differ from the underlying time records, we have discussed the differences with management and have their found explanations satisfactory. We have reviewed costs in the income statement to consider whether any material expenditure has been unfairly expensed and intangible assets understated. We have considered whether there is a material difference in relation to development costs being amortised from the year of capitalisation rather than at the point of product release as per IAS 38 Intangible Assets. We have discussed brought forward costs with management to ensure there is no significant risk of obsolescence. It was noted that the asset continues to provide a growing source of income for the group, with the software still being developed and refined, with revenues expected to grow further over the next few years.

Entity key audit matters – Intercompany receivable valuation

Risk

Under IFRS 9, management are required to consider the intercompany receivable (Note 13) for impairment and calculate either a lifetime or 12-month 'expected credit loss' depending on the credit risk of the receivable. There is a risk that the intercompany receivable due to Osirium plc from Osirium Limited is impaired as at 31 December 2019 given trading losses seen in Osirium Limited in 2019.

This matter was considered to be of significance due to the level of judgment and estimation involved and was therefore determined to be a key audit matter.

Our Response

Management have considered the valuation of the receivable by comparing the intercompany receivable to the net assets of Osirium Limited as at 31 December 2019 which has resulted in an impairment of £5.5m. We discussed the impairment with management and challenged the recoverability of the intercompany receivable given continuing losses recognised in the subsidiary, Osirium Limited, and inequalities between the intercompany receivable and the net asset position of Osirium Limited.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. During planning overall materiality for the group financial statements as a whole was calculated as £35,100, which was not significantly changed during the course of our audit. Overall materiality for the parent company financial statements as a whole was calculated as £17,550, which was not significantly changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £1,750 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An Overview of the Scope of our Audit

Our audit was scoped by obtaining an understanding of the group and its control environment, including group-wide controls, and assessing the risks of material misstatement. The group financial statements were audited on a consolidated basis using group materiality. The parent entity and subsidiary financial statements were audited to component materiality. The scope of our audit covered 100% of both consolidated loss before tax and consolidated net assets.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Independent Auditor's Report to the Members of Osirium Technologies PLC

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 39, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Watts, **Senior Statutory Auditor**
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants, 25 Farringdon Street, London EC4A 4AB
15 May 2020

Consolidated Statement of Comprehensive Income

	NOTES	YEAR ENDED 31/12/2019	YEAR ENDED 31/12/2018
Continuing Operations			
Revenue		£ 1,171,586	£ 957,461
Gross Profit		£ 1,171,586	£ 957,461
Other operating income		-	£ 6,300
Administrative expenses		(£ 4,571,317)	(£ 3,638,561)
Operating Loss		(£ 3,399,731)	(£ 2,674,800)
Finance costs		(£ 52,197)	(£ 1,125)
Finance income	6	£ 35	£ 551
Loss Before Tax		(£ 3,451,893)	(£ 2,675,374)
Income tax credit	7	£ 622,514	£ 407,606
Loss for the Year Attributable to the Owners of Osirium Technologies PLC		(£ 2,829,379)	(£ 2,267,768)
Loss per Share from Continuing Operations	8	19P	17P
Basic and Diluted Loss per Share	8	19P	17P

Consolidated Statement of Financial Position

	NOTES	AS AT 31/12/2019	AS AT 31/12/2018
Non-current Assets			
Intangible assets	9	£2,936,473	£2,307,235
Property, plant & equipment	10	£77,534	£52,920
Right-of-use asset	11	£110,392	-
Current Assets			
Trade and other receivables	13	£982,369	£748,011
Cash and cash equivalents	14	£3,854,922	£2,386,624
Total Current Assets		£4,837,291	£3,134,635
Total Assets		£7,961,690	£5,494,790
Current Liabilities			
Trade and other payables	16	£1,889,098	£1,170,306
Lease liability	17	£33,916	-
Non-current Liabilities			
Deferred tax	21	-	-
Lease liability	17	£76,973	-
Convertible loan notes	18	£2,345,408	-
Total Liabilities		£4,345,395	£1,170,306
Share Holders' Equity			
Called up share capital	19	£194,956	£135,542
Share premium		£10,635,500	£8,968,554
Share option reserve		£337,559	£337,559
Convertible note reserve		£394,830	-
Merger reserve		£4,008,592	£4,008,592
Retained earnings		(£11,955,142)	(£9,125,763)
Total Equity Attributable to the Owners of Osirium Technologies PLC		£3,616,295	£4,324,484
Total Equity and Liabilities		£7,961,690	£5,494,790

The financial statements on pages 46 to 86 were approved and authorised for issue by the board of directors on 15/5/2020. The accompanying notes are an integral part of these financial statements.

On Behalf of the Board David Guyatt, CEO
15 May 2020

Signed on behalf of the board of directors

Company Statement of Financial Position

	NOTES	AS AT 31/12/2019	AS AT 31/12/2018
Assets			
Non-current Assets			
Investment in subsidiary	12	£ 354,445	£ 354,445
Current Assets			
Trade and other receivables	13	£ 1,997,200	£ 5,375,361
Cash and cash equivalents	14	£ 3,706,558	£ 2,216,249
Total Current Assets		£ 5,703,758	£ 7,591,610
Total Assets		£ 6,058,203	£ 7,946,055
Liabilities			
Current Liabilities			
Trade and other payables	16	£ 120,028	£ 154,584
Non-current Liabilities			
Deferred tax	21	-	-
Convertible loan notes	18	£ 2,345,408	
Total Liabilities		£ 2,465,435	£ 154,584
Equity			
Share Holders' Equity			
Called up share capital	19	£ 194,956	£ 135,542
Share premium		£ 10,635,500	£ 8,968,553
Share option reserve		£ 337,559	£ 337,559
Retained earnings		(£ 7,970,078)	(£ 1,650,183)
Convertible loan notes		394,830	
Total Equity Attributable to the Owners of Osirium Technologies PLC		£ 3,592,767	£ 7,791,471
Total Equity and Liabilities		£ 6,058,203	£ 7,946,055

The financial statements on pages 46 to 86 were approved and authorised for issue by the board of directors on 15/5/2020.

The accompanying notes are an integral part of these financial statements. The company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the parent company profit and loss account. The loss for the parent company for the year was £6,319,895 (2018: £673,640).

On Behalf of the Board
David Guyatt, CEO
15 May 2020

Consolidated Statement of Changes in Equity

	CALLLED UP SHARE CAPITAL	RETAINED EARNINGS	SHARE PREMIUM	MERGER RESERVE	SHARE OPTION RESERVE	CONVERTIBLE NOTE RESERVE	TOTAL EQUITY
Balance at 1 January 2018	£ 103,944	(£ 6,857,995)	£ 5,008,619	£ 4,008,592	£ 337,559	-	£ 2,600,719
Changes in Equity							
Issue of share capital	£ 31,598	-	£ 4,202,609	-	-	-	£ 4,234,207
Issue costs	-	-	(£ 242,674)	-	-	-	(£ 242,674)
Total comprehensive loss	-	(£ 2,267,768)	-	-	-	-	(£ 2,267,768)
Balance at 31 December 2018	£ 135,542	(£ 9,125,763)	£ 8,968,554	£ 4,008,592	£ 337,559	-	£ 4,324,484
Changes in Equity							
Issue of share capital	£ 59,414	-	£ 2,020,091	-	-	-	£ 2,079,505
Issue costs	-	-	£ (353,145)	-	-	-	(£ 353,145)
Equity element of loan notes issued	-	-	-	-	-	£ 394,830	£ 394,830
Total comprehensive loss	-	(£ 2,829,379)	-	-	-	-	(£ 2,829,379)
Balance at 31 December 2019	£ 194,956	(£ 11,955,142)	£ 10,635,500	£ 4,008,592	£ 337,559	£ 394,830	£ 3,616,295

