intercede

Intercede Group plc

Annual Report & Accounts

2022

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

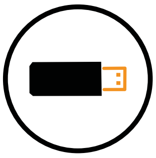
Technologies

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

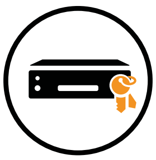
Mobile device management

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 2022

Following the completion of the first phase of the Group's turnaround plan in FY21, it is pleasing to report the benefits that are evident in the performance we achieved against the backdrop of the Covid-pandemic and other geopolitical events. This time last year we reported the close of Phase One of Intercede's turnaround and, as we embark on Phase Two, the focus is on scalability and consistent revenue growth.

In respect of these goals, the Group has made a promising start on a number of fronts. In last year's Annual Report, I noted our anticipation of a return to normalised trading in the next 12-24 months on the back of eased Covid-19 restrictions. It is now clear that we are tracking towards the later end of that estimate with delays experienced on the closure of a number of large new opportunities during FY22.

However, the fundamentals of our business still hold true, namely the market demand for cybersecurity, the introduction of FIDO functionality in our release of MyID v12, a solid pipeline and the growth in new global partnerships underpinned by the Connect Partner Programme. These fundamentals will reinforce consistent growth going forward and it is therefore very pleasing to note the highest number of new customer wins in recent memory, some of which have the potential to lead to substantial follow-on license orders.

Colleagues and Board Changes

I would like to take this opportunity to thank all our colleagues, customers, partners and stakeholders for their efforts and understanding during what has continued to be a challenging and uncertain period for everyone. Furthermore, I extend my thanks to Klaas and his management team for their leadership and invaluable assistance.

Last, but certainly not least, I would like to express my sincere thanks to Andrew Walker for his contribution to the Group over his 21 and a half years of service. As announced in November 2021, Andrew informed the Board of his intention to retire and step down from the Board and we wish him the very best for his retirement. He is succeeded by Nitil Patel who was appointed as our new Chief Financial Officer in April 2022.

Scalability and Growth

One of our most important KPIs is 'New deployments with revenues over £20,000' which was eleven for this financial year and the highest number since we began reporting our KPIs back in FY13. Part of this success can be attributed to the new partnerships formed during the year in Europe, the US, ASEAN, Latin America and Africa which is critical for the Group's future growth prospects.

The other crucial element is the quality of our software and MyID's place as a leading unified credential management solution. At the start of this financial year, we were excited to announce the release of MyID v12, which will expand Intercede's addressable market with the introduction of FIDO (Faster Identity Online) to the MyID credential management platform. Following the delayed release of the US FIPS 201-3 standard in February 2022, the Company is well placed with its latest v12 version as FIDO is now specifically called out in the latest release.

Acquisition Strategy

Meanwhile, the Group continues to assess a pipeline of potential acquisitions that either fit our strategy of expanding our addressable cybersecurity market or add scale to our business through additional customers that bring recurring support and maintenance or subscription contracts.

Intercede has the benefit of an experienced and specialist development team and a number of partner relationships via its Connect Partner Programme and is therefore an attractive acquirer. We offer the opportunity for synergies and the chance for acquirees to develop their businesses more effectively as part of the Group than they would be able to independently.

During the year, Intercede has had exclusive discussions with a number of potential acquisition targets. The majority of the discussions to date were terminated by Intercede, after careful consideration, on the basis that they did not meet our strict financial or strategic criteria. In the current climate, it does take time to identify such opportunities, and the Group will maintain its disciplined approach to pricing and diligence. Our M&A pipeline is healthy, and we are confident we will find success in securing businesses that will create enhanced shareholder value.

Summary

It has been a promising year of financial and operational progress and Intercede is now very well positioned for further growth. We enter FY23 with positive momentum and lots of opportunities. When I look at the various elements of this business; particularly the experienced management team, the high growth cybersecurity market, the blue-chip customer base, the pipeline and the resilient response to market conditions in the last two years, I remain confident of the Group's future prospects. Significant progress was made in FY22 and I am excited for the year ahead.

Chuck Pol
Chairman
7 June 2022

Chief Executive's Review

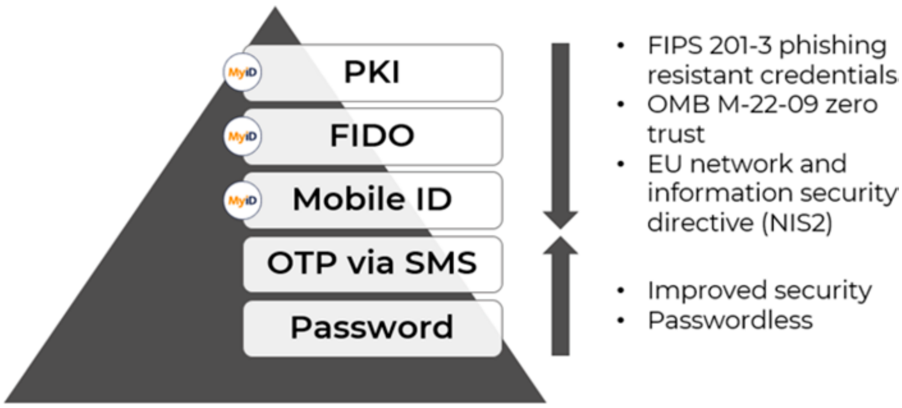
For the year ended 31 March 2022

FY22 started with varying degrees of Covid-19 restrictions and has ended with conflict in Europe. It is no understatement to say that it has been the most volatile year in recent memory and unfortunately not the environment in which Intercede wished to start the second phase of its turnaround. Yet, despite these headwinds, the Group continues to demonstrate its potential to drive organic growth with an impressive number of new customer wins.

I am proud to say that this year we have continued to deliver recurring revenue growth, high quality software and excellent service to our customers and partners. We have also continued to make good progress against our growth strategy and last, but not least, finished the year by securing prestigious new US Federal Government customers with the potential to generate substantial follow-on license orders.

Market Opportunity

Intercede's MyID credential management system (CMS) integrates and manages a broad range of PKI (Public Key Infrastructure) and FIDO (Faster Identity Online) technologies and has built a market-leading position in a number of very attractive, but niche, market segments with high barriers to entry. As part of Phase Two we continue to explore new authentication solutions, to complement the existing PKI and FIDO solutions, by moving down the authentication pyramid below and thereby increasing our addressable market:



The MyID platform addresses the issue that cybersecurity is focused on stopping hackers breaking in but is quite often undermined by hackers simply logging in through guessed or breached passwords. MyID provides effective protection against the number one cause of data breach – compromised user credentials. Last year, username/password breaches increased by over 450% in the US, according to ForgeRock's Identity Breach Report 2021. Passwords are simply not safe and represent a very weak form of authentication.

Fundamentally, it is time to move on from passwords and instead use MFA (Multi Factor Authentication) to ensure that digital users are who they say they are by requiring that they provide at least two pieces of evidence to prove their identity. Each piece of evidence must come from a different category: something they know (eg a PIN), something they have (eg a device, card or token) or something they are (eg a finger print or face ID).

Commonly, day-to-day MFA utilises SMS-based OTP's (one-time passwords), but these are at risk of phishing via open source and readily available phishing tools or methods such as SIM swapping that rely on social engineering. This is not the case with secure MFA (strong authentication solutions) such as PKI and FIDO, which provide highly secure phishing resistant crypto-based security, a cornerstone of zero-trust architectures.

The importance of securing authentication with encryption of data at rest and in transit should not be understated and was in fact mandated in President Biden's Executive Order on cybersecurity in May 2021. This Executive Order is wide ranging, covering enhanced information sharing, replicable 'playbook' style responses to cybersecurity incidents and increased vendor transparency. The EU has subsequently followed suit with the introduction of the NIS2 Directive which defines cybersecurity standards that must be met for a large range of enterprises and their supply chains, specifically calling out strong authentication.

Intercede lives and breathes authentication and encryption and has the skill set to meet the increasing global demand for truly secure digital identity.

Growth Strategy and Review of Operations

Intercede's growth strategy continues to be based on 5Cs, centred around Colleagues, Customers, Channels, Code and Cash but has evolved to include a focused acquisition strategy that is intended to accelerate the Group's growth. As the Group enters the second phase of its turnaround, a new C is added: Corporate Development.

1 Colleagues and Board Changes

Intercede's product innovation roadmap leverages over 1,000 person-years of internal development expertise that would require a competitor to spend significant time and effort to replicate. Put very simply, the Group respects its staff and recognises they are its most valuable assets. To help colleagues thrive the Group aims to create a happy and fulfilling working environment where there are opportunities to gain experience that will support future career development.

