Intercede Group plc

Annual Report & Accounts

2021

OUR MISSION

Intercede power certainty in digital identities for the world's large enterprises and governments through our robust credential management platform, MyID.

It is our mission to safeguard IT systems and connected devices from unauthorised access and harm.

Our ongoing success is built on:

- Developing innovative, robust cyber security technology that is shaped around the needs of our customers and their end users
- Adding value to our technology and commercial partners through a proactive, collaborative approach
- Maintaining an engaging and rewarding workplace for our people
- Delivering sustained growth for our investors

OUR VISION

It is our vision to safeguard the integrity of connected workforces, supply-chains, citizens and industrial technologies for the world's businesses and governments that will not compromise on cybersecurity.

Content

Company Profile

Intercede® is a cybersecurity company specialising in digital identities, derived credentials and access control, enabling digital trust in a mobile world.

Headquartered in the UK, with offices in the US, we believe in a connected world in which people and technology are free to exchange information securely, and complex insecure passwords become a thing of the past.

We have been delivering trusted solutions to high profile customers for over 20 years. Our team of experts has deployed millions of identities to governments, most of the largest aerospace and defence corporations, and major financial services and healthcare organizations, as well as leading telecommunications, cloud services and information technology firms, providing industry-leading employee and customer credential management systems.

Intercede has been quoted on the AIM section of the London Stock Exchange since January 2001.

For more information visit: intercede.com

Certainty in the identity of employees, citizens, suppliers and connected devices accessing systems, networks and data is essential as the cyber threat increases for governments and enterprises.

At Intercede our MyID platform secures the flow of people so they can simply and securely access the information they need, when and where they need it. Smart card to smartphone, together with our industry leading partners, we deliver a cyber secure identity platform for governments and large enterprises.

Digital Identities

MyID® secures 15 million identities worldwide for governments, enterprises, military and police. Enabling citizens, personnel and employees secure, seamless access to business critical data, systems and networks.

Workforce

Citizen

Customer

Supply-chain

Blockchain

IIoT

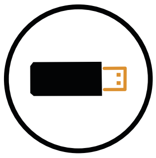
Technologies

Our software enables organisations to interoperate across multiple software and hardware. Whether you're looking to issue and manage millions of smart cards or smart phones - and the PKI technology in between - MyID is flexible at integrating and working across multiple platforms and devices.

Smart cards

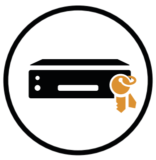
Mobile device management

Virtual smart cards



USB tokens

Certificate authorities



Hardware Security Modules

Derived credentials

Image capture

Fingerprint capture

PRODUCTS

Software and services to issue and manage millions of secure digital identities

Our products evolve digital identity from the vulnerability of passwords and usernames to a multi-factor approach that ensures each and every user is who they say they are.

Wherever data security matters Intercede and MyID software can be found. Governments and large enterprises spanning industry sectors trust MyID to issue secure digital identities that enable their people to securely flow through their lives and jobs.

MyID is a feature-rich credential management system (CMS) that enables organisations to deploy digital identities to a wide range of secure devices simply, securely and at scale.

Systems administrators use MyID to configure their certificate and device issuance policies, ensuring the right people receive the right digital identities. Built to integrate with infrastructure such as certificate authorities, directories, identity management solutions and mobile device management systems (MDMs), MyID minimises any impact on the existing environment reducing deployment times and operational costs.

Available as a commercial off-the-shelf product for employee or citizen ID solutions, MyID is also available as a platform where it is embedded to deliver digital identities as part of a wider security ecosystem.

The scalability, security and proven nature of MyID makes it well placed to capitalise on the growing need for digital identities in the Internet of Things and emerging technologies such as blockchain.

TRUSTED BY GOVERNMENT AND LARGE ENTERPRISES, WORLDWIDE

BOEING · T-Mobile · Handelsbanken · Singapore Government Integrity · Service · Excellence · Federal Aviation Administration

Chairman's Statement

For the year ended 31 March 2021

I would like to commend Klaas and his management team on the completion of the first phase of the Group's turnaround plan. This achievement is all the more commendable having been delivered during the biggest global pandemic of our lifetimes.

Klaas was appointed as CEO on 10 April 2018 with a remit to return Intercede to sustainable profitable growth after four years of losses that had seen the Group need additional funding, comprising £5.0m of convertible loan notes that were issued in 2017. He quickly took control and has driven through changes in all aspects of the business. The Group returned to break-even in his first year and has subsequently delivered an improved revenue, profit and cashflow performance in each subsequent reporting period. This improved performance has enabled the Group to successfully retire the convertible loan notes nearly a year ahead of their maturity date saving £0.4m of annual interest costs and leaving Intercede debt free with a much strengthened Balance Sheet, ready to embark on the next phase of its strategic development.

None of the above would have been possible without the commitment and dedication of Intercede's employees who have used their experience and expertise to continue to deliver world class digital identity solutions to our customers and partners. During the past year, I am delighted to be able to report further substantial development of our technical platform, adding further features and functions. We are excited to announce the release of MyID v12 in April, which will expand Intercede's addressable market with the introduction of FIDO to the MyID credential management platform.

During the COVID-19 pandemic, Intercede has maintained solid revenue growth at 6% and delivered a substantial increase in profitability with the levels of cash generated being well ahead of market forecasts. Strong double-digit revenue growth in the US was offset by market contraction in the regions most affected by national lockdowns; notably Continental Europe, the Middle East and ASEAN. However, pipeline strength has continued across all regions and we anticipate a return to normalised trading in the next 12-24 months when COVID restrictions are expected to be materially eased.

Good progress has also been made, notwithstanding the impact of the pandemic, with the recruitment of new partners throughout the world and with a number of project wins, the most notable being a significant sale to the US Department of State (DoS) through a new partner, Guidehouse. The ten-year, multimillion-dollar contract will see Intercede's MyID software issuing and managing the lifecycle of hundreds of thousands of DoS employee digital identities.

Summary

Intercede has maintained the momentum and desire to continue to grow and serve the burgeoning digital identity market throughout a year of major uncertainty and challenges. I remain confident of the Group's future prospects as we emerge from the pandemic and Governments and commercial enterprises are able to take the necessary steps to further improve their security environments when taking increased remote working into consideration.

Chuck Pol
Chairman
7 June 2021

Chief Executive's Review

For the year ended 31 March 2021

This has been a year of major uncertainty and challenges, with the effects of the COVID-19 pandemic and the resulting lockdowns having a significant impact on business operations and sales. Thanks to decisive leadership, robust systems and highly committed staff around the world, Intercede was able to switch quickly and effectively to remote working without any disruption to customer service and project delivery.

Despite this uncertainty, I am pleased to see a continuing positive trend and momentum and, in particular, the substantially improved cash position, which gave us the confidence to issue a call notice in respect of the outstanding convertible loan notes (CLNs). Twelve out of the thirteen noteholders elected to convert their CLNs into new ordinary shares and we welcome the ongoing support from both existing and new shareholders. The removal of this debt from the balance sheet, and the elimination of the associated interest cost, improves the capital structure of the Group and Intercede is well placed to pursue its growth strategy into 2021 and beyond.

I was appointed on 10 April 2018 and, as I come to the end of my third year, I believe Intercede has successfully completed phase one of its turnaround. The Group has recorded its third consecutive year of profit and cash generation, with compound average growth in revenues of 6% over this transformative three-year period. As I have stated in previous Annual Reports, the challenge for Intercede is scalability and this forms the objective for phase two where the main aim is to drive consistent double-digit revenue growth.

The MyID platform integrates and manages a broad range of Public Key Infrastructure (PKI) technologies, which has allowed Intercede to build a market-leading position in a number of very attractive, but niche, market segments. However, continued evidence that weak or compromised passwords are a primary cause of more than 80% of data breaches is resulting in increasing acceptance of the need for strong authentication through crypto-based solutions such as PKI and FIDO (Faster IDentity Online), which can provide a suitable alternative means of strong authentication to PKI as it combines highly secure crypto-based security with a simple standards-based approach. FIDO is currently making an entry into US Federal Government as well as Enterprise markets where new use cases expand the reach of strong authentication. These use cases include, but are not limited to, accessing modern SaaS applications, strong credentialing of contractors and securing the supply chain. The latter is particularly relevant for US Federal markets as well as Aerospace & Defence contractors. On the back of extensive development effort, the newly released MyID v12 software now manages deployment and lifecycle events for both PKI, FIDO and combined PKI/FIDO devices, giving consistency over policy, reporting and user experience. MyID v12 is the first global solution to offer a truly unified approach to credential management.

While Intercede believes that unifying the management of PKI and FIDO will expand the addressable market for its MyID platform there are a number of other ways to achieve scalability. You will recall the authentication pyramid in last year's Annual Report and moving down this pyramid, into areas such as Mobile ID, will enable Intercede to access an even larger addressable market. Meanwhile we continue to investigate releasing simplified versions of MyID, such as MyID Professional, or pre-packaging MyID with other third-party PKI technologies. Innovation is in Intercede's DNA, and with an exciting customer driven roadmap, new functionality will continue to be added to further support the growth of the business.

Review of Strategy and Operations

The continuing positive trend and momentum of the Group is directly linked to progress against our core 5C strategy, centred around Colleagues, Customers, Channels, Code and Cash. This is the core of our 'back to basics' approach and has ensured a laser focus on execution and organic growth.

1 Colleagues

Intercede recognises that continued and sustained improvement in the performance of the Group depends upon its ability to attract, motivate and retain talented people of the highest calibre. Put simply our colleagues are the Company's most valuable asset and the Colleague strategy therefore forms the foundation of the other 4 Cs. Over the year, staff numbers increased from 83 as at 31 March 2020 to 84 as at 31 March 2021, while the attrition rate (average number of leavers over the year as a ratio of average headcount over the year) fell to 0%. This is a significant drop from 33% and 9% recorded in the last two financial years respectively and is a validation that our Colleague strategy is contributing to higher staff satisfaction levels and market leading staff retention.

The most important aim of the Colleague strategy is to improve communication and collaboration across teams. We actively promote two-way communication and encourage our colleagues to share their views and preferences, be they positive or negative, so they can be addressed to deliver a workplace that is enjoyable and productive. In July 2020, we invited all UK and US employees to take part in an employee survey which resulted in the eNPS score improving by 49 points to +27. The results of the survey were shared with employees and action plans were formulated by the self-selected Employee Working Group (EWG) to address identified opportunities for improvement.

With the impact of COVID-19, nearly all colleagues are currently working remotely both in the UK and US. In these unusual circumstances we've compensated for the lack of office-based social interaction by introducing quiz nights, virtual bake-offs and 'Virtual Espresso' sessions in which a moderator leads a Q&A on a work-based topic or opens the floor for a free forum chat.

We take the wellbeing of our colleagues extremely seriously and, with the wider world emphasising the need for mental health awareness, we have proactively trained a large group of mental health first aiders as part of a Group-wide approach whereby line managers as well as all employees will also receive online training.

The MyID platform allows our colleagues to securely work remotely with full access to systems that they would use in their normal place of work. During this pandemic I have come to appreciate that secure access is not only necessary to make a business resilient but also brings opportunity. Intercede has performed well with remote working and I believe it is a prime opportunity to look further afield to get developer talent that expands our skill set at the right cost.

2 Customers

To combat decreasing physical customer interaction during the pandemic, Intercede has continued to push ahead with three important customer focused initiatives: Customer Advisory Board (CAB), Customer Satisfaction Survey and the Customer Portal.

Virtual CABs were held during October and November 2020 for Customers in the RoW and US respectively, who took the opportunity to receive an update on MyID enhancements; obtain visibility of the product roadmap and join one of five deep dive workshop sessions:

- New Operator Client, improving the user experience of the MyID operator.
- REST APIs, simplifying integration into existing environments.
- Windows Hello for Business, extending the range of supported credential types.
- Mobile Authentication, combining high security with convenience.
- FIDO for the Enterprise, bringing management control to standards-based authentication.

As outlined below in the Trading Results section, we have received significant orders from new customers, particularly in our US markets. Whilst global revenues for the year ended 31 March 2021 (FY21) increased by 6% to £11.0m (FY20: £10.4m), the growth in our US market was a more exciting 14%. It is also worth noting that a very strong end to the financial year resulted in total FY21 orders being 10% higher than the previous year. This included a number of professional services orders for which the work was ordered in FY21 but the revenue will be recognised during FY22.

We have an excellent customer list, which has been created by delivering outstanding value. The security, reliability and interoperability of MyID software sets it apart and is why we are proud to help many leading organisations around the world manage the secure digital identities they issue to citizens and employees.

3 Channels

The MyID platform is architected in a way that enables it to integrate with a broad range of third-party technologies to make up a highly secure digital identity ecosystem in a consistent, cost effective and efficient manner. This functionality is the bedrock of the Group's growth strategy of expanding its addressable market base by integrating with a broad range of technology partners that make up a PKI infrastructure:

Technology Partners

Intercede's partner-centric growth strategy remains unchanged. The Group grows revenues by expanding market presence and brand awareness through an increasing number of reseller and technology partner relationships and building strong commercial relationships with larger customers by serving those customers with a feature-rich and relevant product that sits at the heart of their cyber security needs. This

Technology Partners

Giesecke & Devrient
airwatch by vmware
HID
SailPoint
IBM
digicert
ENTRUST
gemalto a Thales company
AWARE
IDEMIA
yubico
Microsoft
THALES
verizon
PrimeKey
SecuGen
FEITIAN WE BUILD SECURITY
TRUSTKEY SOLUTIONS
AUTHENTREND

Integration & Reseller Partners

accenture
widepoint
Expisoft
ESYSCO SOLUTIONS FOR TRUSTED SERVICES
CertiPath
cryptas
ENSIGN INFOSECURITY
Diyar United Company
EMERGENT INC
SALT
gemalto a Thales company
NextgenID
THALES e-Security
AURORA
CYBERTECH
Guidehouse

enables the Group to confidently approach its objectives in order that commercial risks can be contained and that it has the bandwidth and resources to execute its 5C strategy.

Our reseller partner network has continued to expand with new agreements established with partners covering the UK, Europe, North America, the Middle East, Latin America, Asia and Africa.