Company Statement of Changes in Equity

	CALLLED UP SHARE CAPITAL	RETAINED EARNINGS	SHARE PREMIUM	SHARE OPTION RESERVE	CONVERTIBLE NOTE RESERVE	TOTAL EQUITY
Balance at 1 January 2018	£ 103,944	(£ 976,543)	£ 5,008,619	£ 337,559	-	£ 4,473,579
Changes in Equity						
Issue of share capital	£ 31,598	-	£ 4,202,609	-	-	£ 4,234,207
Issue costs	-	-	(£ 242,674)	-	-	(£ 242,674)
Total comprehensive loss	-	(£ 673,640)	-	-	-	(£ 673,640)
Balance at 31 December 2018	£ 135,542	(£ 1,650,183)	£ 8,968,554	£ 337,559	-	£ 7,791,472
Changes in Equity						
Issue of share capital	£ 59,414	-	£ 2,020,091	-	-	£ 2,079,505
Issue costs	-	-	(£ 353,145)	-	-	(£ 353,145)
Equity element of loan notes issued	-	-	-	-	£ 394,830	£ 394,830
Total comprehensive loss	-	(£ 6,319,895)	-	-	-	(£ 6,319,895)
Balance at 31 December 2019	£ 194,956	(£ 7,970,078)	£ 10,635,500	£ 337,559	£ 394,830	£ 3,592,767

Consolidated Statement of Cash Flows

	NOTES	YEAR ENDED 31/12/2019	YEAR ENDED 31/12/2018
Cash flows used in operating activities			
Cash generated from operations	15	(£ 1,517,218)	(£ 1,580,100)
Interest paid		-	(£ 1,125)
Tax received	7	£ 472,076	£ 407,606
Net cash used in operating activities		(£ 1,045,142)	(£ 1,173,619)
Cash flows used in investing activities			
Purchase of intangible fixed assets	9	(£ 1,773,395)	(£ 1,439,119)
Purchase of tangible fixed assets	10	(£ 79,428)	(£ 16,533)
Sale of tangible fixed assets	10	£ 431	-
Interest received	6	£ 35	£ 551
Net cash used in investing activities		(£ 1,852,357)	(£ 1,455,101)
Cash flows from financing activities			
Share issue		£ 2,079,505	£ 3,991,533
Issue of loan notes		£ 2,700,000	-
Share issue cost		(£ 353,145)	-
Lease payment		(£ 60,563)	-
Net cash from financing activities		£ 4,365,797	£ 3,991,533
Increase in cash and cash equivalents		£ 1,468,298	£ 1,362,813
Cash and cash equivalents at beginning of year		£ 2,386,624	£ 1,023,811
Cash and cash equivalents at end of year		£ 3,854,922	£ 2,386,624

Company Statement of Cash Flows

	NOTES	YEAR ENDED 31/12/2019	YEAR ENDED 31/12/2018
Cash flows from operating activities			
Cash generated from Operations	15	(£2,936,051)	(£1,775,309)
Interest paid		(£40,238)	-
Tax received	7	-	-
Net cash used in operating activities		(£2,976,289)	(£1,775,309)
Cash flows from financing activities			
Share issue (net of issue costs)		£1,726,360	£3,991,533
Loan notes issued		£2,740,238	-
Lease payment		-	-
Net cash from financing activities		£4,466,598	£3,991,533
Increase in cash and cash equivalents		£1,490,309	£2,216,224
Cash and cash equivalents at beginning of year		£2,216,249	£25
Cash and cash equivalents at end of year		£3,706,558	£2,216,249

I Notes to the Financial Statements

Osirium Technologies PLC is a company incorporated in the United Kingdom under the Companies Act 2006 and listed on the AIM market. The address of the registered office is One Central Square, Cardiff, CF10 1FS.

1. Significant Accounting Policies

Basis of Preparation

The financial statements have been prepared on a going concern basis under the historical cost convention, and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Boards ("IASB") that are effective or issued and early adopted as at the time of preparing these Financial Statements and in accordance with the provisions of the Companies Act 2006.

Basis of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiary of Osirium Technologies PLC ('company' or 'parent entity') as at 31 December 2019 and the results of the subsidiary for the year then ended. Osirium Technologies PLC and its subsidiary together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Notes to the Financial Statements Continued

1. Significant Accounting Policies - Continued

Going Concern

As part of their going concern review the Directors have followed the guidelines published by the Financial Reporting Council entitled "Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks (2016)". The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of these Financial Statements. In developing these forecasts the Directors have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period.

On the basis of the above projections, the Directors are confident that Osirium has sufficient working capital to honour all of its obligations to creditors as and when they fall due. Accordingly, the Directors continue to adopt the going concern basis in preparing the Financial Statements.

Cash reserves were boosted by the fund raise in the year that raised £4.4m net cash in October 2019.

Shares	£1.7 million
Loan	£2.7 million
Total	£4.4 million

At year end the group had cash reserves of £3.9 million cash at bank available to support future business activities.

The Board remains cautious and vigilant in the very short-term as the full impact of COVID-19 on the general economy is not yet known, however we have contingency plans in place and factored this into our planning as best as we can. Given the Group's high level of recurring revenue, strong backlog of contracted future revenue, and software offering that supports mission critical operations, the Board believes the business to be well positioned to withstand this period and has confidence in the Group's ongoing momentum.

1. Significant Accounting Policies - Continued

New and Amended Standards and Interpretations

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2019 have had the following impact on the Group:

IFRS 16 Leases

The consolidated entity has adopted IFRS 16 from 1 January 2019. The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- Accounting for leases with a remaining lease term of 12 months as at 1 January 2019 as short-term leases;
- Excluding any initial direct costs from the measurement of right-of-use assets;
- Using hindsight in determining the lease term when the contract contains options to extend or terminate the lease; and
- The value of the right of use asset at the transition date has been assessed as equalling the lease liability at that date.

The Group has adopted IFRS 16 'Leases' from 1 January 2019 using the modified retrospective approach and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Notes to the Financial Statements Continued

1. Significant Accounting Policies - Continued

IFRS 16 Leases - Continued

	GROUP £
Undiscounted operating lease commitments at 31 December 2018	£186,686
Discounting*	(£27,231)
Lease liabilities at 1 January 2019	£ 159,455

* Under the modified retrospective transition method, future lease payments at 1 January 2019 were discounted using an incremental borrowing rate representative of the incremental borrowing rate of interest that the Group would have to pay to borrow over a similar term, with a similar security. The weighted average discount rate used at initial application was 7.5%.

The effect of adoption of IFRS 16 as at 1 January 2019 is as follows:

Assets	
Right of use asset	£ 159,455
Total assets	£ 159,455

Liabilities	
Lease liability'	£ 159,455
Total liabilities	£ 159,455

2. Accounting Policies

Revenue Recognition

Revenue represents net invoiced sales of services, excluding value added tax. Sales of software licence subscriptions are recognised over the period of the contract with the deferred income being recognised in the statement of financial position. Sales of one-off installation services are invoiced and recognised fully on completion of the installation.

Contract Assets

Contract assets are recognised when Osirium has transferred goods or services to the customer but where Osirium is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Functional and Presentational Currency

Items included in the Financial Statements of Osirium are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial information is presented in UK sterling (£), which is the functional and presentational currency of Osirium.

Rounding

The figures in the financial statements of Osirium for the current and preceding year are rounded to nearest whole pound.

Financial Instruments

Financial assets and financial liabilities are recognised in Osirium's statement of financial position when Osirium becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contracted rights to the cash flows from the financial asset expire or when the contracted rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

Financial assets

Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less the provision for impairment. Appropriate provisions for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the assets are impaired. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial. Under IFRS 9 for financial instruments, intercompany balances are tested for impairment, since Osirium is currently loss making this suggests that not all of the balance is likely to be repaid, as such the directors feel that an impairment of 25% is a true reflection of this. This will be reviewed on an annual basis by the directors.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are shown in the financial statements as 'cash and cash equivalents'.