It is important for colleagues to feel their contribution is valued and that they are rewarded appropriately. Intercede invests in its people, providing training opportunities to support development and enhance individuals' opportunities for career progression and the Group continues to actively review the benefits package in order to retain and attract the brightest talent.

As announced on 23 November 2021, Andrew Walker has decided to retire and step down from the Board. During my tenure, Andrew has been a phenomenal support and contributor in Phase One. His long-standing experience, professionalism, commitment and prudence has ensured the Group is now well prepared for Phase Two of the turn around and we wish him the very best for his impending retirement as he plans to spend more time with his family. I am very pleased that we have been able to appoint Nitil Patel as his successor and our new Chief Financial Officer. Nitil started in April 2022, so we have had the benefit of a handover prior to Andrew's departure following the completion of the FY22 Accounts.

Staff engagement

The Group maintains regular contact with its staff via annual company-wide kick-off conferences, company-wide video calls, regular management meetings, internal presentations, team announcements and news articles on the company intranet. Cross-department communication between management and their teams is encouraged to happen freely and transparently. During the pandemic 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.

Two-way communication is promoted to encourage 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 September 2021, all colleagues were invited to take part in the annual employee survey which saw a high response of 96% (compared to an industry average in the mid-60%s).

Engagement has increased from 63% in 2017 to 85% in 2021 (significantly above industry norm) and has held steady compared to the prior year, which is reassuring and a positive indication of colleagues' health and wellbeing during the pandemic and the switch to remote working. 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.

Furthermore, our colleagues raise funds for their chosen charity selected each year (2022: Cancer Research UK), support the local foodbank in Lutterworth and the surrounding villages and work with charities for equipment disposal (WEEE). The Group is also investigating ways to reduce our carbon footprint including the daily use of collaboration tools to complement face to face meetings, as well as a new scheme started in the year with Oblong Trees to plant 200 trees in the UK and US for our colleagues on their birthdays, thereby offsetting CO2. Waste reduction and recycling is actively encouraged and practiced by many.

Finally, we have a Group wide, most valuable player recognition scheme where colleagues nominate individuals or teams who have made significant contributions to the business as a whole.

Staff wellbeing and retention

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.

Over the year, staff numbers increased to 87 as at 31 March 2022 (31 March 2021: 84), while the attrition rate (average number of leavers over the year as a ratio of average headcount over the year) rose to 7% compared to 0% in the previous year. The increase was not unexpected given the distortion of the pandemic on the labour market and 7% still compares favourably to 9% and 33% recorded in FY20 and FY19 respectively. This measure continues to be a validation that the Colleague strategy is contributing to higher staff satisfaction levels and the Group strives for market leading staff retention.

2 Customers

Intercede has built an enviable client 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.

Sixteen new deployments were signed up during the year, which is double the number signed up during FY21. Of these new deployments, eleven meet the criteria to be included in one of the Group's most prominent KPIs 'New deployments with revenues over £20,000' compared to six in FY21. Intercede has built market leading positions in a number of very attractive market segments, meeting the needs of Aerospace & Defence contractors and governments. This is both a blessing, due to the potential for large initial one-off license orders and steady recurring Support & Maintenance, but it can also present a challenge as the timing of contract awards is invariably outside of Intercede's control.

While the lack of a significant license deal has been felt more acutely in the comparison of FY22 revenue to FY21, the substantial increase in new deployment wins is clear evidence of underlying momentum. Meanwhile the quality of the MyID solution is indisputable as evident in the low level of attrition with Support & Maintenance renewal rates of 98% for FY22 (98% in FY21), which is offset by an average inflationary increase in this revenue stream of 3% in FY22 (FY21: 3%).

Hence, even before the impact of new license sales is accounted for, the existing recurring Support & Maintenance revenue stream is increasing. Intercede therefore finds itself in a privileged position in which its annual recurring revenues from Support & Maintenance, plus repeatable Professional Services revenues, now largely cover annual fixed costs. This is a firm foundation that allows the Group to remain profitable, even in leaner years that don't contain a significant license deal.

Intercede works closely with customers and partners to understand what is important to them and reflect this in the MyID product roadmap. New features such as enhanced REST APIs for simpler integration, the improved user experience of the operator interface and support for a wider range of authentication mechanisms including FIDO and mobile ID, help to keep MyID relevant to our customers/partners and ensure that MyID is the system of choice where both security and flexibility are essential in ensuring data is protected now and into the future.

Highlights:

Customer upgrades to the latest release indicate their support for the new features as evidenced by the Group's recent announcement that multiple major customers have chosen to upgrade their existing MyID deployments including:

- A major global Aerospace & Defence manufacturer upgrading to benefit from enhanced system configuration capabilities and integration APIs, enabling them to remove customisations and to achieve greater in-house control of the solution. In addition, support for the latest device types, such as YubiKey 5s, will allow the customer to deploy modern authentication devices better suited to their working environment.

- A major transportation deployment wishing to modernise their supported infrastructure platforms and also benefit from the more intuitive and faster browser-independent operator interface.
- A major US Government agency choosing to extend their deployment to overseas workers, benefiting from enhanced self-service via kiosk interfaces, reducing operational costs while maintaining compliance with stringent government security standards.

One important communication channel we have with our customers is the annual Customer Advisory Board (CAB). Virtual CABs were held during October and November for Customers and partners in the RoW and US respectively. They have followed a different format this year, starting with a Product Roadmap and Customer Success initiative session, then followed by non-concurrent workshops that allowed customers to attend all sessions including: FIDO for the Enterprise, Mobile Authentication & Transaction Signing and Upgrading MyID. A key output of these sessions is to validate Intercede's product roadmap against market requirements, ensuring our product remains relevant and ahead of the competition.

There are encouraging signs that our efforts to increase and improve customer interaction are paying off as evidenced by the increase in participation of the Customer Satisfaction Survey, the low churn rate and an increased NPS (Net Promoter Score).

3 Channels

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 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 6C strategy.

Technology Partners

Giesecke & Devrient
vmware
SailPoint
digicert
ENTRUST
AWARE
IDEMIA
Microsoft
THALES
yubico
KEYFACTOR
verizon

Integration & Reseller Partners

ALTRON
accenture
Carillon
CertiPath
cryptas
digicert
Diyar United Company
ENSIGN INFOSECURITY
essendi it
ESYSCO
Expisoft
Guidehouse
immixGroup
Insight
Plurilock
SALT
THALES e-Security
widepoint

The deep focus on strengthening relationships with reseller and technical alliance partners underlies Intercede's go-to-market strategy, namely:

Additional Partners = increased served market = more customer deployments

A key element of the Group's growth strategy is therefore focused on increasing the number of partner relationships via Intercede's Connect Partner Programme. There is a vast and ever-growing number of PKI and FIDO technologies in global circulation and the business is continually assessing them to identify those hardware and software vendors which meet Intercede's criteria for providing a successful partnership.

The Group has made excellent progress on this front with new partnerships formed in Europe, the US, ASEAN, Latin America and Africa. Of the eleven new deployments with revenues over £20,000, nine came through partners with orders in excess of £1.5m, most of which was recognised in revenue in FY22. And, of the nine new deployments that came through partners, three deployments were won via new partners signed up during FY22 with orders in excess of £0.3m, most of which was recognised in revenue in FY22.

Intercede continues to focus on technical alliances so that customers benefit from their digital infrastructure being seamlessly joined by the secure credential issued and managed by the MyID CMS. In Europe we continue to work with the likes of Cryptas and ESYSCO to embed MyID into a turnkey solution comprising of industry leading components, which simplifies the complexities of PKI deployment. This enables enterprises to benefit from a single and secure source of identity to access centralised systems, such as HR and Finance, and provide strong authentication to eIDAS (electronic identification, authentication and trust services) signing services.

There has been interest from a major service provider in Latin America who wishes to issue secure and verifiable digital identities with MyID acting as an identity service for applications such as student ID, healthcare and financial services applications, which would utilise relevant experience that Intercede has from working on the Kuwait National ID scheme. This would involve enrolment in an app using biometric and document scans for which MyID would then issue a digital identity containing information about the applicant into the app and allow the user to securely authenticate to services.

All of this leads Intercede into exciting new territory such as mobile driving licenses, following the publication of the eagerly anticipated ISO/IEC 18013-5 International Standard for Mobile Driver's License. This paves the way for digital driver's licenses to be trusted and accepted across state and national borders and enable the underlying identity to be used securely by citizens of participating jurisdictions to seamlessly access products and service across business, industry and government entities. While it is still early days, Intercede believes it has a role to play in thought leadership and support of the new standard.