Integration & Reseller Partners

A number of new wins in the period highlight the strength of Intercede's offering when working proactively with partners, following on from the recent launch of our Connect Partner Programme. Connect Partner Programme members join a strong and growing authentication ecosystem that is integrated and managed with MyID software. New and existing resellers and integrators have access to robust sales, co-marketing and technical training that ensures members' teams are knowledgeable on the software whilst driving incremental revenue streams. Members also have access to support materials and products to help meet the growing demand for strong authentication. Intercede's partner Cryptas GmbH has recently announced the launch of its new enterprise access management solution: Primeid PROFESSIONAL. Primeid PROFESSIONAL is a simple to deploy, commercial-off-the-shelf (COTS) solution with MyID credential management that also incorporates a dedicated Certificate Authority (CA), smart cards and licenses for devices with virtual smart card compatibility. We look forward to the continued innovation that results from a growing number of partners becoming familiar with the MyID platform and selling our technology into many markets.

4 Code

Intercede has a large team of expert and experienced developers who write the best code in the industry in support of a continuous drive to:

- Create and maintain a modern platform based upon market leading technology;
- Broaden the addressable market with new functionality; and
- Meet constantly evolving Customer needs.

During the year we have released new versions of MyID from v11.6 to v11.8 which gave our customer base the benefits of a new operator client (using REST APIs for improved user experience and enhanced performance) and additional functionality including Windows Hello for Business integration (WHFB) as well as the new MyID authentication service.

The MyID authentication service provides an easy to operate method of authentication that enables a customer to use mobile devices within their existing public key infrastructure (PKI) to access the applications they need as part of their role using fingerprint, PIN, or facial matching. This has already proved valuable for MyID customers dealing with the challenges of a large and dispersed workforce, who are required to sign-off high value financial transactions and access secure applications remotely. The ability to authorise payments by providing a digital signature directly from a mobile device combines high security with an easy to deploy and convenient experience for the end users.

The release of MyID v11.8 allowed customers to experience Enhanced Identity Management for PIV (Personal Identity Verification – a US Federal Government-wide credential) including biographic data capture, facial biometric capture, 10-Slap fingerprint enrolment, adjudication and fingerprint de-duplication with Aware Astra ABIS and a unique user ID generation service. This functionality forms the backbone to a major new contract ie the US Department of State (DoS) next-generation Identity Management System (IDMS) solution, which is compliant with Homeland Security Presidential Directive 12 (HSPD-12)/US Federal Government Standard FIPS 201. The MyID Identity Management System is an optional add-on to the MyID PIV product that provides PIV applicant enrolment and adjudication, enabling MyID to act as a full IDCMS (IDentity and Credential Management System). This demonstrates the breadth of functionality available from the three versions of the MyID platform:

Intercede are excited to announce the release of MyID v12 which further modernises the MyID platform and introduces additional functionality to expand the addressable market. MyID v12 is now 64-bit software which improves performance and enables integration with cloud-based infrastructure such as cryptography as a service. In v11.6 customers were introduced to the new operator client, which uses REST APIs for improved user experience and enhanced performance, and v12 builds on this by publishing these APIs. A fully documented API, with an inbuilt test capability, will make it far easier for customers to integrate MyID into their systems.

MyID v12 also expands Intercede's addressable market with the introduction of FIDO to the MyID credential management platform. Many organisations are considering deploying FIDO across their workforce and supply-chain and, uniquely, MyID can manage this, along with multiple authentication technologies, enabling organisations to mix and match technologies that best fit their needs and required levels for security. By unifying credential management, organisations can control policy, visibility and lifecycle management in one place. For example, this could incorporate PKI-based smart cards for finance staff, including signed and encrypted email, or FIDO security keys for the supply chain and contractors. MyID's flexibility also extends to devices with support for a wide range of standards-based FIDO devices, including iOS and Android mobile devices, USB tokens including YubiKeys, and smart cards.

Continued R&D investment, which has resulted in the new functionality outlined above, makes MyID the leading unified credential management solution.

5 Cash

The Group's cash flow performance has provided another highlight of the year resulting in gross cash balances of £8.0m as at 31 March 2021, an improvement of £3.2m from gross cash of £4.8m as at 31 March 2020.

In February 2020, the Group issued a call notice in respect of the outstanding Convertible Loan Notes (CLNs) totalling £5.0m. Subsequent to this call notice, twelve out of thirteen noteholders elected to convert their CLNs into new ordinary shares, which will save the Group £0.4m in annual interest costs. The complete conversion and redemption of all CLNs has left the Group with no debt and a much strengthened balance sheet; better able to focus on investing in the MyID platform to deliver future growth.

Finally, before we move on to consider the future outlook, it is important we recognise the role of the business in the wider community. We all have a connection with the localities where we live and work, particularly over the last 12 months when the pandemic has touched all of us this has been more than ever the case.

Whilst our normal charitable fund raising activities were halted due to remote working, we were able to maintain our support for the local foodbank as well as assist local schools by providing surplus PCs plus new laptops and tablets to be allocated to families who did not have the means for their children to study remotely.

Outlook

I am optimistic for the future of Intercede, given its compelling and relevant offering for allowing dispersed workforces to securely work remotely and the relatively limited impact the pandemic has had on the business thus far. The improved performance, particularly in our US market with its 14% growth in revenues, and a robust pipeline of new sales opportunities, reinforces this optimism. However, COVID-19 continues to significantly affect the broader global economic environment and it is too early to be complacent about the impact it may continue to have on us or our customers, particularly those still in lockdown in Europe and the Middle East. With strong and broader customer relationships, wider product offerings and a strong financial position we are well placed to meet our growth expectations during the next phase of the Group's strategic development.

Klaas van der Leest
Chief Executive Officer
7 June 2021

Strategic Report

For the year ended 31 March 2021

Introduction

Intercede is a cybersecurity software and services company specialising in digital trust for a hyper-connected, increasingly mobile world.

The Group's vision is a world without passwords and its mission is to provide the enabling technology and services to make this possible for people and things. Intercede's core pillars of strength can be outlined as follows:

- For over 20 years, Intercede has been providing trusted identities for some of the world's largest corporations and government agencies.
- Intercede's product innovation roadmap leverages over 1,000 person-years of internal expertise and is underpinned by strong customer demand and a committed set of international partners.
- New solutions are engineered at high speed by a specialist team with longevity of employment. Product design is also informed by major customers and interoperability partners.
- Intercede's MyID software is US and UK Government accredited, which secures access to regulated markets. Traditionally it was delivered as an on-premise solution for employee ID, but it is now also deployed on a large scale by managed service partners for transport workers and national ID programmes.

These core strengths mean that Intercede is well placed to take advantage of opportunities in the market; in particular:

- Passwords are universally recognised as being insecure and inconvenient by organisations and end users.
- A growing number of governments and industry bodies are enacting legislation to mandate enhanced levels of security by removing passwords. This increased regulation covers a wide range of activities including banking & finance, general data protection and critical national infrastructure.
- In-house cybersecurity skills are in short supply creating an increased demand for packaged security solutions.
- There is a growing demand for identity solutions to meet the scalability requirements of large end user populations, particularly in the citizen, consumer and IoT markets.

Intercede has the experience, skills and technology platform to deliver digital identity solutions across a wide range of market sectors and geographical regions, meeting the growing demand for a secure and convenient alternative to passwords.

Trading Results

Intercede has delivered another year of substantially improved financial performance.

Revenue for the year ended 31 March 2021 (FY21) increased by 6% to £11.0m (FY20: £10.4m). Operating profit was £1.6m compared to £1.2m last year. Profit after tax for the year was £1.5m (FY20: £1.0m). Basic earnings per share for the year ended 31 March 2021 was 3.0 pence per share (FY20: 2.0 pence per share).

As at 31 March 2021, gross cash balances totalled £8.0m (FY20: £4.8m) and the Group is now debt free following the successful early retirement of convertible loan notes totalling £5.0m that was announced on 4 and 16 February 2021.

Revenue Highlights:

- A new MyID PIV deployment sale to provide an innovative Identity Management System (IDMS) solution compliant with US Federal Government Standard FIPS 201 for the US Department of State (DoS) and its customers.
- A new contract win with a large US defence contractor. The initial order totalling $0.2m includes MyID Enterprise software licenses plus associated support & maintenance and professional services. This is another sale to a top 10 US defence contractor who has selected MyID to help secure their mission critical assets.
- A follow-on MyID Enterprise license order from one of the largest US wireless network operators.
- A new MyID Enterprise license sale to a geology research institution based in Germany.
- The first sales of MyID Professional to a branch of the US State Government to provide a pilot solution and to a large US Aerospace & Defence contractor who has been a MyID Enterprise customer for many years.
- A new MyID Enterprise deployment sale to an existing US Air Force base customer. There is potential to package and market a MyID solution to other similar sized US Air Force base customers.

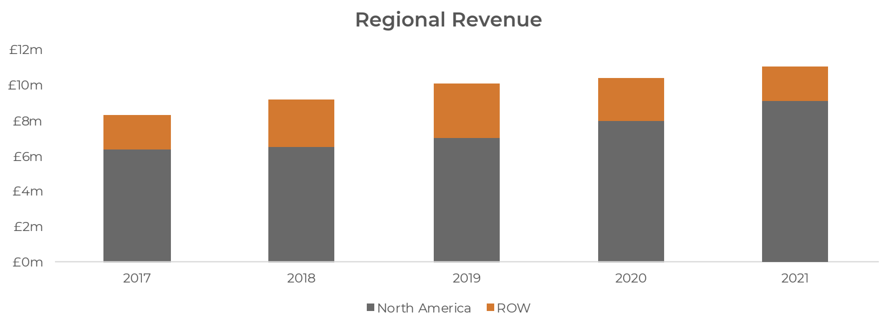
These orders include software licenses, associated support & maintenance and professional services, some of which will be recognised as revenue beyond the current financial year.

The Group's gross profit increased to £10.7m (FY20: £10.3m) with a gross profit margin of 97% compared to 99% for the prior year. This slight fall in gross profit margin reflects the use of Aware's third party biometric technology in the delivery of the Identity Management System (IDMS) solution for the DoS, for which orders totalling $3.9m were received in August and November 2020. This project is very exciting for Intercede due to the functionality and scale of the solution and the FY22 pipeline contains opportunities of a similar scale.

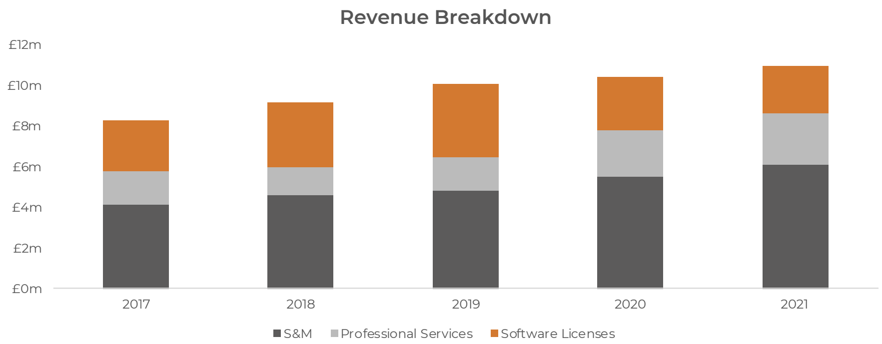
Operating expenses (OpEx) for the year were £9.1m (FY20: £9.2m). OpEx is in line with the prior year and the small reduction reflects the almost complete cessation of travel during the pandemic along with lower one-off costs such as recruitment fees. Staff costs continue to represent the main area of expense, representing 88% of total operating expenses (FY20: 83%). Intercede continues to recognise the achievements of its staff with pay rises and performance-related rewards. The average number of employees and contractors was 83, up from the previous year's average of 81 and the number of employees and contractors as at 31 March 2021 was 84 (31 March 2020: 83). During the pandemic staff numbers have been consistent; business as usual has been maintained without anyone being furloughed or made redundant and without any pay cuts or reductions in working hours.

Financial Graphs

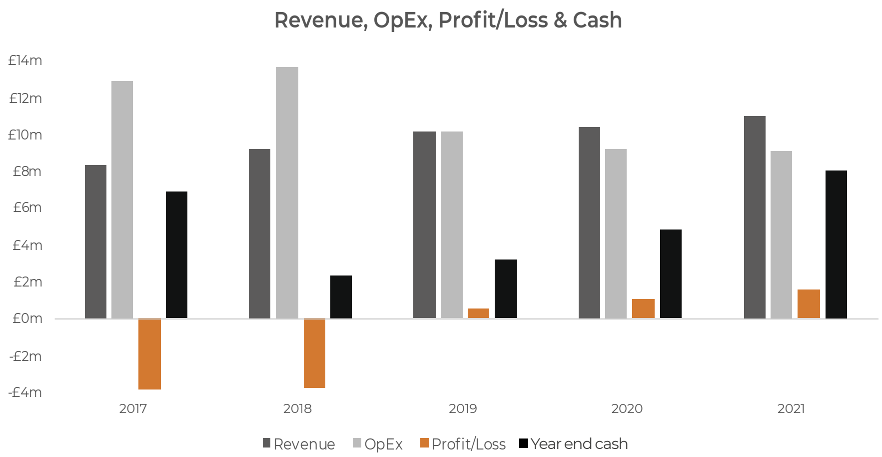
The US continues to represent Intercede's largest market with North America making up 83% of total revenues during FY21 (FY20: 77%). The global pandemic has had more of an adverse impact in other parts of the world. Europe and the Middle East are key markets for Intercede and both regions imposed lockdowns, which inevitably slowed down new customer opportunities with the short term focus switching to the public health emergency.

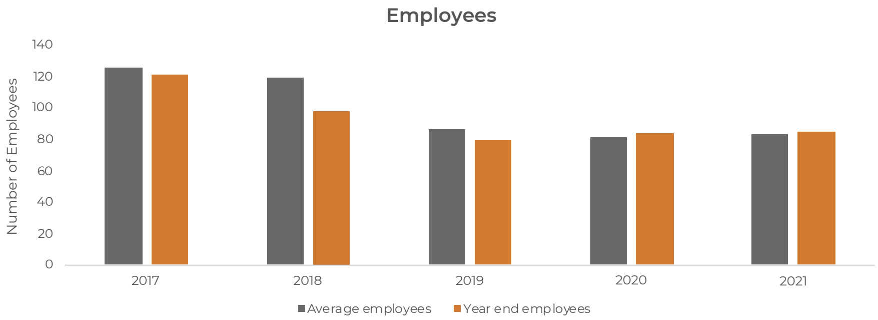


The last five years has seen progressive growth in recurring Support & Maintenance (S&M) revenues due to a steady increase in deployments and a loyal customer base that is resilient to churn. Software License revenue decreased from £2.6m to £2.3m in FY21 but this was offset by an increase in Professional Services revenue, driven by implementations of large license orders received in FY21 and also by upgrade activity as customers look to take advantage of new product features in MyID v11. This is a validation of the investment in the MyID platform and is a testament to the Product Development teams who have met a series of aggressive release deadlines.