Notes to the Financial Statements Continued

Impairment of Financial Assets

Osirium recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon Osirium's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Financial Liabilities and Equity

Trade and Other Payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the 'effective interest rate' to the carrying amount of the liability.

Borrowings

Borrowings are recognised initially at fair value less transactions costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of borrowings using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not premeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Equity

Equity instruments issued by Osirium are recognised at fair value on initial recognition net of transaction costs.

2. Accounting Policies - Continued

Taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Osirium's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the dates of the Statements of Financial Position.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of the taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that is probable that taxable profits will be available against which is deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit not the accounting profit.

The carrying of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the Statement of Financial Position date. Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when it is a legally enforceable right to set off the current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and Osirium intends to settle its current tax assets and liabilities on a net basis.

Property, Plant and Equipment

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	-	25% on cost
Computer equipment	-	33% on cost

Osirium has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Notes to the Financial Statements Continued

Internally-generated Development Intangible Assets

An internally-generated development intangible asset arising from Osirium's product development is recognised if, and only if, Osirium can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete the intangible asset and use or sell it.
- Its ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally-generated development intangible assets are amortised on a straight-line basis over their useful lives. Amortisation commences in the financial year of capitalisation. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred. The amortisation cost is recognised as part of administrative expenses in the statement of comprehensive income.

Development costs - **20% per annum, straight line**

Impairment of Tangible and Intangible Assets

At each statement of financial position date, Osirium reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, Osirium estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

2. Accounting Policies - Continued

Impairment of Tangible and Intangible Assets - Continued

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Right of Use Assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where Osirium expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

Lease Liability

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7.5%. The lease term is the non-cancellable period of the lease plus extension periods that the Group is reasonably certain to exercise and termination periods that the Group is reasonably certain not to exercise.

Leases are cancellable when each party has the right to terminate the lease without permission of the other party or incurring more than an insignificant penalty. The lease term includes any rent-free periods.

Subsequent measurement of the lease liability

The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments.

Interest on the lease liability is recognised in profit or loss, unless interest is directly attributable to qualifying assets, in which case it is capitalised in accordance with the Group's policy on borrowing costs.

Employee Benefit Costs

Osirium operates a defined contribution pension scheme. Contributions payable to Osirium's pension scheme are charged to the Statement of Comprehensive Income in the year to which they relate.

Notes to the Financial Statements Continued

2. Accounting Policies - Continued

Share-based Payments

Osirium issues equity-settled share-based payments to certain employees and others under which Osirium receives services as consideration for equity instruments (options) in Osirium. Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted. The fair value determined at the grant date of equity-settled share-based payments is recognised as an expense in Osirium's Statement of Comprehensive Income over the vesting period on a straight-line basis, based on Osirium's estimate of the number of instruments that will eventually vest with a corresponding adjustment to equity. The expected life used in the valuation is adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Non-vesting and market vesting conditions are taken into account when estimating the fair value of the options at grant date. Service and non-market vesting conditions are taken into account by adjusting the number of options expected to vest at each reporting date. When the options are exercised Osirium issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

Financial Risk Factors

Osirium's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. Osirium's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Osirium's financial performance. Risk management is carried out by management under policies approved by the directors. The directors provide principles for overall risk management, as well as policies covering specific areas, such as, interest rate risk, non-derivative financial instruments and investment of excess liquidity.

Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Osirium Technologies plc, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Critical Accounting Estimates and Judgements

The preparation of the Financial Statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at each statement of financial position date and the reported amounts of revenue during the reporting periods. Actual results could differ from these estimates. The directors consider the key areas to be in respect of intangible assets, impairment of intercompany receivables and the share based payment charge. Information about such judgements and estimations are contained in individual accounting policies (intangible assets (Note 9), trade and other receivables (note 13) and share based payment charge (Note 28) respectively).

3. Segment Information and Revenue

Management information is provided to the chief operating decision maker as a whole. As a result Osirium is a single operating segment. All revenue is derived from the sale of software subscriptions and consultancy services to the customers in the UK.

The Group had two (2018: two) customers that all represented over 10% of total revenue each. The total revenue for these two customers was £385,990 (2018: £339,256) which represents 33% (2018: 35%) of the Group's total income for the year:

YEAR ENDED 31 DECEMBER 2019	£	%
Customer 1	£ 124,849	11%
Customer 2	£ 261,141	22%
Total	£ 385,990	33%

YEAR ENDED 31 DECEMBER 2018	£	%
Customer 1	£ 133,660	14%
Customer 2	£ 205,596	21%
Total	£ 339,256	35%

All revenue above is derived from contracts with customers of Osirium.

Notes to the Financial Statements Continued

4. Employees and Directors

Employees Remuneration

The aggregate remuneration for employees of the Group during the year was as follows:

	YEAR ENDED 31/12/2019	YEAR ENDED 31/12/2018
Wages & Salaries	£3,077,226	£2,463,490
Social Security Costs	£367,106	£288,919
Other Pension Costs	£155,411	£100,502
Subtotal	£3,599,743	£2,852,911
Less R&D capitalised amounts	(£1,414,549)	(£1,329,433)
Total	£2,185,194	£1,523,478

The average number of employees of the Group during the year was as follows:

	YEAR ENDED 31/12/2019	YEAR ENDED 31/12/2018
Directors & management	5	5
Development	22	19
Sales & pre-sales	12	11
Support	7	5
Marketing	3	3
Total	49	43

The parent company had no employees in the year (2018: nil).

4. Employees and Directors - Continued

Directors' Remuneration

The remuneration for directors' of the Group during the year was as follows:

YEAR ENDED 31 DEC 2019	SALARIES	BONUS & COMMISSION	CAR BENEFIT	PENSION	TOTAL	2018 TOTAL
S P G Lee	£ 50,000	-	-	-	£ 50,000	£ 50,000
D A Guyatt	£ 135,000	£ 124,949	£ 12,000	£ 10,125	£ 282,074	£ 238,225
R G Hutton	£ 60,000	£ 10,780	-	£ 4,550	£ 75,330	£ 62,280
S Purdham	£ 20,000	-	-	-	£ 20,000	£ 20,000
S E H Hember	£ 20,000	-	-	£ 1,500	£ 21,500	£ 20,600
Total	£ 285,000	£ 135,729	£ 12,000	£ 16,175	£ 448,904	£ 391,108

The figures in the 2018 financial statements were inclusive of Employer's NI. The comparative figures in this year's financial statements are exclusive of Employer's NI.

The number of directors to whom retirement benefits were accruing under was as follows:

	YEAR ENDED 31/12/2019	YEAR ENDED 31/12/2018
Defined contribution schemes	3	3

Key Management Personnel

The directors are considered to be the key management personnel, of the Group and Company along with Kevin Pearce (Professional Services Director), Andrew Harris (Chief Technical Officer), Catherine Jamieson (Chief Operating Officer), Stuart McGregor (Sales Director), Chris Heslop (Marketing Director) and Barry Scott (Customer Services Director).

The remuneration of key management is as follows:

	YEAR ENDED 31/12/2019	YEAR ENDED 31/12/2018
Remuneration	£ 1,007,859	£ 724,285
Social security costs	£ 125,799	£ 80,394
Pension contributions	£ 38,432	£ 22,050
Total key management personnel compensation	£ 1,172,090	£ 826,729

Notes to the Financial Statements Continued

4. Employees and Directors - Continued

Osirium currently has no post-employment benefits other than the defined contribution pension scheme which all employees are eligible for.