4 Code

Code for Intercede's MyID CMS is written and managed by a large in-house team of expert and experienced developers, which makes MyID the leading unified credential management solution. During this financial year, Intercede has continued to invest in the MyID platform in accordance with its core development principles:

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

The start of FY22 saw the announcement of the release of MyID v12 which introduced the following significant new features:

- **FIDO** – MyID can now operate as a FIDO server, supporting a wide range of FIDO2 authenticators and delivering the ability to manage issuance policy and lifecycle management, providing organisations with the control they need to ensure that only the right people can access protected systems and resources.

- **Authentication Server** – an easy to operate method of authentication that enables a customer to use mobile devices within their existing PKI to secure access to the applications, such as Office 365, that they need as part of their role using fingerprint, PIN, or facial matching.
- **Operator Client** – additional features have now been migrated to the new operator client to improve performance and user experience. The operator client is now supported on Google Chrome, Microsoft Edge (Chromium) and Mozilla Firefox browsers.

Intercede has maintained a quarterly release schedule, the most recent being MyID v12.3 in March 2022. These releases have incorporated new and improved features such as:

- Improvement to FIDO functionality to allow derived FIDO credentials to be issued to users compliant with US Government security standard FIPS 201-3. The solution is zero-footprint (requiring no software on the user's device) making it quick and easy to deploy.
- Improvements to searches and reports on the new Operator Client, providing more flexibility and simpler access to audit and management information.
- The MyID Self Service Kiosk can be customized to incorporate a customer's own web pages and content, making the solution highly adaptable to environments via a zero/low code approach without the need for custom development.
- The MyID Toolkit consists of a package of APIs, documentation and sample code designed to extend the capabilities of MyID, enabling partners and customers to add value to MyID and integrate it simply into their own environments and applications.
- Updated MyID integration with the Office of Personnel Management (OPM) for Background Investigations, allowing adjudication decisions to be recorded in MyID and enhanced 10-Slap fingerprint capture and EFT generation, fully compliant with the latest US Government security standards.

The ever expanding and evolving code base, with its associated features and benefits, will support the use of new use cases which in turn lead to:

Additional technology/code = increased addressable market = more customer deployments

MyID releases during the year also incorporated integrated updates with the latest technology in the secure authentication market:

- Latest generation of Yubikeys and Yubikey FIPS devices.
- Simplified interface to Entrust Certificate Authority products.
- Latest Thales smartcards, eTokens, T-Series HSMs and Safenet Authentication Client.
- Latest PrimeKey EJBCA Enterprise PKI.
- Digicert One PKI.
- SecuGen Pro 10 & Pro 20 fingerprint readers.
- Aware Preface (PIV Facial biometric enrolment) with Canon EOS.

As mentioned in the 'Customer' section above, some of our largest customers are choosing to upgrade MyID to benefit from these new features and capabilities, making the MyID CMS a heavily integrated and embedded solution.

5 Cash

The Group continues to maintain its fine record of managing working capital cash flow and benefits from relatively low credit risk from trade receivables due to the requirement for customers to pay in advance for their recurring Support and Maintenance, which is the business's biggest revenue stream. Where there are credit accounts, these are typically with the largest and most reputable companies in the world and receivables are controlled through tight credit terms and regular monitoring.

Cash balances were £7.8m as at 31 March 2022, a small decline from cash of £8.0m as at 31 March 2021. Cash balances are monitored weekly for working capital and corporate development funding requirements. The Group continues to have no debt.

6 Corporate Development

The Group is actively exploring buy-side M&A following the Summer 2021 appointment of a new full time Head of Corporate Development with extensive experience as a software investment banker and who has led corporate development efforts in one of the largest M&A based software scale ups undertaken in the public markets.

The Board sees the value in taking time to ensure the right strategic fit(s) to ensure scalability and accelerated revenue growth, whilst also pursuing a disciplined approach to deal pricing. Any future acquisition will aim to be earnings enhancing as well as increasing our ability to access a larger addressable market and/or provide an end-to-end offering to our customers.

Outlook and Phase Two

Intercede's strategic priorities are clear as the Group embarks on Phase Two of its turnaround. The overall aim of scalability and consistent revenue growth will be achieved through a combination of:

- corporate development, with a focus on acquiring quality companies that meet this aim; and
- enhancements to the MyID CMS platform to broaden the addressable market.

Meanwhile the Group will continue to pursue organic growth in all its forms – winning new customers via new and existing partners and growing recurring revenue streams from existing customer relationships.

We will maintain our open and transparent style of communication and collaboration with colleagues, customers, partners and the wider stakeholder community in order to create increased growth opportunities as well as shareholder value.

Moving forward, the Group has a great opportunity for growth with Intercede having established a strong market position in a rapidly expanding sector. Our differentiated offering sets us apart from competitors, in addition to a quality team and a strong financial position. We look forward to the future with confidence.

I would like to thank Intercede's Board, colleagues, customers and partners for their valuable contributions to the Group's progress. As FY23 begins, the year has also been marked by a terrible conflict that affects us all. We expect Intercede's progress to continue unabated, and we hope for a stable, secure and peaceful environment for ourselves and the wider global community.

Klaas van der Leest

Chief Executive Officer

7 June 2022

Strategic Report

For the year ended 31 March 2022

Introduction

Intercede is a best-in-class cybersecurity software and services provider 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 simply, securely and at scale. 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 well 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 (such as FIPS 201-3 in the US and NIS2 in Europe) 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 government, enterprise and supply chain 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 continues to demonstrate its resilience against the backdrop of the Covid-19 pandemic and other geopolitical events, securing sixteen new deployments, which is double the number signed up during FY21. It is pleasing to note that eleven of these meet the criteria to be included in the KPI 'New deployments with revenues over £20,000', a sizable increase on the six new deployments in FY21.

While overall revenue decreased slightly compared to last year owing to the impact of Covid-19 on client decision-making, particularly impacting license purchases, the underlying recurring Support & Maintenance revenue stream continues to increase.

Intercede therefore finds itself at an inflection point in which its annual recurring revenues from Support & Maintenance, plus repeatable Professional Services revenues, now largely cover annual fixed costs. This is a firm foundation that allows the Group to remain profitable, even in leaner years that don't contain a significant license deal.

Revenue Highlights:

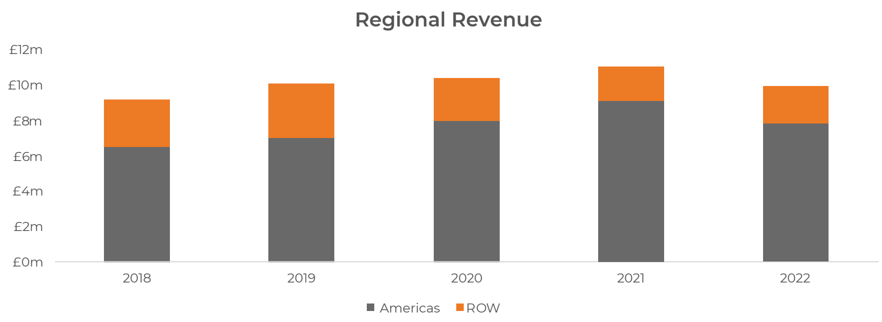
- A new MyID PIV deployment order from a prestigious independent US Federal Agency. The deployment will leverage Intercede's technology partnership with Microsoft, by delivering PKI credentials into Microsoft Intune managed smartphones enabling sensitive data protection and secure access to agency systems. This order is for an initial 20,000 devices plus associated Professional Services and Support & Maintenance totalling $0.5m, the majority of which was recognised as revenue in FY22. The deployment has the potential to rollout to substantially more devices over time.
- Immediately prior to year-end, Intercede announced an initial order totalling $0.3m from another large and prestigious US Federal Agency. This deployment also has the potential to rollout to a significant number of devices over time. The contract relates to the supply of Intercede's MyID credential management software to deploy digital identities to mobile devices in the form of derived PIV credentials, compliant with US government security standards FIPS 201 and SP 800-157. Intercede will work closely with its new partner to commence the migration from a competitor.
- A new MyID Enterprise deployment sale to the US Air Force to support an overseas forward deployment.
- As previously mentioned, multiple major customers have chosen to upgrade their existing MyID deployments including, but not limited to, a major global Aerospace & Defence manufacturer, a major transportation program and a major US government agency.
- A new MyID Enterprise deployment sale to a photonics technology business based in the UK to help them automate the issue of virtual smart cards (VSCs) at scale.
- A new MyID Enterprise deployment sale and order for Professional Services to assist a new partner based in South America to set up a pilot ID Provider for the service network of a multinational financial services corporation.
- A new MyID Enterprise deployment sale to a shared service provider for a major US government defence agency.
- Two new MyID PIV deployment sales to an existing US Air Force base customer. This customer now operates six similarly sized MyID PIV deployments.