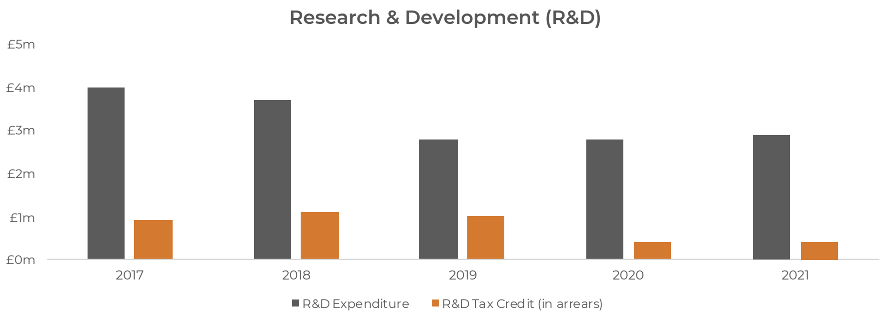
Operating expenses (OpEx) averaged £13.3m over the periods FY17 and FY18 primarily reflecting strategic investment in product development to expand MyID into emerging high-volume markets to secure mobile apps and devices, provide cloud services and protect the Internet of Things (IoT). This expenditure was substantially reduced following the change in strategy reported in the FY18 Annual Report and has averaged £9.5m during the period from FY19 to FY21. This lower cost base, when combined with increased revenue, has enabled the Group to return to profit and cash generation.





Employee numbers have stabilised and started to selectively increase again following the substantial reductions that were made during FY17 & FY18.

R&D is an important part of Intercede's investment strategy. Intercede makes an R&D Claim as part of its annual tax return and can choose whether to carry taxable losses forward or to request a cash repayment from the UK government. Prior to FY20, the tax credit received was unrestricted due to taxable losses exceeding R&D expenditure. As that is no longer the case, the level of cash received reduced in FY20 and FY21.



Expenditure on research and development (R&D) activities totalled £2,892,000 (FY20: £2,778,000). In accordance with the IFRS recognition criteria, the Board has continued to determine that all internal R&D costs incurred in the year are expensed. No development expenditure has been capitalised FY21 (FY20: £nil).

A £425,000 taxation credit in the year (FY20: £432,000) primarily reflects cash received following the 2020 R&D claim as a result of the investment activities outlined above. The Group is a beneficiary of the UK Government's efforts to encourage innovation by allowing 130% of qualifying R&D expenditure to be offset against taxable profits.

The net finance cost for the year was £485,000 (FY20: £578,000). This includes interest in respect of lease liabilities totalling £65,000 (FY20: £112,000) and finance costs on the convertible loan notes totalling £429,000 (FY20: £485,000). All of the convertible loan notes were either converted or redeemed (repaid) in January and February 2021 so the FY21 finance cost does not represent a full year of interest. From FY22 onwards, the Group's finance costs will drop substantially as they will only include interest in respect of lease liabilities.

Profit for the year was £1,529,000 (FY20: £1,006,000), an increase year on year of 52%, which resulted in a basic profit per share of 3.0p and a fully diluted profit per share of 2.8p (FY20: basic profit per share of 2.0p and fully diluted profit per share 1.9p).

Financial Position and Cashflow

The Group's gross cash position at 31 March 2021 was £8,029,000, an improvement of £3,271,000 from gross cash of £4,758,000 as at 31 March 2020. During FY21 there has been a net cash inflow from operating activities of £4,235,000 (FY20: £1,297,000 inflow). In February 2021 the Group issued a call notice in respect of the outstanding convertible loan notes (CLNs) totalling £5,005,000. Subsequent to the call, all but one noteholder elected to convert their CLNs into new ordinary shares, which will save the Group £400,000 in annual interest costs.

The complete conversion and redemption of all CLNs has left the Group with a stronger balance sheet and no debt and the subsequent increase in share capital and share premium (combined with a profit for the year) mean that as at 31 March 2021 the Consolidated Balance Sheet had positive total equity of £4,746,000 compared to negative total equity of £1,381,000 as at 31 March 2020. Non-current liabilities as at 31 March 2021 were £1,182,000 compared to £6,234,000 as at 31 March 2020, which contained £4,832,000 of CLNs.

The Group remains focused on investing in the MyID platform to deliver future growth and has no plans to commence the payment of dividends. It will do so when the Board considers this to be appropriate.

Section 172 Companies Act 2006 Statement

This Statement is included in the Corporate Governance Report on pages 22 to 23.

Treasury

The Group manages its treasury function as part of the finance department. Whilst the Group's operations are primarily based in the UK it has successfully exported its technology throughout the world for many years. This results in invoices being raised in currencies other than sterling; the most notable being US dollars and euros. A number of suppliers also invoice the Group in US dollars and euros. The Group's current policy is not to hedge these exposures and the exchange differences are recognised in the Statement of Comprehensive Income in the year in which they arise.

Key Performance Indicators (KPIs)

	2017	2018	2019	2020	2021
Sales growth	(25%)	11%	10%	2%	6%
Export sales	95%	94%	97%	99%	99%
North American sales	77%	71%	69%	77%	83%
New deployments with revenues over £20,000	8	10	9	4	6

Principal Risks and Uncertainties

Like all businesses, Intercede operates in an environment that is not free from risks or uncertainties. The nature and complexity of the services it provides can present technical challenges that carry a certain element of commercial risk, and the Group is naturally exposed to external market, geo-political and compliance related risks that are not necessarily within its control. Intercede works diligently to identify, monitor and mitigate all risks and uncertainties:

- The Group operates in a complex and competitive technological environment so the business will be negatively affected if it does not enhance its product offerings and/or respond effectively to technological change. This risk is mitigated by ongoing investment in research and development.
- The Group operates in multiple markets, both geographically and by sector, so there is a risk that territory and global macro-economic conditions (including the impact of issues such as Brexit and the US China trade dispute) may result in one or more of these markets being adversely affected and the revenues of the business impacted accordingly. This risk is mitigated to an extent, both through the long-term nature of customer relationships and the diversification that results from operating in multiple markets.
- The impact of the COVID-19 pandemic is causing extensive disruption to people and economies throughout the world. The Group has proactively implemented proportionate plans to minimise the risk of an outbreak at our office locations, keeping employees and customers safe. Marketing trade show events, customer events and employee travel will only recommence when it safe to do so and when lockdown restrictions are lifted. All staff have been given the capability to work from home, including appropriate support, training and equipment. Due to the digital and physically remote nature of Intercede's technology and solutions the Group is able to maintain high service levels during these periods and does not need to worry about the supply of hardware or other physical components as they do not typically form part of MyID solutions.
- Technology companies are exposed to intellectual property infringement and piracy. The Group rigorously defends its intellectual property in the primary jurisdictions within which it operates.
- The Group's performance is largely dependent on the experience and expertise of its employees. The loss or lack of key personnel is likely to adversely impact the Group's results. To mitigate this risk, the Group aims to put in place appropriate management structures and to provide competitive remuneration packages to retain and attract key personnel.

By order of the Board

Andrew Walker

Finance Director

7 June 2021

Board of Directors

Charles ("Chuck") Pol – Non-Executive Chairman

Chuck Pol served as Chairperson and President of Vodafone Americas from 2013 to 2017, during which time he built both a fixed and mobile capability, whilst also helping to develop a business model and applications for the Internet of Things ("IoT").

Prior to Vodafone Americas, Chuck held senior roles at BT Americas including Chief Operating Officer and President. On leaving BT in 2008, Chuck was President of BT Global Financial Services where he was responsible for BT's relationships with the top 40 global investment banks.

He was appointed a Non-Executive Director of Intercede on 1 June 2017 and has taken on the role of Non-Executive Chairman from 28 March 2018.

Klaas van der Leest – Chief Executive

Klaas van der Leest is an experienced executive with extensive sales, marketing, business development and general management experience in IT and IT services. He has significant international knowledge and experience as a result of various roles with remits across EMEA, Asia-Pac and North America.

Klaas has worked for a number of large and small, quoted and privately owned organisations in market leading and turnaround situations including CA Technologies, Intelecom UK, Amulet Hotkey, Global Crossing, Attenda and Logica. He has proven expertise in the development and execution of national and international sales growth, 'go to market' initiatives and customer focused expansion strategies.

Klaas has a master's degree from the Cranfield School of Management. He also is a Chartered Marketer as well as a Fellow of the Chartered Institute of Marketing. He was appointed Chief Executive of Intercede on 10 April 2018.

Andrew Walker – Finance Director

Andrew Walker is a finance professional with 30 years of senior management experience, during which time he has worked for a number of large international organizations. He was Group Financial Controller of The Rugby Group PLC between 1995 and 2000, and was an Executive Board member from 1997. Before this, he worked for APV plc in a variety of roles, having joined as Group Chief Accountant in 1990 and progressed to subsidiary and divisional Finance Director roles. Between 1981 and 1990, Andrew qualified and worked for Price Waterhouse with a wide range of audit clients.

Andrew has a BCom (Honours) degree in Accounting from the University of Birmingham and is a Fellow of the Institute of Chartered Accountants. He was appointed Finance Director of Intercede on 11 September 2000.

Royston Hoggarth – Non-Executive Director

Royston Hoggarth is Chair of Xchanging Insurance Services (XIS) Limited, Chair of Innovation Group Limited, Chair of Cirrus Response Limited and an advisor to the NEC Corporation. He is also Chair of England Hockey.

He has held a range of Executive and Board Director roles with Private Equity backed and Publicly listed companies including IBM, Logica PLC, Cable & Wireless PLC, BT PLC, Hays PLC, Bluefin Solutions Limited, Northgate PS Limited, IPSL Limited and Arkessa Limited. He was also a Venture Partner at Wellington Partners.

He was appointed a Non-Executive Director of Intercede on 5 August 2002.

Jacques Tredoux – Non-Executive Director

Jacques Tredoux is the Chief Executive of Tredoux Capital Limited, a company authorized by the Financial Conduct Authority to provide corporate finance advisory services. Prior to establishing Tredoux Capital Limited, he was the Chief Executive Officer of the Credo Group (UK) Limited, a group of companies in London that provides wealth management services. Members of the Credo Group provided corporate finance and fundraising assistance to the Company since before its admission to AIM.

Jacques qualified as a lawyer in 1988 in South Africa, and practiced at Edward Nathan & Friedland Inc and Clifford Chance. He was appointed a Non-Executive Director of Intercede on 31 March 2006.

Rob Chandhok – Non-Executive Director

Rob Chandhok has more than 20 years' experience in senior commercial technology and internet services roles. He is currently Group Chief Technology Officer at the Daily Mail and General Trust plc, responsible for shaping the Group's technology strategy.

Rob has served in senior leadership roles in consumer electronics companies and in start-ups related to the internet of things. Prior to this, he performed a series of senior leadership roles at Qualcomm where he led new technology initiatives and managed relationships with the world's largest software companies.

He was appointed a Non-Executive Director of Intercede on 12 June 2019.

Directors’ Report - For the year ended 31 March 2021

The Directors present their Annual Report and the audited financial statements of the Group and the Company for the year ended 31 March 2021.

Principal Activities

Intercede is a cybersecurity company specialising in identity, credential management and secure mobility to enable digital trust.

The Company

The Company is a holding company which was set up to facilitate the admission of the Group onto the AIM section of the London Stock Exchange.

Review of Operations and Future Developments

The review of operations and future developments is omitted from the Directors’ Report as it is included in the Chief Executive’s Review on pages 6 to 11 and the Strategic Report on pages 12 to 17.

Results and Dividends

The audited accounts for the year ended 31 March 2021 are set out on pages 32 to 55. The Group’s profit for the year was £1,529,000 (2020: £1,006,000). The Directors do not recommend the payment of a dividend (2020: £nil).

Management of Financial Risk

The Group’s policy for the management of financial risk is set out within note 14.

Research and Development Expenditure

The Group continues to invest in an ongoing programme of research and development. The total cost of development during the year ended 31 March 2021 was £2,892,000 (2020: £2,778,000) which has been written off as incurred.

Intellectual Property

The Group’s revenues are primarily derived from licensing its proprietary MyID product. Intercede Limited owns the copyright for this product. The Group relies on trademark laws and the law of passing off, or its equivalent in non-UK countries, to protect the trademarks which it uses. Intercede Limited is the proprietor or applicant of certain trademarks in important markets. The Group also endeavours to protect its intellectual property through the filing of patent applications where appropriate.

Employees

It is the Group’s policy to provide, where possible, employment opportunities for disabled people and to care for people who become disabled whilst in the Group’s employment. The Group operates an equal opportunities employment policy. Employees are kept informed of the performance and objectives of the Group through a combination of regular formal and informal meetings.

Environment

The Group’s policy with regard to the environment is to ensure that we understand and effectively manage the actual and potential environmental impact of our activities. Our operations are conducted such that we comply with all legal requirements relating to the environment in all areas where we carry out our business. During the year covered by this report, the Group has not incurred any fines or penalties or been investigated for any breach of environmental regulations.

Directors and their Interests

Details of the present Directors, who served throughout the year, are provided on pages 18 and 19. In accordance with the Company’s Articles of Association, Chuck Pol, Rob Chandhok and Andrew Walker will offer themselves for re-election at the forthcoming Annual General Meeting.

The interests of the Directors serving at the end of their year, and their immediate families, in the shares of the Company are set out below:

	Ordinary Shares 31 March 2021	Ordinary Shares 31 March 2020
C Pol	133,037	133,037
R Chandhok	—	—
R Hoggarth	168,721	168,721
J Tredoux	16,437,860	14,984,636
K van der Leest	59,806	—
A Walker	1,613,737	1,531,270

Jacques Tredoux is interested in 1,463,216 shares which are registered in the name of Pershing Nominees Limited which is a nominee of Angus Investment Holdings Limited (“Angus”). Angus is controlled by The South Hills Trust. As at 31 March 2021, Jacques Tredoux was also interested in 14,974,644 shares indirectly held by The Azalia Trust. Jacques Tredoux and/or his wife and children are members of the class of discretionary beneficiaries of The South Hills Trust and The Azalia Trust.

None of the Directors had any material interest in any other contract or arrangement made by the Company during the year with the exception of those referred to in note 17 of the Consolidated Financial Statements.