Directors' Interests in Share Options

The directors' interest in share options is as follows:

	AWARD DATE	PRICE ON AWARD DATE	EXERCISE PRICE	OPTIONS AT 31/12/19	EXERCISABLE FROM
S P G Lee	06-Apr-16	£ 1.56	58 ^p	120,000	31-Dec-19
D A Guyatt	06-Apr-16	£ 1.56	58 ^p	410,100	31-Dec-19
	06-Apr-16	£ 1.56	41 ^p	176,316	31-Dec-19
	12-Sep-16	£ 1.90	£ 1.90	51,971	31-Dec-19
				638,387	
R G Hutton	12-Sep-16	£ 1.90	£ 1.90	38,978	31-Dec-19
S Purdham	12-Sep-16	£ 1.90	£ 1.90	25,985	31-Dec-19
S Hember	26-Sep-16	£ 1.93	£ 1.92	25,985	31-Dec-19

No directors exercised any share options in the year (2018: None).

5. Loss from Operations

This is stated after charging:

	YEAR ENDED 31/12/2019	YEAR ENDED 31/12/2018
Amortisation	£ 1,144,157	£ 863,740
Depreciation of fixtures & fittings	£ 3,612	£ 3,151
Depreciation of computer equipment	£ 50,771	£ 40,630
Depreciation of right-to-use assets	£ 49,063	-
Foreign exchange differences	£ 5,670	£ 3,836

The Group paid the following amounts to its auditors RSM UK Audit LLP in respect of services provided during the year:

	YEAR ENDED 31/12/2019	YEAR ENDED 31/12/2018
Auditors remuneration for these accounts	£ 37,000	£ 32,000
Auditors remuneration for other services		
Interim review fee	£ 4,500	£ 3,500
Tax fees	£ 8,500	£ 4,250
Total	£ 50,000	£ 39,750

6. Finance Income

	YEAR ENDED 31/12/2019	YEAR ENDED 31/12/2018
Finance Income		
Deposit account interest	£ 35	£ 551
Other interest received	-	-
Total	£ 35	£ 551

The company had no finance income in the year (2018: nil).

Notes to the Financial Statements Continued

7. Income Tax

Analysis of Tax Income

	YEAR ENDED 31/12/2019	YEAR ENDED 31/12/2018
Current Tax		
Tax	(£ 557,251)	(£ 408,000)
Adjustment for prior year tax	(£ 65,263)	394
Total current tax	(£ 622,514)	(£ 407,606)
Total credit in the statement of comprehensive income	(£ 622,514)	(£ 407,606)

For the year ended 31 December 2018 successful R&D tax claims were submitted and paid by HM Revenue & Customs. Management intend to submit similar claims for the 2019.

Factors Affecting the Tax Income

Tax on the loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the group as follows:

	YEAR ENDED 31/12/2019	YEAR ENDED 31/12/2018
Loss before tax	(£ 3,451,893)	(£ 2,675,374)
Loss before tax multiplied by the applicable Rate of corporation tax of 19% (2017: 19%)	(£ 655,860)	(£ 508,321)
Expenses not deductible for tax purposes	-	-
Unrelieved tax losses	£ 590,597	£ 507,927
R&D tax credit relief	(£ 557,251)	£ 408,000
Income Tax Income	(£ 622,514)	£ 407,606

As at 31 December 2019 the group had unutilised tax losses of £6,573,855 (31 December 2018: £4,086,939) available to offset against future profits. A deferred tax asset has been recognised in respect of tax losses carried forward to the extent that it offsets the deferred tax liabilities in respect of research and development credits and accelerated capital allowances (see note 21).

Factors Affecting Future the Tax Income

The UK corporation tax rate has reduced to 19% from 1 April 2017 and the UK Government has indicated that it intends to reduce the main rate of corporation tax to 17% from 1 April 2020.

8. Earnings per Share

	YEAR ENDED 31/12/2019	YEAR ENDED 31/12/2018
Weighted average no. of shares in issue	14,544,452	13,554,211
Weighted average no. of shares for the purposes of basic earnings per share	14,544,452	13,554,211
Effect of dilutive potential ordinary shares: Share options	-	-
Weighted average no. of shares for the purposes of diluted earnings per share	14,544,452	13,554,211
Basic losses attributable to equity shareholders	(£ 2,829,379)	(£ 2,267,768)
Losses for the purposes of diluted earnings per share	(£ 2,829,379)	(£ 2,267,768)
Basic loss per share	(19 ^p)	(18 ^p)
Diluted loss per share	(19 ^p)	(17 ^p)

Earnings per share has been calculated using the following methodology:

Basic losses per share are calculated by dividing the losses attributable to ordinary shareholder by the number of weighted average ordinary shares during the year.

At 31 December 2019, there were 1,905,817 share options outstanding that could potentially dilute basic earnings or losses per share in the future, but are not included in the calculation of diluted losses per share because they are anti-dilutive for the years presented.

Notes to the Financial Statements Continued

9. Intangible Fixed Assets

	DEVELOPMENT COSTS
Cost	
At 1 January 2018	£ 4,480,315
Additions to 31 December 2018	£ 1,439,119
At 1 January 2019	£ 5,919,434
Additions to 31 December 2019	£ 1,773,395
At 31 December 2019	£ 7,692,829
Amortisation	
At 1 January 2018	£ 2,748,459
Charge to 31 December 2018	£ 863,740
At 1 January 2019	£ 3,612,199
Charge to 31 December 2019	£ 1,144,157
At 31 December 2019	£ 4,756,356
Net book value	
At 31 December 2018	£ 2,307,235
At 31 December 2019	£ 2,936,473

All development costs are amortised over their estimated useful lives, which is on average 5 years. This reflects the management's best estimate of the period of time over which the group will benefit from the amounts capitalised.

Amortisation is charged in full in the financial year of capitalisation.

All amortisation has been charged to administrative expenses in the statement of comprehensive income and total comprehensive loss.

The Company had no intangible fixed assets as at 31 December 2019.

10. Property, Plant & Equipment

	FIXTURES AND FITTINGS	COMPUTER EQUIPMENT	TOTALS
Cost			
At 31 December 2017	£ 14,842	£ 138,024	£ 152,866
Additions	£ 791	£ 15,742	£ 16,533
At 31 December 2018	£ 15,633	£ 153,766	£ 169,399
Additions	£ 2,120	£ 77,308	£ 79,428
Disposal	-	(£ 1,662)	(£ 1,662)
At 31 December 2019	£ 17,753	£ 229,413	£ 247,165
Depreciation			
At 31 December 2017	£ 6,252	£ 66,446	£ 72,698
Charge for year	£ 3,151	£ 40,630	£ 43,781
At 31 December 2018	£ 9,403	£ 107,076	£ 116,479
Charge for year	£ 3,612	£ 50,771	£ 54,383
Disposal	-	(£ 1,231)	(£ 1,231)
At 31 December 2019	£ 13,016	£ 156,616	£ 169,632
Net Book Value			
At 31 December 2018	£ 6,230	£ 46,690	£ 52,920
At 31 December 2019	£ 4,737	£ 72,797	£ 77,534

The company had no property, plant & equipment as at 31 December 2019. Depreciation is charged to administrative costs in the income statement.

Notes to the Financial Statements Continued

11. Right of use Assets

	LEASES AND BUILDINGS
Cost	
At 31 December 2017	-
Additions	-
At 31 December 2018	-
Additions	£ 159,455
At 31 December 2019	£ 159,455
Depreciation	
At 31 December 2017	-
Charge for year	-
At 31 December 2018	-
Charge for year	£ 49,063
At 31 December 2019	£ 49,063
Net Book Value	
At 31 December 2018	-
At 31 December 2019	£ 110,392

Additions to the right-of-use assets during the year were £159,455.

The group leases land and buildings for its office under an agreement for 4 years running from 2018 to 2022.