These orders include software licenses, associated Support & Maintenance and Professional Services, some of which will be recognised as revenue in FY23.

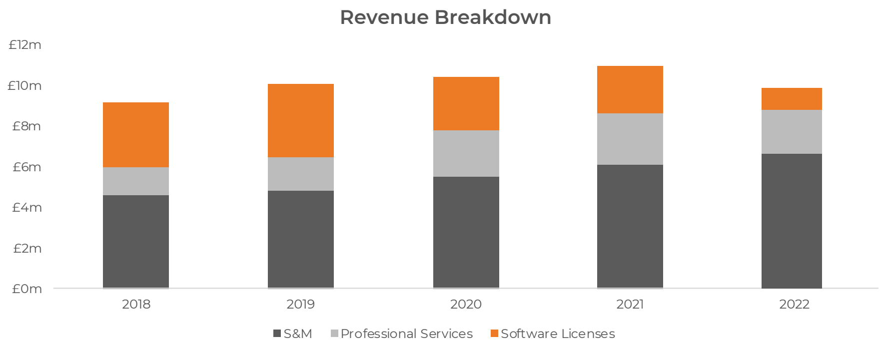
In the year ended 31 March 2022, revenue decreased 9% (4% at constant currency rates) to £9,925,000 (2021: £10,961,000). This is predominately the reason for the Group's gross profit decreasing to £9,727,000 (2021: £10,726,000) as the gross profit margin has remained constant at 98% year on year.

Financial Graphs

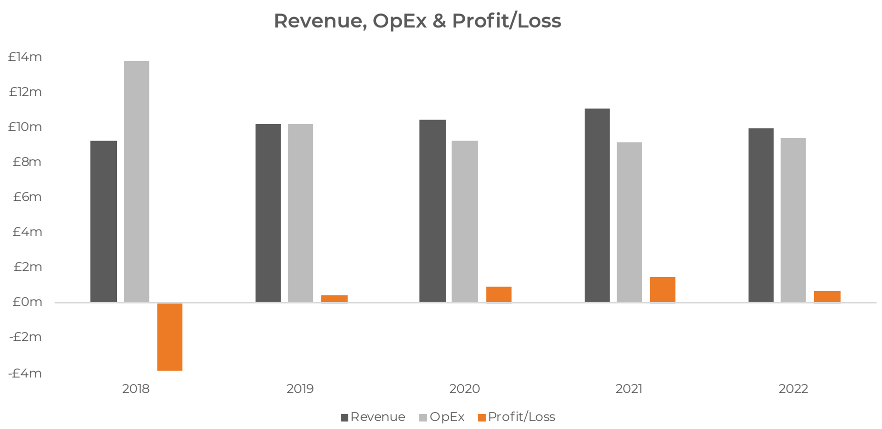
The US continues to represent Intercede's largest market with the Americas making up 79% of total revenues during 2022 (2021: 83%). Key markets for Intercede in Europe and the Middle East have continued to experience Covid-19 lockdowns at various points during FY22, which inevitably slowed down new customer opportunities with their short-term focus switching to the public health emergency.

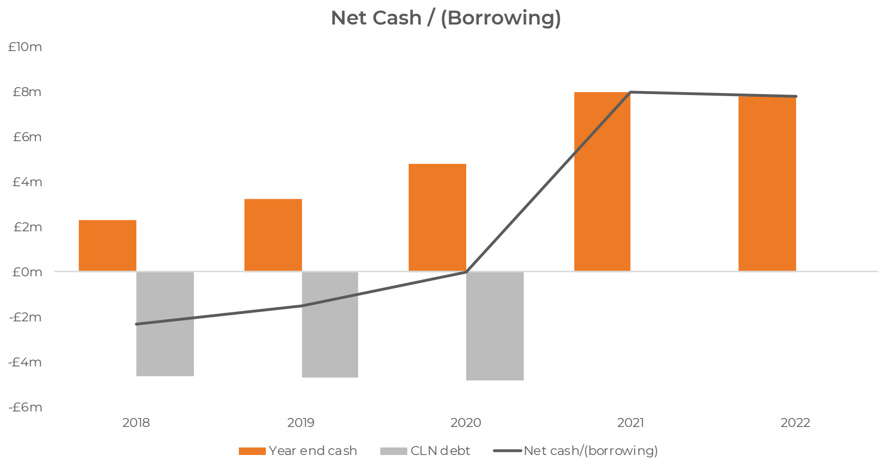


The last five years has seen progressive growth in recurring Support & Maintenance (S&M) revenues due to an increase in deployments and a loyal customer base that is resilient to churn. Software Licenses revenue decreased in the absence of a significant license deal due to delays in customer decision-making. However Professional Services revenue remained steady reflecting customer appetite to upgrade to the latest release to take advantage of new features. This, in combination with a low rate of churn, is evidence that the quality of the MyID solution is indisputable.

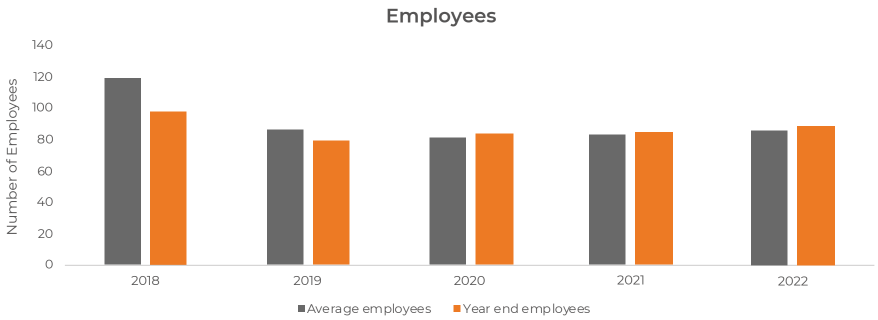


Higher Operating expenses (OpEx) in FY18 primarily reflected strategic investment in product development to expand MyID into emerging high-volume markets to secure mobile apps and devices, provide cloud services and protect the Internet of Things (IoT). This expenditure was substantially reduced following the change in strategy reported in the FY18 Annual Report and has averaged £9.4m during the period from FY19 to FY22. This lower cost base, when combined with increased recurring revenues, has enabled the Group to return to profit and cash generation.

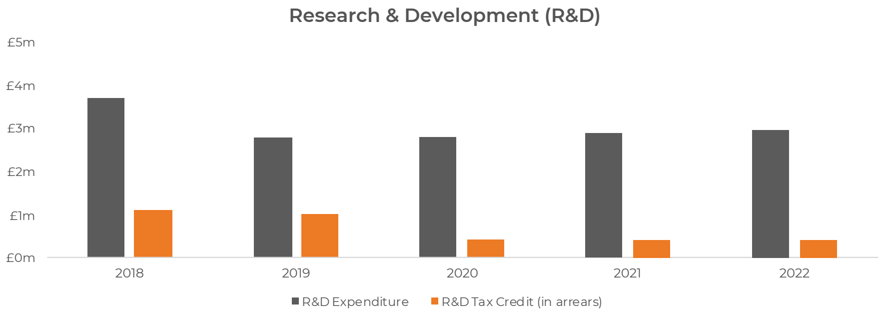




Following the successful early conversion and redemption of all convertible loan notes (CLNs) in February 2021, Intercede is debt free with a much strengthened financial position, enabling the Group to embark on Phase Two of its turnaround plan.



Employee numbers have stabilised and started to selectively increase again following the substantial reductions that were made during 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 has reduced.

Operating expenses (OpEx) for the year were £9,337,000 (2021: £9,137,000). OpEx is in line with the prior year and the small increase primarily reflects the impact of the April 2021 pay review and an increase in headcount. Staff costs continue to represent the main area of expense, representing 84% of total operating expenses (2021: 88%).

Intercede continues to recognise the achievements of its staff with pay rises and performance-related rewards. The average number of employees and contractors was 84, up from the previous year's average of 83 and the number of employees and contractors as at 31 March 2022 was 87 (31 March 2021: 84). Throughout 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. Intercede has not utilised any government Covid-19 assistance schemes, so there is nothing to repay.

Expenditure on research and development (R&D) activities totalled £2,953,000 (2021: £2,892,000). 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 during the year (2021: £nil).

A £400,000 taxation credit in the year (2021: £425,000) primarily reflects cash received following the 2021 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 £67,000 (2021: £485,000). This includes interest in respect of lease liabilities totalling £83,000 (2021: £65,000). The conversion and redemption of all convertible loan notes (CLNs) in FY21 means there were no CLN finance costs during the year (2021: £429,000).

