

**8 June 2021**

**INTERCEDE GROUP plc**  
**(“Intercede”, the “Group” or the “Company”)**

**Preliminary Results for the Year Ended 31 March 2021**

Intercede, the leading specialist in digital identity, credential management and secure mobility, today announces its preliminary results for the year ended 31 March 2021.

**Financial Highlights**

- Following the successful completion of the first phase of the Group’s turnaround, Intercede has delivered its third year of sustainable growth in revenues, profits and cash.
- Revenue for the year ended 31 March 2021 (FY21) increased by 6% to £11.0m (FY20: £10.4m). While the COVID-19 pandemic has adversely impacted key markets in Europe and the Middle East, US revenues have increased by 14%, including a major new contract to provide an innovative Identity Management System (IDMS) solution compliant with US Federal Government Standard FIPS 201 for the US Department of State (DoS) and its customers.
- Operating expenses (OpEx) for the year were £9.1m (FY20: £9.2m). Staff numbers have remained consistent during the COVID-19 pandemic; business as usual has been maintained without anyone being furloughed or made redundant and without any pay cuts or reductions in working hours.
- The Group generated a substantially increased profit for the year of £1.5m (FY20: £1.0m), an increase year on year of 52%, which resulted in a basic profit per share of 3.0p and a fully diluted profit per share of 2.8p (FY20: basic profit per share of 2.0p and fully diluted profit per share of 1.9p).
- The Group’s gross cash position at 31 March 2021 was £8.0m (FY20: £4.8m), primarily due to a net cash inflow from operating activities of £4.2m (FY20: £1.3m inflow). The Group is now debt free following the successful early retirement of convertible loan notes (CLNs) totalling £5.0m, announced in February 2021, which will save the Group £0.4m in annual interest costs.

**Operating Highlights**

- This has been a year of major uncertainty and challenges. Following the outbreak of COVID-19, Intercede was able to switch quickly and effectively to remote working without any disruption to customer service and project delivery.
- The Group continues to execute its 5C strategy (Colleagues, Customers, Channels, Code and Cash) to drive the positive trend and momentum of the business.
- To combat decreasing physical customer interaction during the pandemic, Intercede has continued to push ahead with three important customer focused initiatives: Customer Advisory Board (CAB), Customer Satisfaction Survey and the Customer Portal. CABs were held virtually during October and November 2020 to update Customers in the RoW and US on MyID enhancements and provide visibility into the product roadmap.
- Intercede’s partner-centric growth strategy remains unchanged and, following on from the recent launch of the Connect Partner Programme, the Group’s network has continued to expand with new agreements established with partners covering the UK, Europe, North America, the Middle East, Latin America, Asia and Africa.
- During the year, new versions of MyID were released which gave our customer base the benefits of a new operator client (using REST APIs for improved user experience and enhanced performance) and additional functionality including Windows Hello for Business integration (WHFB) as well as the new MyID authentication service. Intercede is excited to announce the release of MyID v12 which further modernises and introduces additional functionality to expand the addressable market with the introduction of FIDO (Faster IDentity Online) to the MyID credential management platform.

Chuck Pol, Chairman, said:

***“During the COVID-19 pandemic, Intercede has maintained solid revenue growth at 6% and delivered a substantial increase in profitability with the levels of cash generated being well ahead of market forecasts. I would like to commend Klaas and his management team on the completion of the first phase of the Group’s turnaround plan. This achievement is all the more commendable having been delivered during the biggest global pandemic of our lifetimes.***

***None of this would have been possible without the commitment and dedication of Intercede’s employees who have used their experience and expertise to continue to deliver world class digital identity solutions to our customers and partners. We are excited to announce the release of MyID v12 which will expand Intercede’s addressable market with the introduction of FIDO to the MyID credential management platform.***

***I remain confident of the Group’s future prospects as we emerge from the pandemic and Governments and commercial enterprises are able to take the necessary steps to further improve their security environments when taking increased remote working into consideration.”***

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## **About Intercede**

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.

Our vision is to make the highest levels of cybersecurity available to organizations and consumers alike, solving complexity and scalability issues by managing high volumes of digital credentials.

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.

For more information visit: [www.intercede.com](http://www.intercede.com)

The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (“MAR”), and is disclosed in accordance with the company’s obligations under Article 17 of MAR .