12. Investment in Subsidiary

Osirium Technologies PLC has the following investment in a subsidiary:

	COUNTRY OF INCORPORATION	CLASS OF SHARE HELD	OWNERSHIP
Osirium Limited One Central Square, Cardiff, CF10 1FS	England & Wales	Ordinary	100%

Osirium Limited's business activities are the development, sale and consultancy services related to the company's own software products
Movement on cost and net book value of investments in subsidiary:

	2019	2018
Net book value of investment in subsidiary	£ 354,445	£ 354,445

13. Trade and Other Receivables

	GROUP YEAR ENDED 31/12/2019	GROUP YEAR ENDED 31/12/2018	COMPANY YEAR ENDED 31/12/2019	COMPANY YEAR ENDED 31/12/2018
Current				
Trade receivables	£ 206,998	£ 244,642	-	-
Other receivables	£ 558,465	£ 408,000	-	-
VAT	£ 7,070	-	-	-
Prepayments	£ 209,836	£ 95,369	£ 71,277	£ 5,058
Amounts due from group undertakings	-	-	£ 1,925,923	£ 5,370,303
Total	£ 982,369	£ 748,011	£ 1,997,200	£ 5,375,361

All trade receivable invoices that make up the balances were invoiced on or after 11 October 2019.

As at 31 December 2019 Osirium had no material receivables past due but not impaired (31 December 2018: £nil).

The directors have made an assessment on the amounts due from group undertakings under IFRS 9 for impairment of financial assets. As Osirium is loss making and the likelihood is that a proportion of the amount due from the group undertakings will not be received, the directors have deemed it prudent to account for an impairment of 75% with this being looked at every 12 months on a continuous basis.

The Directors consider that the carrying value of trade and other receivables approximates their fair value.

Allowance for expected credit losses

The group has assessed the expected credit losses for the year ended 31 December 2019 and concluded that there is no material impairment against trade receivables.

14. Cash and Cash Equivalents

	GROUP AS AT 31/12/2019	GROUP AS AT 31/12/2018	COMPANY AS AT 31/12/2019	COMPANY AS AT 31/12/2018
Cash and cash equivalents	£ 3,854,922	£ 2,386,624	£ 3,706,558	£ 2,216,249

The Directors consider that the carrying value of cash and cash equivalents approximates their fair value.

Notes to the Financial Statements Continued

15. Reconciliation of Loss before Income Tax to Cash Used In Operations

	GROUP YEAR ENDED 31/12/2019	GROUP YEAR ENDED 31/12/2018	COMPANY YEAR ENDED 31/12/2019	COMPANY YEAR ENDED 31/12/2018
Loss before income tax	(£ 3,451,893)	(£ 2,675,374)	(£ 6,319,896)	(£ 673,640)
Depreciation charges	£ 103,446	£ 43,781	-	-
Amortisation charges	£ 1,144,157	£ 863,740	-	-
Share option charge	-	-	-	-
Finance costs	£ 52,197	£ 1,125	£ 40,239	-
Finance income	(£ 35)	(£ 551)	-	-
	(£ 2,152,127)	(£ 1,767,279)	(£ 6,279,657)	(£ 673,640)
(Increase)/decrease in trade and other receivables	(£ 83,883)	(£ 125,393)	£ 3,378,161	(£ 1,137,681)
Increase/(decrease) in trade and other payables	£ 718,792	£ 312,572	£ (34,555)	£ 36,013
Cash used in operations	(£ 1,517,218)	(£ 1,580,100)	(£ 236,051)	(£ 1,775,308)

16. Trade and Other Payables

	GROUP AS AT 31/12/2019	GROUP AS AT 31/12/2018	COMPANY AS AT 31/12/2019	COMPANY AS AT 31/12/2018
Current				
Trade payables	£ 248,612	£ 142,662	£ 66,529	£ 58,130
Social security and other taxes	£ 109,210	£ 55,348	-	-
Other creditors	£ 18,348	£ 11,075	-	-
Accruals and deferred income	£ 1,512,928	£ 945,328	£ 53,499	£ 96,454
VAT	-	£ 15,893	-	-
Total	£ 1,889,098	£ 1,170,306	£ 120,028	£ 154,584

The Directors consider that the carrying value of trade and other payables approximates their fair value. The amounts above in trade and other payables are all non-interest bearing.

17. Lease Liabilities

	AS AT 31/12/2019	AS AT 31/12/2018
Current Lease liability	£ 33,916	-
Non-current Lease liability	£ 76,973	-

18. Borrowings

	2019	2018
Balance at 1 January	-	-
Issue of convertible loan notes	£ 2,700,000	-
Proportion classified as equity	(£ 394,830)	-
Interest payable	£ 40,238	-
Balance at 31 December	£ 2,345,408	-

On 21 October 2019 the consolidated entity issued 270 7.5% convertible notes, with a face value of £10,000 each, for total proceeds of £2,700,000. Interest is paid on the redemption date at a rate of 7.5% per annum based on the face value. The notes are convertible into ordinary shares of the parent entity, at any time at the option of the holder, or repayable on 28 October 2024.

The Conversion Rate is whichever of the following ratios includes the lowest principal amount of Notes to be converted into 1 Ordinary Share:

- 40p principal amount of Notes for each 1 Ordinary Share; and

- In the case of an Exit Event:

(a) an amount (in pence) of principal amount of Notes which is equal to the price per Ordinary Share determined by the Exit Event, less a discount of 25% for each 1 Ordinary Share; and

(b) an amount (in pence) of principal amount of Notes which is equal to the placing price of the most recent placing by the Company of Ordinary Shares prior to the Exit Event, less a discount of 25% for each 1 Ordinary Share; and

Notes to the Financial Statements Continued

18. Borrowings - Continued

- In the case of a Corporate Event or Early Conversion Event, an amount (in pence) of principal amount of Notes which is equal to the placing price of the most recent placing by the Company of Ordinary Shares prior to the Corporate Event or Early Conversion Event (as applicable); and
- In the case of a Redemption Conversion:
 - (a) An amount (in pence) of principal amount of Notes which is equal to the placing price of the most recent placing by the Company of Ordinary Shares prior to the Redemption Conversion; and
 - (b) An amount (in pence) equal to the average quoted mid-market price of Ordinary Shares over the 90 Business Days immediately preceding the Redemption Conversion,

In all cases fractions of shares shall be disregarded.

The Group determined the convertible loan notes issued to be compound financial liabilities. The Group classified the conversion features of the Loan Notes as equity due to the fixed settlement terms. Accordingly, the proceeds received on issuance were allocated into their liability and equity components.

The market rate used to determine the fair value of the liability component is 10%.

The convertible notes are unsecured.

19. Called up Share Capital

On 25 October 2019 – 5,941,444 1p shares were issued on the AIM exchange at a price of 35p for a total consideration of £2.08m.

Allotted, issued and fully paid

2019	NO. OF SHARES	£
On incorporation on 3 November 2015	100	1
Shares issued as consideration for Osirium Limited on 6 April 2016	6,548,102	65,481
Shares issued on listing on AIM Exchange on 15 April 2016	3,846,153	38,462
Shares issued on AIM Exchange on 28 March 2018	3,159,856	31,599
Shares issued on AIM Exchange on 25 October 2019	5,941,444	59,413
Total	19,495,655	194,956

2018	NO. OF SHARES	£
On incorporation on 3 November 2015	100	1
Shares issued as consideration for Osirium Limited on 6 April 2016	6,548,102	65,481
Shares issued on listing on AIM Exchange on 15 April 2016	3,846,153	38,462
Shares issued on AIM Exchange on 28 March 2018	3,159,856	31,599
Total	13,554,211	135,543

Voting rights

Shares rank equally for voting purposes. Each member will have one vote per share held.

Dividend rights

Each share ranks equally for any dividend declared.

Notes to the Financial Statements Continued

20. Reserves

Share Premium

Share premium represents the aggregate amount of premiums received on issuing shares after deduction of attributable expenses and commission.