Profit for the year was £723,000 (2021: £1,529,000), which resulted in a decreased basic profit per share of 1.3p and a fully diluted profit per share of 1.2p (2021: basic profit per share of 3.0p and fully diluted profit per share 2.8p). Intercede employs a high operating leverage which can result in large swings in profit depending on whether significant license orders are received.

Financial Position and Cashflow

The Group's cash position as at 31 March 2022 was £7,787,000, compared to cash of £8,029,000 as at 31 March 2021. During FY22 there has been a net cash inflow from operating activities of £110,000 (2021: £4,235,000 inflow, which reflected cash received from significant license orders received both during the year and prior to the end of FY20). The conversion and redemption of all CLNs in FY21 resulted in £nil CLN finance costs (2021: £445,000) and £nil repayments in respect of the redemptions of CLNs (2021: repayment of £450,000).

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 24 and 25.

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)

	2018	2019	2020	2021	2022
Revenue growth	11%	10%	2%	6%	(9%)
Revenues - Export	94%	97%	99%	99%	99%
Revenues - Americas	71%	69%	77%	83%	79%
New deployments with revenues over £20,000	10	9	4	6	11

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, geopolitical 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 the Ukraine conflict) 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 as well as the increased focus on cyber security.
- To date, the Group has not experienced interruptions in its operations or services to customers as a result of the Covid-19 pandemic. Management was well prepared for the current conditions, with business continuity plans already in place precisely for situations where staff were unable to work from the office. All staff continue to work productively either remotely or in the office where permissible. Intercede continually assesses travel, meetings and office working needs across its global locations in advance of formal government directives.
- 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 2022

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 currently Chair of Innovation Group Limited, Cirrus Response Limited and Stellar Omada Limited. He is an advisor to the NEC Corporation and the Board of Northgate Public Services Limited. He is also Chair of England Hockey.

He has held a range of Executive and Board Director roles with Private Equity backed, bank backed and Publicly listed companies including IBM, Logica PLC, Cable & Wireless PLC, BT PLC, Hays PLC, Bluefin Solutions Limited, Northgate PS Limited, Xchanging 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.

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 2022

The Directors present their Annual Report and the audited financial statements of the Group and the Company for the year ended 31 March 2022.

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 (IGP) 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 13 and the Strategic Report on pages 14 to 19.

Results and Dividends

The audited accounts for the year ended 31 March 2022 are set out on pages 34 to 55. The Group's profit for the year was £723,000 (2021: £1,529,000). The Directors do not recommend the payment of a dividend (2021: £nil).

Management of Financial Risk

The Group's policy for the management of financial risk is set out within note 13.

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 2022 was £2,953,000 (2021: £2,892,000) 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, all who served throughout the year, are provided on pages 20 and 21. In accordance with the Company's Articles of Association, Royston Hoggarth, Jacques Tredoux and Klaas van der Leest 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 2022	Ordinary Shares 31 March 2021
C Pol	133,037	133,037
R Chandhok	—	—
R Hoggarth	168,721	168,721
J Tredoux	16,437,860	16,437,860
K van der Leest	63,406	59,806
A Walker	1,817,337	1,613,737

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 2022, 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 16 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 2022, 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	25.9
Canaccord Genuity Wealth Management	3,355,583	5.8
Liontrust Asset Management	3,276,205	5.7
Anjar International Ltd.	3,171,631	5.5
Palm Ltd.	3,147,436	5.5
Herald Investment Management	3,140,184	5.4
R Parris	2,655,706	4.6
Premier Miton Investors	2,252,497	3.9
Chelverton Asset Management	2,102,545	3.6
Link Market Services Trustees Nominees	1,962,385	3.4
Hargreaves Lansdown Nominees	1,822,409	3.2
A Walker	1,817,337	3.1

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 2022 the percentage of the Company's issued share capital that is not in public hands is 36.1%. 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.

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 22nd Annual General Meeting of the Company will be held on Wednesday 21 September 2022. The Notice of the Annual General Meeting will be sent out to shareholders prior to the meeting.

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 are required to prepare the Group financial statements in accordance with UK adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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.

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 they have been prepared in accordance with UK adopted international accounting standards 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 Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 and the financial statements are 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.

Independent Auditors

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 2022

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 19.

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 20 and 21.

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, which forms the basis of Phase Two of Intercede's turnaround. In essence, this is a 6C 'back to basics' strategy centred around Colleagues, Customers, Channels, Code, Cash and Corporate Development (see pages 6 to 13 for an update on the execution of this strategy). The 6C 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 14 to 19) 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. Four 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 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 Group has now embarked on Phase Two with overarching themes of scalability and consistent revenue growth. The existing 5C strategy provides a strong foundation for growth thanks to the inclusion of Customers and Channels to pursue organic growth in all its forms, particularly winning new customers and growing recurring revenue streams from existing customer relationships. The inclusion of Code in the 5C strategy also addresses growth through enhancements to the MyID CMS platform to broaden the addressable market. To add further emphasis on growth, the 5C strategy has become a 6C strategy to include Corporate Development with a focus on acquiring quality companies with the right strategic fit(s) to ensure scalability and accelerated revenue growth.
- The Cash element of the 6C strategy has resulted in a substantially improved cash position during Phase One of its turnaround. This gave the Directors the confidence to issue a call notice in February 2021 that resulted in the successful early retirement of outstanding convertible loan notes (CLNs) totalling £5,005,000. The removal of this debt from the balance sheet, and the elimination of the associated interest cost, has substantially improved the capital structure of the Group. Intercede is well placed to pursue its Phase Two growth strategy and continues to monitor cash balances weekly for working capital and corporate development funding requirements.
- Have regard to the interests of the Group's employees, as set out on page 22 of the Directors' Report. All staff have continued to work productively either remotely, or

in the office where permissible, throughout the Covid-19 pandemic to maintain business as usual. Intercede invests in its people, providing training opportunities to support development and enhance individuals' opportunities for career progression. The Group continues to actively review the employee benefits package in order to retain and attract the brightest talent and recognises the achievements of its staff with pay rises and performance-related rewards. Staff numbers have started to selectively increase and the attrition rate (average number of leavers over the year as a ratio of average headcount over the year) is lower than the levels seen in FY19 and FY20. With the wider world emphasising the need for mental health awareness, the Group 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.

- Understand the need to foster the Group's business relationships with suppliers, customers, partners and others. Customers and Channel partners are focal points of the Group's 6C strategy as discussed in detail within the Chief Executive's Review on pages 6 to 13.
- Recognise our impact on our local community and the environment with the aim of developing an ESG strategy. Intercede is committed to promoting sustainability. Concern for the environment and promoting greater sustainability are important considerations for the Group and how we conduct business; we aim to reduce the environmental impact of our activities. During the year the Group introduced an electric vehicle car scheme to help colleagues access brand new zero emission electric vehicles. The Group also monitors utilisation of our property portfolio to minimise our energy use through the use of LED lighting and maximise utilisation by consolidating or relocating to smaller offices as required. Recycling and waste reduction programmes are promoted and where IT equipment cannot be recycled, we track products which may need safe disposal in the future. As with many companies during the pandemic, Intercede has made the most of recent events to reduce vehicle, flight and rail travel through the use of effective collaboration tools, video conferencing facilities and flexible working arrangements. 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. We maintained our support for the local foodbank during the pandemic, as well as assisting 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.
- Take into account the desirability of the Group 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 Group, 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 emphasis on the Group's reputation for quality and, in addition to lending full support to the maintenance of the Group's ISO 9001 and ISO 27001 status, takes reputational matters into account in its decision-making. This is 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'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 14 to 19.

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 and other geopolitical events, 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 2023 and 31 March 2024, 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 2022

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 2022 ('FY22'), 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 FY22 Financial statements, and how these were addressed, were:

- **External audit**
  The Audit Committee monitors the Group's relationship with the external auditor, BDO LLP, to ensure that external independence and objectivity has been maintained and will continue to review and challenge the work undertaken to ensure the effectiveness of the audit process. This is the second year that BDO has provided audit services to the Group and the Audit Committee looks forward to building a strong and productive working relationship with BDO.
- **Risk management and internal control**
  The Committee is responsible for advising the Board on risk exposure and the review of internal controls that are in place to mitigate risk. Principal risks and uncertainties facing the business are presented on page 19. The internal control environment continues to evolve and develop as the Group grows and considers integration of potential acquisitions, with a particular focus on the automation of processes and introduction of new technology to enhance control and communication across the Group.
- **Going concern**
  As part of the going concern assessment, the Board reviewed forecasts for the years ended 31 March 2023 and 31 March 2024 and concluded that the Group has sufficient cash to continue in operational existence for the foreseeable future. The Committee also notes that the Group continues to monitor cash balances weekly for working capital and corporate development funding requirements and that annual recurring revenues from Support & Maintenance, plus repeatable Professional Services revenues, now largely cover annual fixed costs. This is a firm foundation that allows the Group to remain profitable, even in leaner years. The complete conversion and redemption of all convertible loan notes in the previous financial year has left the Group with a stronger balance sheet and no debt.