Directors’ Indemnity

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also maintains insurance cover for the Directors and key personnel against liabilities which may be incurred by them while carrying out their duties.

Substantial Shareholders

As at 10 May 2021, the following had notified the Company of disclosable interests in 3% or more of the Company's issued share capital:

	Ordinary Shares Number	%
The Azalia Trust	14,974,644	26.2
Anjar International Limited	3,241,631	5.7
Palm Ltd.	3,147,436	5.5
Herald Investment Management	3,140,184	5.5
Canaccord Genuity Wealth Management	3,108,650	5.4
R Parris	2,908,212	5.1
Premier Miton Investors	2,252,497	3.9
Liontrust Asset Management	2,158,523	3.8
Link Market Services Trustees Nominees	1,954,150	3.4
Chelverton Asset Management	1,805,228	3.2

The Link Market Services Trustees Nominees Limited shareholding relates to the Intercede Share Incentive Plan ("SIP") which has been set up for UK employees (including Directors). In accordance with AIM Rule 26, as at 10 May 2021 the percentage of the Company's issued share capital that is not in public hands is 35.7%. This constitutes treasury shares, shares held by the trustees of Intercede's SIP, shares held by the Directors and their immediate families, and any shareholdings greater than 10%.

Share Capital

Details of changes to the Company's share capital during the period, including the issue and repurchase of shares, are provided in note 11 to the Consolidated Financial Statements.

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the Group financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the Company financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the Annual Report is made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' Confirmations

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

Annual General Meeting

The 21st Annual General Meeting of the Company will be held on Wednesday 15 September 2021. The Notice of the Annual General Meeting will be sent out to shareholders prior to the meeting.

Independent Auditors

Following completion of a formal tender process, the Board has approved the appointment of BDO LLP as the Company's auditor, commencing with the audit for the financial year ended 31 March 2021. A resolution to re-appoint BDO LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Andrew Walker
Company Secretary
7 June 2021

Corporate Governance Report

The business of the Group is ultimately managed by the Board of Directors of Intercede Group plc, who are responsible for running the Group for the benefit of its shareholders in accordance with their fiduciary and statutory duties. The Board is cognizant of the important responsibilities they have in respect of Corporate Governance and shaping the culture to be consistent with the objectives, strategy and business model outlined in the Chief Executive's Review and Strategic Report on pages 6 to 17.

Intercede is committed to conducting its business fairly, impartially, in an ethical and proper manner, and in full compliance with all laws and regulations. In conducting the business, integrity is the foundation of all company relationships, including those with employees, customers, suppliers and communities.

The Group has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code for small and mid-size quoted companies (revised in April 2018 to meet the new requirements of AIM Rule 26). A detailed statement of the Group's compliance against the code is provided on Intercede's website: https://www.intercede.com/company/investor-relations/corporate-governance/.

The Board of Directors

The Board is led by the Chairman, Chuck Pol, who is responsible for the Group's corporate governance arrangements and who ensures that all members of the Board are able to contribute to Board discussions and decision-making. All Directors acknowledge their collective responsibility and legal obligation to promote the best interests of the Group.

The effectiveness of the Board is kept under review by the Chairman who regularly solicits feedback on Board effectiveness from institutional and other shareholders. Feedback from such meetings is that investors remain generally supportive of the Group's strategy and approach. The Company gives high priority to communications with current and potential future shareholders by means of an active investor relations programme. The principal communication with private investors is through the website (intercede.com) and the provision of Annual and Interim Reports. All shareholders will receive at least 21 clear days' notice of the Annual General Meeting at which the Directors will be present and available for questions.

The Board has two Executive Directors and four Non-Executive Directors, two of whom are considered to be independent. All of the Directors have extensive business experience and submit themselves for re-election at least every three years. Details of the breadth of their skills and experience can be found in the Board of Directors section on pages 18 and 19.

In discharging its duties, the Board has established three committees: the Audit Committee, the Remuneration Committee and the Nominations Committee. The structure of the Board Committees is as follows:

Audit Committee – Royston Hoggarth is the Chairman of the Audit Committee given his recent and relevant financial experience in a variety of Chairman, Chief Executive and non-executive director roles and given his prior experience as Chairman of the Axon Group plc Audit Committee. Chuck Pol is also a member of the Audit Committee.

Remuneration Committee – Chuck Pol is the Chairman of the Remuneration Committee which also comprises Royston Hoggarth and Jacques Tredoux.

Nominations Committee – Chuck Pol is the Chairman of the Nominations Committee which also comprises Royston Hoggarth, Jacques Tredoux, Klaas van der Leest and Andrew Walker.

The performance of the Board is evaluated on a regular basis to achieve continuous improvement. Following a challenging period in recent financial years, the Board made a number of changes to get the Group back to sustainable revenue growth and profitability. The combined impact of increased revenues and action taken to reduce the cost base has resulted in a return to profit, which represents a significant turnaround from the losses incurred in previous years. The Group has a strategic plan to expand the business and generate shareholder value. In essence, this is a 5C 'back to basics' strategy centred around Colleagues, Customers, Channels, Code and Cash (see pages 6 to 11 for an update on the execution of this strategy). The 5C strategy is kept under review by and evolves under the guidance of the Board.

Section 172 Companies Act 2006 Statement

Section 172 of the Companies Act 2006 requires Directors to consider the interests of stakeholders as part of their decision-making process. This Statement should be read in accordance with the Strategic Report (see pages 12 to 17) and this governance section. Examples of how the Board engages with stakeholders is explained throughout this Annual Report and below:

- Take into account the likely consequences of decisions in the long term. Three years ago the Board recognised that the Group needed to return to sustainable revenue growth and profitability. Led by a new Chief Executive and a reorganised management team, the Group has focused on executing a 5C strategy, centred around Colleagues, Customers, Channels, Code and Cash. This strategy has not only resulted in a significant turnaround from the losses incurred in previous years but also ensured a 'back to basics' approach strengthening all areas of the Group's operations.
- The Cash element of the 5C strategy has resulted in a substantially improved cash position, which gave the Directors the confidence to issue a call notice in respect of the outstanding convertible loan notes (CLNs). Subsequent to this call notice, all but one noteholder elected to convert their CLNs into new ordinary shares, which will save the Group £400,000 in annual interest costs. The complete conversion and redemption of all CLNs has left the Group with a stronger balance sheet, no debt and able to focus on investing in the MyID platform to position for future growth.
- Have regard to the interests of the Company's employees, as set out on page 20 of the Directors' Report. With the impact of COVID-19, nearly all colleagues are currently working remotely both in the UK and US. Staff numbers have been consistent and business as usual has been maintained without anyone being furloughed or made redundant and without any pay cuts or reductions in working hours. In these unusual circumstances we have

compensated for the lack of office-based social interaction by introducing quiz nights, virtual bake-offs and 'Virtual Espresso' sessions in which a moderator leads a Q&A on a work-based topic or opens the floor for a free forum chat.

- Understand the need to foster the Company's business relationships with suppliers, customers, partners and others. Customers and Channel partners are focal points of the Company's 5C strategy as discussed in detail within the Chief Executive's Review on pages 6 to 11.
- Understand our impact on our local community and the environment. The Group takes part in various recycling and waste reduction programmes and tracks products which may need safe disposal in the future. Community engagement is highly regarded at Board level and charity and community initiatives continue to be highly valued and well supported by employees, who vote on the range of charities that Intercede will support in the coming year. During the first COVID-19 lockdown in 2020 it was reported that Ofcom estimated 9% of children in the UK did not have access to a laptop, desktop or tablet at home. To ease this technology divide within the local community, Intercede have supplied tablets and laptops to the local primary schools in Lutterworth.
- Take into account the desirability of the Company maintaining a reputation for high standards of business conduct, in addition to lending full support to the maintenance of the Group's ISO 9001 & ISO 27001 status as discussed below in the Risk Management Review section.

The Directors are fully aware of their duty to promote the success of the Company, for the benefit of all stakeholders, in accordance with Section 172 of the Companies Act 2006.

Risk Management Review

Group-wide risk management is ultimately the responsibility of the Board (supported by the Audit Committee) and is overseen operationally by the Chief Operating Officer.

Operational risk management is embedded in the Group's business processes, which are set down in writing in the policies and procedures that make up the Group's quality management system (QMS) and are periodically reviewed by external quality compliance auditors. The Board places a significant premium on the Group's reputation for quality and, in addition to lending full support to the maintenance of the Group's ISO 9001 status, takes reputational matters into account in its decision-making. As part of our ongoing commitment to providing the highest levels of protection for the confidentiality, integrity and availability of not only our data, but also that of customers and business partners stored on our networks, the Group has also successfully applied for and obtained ISO 27001 accreditation during the period.

The Group's key risks (operational and otherwise) are recorded in a Group Risk Register and those risks together with their respective mitigants, controls and corrective actions are reviewed regularly by the Board. Risk is a standing agenda item for the Board and senior managers are required to review, identify and report risks on an ongoing basis. Key risks to the Group are set out in the Strategic Report on pages 12 to 17.

Group Organisation

The Board meets regularly, and is responsible for the overall Group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. It monitors the key business risks and reviews the strategic direction of the Group, its codes of conduct, forward projections and progress towards their achievement.

The day-to-day running of the Group's business is delegated by the Board to the Executive Directors led by the Chief Executive. The Executive Directors have established a management and reporting framework across the Group, supported by an Executive Management Team (EMT). The EMT comprises the Executive Directors together with the Chief Operating Officer, the Chief Product Officer and the Chief Technology Officer.

Clear channels are in place for information and proposals to flow up from the Group's various operating units to the EMT and the Board and for information and decisions to flow back down. Key Performance indicators are reported monthly, providing visibility and accountability across the business leading to better software and services for customers, allowing effective risk management, and ensuring the Group retains its quality accreditations.

Financial Reporting

The Board has overall responsibility for the Group's system of internal financial control and for reviewing its effectiveness. The purpose of the system of control is to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against misstatement or loss.

There is a comprehensive planning system, including regular periodic forecasts which are presented to and approved by the Board. The performance of the Group is reported monthly and compared to the latest forecast and the prior year.

Going Concern

The Directors, after having made appropriate enquiries including consideration of the ongoing implications of COVID-19, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. As outlined in note 1, this expectation follows a review of forecasts for the years ended 31 March 2022 and 31 March 2023, which show that the Group is expected to have sufficient cash to enable it to meet its liabilities, as and when they fall due, for a period of at least 12 months from the date of signing these financial statements. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Chuck Pol

Chairman

7 June 2021

Report of the Audit Committee

During the year the Audit Committee discharged its responsibilities by reviewing and monitoring the following areas:

- the risk and control environment;
- the integrity of the financial statements of the Group;
- announcements relating to financial performance;
- whether the Group has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditors;
- the clarity of disclosure in the Group's Annual Report and the audited Consolidated Financial Statements;
- delegated power from the Board to agree fees for external auditors; and
- the need to satisfy itself on the independence and objectivity of the external auditors.

For the year ended 31 March 2021 ('FY21'), there were two Audit Committee meetings attended by Royston Hoggarth and Chuck Pol. Many of the Audit Committee matters listed above are addressed at quarterly board meetings, particularly around the review of risks and controls.

The significant issues considered by the Committee in relation to the FY21 Financial statements, and how these were addressed, were:

- *External Audit*
  Following the completion of a formal tender process, the Board has approved the appointment of BDO LLP as the Company's auditor, commencing with the audit for the financial year ended 31 March 2021. The Committee look forward to building a strong and productive working relationship with BDO and will continue to review and challenge the work undertaken by the auditor to ensure the effectiveness of the audit process.
- *Going Concern*
  As part of the going concern assessment, the Board reviewed forecasts for the years ended 31 March 2022 and 31 March 2023 and concluded that the Group has sufficient cash to continue in operational existence for the foreseeable future. The Group has substantially improved its cash position as part of its 5C strategy, which gave the Directors the confidence to issue a call notice in respect of the outstanding convertible loan notes (CLNs). Subsequent to this call notice, all but one holder of the CLN elected to convert their CLNs into new ordinary shares, which will save the Group £400,000 in annual interest costs. The complete conversion and redemption of all CLNs has left the Group with a stronger balance sheet and no debt. A review has been completed to ensure that conversion and redemption of the CLNs was carried out in accordance with IAS 32 Financial Instruments: Presentation and the Companies Act 2006.

Royston Hoggarth
Chair
Audit Committee
7 June 2021

Report of the Remuneration Committee

As a company listed on AIM, Intercede Group plc is not required to present a Report of the Remuneration Committee. A number of voluntary disclosures have been made which are not subject to audit. The matters set out below are nevertheless relevant to understanding the activities of the Remuneration Committee and remuneration of the Company's Directors.

The Remuneration Committee is composed entirely of non-executive directors. None of the Committee members has any personal interest in the matters to be decided. The Chief Executive is invited to attend committee meetings but is not present during discussions relating to his own remuneration.

Remuneration Policy

The remuneration packages for executive directors are intended to incentivise them to meet the financial and strategic objectives of the Group. The policy is to pay individual directors a salary at market levels for comparable jobs recognising the size of the Group and the business sector in which it operates. The main components are base salary, an annual bonus plan, pension contributions and share options. Note 4 to the financial statements provides details of the remuneration paid and payable in respect of the year ended 31 March 2021.

Service Contracts

The executive directors have service contracts that are terminable by either party giving 12 months' notice to the other. The non-executive directors' service contracts are terminable on one month's notice by either party with the exception of R Hoggarth whose service contract is terminable on three months' notice by either party.

Pension Arrangements

The Group makes pension contributions to money purchase schemes in respect of both of the executive directors.

Share Options

The Company introduced a new Share Option Plan for senior executives on 22 July 2011 and options were granted later that year. The awards made to directors on 16 August 2011 have now all lapsed or been forfeited. The awards made to senior managers on 26 July and 20 December 2011 vested during the year ended 31 March 2016. Two senior managers exercised 17,500 options each during the year when the market value of the shares of the Company was 84.5p and 85p respectively.

Further options were granted to senior managers and directors on 7 November 2014. These options will vest and become exercisable subject to the Company's share price reaching 400p over 30 consecutive dealing days in the period between the 3rd and 7th anniversary of the date of grant.