Share Option Reserve

The share option reserve represents the cumulative amount charged to the income statement in respect of the company's share options.

Merger Reserve

The merger reserve represents the balance of Osirium Limited's reserves after application of merger accounting as part of the group reorganisation.

Retained Earnings

Retained earnings is the balance of profit or loss retained by the group and company net of any distributions made.

Convertible Note Reserve

The convertible note reserve represents the equity element of the loan notes that were raised in year.

21. Deferred Tax

Deferred tax of £572,661 is provided at 31 December 2019 (2018: £448,430) in respect of timing differences arising on the recognition of development costs and other fixed assets with a net book value of £3,014,007 (2018: £2,360,156).

A deferred tax asset has been recognised in respect of tax losses carried forward to the extent that it offsets the deferred tax liabilities in respect of research and development credits and accelerated capital allowances.

	AS AT 01/01/2019	MOVEMENT IN YEAR	AS AT 31/12/2019
Accelerated capital allowances	£ 10,055	£ 25,651	£ 35,706
Research and development tax credits	£ 438,375	£ 104,422	£ 557,930
Tax losses	(£ 448,430)	(£ 145,206)	(£ 593,636)
Total	-	-	-

22. Financial Risk Management

Osirium's activities expose it to a variety of financial risk: financial instrument risk, credit risk and liquidity risk. Osirium's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Osirium's financial performance. Osirium's policies for financial risk are outlined below.

Financial Instruments Risk

In common with all other businesses, Osirium is exposed to risks that arise from its use of financial instruments. This note describes Osirium's objectives, policies and processes for managing those risks and the methods used to measure them.

The principal financial instruments used by Osirium, from which finance instrument risk arises, are as follows:

- Trade and other receivables
- Cash at bank
- Trade and other payables

Credit Risk

Credit risk is the risk of financial loss to Osirium if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Osirium's receivables from customers and deposits with financial institutions. Osirium's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Osirium has an established credit policy under which each new customer is analysed for creditworthiness before Osirium's standard payment and delivery terms and conditions are offered. Osirium's review includes external ratings, and in some cases bank references.

An allowance for impairment is made when there is an identified loss event, which based on previous experience, is evidence in the recoverability of the cash flows. The Directors consider the above measures to be sufficient to control the credit risk exposure.

Liquidity Risk

Liquidity risk is the risk that Osirium will not be able to meet its financial obligations as they fall due. Osirium's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to Osirium's reputation.

The Directors manage liquidity risk by regularly reviewing Osirium's cash requirements by reference to short term cash flow forecasts and medium term working capital projections prepared by the Directors.

Notes to the Financial Statements Continued

23. Financial Risk Management - Continued

Consolidated Maturity of financial assets and liabilities

AS AT 31 DECEMBER 2018	LESS THAN 1 MONTH	1 MONTH TO 1 YEAR	GREATER THAN 1 YEAR	NO STATED MATURITY	TOTAL
Financial Assets					
Loans and receivables					
Trade & other receivables	£ 244,642	-	-	-	£ 244,642
Cash and cash equivalents	£ 2,386,624	-	-	-	£ 2,386,624
Total	£ 2,631,266	-	-	-	£ 2,631,266
Financial Liabilities					
Financial liabilities amortised at cost					
Trade & other payables	£ 374,465	-	-	-	£ 374,465
Total	£ 374,465	-	-	-	£ 374,465

AS AT 31 DECEMBER 2019	LESS THAN 1 MONTH	1 MONTH TO 1 YEAR	GREATER THAN 1 YEAR	NO STATED MATURITY	TOTAL
Financial Assets					
Loans and receivables					
Trade & other receivables	£ 206,998	-	-	-	£ 206,998
Cash and cash equivalents	£ 3,854,922	-	-	-	£ 3,854,922
Total	£ 4,061,920	-	-	-	£ 4,061,920
Financial Liabilities					
Financial liabilities amortised at cost					
Trade & other payables	£ 411,063	-	-	-	£ 411,063
Total	£ 411,063	-	-	-	£ 411,063

24. Financial Risk Management - Continued

Company Maturity of financial assets and liabilities

AS AT 31 DECEMBER 2018	LESS THAN 1 MONTH	1 MONTH TO 1 YEAR	GREATER THAN 1 YEAR	NO STATED MATURITY	TOTAL
Financial Assets					
Loans and receivables					
Trade & other receivables	-	£ 5,370,303	-	-	£ 5,370,303
Cash and cash equivalents	£ 2,216,249	-	-	-	£ 2,216,249
Total	£ 2,216,249	£ 5,370,303	-	-	£ 7,586,552
Financial Liabilities					
Financial liabilities amortised at cost					
Trade & other payables	£ 154,584	-	-	-	£ 154,584
Total	£ 154,584	-	-	-	£ 154,584

AS AT 31 DECEMBER 2019	LESS THAN 1 MONTH	1 MONTH TO 1 YEAR	GREATER THAN 1 YEAR	NO STATED MATURITY	TOTAL
Financial Assets					
Loans and receivables					
Trade & other receivables	-	£ 1,925,923	-	-	£ 1,925,923
Cash and cash equivalents	£ 3,706,558	-	-	-	£ 3,706,558
Total	£ 3,706,558	£ 1,925,923	-	-	£ 5,632,481
Financial Liabilities					
Financial liabilities amortised at cost					
Trade & other payables	£ 120,028	-	-	-	£ 120,028
Total	£ 120,028	-	-	-	£ 120,028

All financial assets and liabilities above are held at amortised cost.

Notes to the Financial Statements Continued

25. Capital Management

The prime objective of Osirium's capital management is to ensure that it maintains the financial flexibility needed to allow for value-creating investments as well as healthy statement of financial position ratios. The capital structure of Osirium consists of net debt (borrowings after deducting cash and cash equivalents) and equity (comprising issued capital, capital commitment, reserves and retained earnings).

26. Related Party Disclosures

The following balances were to directors in relation to expenses claimed:

	YEAR ENDED 31/12/2019	YEAR ENDED 31/12/2018
S P G Lee	-	£ 194
D A Guyatt	£ 2,023	£ 1,512
R G Hutton	-	£ 2,696
S Purdham	-	-
K L Pearce	£ 946	£ 177

Total expenses claimed within the year were as follows:

	YEAR ENDED 31/12/2019	YEAR ENDED 31/12/2018
S P G Lee	£ 287	£ 756
D A Guyatt	£ 8,410	£ 4,873
R G Hutton	£ 8,041	£ 4,089
S Purdham	£ 946	£ 604
K L Pearce	£ 5,781	£ 8,747

27. Related Party Disclosures - Continued

Directors' remuneration has been disclosed in Note 4.

Catherine Jamieson, a spouse of a director, was paid a total salary of £181,908 (2018: £149,206). Amounts owed to Catherine Jamieson as at 31 December 2019 were £426 (2018: £2,118).

Tom Guyatt, an employee of Osirium and son of a Director, was paid a gross salary of £79,048 in 2019 (2018: £76,770). Amounts owed to Tom Guyatt as at 31 December 2018 were £nil (2017: £nil).

Simon Hember is also a director in Rant Events Limited which invoiced Osirium £15,000 (2018: £6,000) in the year for cyber events. There was £nil owing to Rant Events Limited as at 31 December 2019 (2018: £6,000).

Simon Hember is also a director in Red Snapper Recruitment Limited which invoiced Osirium £39,000 (2018: £nil) in the year. There was £nil owing to Red Snapper Recruitment Limited as at 31 December 2019 (2018: nil).