## **INTERCEDE GROUP plc**

### **Preliminary Results for the Year Ended 31 March 2021**

#### **CHAIRMAN'S STATEMENT**

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

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

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

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

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

#### **Summary**

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

**Chuck Pol**  
**Chairman**

## **INTERCEDE GROUP plc**

### **Preliminary Results for the Year Ended 31 March 2021**

#### **CHIEF EXECUTIVE'S REVIEW**

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

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

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

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

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

#### **Review of Strategy and Operations**

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

#### **1 Colleagues**

Intercede recognises that continued and sustained improvement in the performance of the Group depends upon its ability to attract, motivate and retain talented people of the highest calibre. Put simply, our colleagues

are the Company's most valuable asset and the Colleague strategy therefore forms the foundation of the other 4 Cs. Over the year, staff numbers increased from 83 as at 31 March 2020 to 84 as at 31 March 2021, while the attrition rate (average number of leavers over the year as a ratio of average headcount over the year) fell to 0%. This is a significant drop from 33% and 9% recorded in the last two financial years respectively and is a validation that our Colleague strategy is contributing to higher staff satisfaction levels and market leading staff retention.

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

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

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

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

## **2 Customers**

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

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

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

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

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



### 3 Channels

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

#### Technology Partners:



Intercede’s partner-centric growth strategy remains unchanged. The Group grows revenues by expanding market presence and brand awareness through an increasing number of reseller and technology partner relationships and building strong commercial relationships with larger customers by serving those customers with a feature-rich and relevant product that sits at the heart of their cyber security needs. This enables the Group to confidently approach its objectives in order that commercial risks can be contained and that it has the bandwidth and resources to execute its 5C strategy.

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

## Integration & Reseller Partners



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

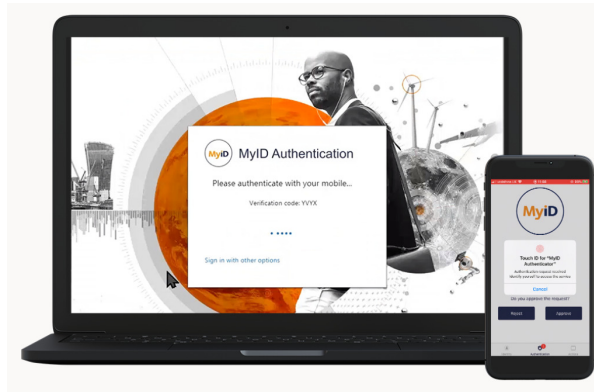
### 4 Code

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

- a) create and maintain a modern platform based upon market leading technology;
- b) broaden the addressable market with new functionality; and
- c) meet constantly evolving customer needs.

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

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



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

## MyID SOFTWARE PLATFORM



MyID | Professional

MyID | Enterprise

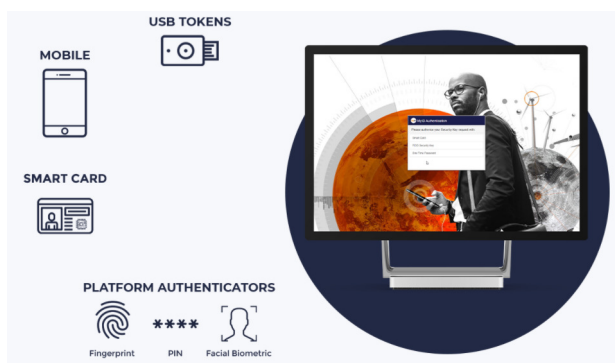
MyID | PIV

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

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



to devices with support for a wide range of standards-based FIDO devices, including iOS and Android mobile devices, USB tokens including YubiKeys, and smart cards.



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

## 5 Cash

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

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

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

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

## Outlook

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

**Klaas van der Leest**  
Chief Executive Officer

# INTERCEDE GROUP plc

## Preliminary Results for the Year Ended 31 March 2021

### STRATEGIC REPORT

#### Introduction

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

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

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

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

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

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

#### Trading Results

Intercede has delivered another year of substantially improved financial performance.