Options were granted to the new Chief Executive and the Finance Director on 19 October 2018. Following the successful early retirement of the Company's Loan Notes announced on 4 and 16 February 2021, Intercede's Remuneration Committee determined the following amendments:

Revised Performance Criteria

- Tranche 1 has been achieved (previously subject to the achievement of an average share price of 69p for a period of 30 consecutive trading days up to and ending 19 October 2021); and
- Tranches 2 and 3 will now be triggered subject to the achievement of an average share price of 69p and 119p respectively for a period of 30 consecutive trading days up to and ending 19 October 2021 (previously 119p and 169p respectively).

Dependent on the Performance Criteria above being achieved, the number of Options that will vest and become exercisable at an exercise price of 27p (being the closing mid-market price of an Ordinary Share on 18 October 2018, when the scheme was implemented) from 19 October 2021 to 18 October 2028 is as follows:

Director	Tranche 1	Tranche 2	Tranche 3
Klaas van der Leest	500,000 Options	250,000 Options	250,000 Options
Andrew Walker	350,000 Options	150,000 Options	150,000 Options

Further options were granted to senior managers on 24 October 2018, 27 March 2019 and 22 August 2019 in similar tranches ie 50% 25% 25%. These options will vest and become exercisable subject to the amended Performance Criteria above (Tranche 1 - Achieved; Tranche 2 - 69p; Tranche 3 - 119p) being achieved for a period of 30 consecutive trading days in the period up to and ending 24 October 2021.

The following options were outstanding as at 31 March 2021:

Plan	Date of Grant	No. of Shares	Exercise Price	Dates Exercisable
EMI	26 July 2011	117,500	1.0p	26 July 2014 to 25 July 2021
EMI	20 December 2011	50,000	1.0p	20 December 2014 to 19 December 2021
EMI	7 November 2014	210,000	127.5p	7 November 2017 to 6 November 2024
EMI	19 October 2018	1,575,925	27.0p	19 October 2021 to 18 October 2028
Unapproved	19 October 2018	74,075	27.0p	19 October 2021 to 18 October 2028
EMI	24 October 2018	300,000	24.5p	24 October 2021 to 23 October 2028
EMI	27 March 2019	150,000	17.0p	27 March 2022 to 26 March 2029
EMI	22 August 2019	150,000	33.2p	22 August 2022 to 21 August 2029

The interests of the Directors that are included within the options outlined above are as follows:

Klaas van der Leest – 1,000,000 options were granted on 19 October 2018 (74,075 of which are unapproved).

Andrew Walker – 50,000 options were granted on 7 November 2014 and 650,000 options were granted on 19 October 2018.

On 11 February 2020, a free unit award equivalent to 100,000 ordinary shares of 1 pence each in the capital of the Company was granted to R Chandhok, a non-executive Director of Intercede Group plc. This award will vest and become exercisable subject to the Company's share price reaching 81p for a period of 30 consecutive trading days in the period up to and ending 12 June 2022, being three years from the date R Chandhok was appointed. This award was made under the existing Intercede MyID Inc. Unit Incentive Plan, further details of which are provided in note 16 of the Consolidated Financial Statements.

Share Incentive Plan (SIP)

Following the introduction of a Share Incentive Plan for all UK employees during the year ended 31 March 2014, a similar plan was introduced for all US employees during the year ended 31 March 2015. Full details are provided in note 16 of the Consolidated Financial Statements.

Share Price

As at 31 March 2021, the market value of the shares of the Company was 91.5p (mid-market price). The share price fluctuated between a high of 108.5p and a low of 46.1p during the year ended 31 March 2021.

Chuck Pol

Chair
Remuneration Committee
7 June 2021

Independent Auditors' Report to the Members of Intercede Group plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Intercede Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2021 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes of equity, the consolidated cash flow statement and the 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 accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We assessed management's trading and cash flow budgets and forecasts, which covered the period to 31 March 2023. Our work included assessing the key assumptions with reference to past performance, more specifically the levels of recurring revenue and the quantum of enquiries and committed orders for non-recurring revenues;
- We reviewed the cash headroom in the budgets and forecasts, considering the available cash at 31 March 2021, levels of expected recurring revenue and the other assumptions modelled by management to assess the likelihood that any reasonably foreseeable downside sensitivities could affect the ability of the Group and Parent Company to be able to settle their debts as they fall due in the foreseeable future; and
- We also reviewed the disclosures in the financial statements to ensure they fairly reflect the Board's assessment and any relevant uncertainties inherent in forecasting future events.

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

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

Overview

Coverage[1]	*87% of Group profit before tax* *100% of Group revenue* *89% of Group total assets*	
Key audit matters		2021
	Revenue recognition	●
Materiality	*Group financial statements as a whole* £55,000 based on 5% of profit before tax.	

[1] These are areas which have been subject to a full scope audit by the group engagement team.

An overview of the scope of our audit

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

The Group manages its operations from one single location in Lutterworth, UK. At the statement of financial position date, the Group consisted of the Parent Company, two active subsidiaries (Intercede Limited based in the UK and Intercede MyID Inc. based in the USA) and a dormant subsidiary (Intercede 2000 Limited).

The Group engagement team have carried out full scope audit procedures on the Parent Company and Intercede Limited. We focused on these entities as they were significant components relevant to the Group's financial position and performance.

This work, together with the additional procedures performed at the Group level, including testing the Group consolidation and specific procedures on Intercede MyID Inc., provided the evidence required to form our opinion on the Group financial statements as a whole.

Key audit matters

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

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue recognition The Group's accounting policy is described in note 1. Details of the disaggregation of revenue is included in note 2.	The Group enters into contracts with customers, selling software licences (perpetual and SaaS) and provides support and maintenance, professional services and software development services. Where multiple services are provided to a customer, the timing of the satisfaction of the performance obligations depends on whether the accounting policy requires recognition at a point in time or over time. Consequently any errors or bias in the allocation of the consideration to the individual performance obligations would affect the revenue reported. In addition, the timing of recognition of license sales, being the point at which the customer is provided with access to the software, has the potential for errors in the interpretation of when this criteria has been met. We therefore consider the Group's revenue recognition to be a key audit matter due to the judgement in the allocation of fair values between performance obligations and risk of incorrect revenue recognition on license sales.	We reviewed the appropriateness of the revenue recognition policies, including the judgements involved in allocating revenue to the individual products and services, having regard to the requirements of IFRS 15. We tested a sample of transactions from each revenue stream to confirm that the revenue was recognised in accordance with the accounting policies and the conditions had been met for recognition. This included inspecting customer contracts and terms of business, giving consideration to the partner and agency relationships to ensure these did not affect the assessment of the performance obligations or timing of transfer of control, and the values attributed to the individual performance obligations. We verified the allocation between performance obligations to publically available sales price lists to ensure that the values were consistent with the stand alone sales values which are also available to customers, and that there were no instances of override of this approach. We corroborated the timing of recognising revenue on license sales to supporting documentation including the delivery of the software keys to customers to ensure revenue has been recognised in the correct period. We examined the revenue accounts to identify journals or other adjustments and corroborated these with supporting documentation to ensure they were for valid business purposes. **Key observations:** We noted no material exceptions through performing these procedures.

Our application of materiality

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

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

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

	Group financial statements 2021	Parent company financial statements 2021
Materiality	£55,000	£52,000
Basis for determining materiality	Profit before tax.	95% of group materiality.
Rationale for the benchmark applied	Profit before tax is considered an appropriate benchmark as it is the key performance measure used by stakeholders to assess the Group's performance.	Calculated as a percentage of Group materiality for Group reporting purposes, taking account of the aggregation risk.
Performance materiality	£38,000	£36,000
Basis for determining performance materiality	Performance materiality for the Group and Parent Company has been based upon 70% of materiality. This reflects our assessment of there being no significant changes in the Group's operations and no history of pervasive errors or weaknesses in internal control but also reflects the fact that 2021 is our first year as the auditors.	

Component materiality

We set materiality for each significant component of the Group based on a percentage of Group materiality dependent on the size and our assessment of the risk of material misstatement in that component. Intercede Limited was considered to be the only significant component and materiality was set at £46,000 for this component. For Intercede MyID Inc, which was considered to be a non-significant component, materiality was set by reference to group materiality at £52,000. Audit procedures were limited to analytical review and discussions with Group management, together with substantive testing in respect of right of use assets and leases, journals and payroll costs.

We applied performance materiality levels of 70% to the component materiality for our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £2,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the strategic report and the directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

In identifying and assessing the risk of material misstatement in respect of Irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of Management and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they had knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- we obtained an understanding of the legal and regulatory frameworks applicable to the Group based on our understanding of the Group, sector experience and discussions with management. The most significant considerations for the Group are International Accounting Standards, the Companies Act 2006, corporate taxes and VAT legislation, employment taxes, health and safety and the Bribery Act 2010.

- discussing amongst the engagement team, who also undertook the audit testing on significant components, to assess how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas:
  - management override of control; and
  - revenue recognition, specifically the manipulation of revenue using fraudulent journals and the allocation of revenue between the individual components of revenue on contracts with customers to provide multiple services.

We designed and executed procedures in line with our responsibilities to detect material misstatements in respect of irregularities, including fraud. These procedures, together with the extent to which they are capable of detecting irregularities, including fraud, are detailed below:

- We made enquiries of management and reviewed correspondence with the relevant authorities to identify any irregularities or instances of non-compliance with laws and regulations. We corroborated our enquiries through our review of board minutes.
- We tested the appropriateness of accounting journals, including those relating to the consolidation process, and other adjustments made in the preparation of the financial statements. We used data assurance techniques to identify and analyse the complete population of all journals in the year to identify and substantively test any which we considered were indicative of management override.
- We reviewed the Group's accounting policies for non-compliance with relevant standards. Our work also included considering significant accounting estimates for evidence of misstatement or possible bias and testing any significant transactions that appeared to be outside the normal course of business.
- We assessed the appropriateness and tested the application of the revenue recognition policies, with a particular focus on the allocation of revenue between the individual components of revenue on contracts with customers to provide multiple services.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Andrew Mair (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Birmingham, UK

7 June 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021

	Notes	2021 £'000	2020 £'000
Continuing operations			
Revenue	2	**10,961**	10,355
Cost of sales		**(235)**	(12)
Gross profit		**10,726**	10,343
Operating expenses		**(9,137)**	(9,191)
Operating profit	3	**1,589**	1,152
Finance income	5	**9**	19
Finance costs	5	**(494)**	(597)
Profit before tax		**1,104**	574
Taxation	6	**425**	432
Profit for the year		**1,529**	1,006
Total comprehensive income attributable to owners of the parent company		**1,529**	1,006
Profit per share (pence)	7		
- basic		**3.0p**	2.0p
- diluted		**2.8p**	1.9p

The accompanying notes on pages 36 to 50 are an integral part of these financial statements.

Consolidated Balance Sheet

At 31 March 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Property, plant and equipment	8(a)	154	119
Right of use assets	8(b)	725	980
		879	1,099
Current assets			
Trade and other receivables	10	4,098	5,100
Cash and cash equivalents		8,029	4,758
		12,127	9,858
Total assets		13,006	10,957
Equity			
Share capital	11	571	505
Share premium		5,138	673
Equity reserve		—	66
Merger reserve		1,508	1,508
Accumulated deficit		(2,471)	(4,133)
Total equity		4,746	(1,381)
Non-current liabilities			
Convertible loan notes	12	—	4,832
Lease liabilities	8(b)	762	1,207
Deferred revenue		420	195
		1,182	6,234
Current liabilities			
Lease liabilities	8(b)	350	316
Trade and other payables	13	1,920	1,632
Deferred revenue		4,808	4,156
		7,078	6,104
Total liabilities		8,260	12,338
Total equity and liabilities		13,006	10,957

The financial statements on pages 32 to 50 were authorised for issue by the Board of Directors on 7 June 2021 and were signed on its behalf by:

K van der Leest **Director**
A Walker **Director**

The accompanying notes on pages 36 to 50 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	Share capital £'000	Share premium £'000	Equity reserve £'000	Merger reserve £'000	Accumulated deficit £'000	Total equity £'000
At 1 April 2019	505	673	66	1,508	(5,420)	(2,668)
Proceeds from recycling of own shares	—	—	—	—	38	38
Employee share option plan charge (note 16)	—	—	—	—	99	99
Employee share incentive plan charge (note 16)	—	—	—	—	144	144
Profit for the year and total comprehensive income	—	—	—	—	1,006	1,006
At 31 March 2020	505	673	66	1,508	(4,133)	(1,381)
Purchase of own shares	—	—	—	—	(29)	(29)
Issue of new shares on conversion of convertible loan notes	66	4,465	(60)	—	—	4,471
Reversal of equity component following redemption of convertible loan notes	—	—	(6)	—	—	(6)
Proceeds from recycling of own shares	—	—	—	—	26	26
Employee share option plan charge (note 16)	—	—	—	—	88	88
Employee share incentive plan charge (note 16)	—	—	—	—	48	48
Profit for the year and total comprehensive income	—	—	—	—	1,529	1,529
At 31 March 2021	**571**	**5,138**	**—**	**1,508**	**(2,471)**	**4,746**

All amounts included in the table above are attributable to owners of the parent company.

Share capital: Nominal value of shares issued.
Share premium: Amount subscribed for share capital in excess of the nominal value.
Equity reserve: Amount recorded as equity on the initial fair value measurement of issued convertible loan notes.
Merger reserve: Created on the issue of shares on acquisition of its subsidiary accounted for in line with merger accounting principles.
Accumulated deficit: All other net losses not recognised elsewhere.

The accompanying notes on pages 36 to 50 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2021

	2021 £'000	2020 £'000
Cash flows from operating activities		
Profit for the year	1,529	1,006
Taxation	(425)	(432)
Finance income	(9)	(19)
Finance costs	494	597
Depreciation of property, plant & equipment	60	81
Depreciation of right of use assets	255	235
Exchange (gains) / losses on foreign currency lease liabilities	(74)	23
Profit on disposal of assets held for sale	—	(50)
Employee share option plan charge	88	99
Employee share incentive plan charge	48	144
Employee unit incentive plan charge	30	36
Employee unit incentive plan payment	—	(4)
Decrease / (increase) in trade and other receivables	1,078	(356)
Increase / (decrease) in trade and other payables	357	(299)
Increase in deferred revenue	877	299
Cash generated from operations	4,308	1,360
Finance income	12	17
Finance costs on convertible loan notes	(445)	(400)
Finance costs on leases	(65)	(112)
Tax received	425	432
Net cash generated from operating activities	4,235	1,297
Investing activities		
Proceeds on disposal of assets held for sale	—	422
Purchases of property, plant and equipment	(95)	(46)
Cash (used in) / generated from investing activities	(95)	376
Financing activities		
Purchase of own shares	(29)	—
Proceeds from recycling of own shares	26	38
Principal elements of lease payments	(338)	(236)
Repayment of convertible loan notes	(450)	—
Cash used in financing activities	(791)	(198)
Net increase in cash and cash equivalents	3,349	1,475
Cash and cash equivalents at the beginning of the year	4,758	3,228
Exchange (losses) / gains on cash and cash equivalents	(78)	55
Cash and cash equivalents at the end of the year	8,029	4,758

The total cash outflow for leases is £403,000 (2020: £347,000).