Royston Hoggarth
Chair
Audit Committee
7 June 2022

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 2022.

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 2015 and have now all been exercised. Three senior managers exercised 117,500 options during the year when the market value of the shares of the Company was 105.5p and one senior manager exercised 50,000 options during the year when the market value of the shares of the Company was 80.5p.

Further options were granted to senior managers and directors on 7 November 2014. These options have now all lapsed or been forfeited.

Awards totalling 1,000,000 and 650,000 options were granted to the new Chief Executive and the Finance Director respectively on 19 October 2018. These options partially vested on 19 October 2021 following which the Finance Director exercised 500,000 options and sold 300,000 shares on 8 December 2021 when the market value of the shares of the Company was 78.0p.

Further options were granted to senior managers on 24 October 2018, 27 March 2019 and 22 August 2019. The options granted on 24 October 2018 and 27 March 2019 partially vested during the year and the options granted on 22 August 2019 will partially vest on 22 August 2022.

The following options were outstanding as at 31 March 2022:

Plan	Date of Grant	No. of Shares	Exercise Price	Dates Exercisable
EMI	19 October 2018	750,000	27.0p	19 October 2021 to 18 October 2028
EMI	24 October 2018	225,000	24.5p	24 October 2021 to 23 October 2028
EMI	27 March 2019	112,500	17.0p	27 March 2022 to 26 March 2029
EMI	22 August 2019	112,500	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 – 750,000 options vested on 19 October 2021.

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 15 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 15 of the Consolidated Financial Statements.

Share Price

As at 31 March 2022, the market value of the shares of the Company was 61.0p (mid-market price). The share price fluctuated between a high of 117.5p and a low of 57.0p during the year ended 31 March 2022.

Chuck Pol
Chair
Remuneration Committee
7 June 2022

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 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- 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 2022 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 the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. 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 the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 considered management's trading and cash flow budgets and forecasts, which covered the period to 31 March 2024 and form part of the Directors' assessment of going concern. 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, having regard to the available cash at 31 March 2022 and considering the likelihood that any reasonably foreseeable downside sensitivities could affect the ability of the Group and the Parent Company to settle their debts as they fall due in the foreseeable future; and
- We also reviewed the disclosures in the financial statements to assess if 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 and the 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	*83% (2021: 87%) of Group profit before tax* *100% (2021: 100%) of Group revenue* *91% (2021: 89%) of Group total assets*		
Key audit matters		2022	2021
	Revenue recognition	●	●
Materiality	*Group financial statements as a whole* £33,000 (2021: £55,000) based on 5% of average profits before tax for the last three years (2021: 5% of profit before tax)		

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 the 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 two dormant subsidiaries.

The Group engagement team 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 a Group level, including testing the Group consolidation and specific procedures on material assets, liabilities and expenses in Intercede MyID Inc. carried out by the Group engagement team, provided the evidence required to form our opinion on the Group financial statements as a whole. The Group engagement team also undertook analytical procedures on the overall results and financial position of Intercede MyID Inc and the remaining non significant components.

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 customers, the revenue from these different services is required to be separated and recognised either at a point in time or over time depending on when the performance obligations are met. This also requires that the consideration is allocated to each separate performance obligation. Consequently any error or bias in the allocation of consideration to the individual performance obligations would affect the revenue reported. In addition, the timing of the recognition of license sales, being the point at which the customer is provided with access to the software, has the potential for error 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 consideration between performance obligations and risk of incorrect timing of revenue recognition on license sales.	We tested the appropriateness of the revenue recognition policies, including the judgements involved in allocating revenue to individual products and services, and the appropriateness of the timing of revenue recognition on licence sales by performing the following procedures: We tested a sample of transactions from each revenue stream to confirm the revenue was recognised in accordance with the accounting policies and the conditions for recognition had been met. This included inspecting customer contracts and the terms of business, testing that the assessment of the performance obligations, the timing of transfer of control and the values attributed to the individual performance obligations were correctly determined. For contracts which included multiple performance obligations, we tested the allocation between performance obligations by reference to publicly available sales price lists for the stand alone components to assess if the allocation of the values, and any associated discounts, had been subject to bias in the allocations. We corroborated the timing of recognising revenue on license sales to supporting documentation including the delivery of the software keys to customers, to confirm revenue has been recognised in the correct period. **Key observations:** We noted no material exceptions to indicate there were errors in the allocation of the transaction price to performance obligations or the timing of recognising license sales.

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		Parent company financial statements	
	2022	2021	2022	2021
	£	£	£	£
Materiality	33,000	55,000	18,000*	52,000*
Basis for determining materiality	5% of the three year average of profit before tax	5% of profit before tax	Based on 5% of total assets, capped at 55% of Group materiality taking account of aggregation risk across significant components *Represents the capped amount.	Based on total assets, capped at 95% of Group materiality
Rationale for the benchmark applied	Profit before tax remains the most appropriate benchmark as it is the key performance measure used by stakeholders to assess the Group's performance. Reflecting the volatility in profits that can arise due to the timing of individual license sales, we have refined our assessment to use the 3 year average profit before tax.	Profit before tax is considered an appropriate benchmark as it is the key performance measure used by stakeholders to assess the Group's performance.	As a listed entity, whose main purpose is to hold the investment in Intercede Limited, the total asset value has been considered the most appropriate benchmark for materiality. This has been capped at a percentage of Group materiality, taking account of the aggregation risk.	Calculated as a percentage of Group materiality for Group reporting purposes, taking account of the aggregation risk.
Performance materiality	24,750	38,000	13,500	36,000
Basis for determining performance materiality	75% of materiality Determined with reference to our risk assessment, our understanding of the control environment and the history of minimal misstatements.	70% of materiality This reflected our assessment of there being no significant changes in the Group's operations or history of pervasive errors or weaknesses in internal control but also reflecting the fact that 2021 was our first year as the auditors.	75% of materiality Determined with reference to our risk assessment, our understanding of the control environment and the history of minimal misstatements.	70% of materiality This reflected our assessment of there being no significant changes in the Parent Company's operations or history of pervasive errors or weaknesses in internal control but also reflected the fact that 2021 was 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 Group plc (entity) and Intercede Limited were considered to be the two significant components and materiality was set at £18,000 and £31,000 (2021: £46,000 and £52,000) for these components respectively. In the audit of each component, we further applied performance materiality levels of 75% (2021: 70%) of the component materiality to 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 £1,300 (2021: £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 the 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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design and execute procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The design of our procedures to be capable of detecting irregularities, including fraud, is detailed below:

- enquiring of management, the Directors 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 Directors and the Audit Committee. The most significant considerations for the Group are UK adopted 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, recording of license sales in the correct period and the allocation of revenue between the individual components of revenue on contracts to provide multiple services.

We 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, the Directors and the Audit Committee 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 test any which we considered were indicative of management override. We examined the revenue accounts to identify journals or other adjustments and corroborated these with supporting documentation to test that they were for valid business purposes.
- 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 of and tested the application of the revenue recognition policies, with a particular focus on recording of license sales in the correct period and the allocation of revenue between the individual components of revenue on contracts to provide multiple services (as further described in the key audit matters section above).

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 2022

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 2022

	Notes	2022 £'000	2021 £'000
Continuing operations			
Revenue	2	**9,925**	10,961
Cost of sales		**(198)**	(235)
Gross profit		**9,727**	10,726
Operating expenses		**(9,337)**	(9,137)
Operating profit	3	**390**	1,589
Finance income	5	**16**	9
Finance costs	5	**(83)**	(494)
Profit before tax		**323**	1,104
Taxation	6	**400**	425
Profit for the year		**723**	1,529
Total comprehensive income attributable to owners of the parent company		**723**	1,529
Profit per share (pence)	7		
- basic		**1.3p**	3.0p
- diluted		**1.2p**	2.8p

The accompanying notes on pages 38 to 50 are an integral part of these financial statements.