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

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

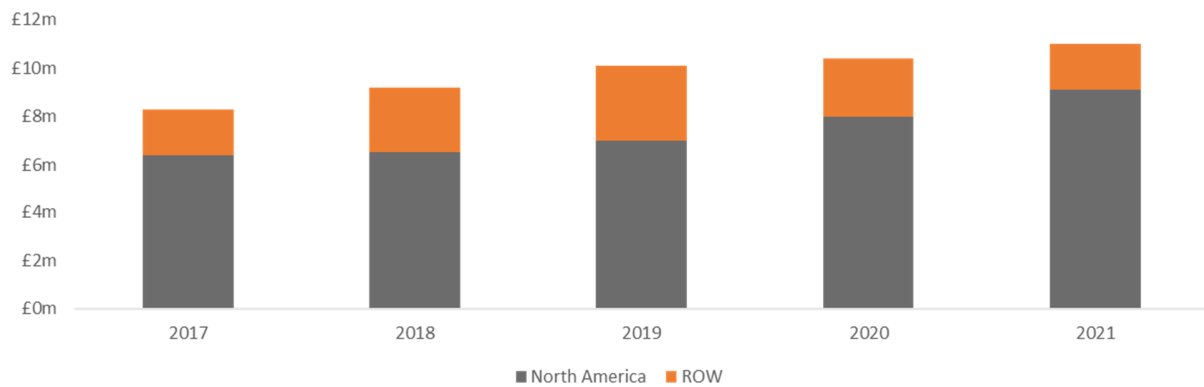
#### Revenue Highlights:

- A new MyID PIV deployment sale to provide an innovative Identity Management System (IDMS) solution compliant with US Federal Government Standard FIPS 201 for the US Department of State (DoS) and its customers.

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

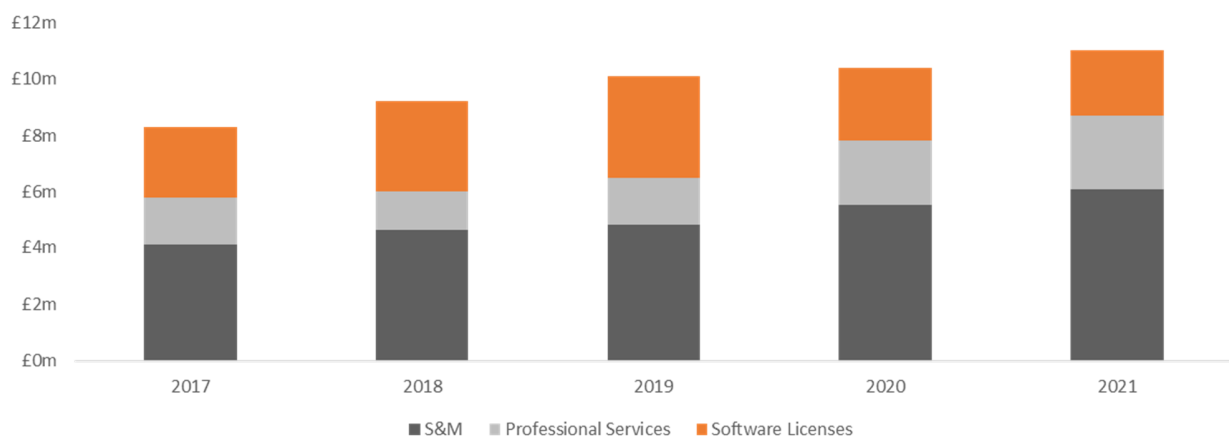
These orders include software licenses, associated support & maintenance and professional services, some of which will be recognised as revenue beyond the current financial year.