The accompanying notes on pages 36 to 50 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

1 Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all of the years presented, unless otherwise stated.

General Information

Intercede Group plc ('the Company') and its subsidiaries (together 'the Group') is a leading independent developer and supplier of identity and credential management software. The Company is a public limited company limited by shares, which is listed on the AIM section of the London Stock Exchange and is incorporated and domiciled in England. The address of its registered office is Lutterworth Hall, St. Mary's Road, Lutterworth, Leicestershire, LE17 4PS. The registered number of the company is 04101977.

Basis of preparation

The consolidated financial statements of Intercede Group plc have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and with those parts of the Companies Act 2006 applicable to companies reporting under International Financial Reporting Standards (IFRS).

Going concern assessment

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. In the early months of 2020, the COVID-19 global pandemic broke out causing governments around the world to impose various restrictions on economies and human populations. Despite the short-term disruption to market conditions relating to COVID-19, the Board remains confident of the future prospects for the Group, underpinned by reported profits for the years ended 31 March 2019, 31 March 2020 and 31 March 2021 of £449,000, £1,006,000 and £1,529,000 respectively. This has also resulted in an increase in cash balances from £3,228,000 as at 31 March 2019 to £8,029,000 as at 31 March 2021.

Against the backdrop of this substantial improvement in cash balances and an increase in the level of recurring revenues, the Directors have reviewed forecasts for the years ended 31 March 2022 and 31 March 2023 and concluded that the Group is expected to have sufficient cash to enable it to meet its liabilities, as and when they fall due, for a period of at least 12 months from the date of signing these financial statements. Accordingly, they believe it is appropriate to prepare the financial statements on a going concern basis under the historical cost convention.

Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The accounting estimates that have the most risk of causing a material adjustment to the amounts recognised in the financial statements are the judgements and estimates relating to:

Judgements:

- Research & Development (R&D) costs – in accordance with the IFRS recognition criteria outlined elsewhere within the Research and development costs policy, the Board has determined that all internal R&D costs incurred in the year are expensed. No development expenditure has been capitalised as at 31 March 2021 (2020: £nil). In general, the Group's research and development activities are closely interrelated and it is not until the technical feasibility of a product can be determined with reasonable certainty that development costs are considered for capitalisation. In addition, intangible assets are not recognised unless it is reasonably certain that the resultant products will generate future economic benefits in excess of the amounts capitalised.
- The Group is a beneficiary of the UK Government's efforts to encourage innovation by allowing 130% of qualifying R&D to be offset against taxable profits. Intercede makes an R&D Claim as part of its annual tax return and can choose whether to carry taxable losses forward or to request a cash repayment from the UK government. In prior years, cash repayments have been recognised in arrears, ie the period during which a claim is submitted and approved and cash is received.

Estimates:

- Share-based payments – the estimation of fair values for share-based payments is dependent on a number of assumptions (outlined in note 16) including expected volatility and the expected life of the option.
- Deferred tax asset – a deferred tax asset has not been recognised against the backdrop of substantial R&D investment leading to taxable losses and unused tax losses brought forward. To get to the point where the Group has a taxable profit and is in a position to utilise trading losses brought forward, indicatively there would need to be either or a combination of the following: a) the level of qualifying R&D expenditure is reduced by over 70%; and b) the level of accounting profit is over three times higher.
- Leased assets - The lease liability was initially measured at the present value of the future lease payments, which was discounted at the Group's then incremental borrowing rate (8%). Had the discount rate used been greater/lower by 1% then the right of use assets and corresponding lease liabilities, created on inception, would have been lower/greater by 5%.

The Company has elected to prepare its entity financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and these are separately presented on pages 51 to 55.

Basis of consolidation

The Group financial statements include the results of the Company and its subsidiary undertakings. The results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or disposal respectively.

The financial statements of the Company and its subsidiary undertakings are prepared for the same reporting year as the Group, using consistent accounting policies and in accordance with local Generally Accepted Accounting Principles. All intercompany balances and transactions, including unrealised profits arising from inter-group transactions, have been eliminated in full.

Foreign currencies

The consolidated financial statements are presented in pounds sterling, which is the Group's functional and presentational currency.

Transactions in foreign currencies by individual entities are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the statement of comprehensive income.

Revenue recognition

Revenue, which excludes sales between Group companies and trade discounts, represents the invoiced value of goods and services net of value added tax. The Group's revenue recognition polices are detailed below:

Software licence sales (goods) – Revenue is recognised at a point in time once the license is ready for transfer to the customer. This is on the basis that the customer cannot return the license or ask for it to be transferred to another party and the Group is under no obligation to provide a refund.

Software as a service (SAAS) sales – This revenue stream has separate performance obligations in respect of the license element and the support and maintenance element. The recognition of license revenue is at a point in time, for which the enforceable contract term is typically twelve months, whereas support and maintenance revenue is recognised evenly over the time during which the service is provided. During the year management reviewed and reassessed the accounting treatment for SAAS revenue to reflect that there is no difference between year one SAAS sales and renewals in subsequent years. This did not have a material impact upon the reported results or position.

Consulting and development services – Revenue is recognised at a point in time as costs are incurred.

Support and maintenance services – Fees are invoiced at the beginning of the period to which they relate and are initially recorded as deferred revenue. Revenue is then recognised evenly over the time during which the service is provided.

Segmental reporting

A geographical segment is engaged in providing products or services within a particular economic environment and may be subject to risks and returns that are different from those of segments operating in other economic environments.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

All of the Group's revenue, operating profits and net assets originate from operations in the UK. The Directors consider that the activities of the Group across all areas of revenue constitute a single business segment. This conclusion is consistent with the nature of information that is presented to the Board of Directors of the Company, which is considered to be the Chief Operating Decision Maker (CODM) for the purposes of IFRS 8.

Research and development costs

Expenditure incurred on research and product development and testing is charged to the statement of comprehensive income in the period in which it is incurred, unless the development expenditure meets the criteria for capitalisation.

Where the development expenditure meets the criteria for capitalisation, development costs are capitalised and amortised over the period of expected future sales of the related projects with impairment reviews being carried out at least annually. The asset is carried at cost less any accumulated amortisation and impairment losses.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes all expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the costs provide enhancement, it is probable that future economic benefits associated from the item will flow to the Group and the cost of the enhancement can be measured reliably. All other repair and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is provided to write off the cost less the estimated residual value of property (excluding freehold land), plant and equipment over their estimated useful economic lives by equal annual instalments using the following rates:

Leasehold improvements	Remaining period of the lease
Fixtures and fittings	15% pa
Computer and office equipment	25% pa

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2021

Assets held for sale

Assets are categorised as held for sale when the value of the asset will be recovered through a sale transaction rather than continuing use. The condition is met when the sale is highly probable, the asset is available for immediate sale in its present condition and is being actively marketed. Assets held for sale are valued at the lower of carrying value and fair value less costs to sell and are no longer depreciated. Any gain or loss on derecognition is recognised in the statement of comprehensive income.

Leased assets

At the inception of a contract the Group assesses whether the contract is, or contains, a lease. A lease is present where the contract conveys, over a period of time, the right to control the use of an identified asset in exchange for consideration. Where a lease is identified the Group recognises a right of use asset and a corresponding lease liability, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The lease liability is initially measured at the present value of the future lease payments discounted at the interest rate implicit in the lease or, if that cannot be readily determined, at the Group's incremental borrowing rate at that point in time. The lease liability is re-measured for modifications to lease payments due to changes in an index or rate or where the lease contract is modified and is not accounted for as a separate lease. When the lease liability is re-measured an equivalent adjustment is made to the right of use asset. Where the lease liability is denominated in a foreign currency it is retranslated at the balance sheet date and gains or losses are included in the statement of comprehensive income.

A right of use asset comprises the initial measurement of the corresponding lease liability and is subsequently measured at cost less accumulated depreciation. Right of use assets are depreciated over the shorter of the lease term and the estimated useful economic life.

Trade and other receivables

Trade and other receivables are initially recognised at amortised cost. The amortised cost of trade receivables is calculated as original invoice amount adjusted over time for foreign exchange adjustments and any loss allowance. The Group measures loss allowances for Expected Credit Losses (ECL) on trade receivables using the simplified approach and the loss allowance is measured at the estimate of the lifetime expected credit losses. When determining whether the credit risk of a trade receivable has increased significantly since initial recognition, and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits. The Group does not have bank overdraft facilities.

Convertible loan notes

The proceeds received from the issue of the convertible loan notes are allocated between their financial liability and equity components. The financial liability is initially recognised at fair value (being the discounted cash flows using a market rate of interest that would be payable on a similar instrument that does not include an option to convert). The equity component is assigned to the residual amount after deducting this fair value liability from the fair value of the financial instrument as a whole. It is recognised in the 'Equity reserve' within shareholders' equity. More information is provided in note 12.

The financial liability is subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. The difference between the interest expense and the coupon payable is added to the carrying amount of the liability in the balance sheet. Issue costs are apportioned between the liability and equity components of the convertible loan notes based upon their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

Upon conversion of the financial liability to shares, the amortised cost carrying value of the liability is derecognised in the balance sheet and an amount equal to this value is recognised within equity. The original equity component recognised at inception is reclassified from equity reserve to share premium.

Upon redemption of the financial liability for cash consideration, the consideration is allocated to the amortised cost carrying value of liability and equity components at the date of the redemption. To the extent that the amount of the consideration allocated to the liability differs from the amortised cost carrying amount of the liability, the difference is recognised in the statement of comprehensive income.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, unless the effect is immaterial.

Pension costs

The Group operates a defined contribution pension scheme via an independent provider. Contributions are charged to the statement of comprehensive income as incurred.

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair values requires determination of the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used are disclosed in note 16.

Where share options are awarded to employees, the fair value of share-based compensation at the date of grant for equity-settled plans granted to employees after 7 November 2002 is charged to the statement of comprehensive income over the expected vesting period with a corresponding amount recognised as an increase in equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the remaining vesting period.

The Group operates a Unit Incentive Plan to provide similar benefits for all US employees. The plan provides phantom shares or units, equivalent in value to shares in the Company, and the plan is cash-settled. The fair value is assessed at each period end based on the market value of the shares at this time and is charged to the statement of comprehensive income over the remaining vesting period.

Taxation

The tax expense or credit represents the sum of current and deferred tax. UK corporation tax is provided at amounts expected to be paid (or recovered) and the current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax is recognised using the balance sheet liability method for all temporary differences, unless specifically exempt, at the tax rates that have been enacted or substantively enacted at the balance sheet date.

A deferred tax asset represents the amount of income taxes recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits. Deferred tax assets are only recognised to the extent that it is more likely than not that taxable profits will be available against which deductible temporary differences can be utilised.

Adoption of new accounting standards

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing on 1 April 2020: Amendments to IFRS 3 'Business combinations' – Definition of a business; Amendments to IAS 1 'Presentation of financial statements'; and IAS 8 'Accounting policies, changes in accounting estimates and errors' – Definition of material; Amendments to IFRS 9 'Financial instruments'; IAS 39 'Financial instruments'; and IFRS 7 'Financial instruments: disclosures' – Interest rate benchmark reform . None of the amendments had a material impact on the Group's financial statements for the year ended 31 March 2021.

At the balance sheet date there are a number of new standards and amendments to existing standards in issue but not effective. The Group intends to adopt these standards when they become effective, none of which are expected to have a material impact on the Group.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2021

2 Revenue

All of the Group's revenue, operating profits and net assets originate from operations in the UK. The Directors consider that the activities of the Group constitute a single business segment.

The split of revenue by geographical destination of the end customer can be analysed as follows:

	2021 £'000	2020 £'000
UK	**115**	131
Rest of Europe	**1,061**	1,126
North America	**9,095**	7,958
Rest of World	**690**	1,140
	10,961	10,355

Analysis of revenue is as follows:

	2021 £'000	2020 £'000
Software licence sales	**2,251**	2,611
Consulting and development services	**2,585**	2,309
Support and maintenance services	**6,125**	5,435
	10,961	10,355

Revenue of £2,822,000 (2020: £nil) and £2,080,000 (2020: £3,378,000) is derived from two end customers that individually represent over 10% of the Group's revenue. Revenue of £4,158,000 (2020: £3,894,000) has been recognised that was included in the deferred revenue liability balances at the beginning of the year. The Group's deferred revenue liabilities arise from support and maintenance services for which revenue is recognised evenly over the maintenance period. Where the contract term is longer than 12 months it is shown in non-current liabilities totalling £420,000 (2020: £195,000). The maturity of non-current deferred revenue liabilities is £290,000 due within 1-2 years (2020: £174,000) and £130,000 due within 2-5 years (2020: £21,000).

3 Operating profit

Operating profit is stated after charging / (crediting):

	2021 £'000	2020 £'000
Staff costs (note 4)	**8,022**	7,619
Foreign exchange loss	**167**	41
Depreciation of property, plant and equipment	**60**	81
Depreciation of right of use buildings	**228**	228
Depreciation of right of use equipment	**27**	7
Profit on disposal of assets held for sale	**—**	(50)

Included in the staff costs above is research and development expenditure totalling £2,892,000 (2020: £2,778,000).

The analysis of auditors' remuneration is as follows:

	2021 £'000	2020 £'000
Fees payable for the audit of the parent company and consolidated financial statements	**43**	50
Fees payable for the audit of the Company's subsidiaries, pursuant to legislation	**5**	5
	48	55

4 Staff costs

The average monthly number of employees and contractors of the Group (including Executive Directors) was:

	2021 Number	2020 Number
Technical	62	61
Sales and marketing	11	10
Administration	10	10
	83	81

Their aggregate remuneration comprised:

	2021 £'000	2020 £'000
Wages and salaries	6,811	6,322
Social security costs	779	758
Other pension costs	276	260
Employee share option plan charge (note 16)	88	99
Employee share and unit incentive plan (note 16)	68	180
	8,022	7,619

Pension contributions totalling £46,000 (2020: £44,000) are included within year end trade and other payables.