Related party share options issued:

	YEAR ENDED 31/12/2019	YEAR ENDED 31/12/2018
S P G Lee Non Executive Chairman	£ 120,000	£ 120,000
D A Guyatt Chief executive officer	£ 638,387	£ 638,387
R G Hutton Chief financial officer	£ 38,978	£ 38,978
S Purdham Non-executive director	£ 25,985	£ 25,985
S Hember Non-executive director	£ 25,985	£ 25,985
K L Pearce Director in Osirium Limited	£ 324,869	£ 324,869
C Jamieson spouse of director	£ 103,943	£ 103,943
T Guyatt son of director	£ 51,971	£ 51,971

Notes to the Financial Statements Continued

28. Share Options

The company issues equity-settled share based payments to certain employees of the group under which the group receives services as consideration for equity instruments (options). Options are exercisable at 42p, 58p, £1.90 and £1.92 per share.

	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Granted 6 April 2016	374,046	£ 0.42
Granted 6 April 2016	739,254	£ 0.58
Granted 12 September 2016	584,673	£ 1.90
Granted 26 September 2016	25,985	£ 1.92
Forfeited during the year	-	-
Exercised during the year	-	-
Outstanding at 31 December 2019	1,723,958	£ 1.21
Exercisable at 31 December 2019	-	-

As at 31 December 2019 none of the share options have been exercised.

The vesting conditions of the share options require the group to achieve a turnover target of £12m.

28. Share Options - Continued

The estimated fair value of the options granted in each year was calculated by using the Black-Scholes model and the following inputs:

	26/09/2016	12/09/2016	06/04/2016	06/04/2016
Weighted average share price	£1.93	£1.90	£1.56	£1.56
Weighted average exercise price	£1.92	£1.90	0.58^p	0.42^p
Expected volatility	40%	40%	40%	40%
Expected life	3.26 yrs	3.30 yrs	3.74 yrs	3.74 yrs
Risk free rate	0.50%	0.50%	0.50%	0.50%
Expected dividend yield	0%	0%	0%	0%

Expected volatility was determined by calculating the historical volatility of similar companies share prices over the previous 4-5 years, or over such shorter periods as the available data permitted. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of nontransferability, exercise restrictions and behavioural considerations.

In the year ended 31 December 2019 the share based payment charge is £nil (year ended 31 December 2018: £nil).

The charge for the prior years is in relation to the remaining value of the pre-existing share options in Osirium Limited which were replaced by the options in Osirium Technologies Plc issued at 6 April 2016. No charge has been recognised in respect of options granted in the year due to a combination of the share option exercise price being well above the historical average share price and the uncertain timing of the meeting of all vesting conditions, including group turnover of £12,000,000.

29. Ultimate Controlling Party

As at 31 December 2019 Osirium Technologies Plc had no ultimate controlling party.

30. Contingent Liability

The company is included in a group registration for VAT purposes with its fellow subsidiary. All members of the VAT group are jointly and severally liable for the total amount of VAT due and at 31 December 2019, the contingent liability in respect of this group registration was £nil (net receivable position) (2018: £16,893).

Notes to the Financial Statements

Continued

31. COVID19 and Potential Effects

This past year has seen substantial progress achieved against our growth plans with an expanded product suite, a confident team, and accelerating traction in terms of our market presence. The market opportunity is clearer than ever as Privileged Access Security is increasingly a corporate priority, helping to deliver our strongest pipeline to date.

Nonetheless, at the time of writing, we cannot ignore the increasing impact on our business of the Coronavirus pandemic. To the best of our ability we have factored this into our planning. The safety and health of our employees, partners and customers is paramount, and we have taken decisive steps to move fully to remote working, with an online engineering, sales, marketing and support model for engaging with our customers. The Board remains cautious and vigilant in the very short-term as the full impact of COVID-19 on the general economy is not yet known, however we have contingency plans in place and factored these into our planning and are limiting the cash outflows out of the business as best as we can

Despite this significant challenge we are moving forward this year with continued business momentum and, although still in the early part of the year, materially ahead of last year. Our focus on growing our market presence and customer-centric approach, coupled with our expanded offering and a solid foundation of visible revenue, gives the Board confidence in the Group's long-term prospects.

Osirium Technologies PLC

Notice of Annual General Meeting

16th June 2020

Osirium Technologies PLC

(Incorporated and registered in England and Wales with registered number 09854713)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of Osirium Technologies plc (the “Company”) will be held at the Company’s offices at Theale Court, 11-13 High Street, Theale, RG7 5AH on Tuesday, 16 June 2020 at 11:00 am for the purpose of considering and, if thought fit, passing the following resolutions of which Resolutions 1 to 4 (inclusive) will be proposed as ordinary resolutions and Resolution 5 will be proposed as a special resolution:

Ordinary Resolutions

- 1 THAT the Company’s annual accounts for the financial year ended 31 December 2019 together with the Directors’ Report and Auditor’s Report on those accounts be received, considered and adopted.
- 2 THAT RSM UK Audit LLP be re-appointed as auditors of the Company from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the Company, and the Directors be authorised to determine their remuneration.
- 3 THAT Simon Hember who, being eligible, is offering himself for election, be re-appointed as a director of the Company.
- 4 THAT the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to allot shares (or to grant rights to subscribe for or to convert any security into shares) in the Company for all and any purposes approved by the Directors, up to an aggregate nominal value equal to the sum of £129,971, representing two-thirds of the Company’s issued share capital at the date of this Notice and so that such authority shall, save to the extent that it is earlier renewed or extended by resolution passed at a general meeting, expire 15 months after the date of the passing of this resolution or, if earlier, at the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution but the Company may, prior to the expiry of such authority, make an offer or agreement which would or might require shares (or rights to subscribe for or to convert any security into shares) in the Company to be allotted after the expiry thereof and the Directors may allot shares (or grant rights) in pursuance of such offer or agreement notwithstanding the expiry of the authority given by this resolution.

Special Resolution

- 5 THAT, subject to and conditional upon the passing of Resolution 4 above and in addition to any existing authorities in that regard, the Directors be and are hereby empowered pursuant to section 570 of the Companies Act 2006 (the “Act”) to allot equity securities (as defined in section 560(1) of the Act) which are the subject of the authority given in accordance with Resolution 4 above for cash, as if section 561 of the Act did not apply to an such allotment, provided that this power shall be limited to:
 - (a) the grant of options to subscribe, and the allotment of, ordinary shares of £0.01 each in the capital of the Company pursuant to the Osirium Technologies plc Enterprise Management Incentive (EMI) Share Option Plan 2016 adopted by resolution of the Board on 6 April 2016;
 - (b) the allotment of, ordinary shares of £0.01 each in the capital of the Company pursuant to the exercise of conversion rights under the terms of the Note instrument dated 21 October 2019 of the Company constituting up to £2,700,000 Convertible Unsecured 7.5% Notes due 2024;
 - (c) the grant of options to subscribe, and the allotment of, ordinary shares of £0.01 each in the capital of the Company pursuant to the Osirium Technologies plc Enterprise Management Incentive (EMI) Share Option Plan 2020 – 2025 adopted by resolution of the Board on 31 March 2020; and

- (d) the allotment otherwise than pursuant to sub-paragraphs (a), (b) and (c) above of equity securities up to an aggregate nominal value of £38,991, representing 20% of the Company's issued share capital at the date of this Notice.

Such authority, unless previously renewed, extended, varied or revoked by the Company in general meeting, shall expire 15 months after the passing of this resolution or, if earlier, at the conclusion of the next annual general meeting of the Company to be held after the passing of this resolution, save that the Company may, prior to the expiry of such authority, make an offer or agreement which would or might require equity securities in the Company to be allotted after the expiry thereof and the Directors may allot equity securities in the Company in pursuance of such offer or agreement notwithstanding the expiry of the authority given by this resolution.