### Regional Revenue



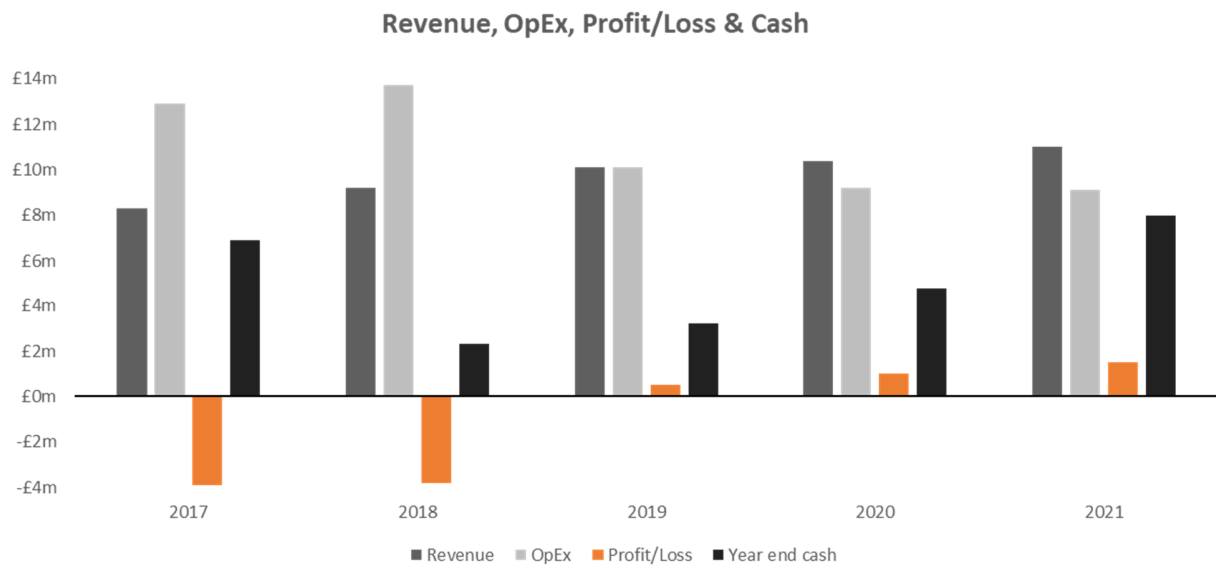
The US continues to represent Intercede's largest market with North America making up 83% of total revenues during FY21 (FY20: 77%). The global pandemic has had more of an adverse impact in other parts of the world. Europe and the Middle East are key markets for Intercede and both regions imposed lockdowns,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

### Revenue Breakdown



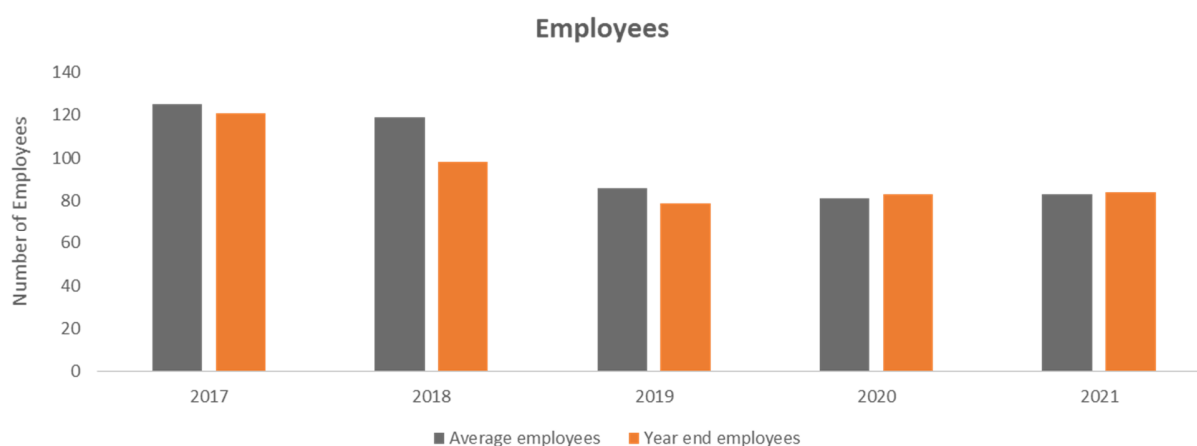
The last five years has seen progressive growth in recurring Support & Maintenance (S&M) revenues due to a steady increase in deployments and a loyal customer base that is resilient to churn. Software License revenue decreased from £2.6m to £2.3m in FY21 but this was offset by an increase in Professional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