Directors' remuneration

The aggregate remuneration of the Directors was as follows:

	2021 £'000	2020 £'000
Emoluments	842	713
Social security costs	99	85
Company contributions to defined contribution pension scheme	19	19
Directors' share option plan charge	60	72
Directors' share and unit incentive plan charge	17	37
	1,037	926

Directors' emoluments

	Salary and fees 2021 £'000	Bonus 2021 £'000	Benefits in kind 2021 £'000	Pension contributions 2021 £'000	Total 2021 £'000	Total 2020 £'000
Executive Directors						
K van der Leest	200	200	—	11	411	331
A Walker	154	121	1	8	284	234
Non-Executive Directors						
C Pol	91	—	—	—	91	95
R Hoggarth	25	—	—	—	25	25
R Chandhok [1]	25	—	—	—	25	22
	495	321	1	19	836	707
Fees paid to related parties	25	—	—	—	25	25

[1] Appointed 12 June 2019.

The Remuneration Committee awarded bonuses of £200,000 and £121,000 respectively to K van der Leest and A Walker (2020: £120,000 and £73,000 respectively following an agreement that both of the Executive Directors would waive 40% of the bonus awarded due to uncertainty following the outbreak of the COVID-19 pandemic).

Fees paid to related parties comprise amounts paid to Tredoux Capital Limited under an arrangement to provide the Group with the services of J Tredoux as a Non-Executive Director. J Tredoux is a Director of Tredoux Capital Limited.

Details of the Directors' share options are set out in the Report of the Remuneration Committee on pages 25 to 26.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2021

5 Finance income and costs

	2021 £'000	2020 £'000
Finance income		
Interest income on short term bank deposits	9	19
Finance costs		
Convertible loan notes	(429)	(485)
Interest in respect of lease liabilities	(65)	(112)
	(494)	(597)

Finance costs in respect of the convertible loan notes represent interest payable totalling £347,000 (2020: £400,000) plus £82,000 (2020: £85,000) representing an effective interest rate adjustment (note 12).

6 Taxation

The tax credit comprises:

	2021 £'000	2020 £'000
Current year – UK corporation tax	—	—
Current year – US corporation tax	(22)	(28)
Research and development tax credits relating to prior years	447	460
Taxation	425	432

The difference between the tax credit shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2021 £'000	2020 £'000
Profit before tax	1,104	574
Tax calculated at UK corporation tax rate of 19% (2020: 19%)	(210)	(109)
Research and development claim	707	531
Research and development tax credits relating to prior years	447	460
Depreciation in excess of capital allowances	4	3
Expenses not deductible for tax purposes	—	(1)
Other temporary differences	5	52
Employee share option plan charge	(17)	(19)
Employee share incentive plan charge	(9)	(27)
Employee unit incentive plan charge	(4)	(2)
Employee share options exercised	5	—
Purchase of shares for employee share incentive plan	11	—
US corporation tax	10	(6)
Losses brought forward utilised	10	11
Losses carried forward	(534)	(461)
Tax credit for the year	425	432

The Group has unused tax losses of £9,174,000 (2020: £8,775,000) and unrecognised deferred tax assets of £1,743,000 (2020: £1,667,000) calculated at the corporation tax rate of 19% (2020: 19%). Intercede makes an R&D Claim as part of its annual tax return and can choose whether to carry taxable losses forward or to request a cash repayment from the UK government. On 5th March 2021 the Government announced an increase in the UK corporation tax rate from 19% to 25%, effective from 1st April 2023. This will impact the Group's future tax charge when it is substantively enacted.

7 Earnings per share

The calculations of earnings per ordinary share are based on the profit for the financial year and the weighted average number of ordinary shares in issue during each year.

	2021 £'000	2020 £'000
Profit for the year	1,529	1,006

		Number	Number
Weighted average number of shares	– basic	51,359,410	50,482,281
	– diluted	54,049,938	53,232,738

		Pence	Pence
Profit per share	– basic	3.0p	2.0p
	– diluted	2.8p	1.9p

The weighted average number of shares used in the calculation of basic and diluted earnings per share for each year were calculated as follows:

	2021 Number	2020 Number
Issued ordinary shares at start of year	50,523,926	50,523,926
Effect of treasury shares	(41,645)	(41,645)
Effect of issue of ordinary share capital	877,129	—
Weighted average number of shares – basic	51,359,410	50,482,281
Add back effect of treasury shares	41,645	41,645
Effect of share options in issue	2,648,883	2,708,812
Effect of convertible loan notes in issue	—	—
Weighted average number of shares – diluted	54,049,938	53,232,738

The effect of issue of ordinary share capital reflects the issue of 6,619,431 shares during the period 5 January to 19 February 2021 to facilitate the conversion of convertible loan notes into ordinary shares (note 11).

The convertible loan notes were anti-dilutive and therefore excluded from the calculation of diluted profit per share. Had the convertible loan notes been dilutive in nature, this would have increased the 2021 and 2020 weighted average number of shares by 6,295,925 and 7,273,387 respectively.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2021

8(a) Property, plant and equipment

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer and office equipment £'000	Total £'000
Cost				
At 1 April 2019	70	107	1,012	1,189
Additions	—	—	46	46
Disposals	—	(6)	—	(6)
At 1 April 2020	70	101	1,058	1,229
Additions	—	1	94	95
Disposals	—	(2)	(65)	(67)
At 31 March 2021	70	100	1,087	1,257
Accumulated depreciation				
At 1 April 2019	50	71	914	1,035
Charge for the year	15	11	55	81
On disposals	—	(6)	—	(6)
At 1 April 2020	65	76	969	1,110
Charge for the year	5	11	44	60
On disposals	—	(2)	(65)	(67)
At 31 March 2021	70	85	948	1,103
Net book amount				
At 31 March 2021	—	15	139	154
At 31 March 2020	5	25	89	119

8(b) Leases

All leases that are not classed as short-term or low value are recognised as a right of use asset and a corresponding lease liability, which is explained in detail in the Leased assets policy.

The Consolidated Balance Sheet shows the following amounts in relation to leases:

	2021 £'000	2020 £'000
Right of use assets		
Buildings	678	906
Equipment	47	74
	725	980
Lease liabilities		
Current	350	316
Non-current	762	1,207
	1,112	1,523

The maturity of lease liabilities is as follows:

	2021 £'000	2020 £'000
Due within one year	350	316
Due between one and two years	367	372
Due between two and five years	395	784
Due beyond five years	—	51
	1,112	1,523

The depreciation charged by each class of right of use asset and the interest expense in respect of lease liabilities is disclosed in notes 3 and 5 respectively. The total cash outflow for leases is disclosed within the Consolidated Cash Flow Statement.

9 Subsidiaries

The Company's subsidiaries, all of which have been consolidated in the Group's financial statements at 31 March 2021, are as follows:

	Country of incorporation	Class of shares	% held	Principal activity
Intercede Limited	England and Wales	Ordinary	100	Software developer
Intercede 2000 Limited	England and Wales	Ordinary	100	Dormant
Intercede MyID Inc.	USA	Common	100	Service provider

Intercede Limited and Intercede 2000 Limited are registered at Lutterworth Hall, St. Mary's Rd, Leicestershire, LE17 4PS, UK. Intercede MyID Inc. is registered at 2711 Centerville Rd, Suite 400, Wilmington, New Castle, DE 19808, USA.

10 Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	**4,067**	5,288
Less: credit loss allowance	**(151)**	(345)
Prepayments and accrued income	**135**	132
Other debtors	**47**	25
	4,098	5,100

The amount written off as irrecoverable during the year was £nil (2020: £nil). The Group's customer base is predominantly made up of large corporates or government departments and there is virtually no history of trade receivables being uncollected. A credit loss allowance is only recognised in the very rare cases when recoverability is deemed to be improbable. The movement between the opening and closing credit loss allowance is outlined in the table below:

	2021 £'000	2020 £'000
At 1 April	**(345)**	(380)
Additional credit loss allowance	**—**	(194)
Unused credit loss allowance	**194**	229
At 31 March	**(151)**	(345)

Included within trade receivables are receivables with a gross carrying amount of £78,000 (2020: £172,000) which are past due. The level of trade receivables over 60 days old was £178,000 (2020: £162,000). The average age of the Group's trade receivables is 56 days (2020: 84 days).

11 Share capital

	2021 £'000	2020 £'000
Authorised		
481,861,616 ordinary shares of 1p each (2020: 481,861,616)	**4,819**	4,819
Issued and fully paid		
57,143,357 ordinary shares of 1p each (2020: 50,523,926)	**571**	505

The increase in issued and fully paid ordinary shares of 1p each represents the issue of 6,619,431 shares during the period 5 January to 19 February 2021 to facilitate the conversion of convertible loan notes into ordinary shares at the fixed conversion price of 68.8125 pence per ordinary share.

As at 31 March 2021, the Company had 41,645 ordinary shares held in treasury (2020: 41,645). During the year 35,000 options were exercised using treasury shares (2020: None) and the Company purchased 35,000 ordinary shares for a consideration of £29,000 (2020: None).

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2021

12 Convertible loan notes

	2021 £'000	2020 £'000
Non-current		
8% Convertible loan notes (29 December 2021)	—	4,832

Borrowings are repayable as follows:

	2021 £'000	2020 £'000
Due within one year	—	—
Due between one and two years	—	4,832
	—	4,832

The maturity of the debt and interest payments is as follows:

	2021 Debt £'000	2021 Interest £'000	2021 Total £'000	2020 Debt £'000	2020 Interest £'000	2020 Total £'000
Due within one year	—	—	—	—	400	400
Due between one and two years	—	—	—	5,005	399	5,404
	—	—	—	5,005	799	5,804

The table above shows the contractual, undiscounted cash flows due in future periods to settle the debt and interest payments. The total amount of debt payable for 2020 shown above differs from the total book value of debt of £4,832,000 as the book value of debt included unamortised fees and was net of the value ascribed to the equity element of the convertible loan note.

On 30 January 2017, the Company issued £4,495,000 convertible loan notes that carried an interest coupon of 8.0% pa payable quarterly. Holders of the convertible loan notes were able to convert into ordinary shares, at a conversion price of 68.8125 pence per ordinary share, at any time until the final redemption date of 29 December 2021. On 25 August 2017, the Company issued £510,000 convertible loan notes under the same convertible loan note instrument.

The convertible loan notes have been successfully retired during the period following ongoing discussions with the noteholders and the issue of a call notice in February 2021. Subsequent to the call, twelve out of thirteen noteholders elected to convert into new ordinary shares at the fixed conversion price of 68.8125 pence per share, as outlined in note 11. The other noteholder elected to redeem at par and was repaid £450,000. The amount recognised in the balance sheet in relation to the convertible loan notes is as follows:

	2021 £'000	2020 £'000
Nominal value of convertible loan note issue	5,005	5,005
Issue costs	(348)	(348)
Equity component at date of issue	(66)	(66)
Liability component at date of issue	4,591	4,591
Effective interest rate adjustment from date of issue	323	241
Conversion of convertible loan notes	(4,473)	—
Redemption of convertible loan notes	(441)	—
Liability component at 31 March	—	4,832

13 Trade and other payables

	2021 £'000	2020 £'000
Trade payables	489	277
Taxation and social security	142	135
Accruals	1,289	1,220
	1,920	1,632

Included within accruals is £70,000 (2020: £40,000) relating to the Employee Unit Incentive Plan (note 16).

14 Financial instruments

The numerical disclosures in this note deal with financial assets and financial liabilities. There is no material difference between the fair value and the book values disclosed. Short term trade receivables and payables have been excluded from the disclosures, with the exception of the currency disclosures.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, purchase existing shares, issue new shares, or sell assets to reduce debt.

The Group's financial instruments have historically comprised convertible loan notes, cash and cash equivalents, and various items such as trade receivables and payables which arise directly from its operations. The main purpose of these financial instruments has been to fund the Group's operations. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken. The Group has no derivative financial instruments.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. The Board has reviewed these risks on an ongoing basis throughout the year. The policy for their management is summarised below:

Interest rate risk

The Group has financed its operations to date through a variety of sources of external finance primarily including equity and convertible loan notes. The convertible loan notes, which have historically been denominated in sterling, bear interest at fixed rates.

Liquidity risk

The Group's policy has been to ensure continuity of funding throughout the year through continued review of cash flow forecasts.

Credit risk

The Group's business model is to license its technology and sell its products via partners who are typically major IT security industry players. Furthermore, at this stage in the development of the market for identity and credential management software, end user customers tend to be large corporates or government departments. As such, the inherent credit risk is relatively low.

Foreign currency risk

A number of suppliers invoice the Group in US dollars and euros. The Group has also entered into a number of agreements to license its technology and sell its products via other international organisations. This results in invoices being raised in currencies such as US dollars and euros. The Group's current policy is not to hedge these exposures. The exchange differences are recognised in the statement of comprehensive income in the year in which they arise (note 3).

Interest rate profile

The Group has cash deposits of £8,029,000 (2020: £4,758,000) at the year end. This includes US dollar deposits of £1,133,000 (2019: £753,000) and euro deposits of £259,000 (2020: £41,000). Interest rates on cash deposits are based on LIBOR.

Maturity of financial liabilities

The Group has no external borrowings following the early retirement of the convertible loan notes. The maturity of the Group's lease liabilities is disclosed in note 8(b). The only other financial liabilities are short term trade and other payables as outlined within note 13.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2021

14 Financial instruments continued

Borrowing facilities

The Group has no undrawn committed borrowing facilities (2020: £nil).

Currency exposures

The table below shows the Group's currency exposures; in other words, those transactional exposures that give rise to the net currency gains and losses recognised in the statement of comprehensive income. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating (or "functional") currency of the Group (sterling). These exposures were as follows:

	Net foreign currency monetary assets		
	US dollar £'000	**Euro** £'000	**Total** £'000
At 31 March 2021	**4,768**	**369**	**5,137**
At 31 March 2020	5,754	153	5,907

15 Financial commitments

a) *Capital commitments*

The Group had no capital commitments at the year end (2020: £nil).

b) *Short-term and low-value leases*

The Group had no annual commitments under short-term and low-value leases at the year end (2020: £nil).

16 Share based payments

The Company introduced a new Share Option Plan for senior executives on 22 July 2011 and options were granted later that year. The contractual life of an option is 10 years and exercise of an option is subject to achievement of performance targets, a 3 year vesting period and continued employment. The fair value of the options granted during 2011 was determined using a Black-Scholes valuation model.