Dated: 15 May 2020

By order of the Board,
Martin Kay, Company Secretary

Registered Office:
One Central Square
Cardiff CF10 1FS

Notes:

- (1) As at 14 May 2020 (being the latest practicable date before publication of this document), the issued share capital of the Company comprised 19,495,655 ordinary shares of 1 pence each and the total number of voting rights was 19,495,655. There are no shares in the capital of the Company held by the Company in treasury.
- (2) In light of the Government's 'Stay at Home Measures' to deal with the COVID-19 pandemic, it is currently envisaged that the AGM will be run as a closed meeting with the minimum number of shareholders present to ensure that the meeting is quorate, and conducted without a presentation or a question and answer session. Unfortunately, under current 'Stay at Home Measures', shareholders or others attempting to attend the AGM in person may not be permitted entry. The Board will continue to keep Government guidance under review and may if necessary, make further changes to the arrangements for the AGM. Further announcements and information will be provided as required and shareholders should continue to monitor the Company's website at <https://osirium.com/investors/> for up-dates.
- (3) Votes on the resolutions will be taken by way of a poll rather than on a show of hands. Accordingly, all shareholders are encouraged to vote by proxy and appoint the chairman of the meeting as their proxy for this purpose. You may appoint a proxy by completing and returning the Proxy Form that accompanies these report and accounts or by downloading a form from the Company's website at <https://osirium.com/investors/>. Alternatively, shareholders can appoint a proxy electronically at www.sharegateway.co.uk using the personal proxy registration code as shown on the Form of Proxy.
- (4) To ensure your vote is counted at the AGM your proxy appointment must reach the Company's Registrars, Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, West Midlands, B62 8HD by no later than by 11.00a.m. on Friday, 12 June 2020 together with, if appropriate, the original power of attorney or other authority (if any) under which the Form of Proxy is signed or a duly certified copy of that power or authority. In the case of a corporation, the Form of Proxy must be executed under its common seal or under the hand of any officer or attorney duly authorised. If, as an alternative to completing your hard-copy proxy form, you appoint a proxy electronically at www.sharegateway.co.uk, to be valid your appointment must be received by no later than 11:00a.m. on Friday, 12 June 2020.
- (5) A vote withheld option is provided on the Form of Proxy to enable you to instruct your proxy not to vote on any particular resolution, however, it should be noted that a vote withheld in this way is not a 'vote' in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution. If no voting indication is given, your proxy will vote or abstain from voting at his/her discretion. Your proxy will vote (or abstain from voting) as he/she thinks fit in relation to any other matter which is put before the Annual General Meeting.
- (6) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered in the Company's register of members at the close of business on 12 June 2020 (or, in the event of any adjournment, at the close of business on the date which is two business days before the time of the adjourned meeting) shall be entitled to attend, speak and vote at the Annual General Meeting. Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

Further Explanatory Notes:

Resolution 3

Under the Company's articles of association directors are required to retire every three years. Simon Hember was last elected at the Company's 2017 annual general meeting and accordingly stands for re-election at this year's AGM. Simon's brief biographical details can be viewed at <https://osirium.com/osirium/people/simon-hember/>.

Resolution 4

Resolution 4 seeks renewal of the authority of the Directors to allot shares in the capital of the Company (or to grant rights to subscribe for or convert any securities into shares in the capital of the Company) up to two-thirds of the Company's issued share capital at the date of this Notice in line with guidance issued by the Investment Association. This authority will expire 15 months after the passing of the resolution or, if earlier, at the conclusion of the next annual general meeting of the Company to be held after the passing of the resolution.

Resolution 5

Resolution 5 seeks disapplication of shareholders' pre-emption rights in relation to:

- (i) option grants under the Company's current share option scheme adopted at the time of its IPO (the "2016 Option Scheme");
- (ii) share issues on exercise of the conversion rights of the Company's £2,700,000 Convertible Unsecured 7.5% Notes due 2024, as set out in the Convertible Loan Note Instrument of the Company dated 21 October 2019, a copy of which is available for view at <https://osirium.com/investors/convertible-loan-notes/>;
- (iii) option grants under the Company's Enterprise Management Incentive (EMI) Share Option Plan 2020 – 2025 detailed below; and
- (iv) share issues for cash up to a nominal value of £38,991 representing 20% of the Company's issued share capital as at today's date and in line with the Pre-Emption Group 1 April 2020 statement to permit flexibility for a further small fund raise without the need to convene a shareholders' meeting should it be in the interests of the company to increase its working capital resources in light of the current global economic uncertainty caused by the COVID-19 pandemic.

This authority will expire 15 months after the passing of the resolution or, if earlier, at the conclusion of the next annual general meeting of the Company to be held after the passing of the resolution.

The Company's 2016 Option Scheme includes a minimum option exercise price and a revenue performance condition determined at the time of the Company's IPO and which no longer reflect the Company's current share price and revenue growth. The Directors believe that it is essential that the Company's share option arrangements continue to incentivise directors and staff to drive the Company's future growth and share value and that the 2016 Option Scheme is no longer effective to provide that incentive. Accordingly, having consulted with key institutional investors, the Directors have adopted a new scheme, the Osirium Technologies plc Enterprise Management Incentive (EMI) Share Option Plan 2020 – 2025 (the "2020 Share Option Plan"), with the following key features:

- options will be granted at market value but subject to a minimum exercise price of 35p per share;
- options will only become exercisable 2 years after option grant (subject to earlier exercise in the event of a sale, takeover or liquidation);
- options will only vest to become exercisable by reference to increases in the Company's share price performance, with vesting on the following phased basis:
 - 25% vesting on grant
 - 25% vesting at a 50% share price increase to the initial grant price
 - 25% vesting at a 100% share price increase to the initial grant price
 - 25% vesting at a 150% share price increase to the initial grant price

and with the Company's share price determined by reference to 30-day volume weighted average price;

- subject to certain limited exceptions, options will lapse and cease to be exercisable if an option holder ceases to remain employed or engaged by the Company or any of its subsidiaries or, if earlier, 5 years after the date of grant;
- the 2020 Share Option Plan will terminate 5 years after adoption; and
- the number of shares subject to options granted under the 2020 Share Option Plan, when aggregated with outstanding options granted post the Company's IPO under the Company's 2016 Option Scheme, cannot exceed 10% of the Company's issued ordinary share capital from time to time (or such other amount as the Company's shareholders may by ordinary resolution approve).

As for the 2016 Option Scheme, the 2020 Share Option Plan is intended to operate as, and be entitled to the beneficial tax treatment applicable to, enterprise management incentive schemes and it is intended that no further options will be granted under the 2016 Option Scheme.

A copy of the Rules of the 2020 Share Option Plan is available for view on the Company's website at <https://osirium.com/investors/>.

| Company Information

Directors

D.A. Guyatt
R.G. Hutton
S.P.G. Lee
S. Purdham
S.E.H. Hember

Company Secretary

M. Kay

Register Office

One Central Square
Cardiff
CF10 1FS

Registered Number

09854713 (England & Wales)

Accountants

Randall & Payne LLP
Chargrove House
Shurdington Road
Cheltenham
Gloucestershire
GL51 4GA

Auditors

RSM UK Audit LLP
25 Farringdon Street
London
EC4A 4AB

Nomad & Broker

Stifel Nicolaus Europe Limited
150 Cheapside
London
EC2V 6ET

Solicitors

Blake Morgan LLP
Six New Street Square
London
EC4A 3DJ

About Osirium

Osirium is the UK's innovator in Privileged Access Management. Founded in 2008 and with its HQ in the UK, near Reading, Osirium's management team has been helping thousands of organisations over the past 25 years protect and transform their IT security services.

The Osirium team have intelligently combined the latest generation of cybersecurity and Automation technology to create the world's first, built-for-purpose, Privileged Protection and Task Automation solution.

Tried and tested by some of the world's biggest brands and public-sector bodies, Osirium helps organisations drive down Business Risks, Operational Costs and meet IT Compliance.



OSIRIUM LTD.

Theale Court, 11-13 High Street, Theale, Reading, Berkshire, RG7 5AH
+44 (0) 118 324 2444, info@osirium.com, osirium.com