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



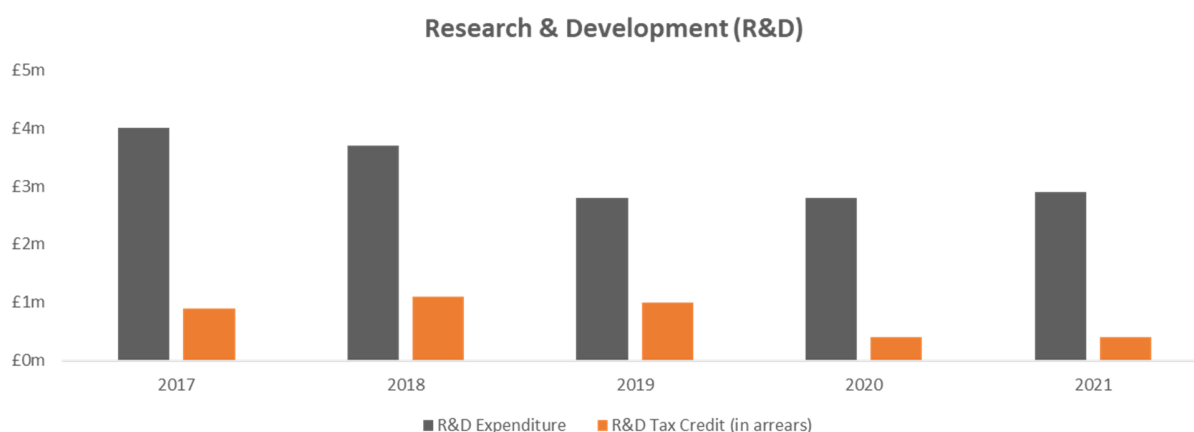
Operating expenses (OpEx) averaged £13.3m over the periods FY17 and FY18 primarily reflecting strategic investment in product development to expand MyID into emerging high-volume markets to secure mobile apps and devices, provide cloud services and protect the Internet of Things (IoT). This expenditure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

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



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

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



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

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

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

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

### Financial Position and Cashflow

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

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

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

### Section 172 Companies Act 2006 Statement

The Directors are fully aware of their duty to promote the success of the Company, for the benefit of all stakeholders, in accordance with Section 172 of the Companies Act 2006. A Section 172 Companies Act 2006 Statement is included within the Corporate Governance Report section of the Annual Report.

### Treasury

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

### Key Performance Indicators (KPIs)

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

### Principal Risks and Uncertainties

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

- The Group operates in a complex and competitive technological environment so the business will be negatively affected if it does not enhance its product offerings and/or respond effectively to technological change. This risk is mitigated by ongoing investment in research and development.
- The Group operates in multiple markets, both geographically and by sector, so there is a risk that territory and global macro-economic conditions (including the impact of issues such as Brexit and the US China trade dispute) may result in one or more of these markets being adversely affected and the revenues of the business impacted accordingly. This risk is mitigated to an extent, both through the long-term nature of customer relationships and the diversification that results from operating in multiple markets.

- The impact of the COVID-19 pandemic is causing extensive disruption to people and economies throughout the world. The Group has proactively implemented proportionate plans to minimise the risk of an outbreak at our office locations, keeping employees and customers safe. Marketing trade show events, customer events and employee travel will only recommence when it safe to do so and when lockdown restrictions are lifted. All staff have been given the capability to work from home, including appropriate support, training and equipment. Due to the digital and physically remote nature of Intercede's technology and solutions the Group is able to maintain high service levels during these periods and does not need to worry about the supply of hardware or other physical components as they do not typically form part of MyID solutions.
- Technology companies are exposed to intellectual property infringement and piracy. The Group rigorously defends its intellectual property in the primary jurisdictions within which it operates.
- The Group's performance is largely dependent on the experience and expertise of its employees. The loss or lack of key personnel is likely to adversely impact the Group's results. To mitigate this risk, the Group aims to put in place appropriate management structures and to provide competitive remuneration packages to retain and attract key personnel.

By order of the Board

**Andrew Walker**  
Finance Director

**INTERCEDE GROUP plc****Consolidated Statement of Comprehensive Income for the year ended 31 March 2021**

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



**INTERCEDE GROUP plc****Consolidated Balance Sheet as at 31 March 2021**

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

**INTERCEDE GROUP plc**

**Consolidated Statement of Changes in Equity for the year ended 31 March 2021**

	Share capital £'000	Share premium £'000	Equity reserve £'000	Merger reserve £'000	Accumulated deficit £'000	Total equity £'000
As at 1 April 2019	505	673	66	1,508	(5,420)	(2,668)
Proceeds from recycling of own shares	-	-	-	-	38	38
Employee share option plan charge	-	-	-	-	99	99
Employee share incentive plan charge	-	-	-	-	144	144
Profit for the year and total comprehensive income	-	-	-	-	1,006	1,006
<b>As at 31 March 2020</b>	<b>505</b>	<b>673</b>	<b>66</b>	<b>1,508</b>	<b>(4,133)</b>	<b>(1,381)</b>
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	-	-	-	-	88	88
Employee share incentive plan charge	-	-	-	-	48	48
Profit for the year and total comprehensive income	-	-	-	-	1,529	1,529
<b>As at 31 March 2021</b>	<b>571</b>	<b>5,138</b>	<b>-</b>	<b>1,508</b>	<b>(2,471)</b>	<b>4,746</b>