Further options were granted on 7 November 2014. The fair value of the options granted was determined using a Monte Carlo valuation model and includes a share price target of 400p, as disclosed in the Report of the Remuneration Committee.

The fair value per option granted and the assumptions used in the calculations were as follows:

Grant date	26 July 2011	20 Dec 2011	7 Nov 2014
Share price at grant date	69.0p	64.0p	127.5p
Exercise price	1.0p	1.0p	127.5p
Number of employees granted options	4	1	8
Number of shares originally under option	200,000	50,000	500,000
Expected vesting period (years)	3	3	6
Expected option life (years)	7	7	7
Expected volatility	57.53%	42.54%	39.03%
Risk free rate	2.29%	1.24%	1.93%
Expected dividends expressed as a dividend yield	2.90%	3.13%	3.00%
Fair value per option	55.0p	50.0p	27.0p

Further options were granted on 19 October 2018, 24 October 2018, 27 March 2019 and 22 August 2019 with a contractual life of 10 years. The fair value of the options granted was determined using a Monte Carlo valuation model and includes share price targets, as disclosed in the Report of the Remuneration Committee.

The fair value per option granted and the assumptions used in the calculations were as follows:

Grant date	19 Oct 2018	19 Oct 2018	19 Oct 2018	24 Oct 2018	24 Oct 2018	24 Oct 2018
Share price at grant date (pence)	27.0	27.0	27.0	24.5	24.5	24.5
Exercise price (pence)	27.0	27.0	27.0	24.5	24.5	24.5
Number of employees granted options	2	2	2	2	2	2
Number of shares originally under option	850,000	400,000	400,000	300,000	150,000	150,000
Expected vesting period (years)	3	3	3	3	3	3
Expected option life (years)	7	7	7	7	7	7
Expected volatility (%)	58.68	66.77	66.77	58.73	66.77	66.77
Risk free rate (%)	1.23	0.76	0.76	1.11	0.76	0.76
Expected dividends expressed as a dividend yield (%)	3.00	3.00	3.00	3.00	3.00	3.00
Fair value per option (pence)	12.0	59.0	57.0	10.0	60.0	58.0

Grant date	27 Mar 2019	27 Mar 2019	27 Mar 2019	22 Aug 2019	22 Aug 2019	22 Aug 2019
Share price at grant date (pence)	17.0	17.0	17.0	33.2	33.2	33.2
Exercise price (pence)	17.0	17.0	17.0	33.2	33.2	33.2
Number of employees granted options	1	1	1	1	1	1
Number of shares originally under option	75,000	37,500	37,500	75,000	37,500	37,500
Expected vesting period (years)	3	3	3	3	3	3
Expected option life (years)	7	7	7	7	7	7
Expected volatility (%)	61.00	66.77	66.77	68.60	66.77	66.77
Risk free rate (%)	0.70	0.76	0.76	0.34	0.76	0.76
Expected dividends expressed as a dividend yield (%)	3.00	3.00	3.00	3.00	3.00	3.00
Fair value per option (pence)	7.0	63.0	60.0	17.0	56.0	55.0

The expected volatility is based on three year historical volatility. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

Details of outstanding options are disclosed in the Report of the Remuneration Committee.

The total charge for the year relating to employee share options was £88,000 (2020: £99,000). Share options outstanding at the year end have a weighted average contractual life of 6.9 years (2020: 7.8 years).

In February 2014, HM Revenue & Customs approved an equity-settled Share Incentive Plan (SIP) for all UK employees (including the Executive Directors), which includes Free Share, Partnership Share and Matching Share elements.

No Free Share awards were made during the year ended 31 March 2021. Partnership shares could be subscribed for by employees via salary deductions, either on a monthly or lump sum basis, to a cumulative value of up to £1,800. Matching Shares were given to employees on the basis of one Matching Share for each Partnership Share.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2021

16 Share based payments continued

Free Share and Matching Share awards to date have generally been met by the transfer of ordinary shares held in treasury and from continued on market purchases either by the Company or Link Market Services Trustees Limited as Trustee of the SIP. To the extent that ordinary shares are not available in treasury or in the volume required through the market, the Company has issued new ordinary shares to meet these awards.

The total charge for the year relating to the employee share incentive plan was £48,000 (2020: £144,000).

In October 2014, the Company introduced a unit incentive plan to provide similar benefits for all US employees. The plan provides phantom shares or units, equivalent in value to shares in the company, and the plan is cash-settled. As noted in the Report of the Remuneration Committee, a Free Unit award equivalent to 100,000 ordinary shares of 1 pence each in the capital of the Company was granted to R Chandhok on 11 February 2020.

The total charge for the year relating to the employee unit incentive plan was £30,000 (2020: £36,000) as outlined in the table below:

	2021 £'000	2020 £'000
At 1 April	40	8
Additional charge	30	36
Paid during the year	—	(4)
At 31 March	70	40

17 Related party transactions

During the year ended 31 March 2021, J Tredoux served as a Non-Executive Director. J Tredoux is also a director of Tredoux Capital Limited. Fees charged by Tredoux Capital Limited to the Group in respect of his services as a Non-Executive Director and balances outstanding at the year ends were as follows:

	2021 £'000	2020 £'000
Consultancy fees charged	25	25
Balance outstanding at the year end	19	19

Company Balance Sheet

At 31 March 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Investments	3	5,892	5,726
Current assets			
Trade and other receivables	4	4,596	5,013
Total assets		10,488	10,739
Equity			
Share capital	5	571	505
Share premium		5,138	673
Equity reserve		—	66
Retained earnings		4,709	4,524
Total equity		10,418	5,768
Non-current liabilities			
Convertible loan notes	6	—	4,832
Current liabilities			
Trade and other payables	7	70	139
Total liabilities		70	4,971
Total equity and liabilities		10,488	10,739

The amount of profit dealt with in the Company financial statements was £52,000 (2020: £57,000).

The financial statements on pages 51 to 55 were authorised for issue by the Board of Directors on 7 June 2021 and were signed on its behalf by:

K van der Leest **Director**
A Walker **Director**

The accompanying notes on pages 53 to 55 are an integral part of these financial statements.

Intercede Group plc: Registered No. 04101977

Company Statement of Changes in Equity

For the year ended 31 March 2021

	Share capital £'000	Share premium £'000	Equity reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 April 2019	505	673	66	4,186	5,430
Proceeds from recycling of own shares	—	—	—	38	38
Employee share option and share incentive plan charges	—	—	—	243	243
Profit for the year and total comprehensive income	—	—	—	57	57
As at 31 March 2020	505	673	66	4,524	5,768
Purchase of own shares	—	—	—	(29)	(29)
Issue of new shares on conversion of convertible loan notes	66	4,465	(60)	—	4,471
Reversal of equity component following redemption of convertible loan notes	—	—	(6)	—	(6)
Proceeds from recycling of own shares	—	—	—	26	26
Employee share option and share incentive plan charges	—	—	—	136	136
Profit for the year and total comprehensive income	—	—	—	52	52
As at 31 March 2021	**571**	**5,138**	**—**	**4,709**	**10,418**

Note: see page 34 for a description of the reserves appearing in the column headings of the table above.

The accompanying notes on pages 53 to 55 are an integral part of these financial statements.

Notes to the Company Financial Statements

For the year ended 31 March 2021

1 Accounting policies

The Company is a holding company which was set up to facilitate the admission of the Group onto the AIM section of the London Stock Exchange. It does not trade and it has no employees or staff costs and is therefore not required to display a staff costs note.

Basis of Preparation

The financial statements have been prepared on the going concern basis in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006. The Company has taken advantage of Section 408 of the Companies Act 2006 not to present its own statement of comprehensive income.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of IAS 7 'Statement of cash flows';

(b) the requirements of IFRS 7 'Financial Instruments: Disclosures';

(c) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 'Share Based Payment';

(d) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements';

(e) the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';

(f) the requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement'; and

(g) the requirements of paragraphs 17-19 of IAS 24 'Related Party Disclosures'.

As outlined in note 1 to the consolidated financial statements, the Directors consider that the going concern assumption is appropriate and therefore the Company's financial statements have been prepared on a going concern basis under the historical cost convention.

A summary of the principal accounting policies, which have been applied consistently, is set out below.

Critical accounting estimates and judgements

The preparation of financial statements in accordance with FRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

The accounting estimate that has the most risk of causing a material adjustment to the amounts recognised in the financial statements is the judgement relating to Amounts owed by subsidiary undertakings. The Company makes an estimate of the recoverable value of amounts owed by subsidiary undertakings. When assessing impairment of amounts owed by subsidiary undertakings, management considers factors including the ability to repay the amount owed on demand through the availability of cash at hand discounted to the year end date.

Investments

Investments held as fixed assets are stated at cost less provision for impairment in value.

Amounts owed by subsidiary undertakings

The Company has amounts receivable from other Group companies which are measured at amortised cost less impairment losses. The Directors assess periodically whether there has been a significant increase in credit risk. Where there has been a significant increase in credit risk, lifetime expected credit losses are calculated by considering, on a discounted basis, the cash shortfalls that would be incurred over the remaining lives of the assets.

Taxation

The tax expense represents the sum of the current tax and deferred tax. UK corporation tax is provided at amounts expected to be paid (or recovered) and the current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax is recognised using the balance sheet liability method for all temporary differences, unless specifically exempt, at the tax rates that have been enacted or substantively enacted at the balance sheet date.

A deferred tax asset represents the amount of income taxes recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits. Deferred tax assets are only recognised to the extent that it is more likely than not that taxable profits will be available against which deductible temporary differences can be utilised.

Convertible loan notes

The proceeds received from the issue of the convertible loan notes are allocated between their financial liability and equity components. The financial liability is initially recognised at fair value (being the discounted cash flows using a market rate of interest that would be payable on a similar instrument that does not include an option to convert). The equity component is assigned to the residual amount after deducting this fair value liability from the fair value of the financial instrument as a whole. It is recognised in the 'Equity reserve' within shareholders' equity. More information is provided in note 6.

Notes to the Company Financial Statements continued

For the year ended 31 March 2021

The financial liability is subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. The difference between the interest expense and the coupon payable is added to the carrying amount of the liability in the balance sheet.

Issue costs are apportioned between the liability and equity components of the convertible loan notes based upon their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

Upon conversion of the financial liability to shares, the amortised cost carrying value of the liability is derecognised in the balance sheet and an amount equal to the this value is recognised within equity. The original equity component recognised at inception is reclassified from equity reserve to share premium.

Upon redemption of the financial liability for cash consideration, the consideration is allocated to the amortised cost carrying value of liability and equity components at the date of the redemption. To the extent that the amount of the consideration allocated to the liability differs from the amortised cost carrying amount of the liability, the difference is recognised in the statement of comprehensive income.

Share-based payments

The equity-settled share option programme allows employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of all the options granted are measured using the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms of the grant. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

Share options made available to employees of the Company's subsidiaries are treated as increases in equity over the vesting period of the award, with a corresponding increase in the Company's investment in subsidiary undertaking based on an estimate of the number of shares that will eventually vest.

Adoption of new accounting standards

The Company has applied the following standards and amendments for the first time for the annual reporting period commencing on 1 April 2020: Amendments to IFRS 3 'Business combinations' – Definition of a business; Amendments to IAS 1 'Presentation of financial statements'; and IAS 8 'Accounting policies, changes in accounting estimates and errors' – Definition of material; Amendments to IFRS 9 'Financial instruments'; IAS 39 'Financial instruments'; and IFRS 7 'Financial instruments: disclosures' – Interest rate benchmark reform. None of the amendments had a material impact on the Company's financial statements for the year ended 31 March 2021.

At the balance sheet date there are a number of new standards and amendments to existing standards in issue but not effective. The Company intends to adopt these standards when they become effective, none of which are expected to have a material impact on the Company.

2 Auditors' remuneration

Fees payable to the Company's auditors for the audit of the parent company are £2,000 (2020: £2,000).

3 Investments

	2021 £'000	2020 £'000
At 1 April	**5,726**	5,452
Additions	**166**	274
At 31 March	**5,892**	5,726

Additions in the year of £166,000 (2020: £274,000) reflect the employee share option, incentive and unit plan charges and credits relating to employees of the Company's subsidiaries. Investments have been assessed in full and it has not been necessary to recognise any impairment. Hence, they are all stated at cost.

The Company's subsidiaries at 31 March 2021 and their registered offices are set out in note 9 of the consolidated financial statements.

4 Trade and other receivables

	2021 £'000	2020 £'000
Amounts owed by subsidiary undertakings	4,596	5,013

Amounts owed by subsidiary undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is charged on amounts owed by subsidiary undertakings at market rates. No impairment was identified in respect to this as at the year end.

5 Share capital

	2021 £'000	2020 £'000
Authorised		
481,861,616 ordinary shares of 1p each (2020: 481,861,616)	4,819	4,819
Allotted and fully paid		
57,143,357 ordinary shares of 1p each (2020: 50,523,926)	571	505

The increase in issued and fully paid ordinary shares of 1p each represents the issue of 6,619,431 shares during the period 5 January to 19 February 2021 to facilitate the conversion of convertible loan notes into ordinary shares at the fixed conversion price of 68.8125 pence per ordinary share.

As at 31 March 2021, the Company had 41,645 ordinary shares held in treasury (2020: 41,645). During the year 35,000 options were exercised using treasury shares (2020: None) and the Company purchased 35,000 ordinary shares for a consideration of £29,000 (2020: None).

6 Convertible loan notes

Details of the Company's convertible loan notes at 31 March 2021 are set out in note 12 of the consolidated financial statements.

7 Trade and other payables

	2021 £'000	2020 £'000
Accruals	70	139

8 Financial commitments

a) Capital commitments

The Company had no capital commitments at the year end (2020: £nil).

b) Short-term and low-value leases

The Company had no annual commitments under short-term and low-value leases at the year end (2020: £nil).

FY 22 – EXPANDING HORIZONS

As Intercede enters its next phase, our vision remains to safeguard the integrity of connected workforces, supply-chains, citizens and industrial technologies for the world's businesses and governments that will not compromise on cybersecurity.

Through ongoing innovation across the MyID credential management platform, we are expanding the possibilities of how our customers can deliver secure authentication across their citizens and employees.

We are seeing governments expand their cybersecurity expectations, and we are seeing legislation expand to allow more strong authentication options, such as FIDO.

As a business we are actively expanding our horizons through a growing partner network of MyID resellers, integrators and technology partners. Expanding our expertise through investment in our people and expanding our markets by shaping our products and services to best meet the growing identity management needs of governments and enterprises worldwide.

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