Consolidated Balance Sheet

At 31 March 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Property, plant and equipment	8(a)	117	154
Right of use assets	8(b)	431	725
		548	879
Current assets			
Trade and other receivables	10	4,598	4,098
Cash and cash equivalents		7,787	8,029
		12,385	12,127
Total assets		12,933	13,006
Equity			
Share capital	11	577	571
Share premium		5,268	5,138
Merger reserve		1,508	1,508
Accumulated deficit		(1,842)	(2,471)
Total equity		5,511	4,746
Non-current liabilities			
Lease liabilities	8(b)	388	762
Deferred revenue		233	420
		621	1,182
Current liabilities			
Lease liabilities	8(b)	368	350
Trade and other payables	12	1,464	1,920
Deferred revenue		4,969	4,808
		6,801	7,078
Total liabilities		7,422	8,260
Total equity and liabilities		12,933	13,006

The financial statements on pages 34 to 50 were authorised for issue by the Board of Directors on 7 June 2022 and were signed on its behalf by:

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

The accompanying notes on pages 38 to 50 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2022

	Share capital £'000	Share premium £'000	Equity reserve £'000	Merger reserve £'000	Accumulated deficit £'000	Total equity £'000
At 1 April 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 15)	—	—	—	—	88	88
Employee share incentive plan charge (note 15)	—	—	—	—	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
Purchase of own shares	—	—	—	—	**(187)**	**(187)**
Issue of new shares (note 11)	**6**	**130**	—	—	—	**136**
Employee share option plan charge (note 15)	—	—	—	—	**67**	**67**
Employee share incentive plan charge (note 15)	—	—	—	—	**26**	**26**
Profit for the year and total comprehensive income	—	—	—	—	**723**	**723**
At 31 March 2022	**577**	**5,268**	—	**1,508**	**(1,842)**	**5,511**

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 38 to 50 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2022

	2022 £'000	2021 £'000
Cash flows from operating activities		
Profit for the year	723	1,529
Taxation	(400)	(425)
Finance income	(16)	(9)
Finance costs	83	494
Depreciation of property, plant & equipment	70	60
Depreciation of right of use assets	237	255
Exchange losses / (gains) on foreign currency lease liabilities	22	(74)
Employee share option plan charge	67	88
Employee share incentive plan charge	26	48
Employee unit incentive plan charge	9	30
(Increase) / decrease in trade and other receivables	(550)	1,078
(Decrease) / increase in trade and other payables	(465)	357
(Decrease) / increase in deferred revenue	(26)	877
Cash (used in) / generated from operations	(220)	4,308
Finance income	13	12
Finance costs on convertible loan notes	—	(445)
Finance costs on leases	(83)	(65)
Tax received	400	425
Net cash generated from operating activities	110	4,235
Investing activities		
Purchases of property, plant and equipment	(33)	(95)
Cash used in investing activities	(33)	(95)
Financing activities		
Purchase of own shares	(187)	(29)
Proceeds from recycling of own shares	—	26
Proceeds from issue of ordinary share capital	136	—
Principal element of lease payments	(321)	(338)
Repayment of convertible loan notes	—	(450)
Cash used in financing activities	(372)	(791)
Net (decrease) / increase in cash and cash equivalents	(295)	3,349
Cash and cash equivalents at the beginning of the year	8,029	4,758
Exchange gains / (losses) on cash and cash equivalents	53	(78)
Cash and cash equivalents at the end of the year	7,787	8,029

The total cash outflow for leases is £404,000 (2021: £403,000)
The accompanying notes on pages 38 to 50 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

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 UK adopted international accounting standards ("IFRS") and with those parts of the Companies Act 2006 applicable to companies reporting under 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. Despite the ongoing disruption to market conditions relating to Covid-19 and other geopolitical events, the Board remains confident of the future prospects for the Group, underpinned by reported profits in each of the last four years. This has also resulted in an increase in cash balances from £3,228,000 as at 31 March 2019 to £7,787,000 as at 31 March 2022.

Against the backdrop of an increase in the level of recurring revenues, and a continued high level of cash balances, the Directors have reviewed forecasts for the years ended 31 March 2023 and 31 March 2024 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 2022 (2021: £nil). In general, the Group's R&D 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.

Estimates:

- 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 60%; and b) the level of accounting profit is over five times higher.

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/excluded 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 to end users, partners and resellers. Where services are provided via resellers and partners, the satisfaction of the performance obligations are determined by reference to the end users, with the transaction price being the amount which is directly under the control of the Group. The Group's revenue recognition polices are detailed below:

Software licence sales (goods) – Revenue is recognised at a point in time once the customer has access to the license. 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.

Professional services – Revenue is recognised over 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

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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2022

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.

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 15.

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 2021: Covid-19-Related Rent Concessions (Amendment to IFRS 16) and Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). None of the amendments had a material impact on the Group's financial statements for the year ended 31 March 2022.

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.

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:

	2022 £'000	2021 £'000
UK	119	115
Rest of Europe	992	1,061
Americas	7,801	9,095
Rest of World	1,013	690
	9,925	10,961

Analysis of revenue is as follows:

	2022 £'000	2021 £'000
Software licences	1,049	2,251
Professional services	2,210	2,585
Support and maintenance	6,666	6,125
	9,925	10,961

One end customer made up more than 10% of the Group's revenue, contributing £2,535,000 (2021: two end customers contributed £2,080,000 and £2,822,000). Revenue of £4,847,000 (2021: £4,158,000) has been recognised that was included in the deferred revenue liability balances at the beginning of the year. The Group's deferred revenue liabilities typically 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 £233,000 (2021: £420,000). The maturity of non-current deferred revenue liabilities is £212,000 due within 1-2 years (2021: £290,000) and £21,000 due within 2-5 years (2021: £130,000).

3 Operating profit

Operating profit is stated after charging:

	2022 £'000	2021 £'000
Staff costs (note 4)	7,819	8,022
Foreign exchange loss	31	167
Depreciation of property, plant and equipment	70	60
Depreciation of right of use buildings	210	228
Depreciation of right of use equipment	27	27

Included in the staff costs above is research and development expenditure totalling £2,953,000 (2021: £2,892,000).

The analysis of auditors' remuneration is as follows:

	2022 £'000	2021 £'000
Fees payable for the audit of the parent company and consolidated financial statements	50	43
Fees payable for the audit of the Company's subsidiaries, pursuant to legislation	6	5
	56	48

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2022

4 Staff costs

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

	2022 Number	2021 Number
Technical	62	62
Sales and marketing	12	11
Administration	10	10
	84	83

Their aggregate remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	6,628	6,811
Social security costs	826	779
Other pension costs	269	276
Employee share option plan charge (note 15)	67	88
Employee share and unit incentive plan charge (note 15)	29	68
	7,819	8,022

Pension contributions totalling £46,000 (2021: £46,000) are included within year end trade and other payables

Directors' remuneration

The aggregate remuneration of the Directors was as follows:

	2022 £'000	2021 £'000
Emoluments	705	842
Social security costs	87	99
Company contributions to defined contribution pension scheme	11	19
Directors' share option plan charge	47	60
Directors' share and unit incentive plan charge	4	17
	854	1,037

Directors' emoluments

	Salary and fees 2022 £'000	Bonus 2022 £'000	Benefits in kind 2022 £'000	Pension contributions 2022 £'000	Total 2022 £'000	Total 2021 £'000
Executive Directors						
K van der Leest	230	96	—	2	328	411
A Walker	162	54	1	9	226	284
Non-Executive Directors						
C Pol	88	—	—	—	88	91
R Hoggarth	25	—	—	—	25	25
R Chandhok	24	—	—	—	24	25
	529	150	1	11	691	836
Fees paid to related parties	25	—	—	—	25	25

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 27 and 28.

5 Finance income and costs

	2022 £'000	2021 £'000
Finance income		
Interest income on short term bank deposits	16	9
Finance costs		
Convertible loan notes	—	(429)
Interest in respect of lease liabilities	(83)	(65)
	(83)	(494)

Finance costs in respect of the convertible loan notes represent interest payable totalling £nil (2021: £347,000) plus £nil (2021: £82,000) representing an effective interest rate adjustment. The convertible loan notes were successfully retired in the prior year following the issue of a call notice in February 2021.

6 Taxation

The tax credit comprises:

	2022 £'000	2021 £'000
Current year – UK corporation tax	—	—
Current year – US corporation tax	(33)	(22)
Research and development tax credits relating to prior years	433	447
Taxation	400	425

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:

	2022 £'000	2021 £'000
Profit before tax	323	1,104
Tax calculated at UK corporation tax rate of 19% (2021: 19%)	(61)	(210)
Enhanced research and development tax deduction	740	707
Research and development tax credits relating to prior years	433	447
Depreciation in excess of capital allowances	2	4
Expenses not deductible for tax purposes	(38)	—
Other temporary differences	—	5
Employee share option plan charge	—	(17)
Employee share incentive plan charge	—	(9)
Employee unit incentive plan charge	—	(4)
Employee share options exercised	—	5
Purchase of shares for employee share incentive plan	—	11
US corporation tax	2	10
Losses brought forward utilised	29	10
Losses carried forward	(707)	(534)
Tax credit for the year	400	425

The Group has unused tax losses of £10,446,000 (2021: £9,174,000) and unrecognised deferred tax assets of £2,612,000 (2021: £1,743,000) calculated at the corporation tax rate of 25% (2021: 19%), being the enacted rate at which the deferred tax assets would unwind, were they to be recognised. 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2022

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.