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

**INTERCEDE GROUP plc**

**Consolidated Cash Flow Statement for the year ended 31 March 2021**

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

## INTERCEDE GROUP plc

### Preliminary Results for the Year Ended 31 March 2021

#### NOTES

1. While the financial information included in this annual financial results announcement has been prepared in accordance with the recognition and measurement principles of International Accounting Standards in conformity of the requirements of the Companies Act 2006, this announcement does not contain sufficient information to comply therewith. The financial information set out in this announcement does not constitute the Group's Statutory Accounts for the years ended 31 March 2021 or 2020. Statutory Accounts for 2020 have been delivered to the Registrar of Companies and those for 2021, which have been approved by the Board of Directors, will be delivered following the Group's Annual General Meeting. The Company's auditors have reported on those accounts; their reports were unqualified and did not contain statements under Section 498 of the Companies Act 2006.

The Annual General Meeting will be held on Wednesday 15 September 2021. Copies of the full Statutory Accounts and the Notice of Annual General Meeting will be despatched to shareholders in due course. Copies will also be available on the website ([www.intercede.com](http://www.intercede.com)) and from the registered office of the Company: Lutterworth Hall, St. Mary's Road, Lutterworth, Leicestershire, LE17 4PS.

#### 2. REVENUE

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

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

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

#### 3. OPERATING PROFIT

Operating profit is stated after charging / (crediting):

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

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

#### 4. TAXATION

The tax credit comprises:	2021 £'000	2020 £'000
Current year – UK corporation tax	-	-
Current year – US corporation tax	(22)	(28)
Research and development tax credits relating to prior years	447	460
Taxation	<u>425</u>	<u>432</u>

The Group has unused tax losses of £9,174,000 (2020: £8,775,000) and unrecognised deferred tax assets of £1,743,000 (2020: £1,667,000) calculated at the corporation tax rate of 19% (2020: 19%). Given the expectation that the enhanced R&D tax credits will continue to be available, it is not considered probable that there will be sufficient taxable profits to support recognition of these losses as a deferred tax asset in the foreseeable future. On 5th March 2021 the Government announced an increase in the UK corporation tax rate from 19% to 25%, effective from 1st April 2023. This will impact the Group's future tax charge when it is substantively enacted.

#### 5. EARNINGS PER SHARE

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

	2021 £'000	2020 £'000
Profit for the year	<u>1,529</u>	<u>1,006</u>
	Number	Number
Weighted average number of shares – basic	51,359,410	50,482,281
– diluted	<u>54,049,938</u>	<u>53,232,738</u>
	Pence	Pence
Profit per share – basic	3.0p	2.0p
– diluted	<u>2.8p</u>	<u>1.9p</u>

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

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

The effect of issue of ordinary share capital reflects the issue of 6,619,431 shares during the period 5 January to 19 February 2021 to facilitate the conversion of convertible loan notes into ordinary shares (note 7).

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

## 6. DIVIDEND

The Directors do not recommend the payment of a dividend.

## 7. SHARE CAPITAL

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

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

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

## 8. CONVERTIBLE LOAN NOTES

	2021 £'000	2020 £'000
<b>Non-current</b>		
8% Convertible loan notes (29 December 2021)	<u>-</u>	<u>4,832</u>
Borrowings are repayable as follows:		
	2021 £'000	2020 £'000
Due within one year	-	-
Due between one and two years	<u>-</u>	<u>4,832</u>
	<u>-</u>	<u>4,832</u>

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

The convertible loan notes have been successfully retired during the period following ongoing discussions with the noteholders and the issue of a call notice in February 2020. Subsequent to the call, twelve out of thirteen noteholders elected to convert into new ordinary shares at the fixed conversion price of 68.8125 pence per share, as outlined in note 7. The other noteholder elected to redeem at par and was repaid £450,000.

The amount recognised in the balance sheet in relation to the convertible loan notes is as follows:

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