		2022 £'000	2021 £'000
Profit for the year		723	1,529

		Number	Number
Weighted average number of shares	– basic	57,265,739	51,359,410
	– diluted	59,413,261	54,049,938

		Pence	Pence
Profit per share	– basic	1.3p	3.0p
	– diluted	1.2p	2.8p

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

	2022 Number	2021 Number
Issued ordinary shares at start of year	57,143,357	50,523,926
Effect of treasury shares	(112,412)	(41,645)
Effect of issue of ordinary share capital	234,794	877,129
Weighted average number of shares – basic	57,265,739	51,359,410
Add back effect of treasury shares	112,412	41,645
Effect of share options in issue	2,035,110	2,648,883
Weighted average number of shares – diluted	59,413,261	54,049,938

Please see note 11 for details of issues of ordinary share capital.

8(a) Property, plant and equipment

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer and office equipment £'000	Total £'000
Cost				
At 1 April 2020	70	101	1,058	1,229
Additions	—	1	94	95
Disposals	—	(2)	(65)	(67)
At 1 April 2021	70	100	1,087	1,257
Additions	—	—	33	33
Disposals	—	—	(180)	(180)
At 31 March 2022	70	100	940	1,110
Accumulated depreciation				
At 1 April 2020	65	76	969	1,110
Charge for the year	5	11	44	60
On disposals	—	(2)	(65)	(67)
At 1 April 2021	70	85	948	1,103
Charge for the year	—	9	61	70
On disposals	—	—	(180)	(180)
At 31 March 2022	70	94	829	993
Net book amount				
At 31 March 2022	—	6	111	117
At 31 March 2021	—	15	139	154

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:

	2022 £'000	2021 £'000
Right of use assets		
Buildings	411	678
Equipment	20	47
	431	725
Lease liabilities		
Current	368	350
Non-current	388	762
	756	1,112

The maturity of lease liabilities is as follows:

	2022 £'000	2021 £'000
Due within one year	368	350
Due between one and two years	235	367
Due between two and five years	153	395
	756	1,112

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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2022

9 Subsidiaries

The Company's subsidiaries, all of which have been consolidated in the Group's financial statements at 31 March 2022, 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 National Security Services LLC	USA	Common	100	Dormant

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 and Intercede National Security Services LLC is registered at 251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA.

10 Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables	4,303	4,067
Less: credit loss allowance	—	(151)
Prepayments and accrued income	239	135
Other debtors	56	47
	4,598	4,098

The amount written off as irrecoverable during the year was £151,000 (2021: £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:

	2022 £'000	2021 £'000
At 1 April	(151)	(345)
Written off	151	—
Unused credit loss allowance	—	194
At 31 March	—	(151)

Included within trade receivables are receivables with a gross carrying amount of £340,000 (2021: £78,000) which are past due. The level of trade receivables over 60 days old was £4,000 (2021: £178,000). The average age of the Group's trade receivables is 67 days (2021: 56 days).

11 Share capital

	2022 £'000	2021 £'000
Authorised		
481,861,616 ordinary shares of 1p each (2021: 481,861,616)	**4,819**	4,819
Issued and fully paid		
57,743,357 ordinary shares of 1p each (2021: 57,143,357)	**577**	571

The increase in issued and fully paid ordinary shares of 1p each represents the issue of 100,000 shares to facilitate the exercise of options by senior managers in June 2021 and the issue of 500,000 shares to facilitate the exercise of options by a Director in December 2021.

As at 31 March 2022, the Company had 131,645 ordinary shares held in treasury (2021: 41,645). During the year 67,500 options were exercised using treasury shares (2021: 35,000) and the Company purchased 157,500 ordinary shares (2021: 35,000) for a consideration of £155,000 (2021: £29,000) to facilitate the exercise of options by senior managers during the year.

12 Trade and other payables

	2022 £'000	2021 £'000
Trade payables	**328**	489
Taxation and social security	**151**	142
Accruals	**985**	1,289
	1,464	1,920

Included within accruals is £79,000 (2021: £70,000) relating to the Employee Unit Incentive Plan (note 15).

13 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2022

13 Financial instruments continued

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 £7,787,000 (2021: £8,029,000) at the year end. This includes US dollar deposits of £916,000 (2021: £1,133,000) and euro deposits of £25,000 (2021: £259,000). Interest rates on cash deposits are based on SONIA.

Maturity of financial liabilities

The Group has no external borrowings. 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 12.

Borrowing facilities

The Group has no undrawn committed borrowing facilities (2021: £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 2022	4,997	117	5,114
At 31 March 2021	4,768	369	5,137

14 Financial commitments

a) *Capital commitments*

The Group had no capital commitments at the year end (2021: £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 (2021: £nil).

15 Share based payments

The Report of the Remuneration Committee on pages 27 and 28 provides details of the status of share options granted since a Share Option Plan was introduced for senior executives on 22 July 2011. Details relating to the options that remain outstanding as at 31 March 2022 are outlined below.

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 of options 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.

The total charge for the year relating to employee share options was £67,000 (2021: £88,000). Share options outstanding at the year end have a weighted average contractual life of 6.7 years (2021: 6.9 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 2022. 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 2022

15 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 £26,000 (2021: £48,000).

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 £9,000 (2021: £30,000) as outlined in the table below:

	2022 £'000	2021 £'000
At 1 April	70	40
Additional charge	9	30
At 31 March	79	70

16 Related party transactions

During the year ended 31 March 2022, 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:

	2022 £'000	2021 £'000
Consultancy fees charged	25	25
Balance outstanding at the year end	13	19

Company Balance Sheet

At 31 March 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Investments	3	5,994	5,892
Current assets			
Trade and other receivables	4	4,546	4,596
Total assets		10,540	10,488
Equity			
Share capital	5	577	571
Share premium		5,268	5,138
Retained earnings		4,616	4,709
Total equity		10,461	10,418
Current liabilities			
Trade and other payables	6	79	70
Total liabilities		79	70
Total equity and liabilities		10,540	10,488

The amount of profit dealt with in the Company financial statements was £1,000 (2021: £52,000).

The financial statements on pages 51 to 55 were authorised for issue by the Board of Directors on 7 June 2022 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 2022

	Share capital £'000	Share premium £'000	Equity reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 April 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
Purchase of own shares	—	—	—	**(187)**	**(187)**
Issue of new shares	**6**	**130**	—	—	**136**
Employee share option and share incentive plan charges	—	—	—	**93**	**93**
Profit for the year and total comprehensive income	—	—	—	**1**	**1**
As at 31 March 2022	**577**	**5,268**	—	**4,616**	**10,461**

Note: see page 36 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 2022

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 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.

Notes to the Company Financial Statements continued

For the year ended 31 March 2022

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 2021: Covid-19-Related Rent Concessions (Amendment to IFRS 16) and Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). None of the amendments had a material impact on the Company's financial statements for the year ended 31 March 2022.

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 (2021: £2,000)

3 Investments

	2022 £'000	2021 £'000
At 1 April	5,892	5,726
Additions	102	166
At 31 March	5,994	5,892

Additions in the year of £102,000 (2021: £166,000) 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 2022 and their registered offices are set out in note 9 of the consolidated financial statements.

4 Trade and other receivables

	2022 £'000	2021 £'000
Amounts owed by subsidiary undertakings	4,546	4,596

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

5 Share capital

	2022 £'000	2021 £'000
Authorised		
481,861,616 ordinary shares of 1p each (2021: 481,861,616)	**4,819**	4,819
Allotted and fully paid		
57,743,357 ordinary shares of 1p each (2021: 57,143,357)	**577**	571

The increase in issued and fully paid ordinary shares of 1p each represents the issue of 100,000 shares to facilitate the exercise of options by senior managers in June 2021 and the issue of 500,000 shares to facilitate the exercise of options by a Director in December 2021.

As at 31 March 2022, the Company had 131,645 ordinary shares held in treasury (2021: 41,645). During the year 67,500 options were exercised using treasury shares (2021: 35,000) and the Company purchased 157,500 ordinary shares (2021: 35,000) for a consideration of £155,000 (2021: £29,000) to facilitate the exercise of options by senior managers during the year.

6 Trade and other payables

	2022 £'000	2021 £'000
Accruals	**79**	70

7 Financial commitments

a) Capital commitments

The Company had no capital commitments at the year end (2021: £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 (2021: £nil).

FY 23 – 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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