intercede

Intercede Group plc

Annual Report & Accounts

2020

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 more than 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

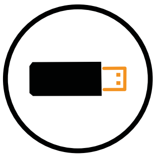
Technologies

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.

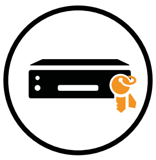

Smart cards


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

AIRBUS · T-Mobile · Handelsbanken · Singapore Government (Integrity · Service · Excellence) · Federal Aviation Administration

Chairman's Statement

For the year ended 31 March 2020

The world situation has changed due to the Covid-19 pandemic and as a business our immediate thoughts are focused on the safety and welfare of our staff, partners, customers and prospects. The Executive Management Team (EMT) has reacted swiftly to maintain business as usual with all staff working remotely from home both in the UK and US.

Against this unprecedented backdrop for the closing months of the financial year, I am pleased to report another year of good progress for the Group as we continue to execute our 5C strategy, centred around Colleagues, Customers, Channels, Code and Cash. This has resulted in a financial performance for the year ended 31 March 2020 ("FY20") that represents a significant turnaround from the losses incurred in recent years.

Results

The Group is reporting a FY20 performance with profit and gross cash balances that are substantially ahead of market expectations. These results demonstrate the significant turnaround that has been undertaken by Intercede. The Group is now on a sound strategic, operational and financial footing and we have growing momentum within the business.

The Group continues to be successful in deriving a high level of recurring and follow on revenue from its existing customers. It is also encouraging to note the value of the pipeline for the year ending 31 March 2021 ("FY21") is over 40% higher than this time last year. This includes a small number of delayed orders and project upgrades, caused by Covid-19, that had been scheduled to take place in the last week of March and are subsequently expected to close and complete successfully during FY21. Clearly the timing of execution of these orders depends upon the speed at which our customers return to more normal operating conditions.

Our People

Just over two years ago a major Board reconstruction was undertaken with the clear recognition that the Group had to get back to sustainable revenue growth and profitability. The EMT and all members of the team have remained focused throughout the last two years and it is to their great credit that the most difficult part of the operational turnaround has been delivered despite the worsening backdrop posed by the Covid-19 pandemic at the end of the period. The Board are most grateful for the endeavours of all staff. Special thanks must be given to Klaas van der Leest (CEO), Andrew Walker (CFO) and the wider EMT whose leadership, drive and energy have been fundamental.

We are also pleased to welcome Rob Chandhok back to the Intercede Board as an independent Non-Executive Director. Rob served as a Non-Executive Director between April 2015 and January 2017 and brings more than 20 years of experience and expertise in software and embedded systems.

Summary

With a stronger balance sheet and a focused and demonstrably effective growth strategy, we ended FY20 in very good shape and the Board is confident that Intercede is well placed to deliver long term shareholder value. The Group has identified various options to simplify, scale and expand the traditional markets of the MyID software platform, starting with the release of MyID Professional. We have maintained investment in Research & Development and in our operational capabilities and have materially improved profitability – the principal focus of our energies. The turnaround and return to profitability has also allowed us to continue to look at exciting technologies that will enrich the MyID software platform and accelerate the momentum of our innovation.

At the time of writing, Covid-19 has spread rapidly across the world forcing governments and business to take unparalleled action to contain the spread of infection. This has resulted in the suspension of international travel, cancellation of trade shows, conferences and large customer events. The impact of these measures on new business leads and the subsequent wider impact cannot be fully quantified at this stage but never before has there been so much technology to help with a crisis of this magnitude. We are proud to provide a product that supports secure remote working and working from home.

Intercede's business model, market position and financial grounding means we are well placed to manage the impact of Covid-19 on our business; with high levels of recurring revenue, a strong order book and FY21 pipeline, a blue chip customer base and a strong balance sheet. We therefore look forward to a further year of progress, particularly in terms of revenue growth, but are mindful that this depends on our customers returning to more normal operating conditions.

Chuck Pol
Chairman
2 June 2020

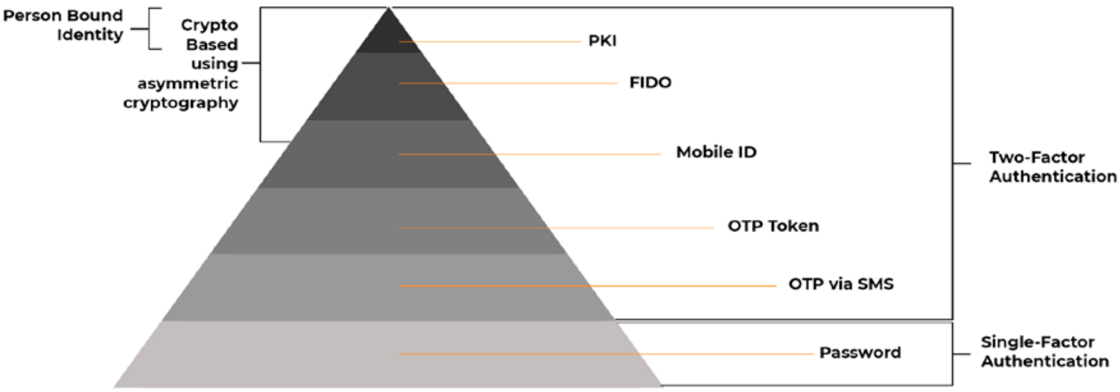
Chief Executive's Review

For the year ended 31 March 2020

As I said in last year's Annual Report, I was appointed with the primary objective of implementing a strategy to bring the Group back to sustainable revenue growth and profitability. While this is clearly an ongoing objective, I am pleased to see a continuing positive trend and momentum, which will enable us as a business to drive incremental revenue growth in the coming years.

The release of MyID Professional was completed in the second half of the year and has given us access to a new market segment, previously not effectively addressed by MyID Enterprise. MyID Professional is a simplified and therefore more scalable version of MyID, combining predefined business processes and out-of-the-box integration that protects networks, systems and cloud-based resources with the most secure method of authenticating employees. MyID Professional can be purchased via Intercede Channel partners and is expected to particularly appeal to organisations who want to obtain the enhanced security available from PKI (Public Key Infrastructure) but are discouraged by the cost and complexity of high-end solutions.

Over the past 18 months, the business has engaged with its customers and partners to determine which market and solution areas Intercede can naturally address based on its enviable position in the strong authentication segment (PKI), which is still regarded as the gold standard. However, new authentication solutions like FIDO (Faster IDentity Online) are starting to complement the existing PKI solutions, which is reflected in the authentication pyramid below:



FIDO authentication provides cryptographic-grade security that is cheaper and simpler to install than PKI. This has been taken onboard by the US Identification standards for Federal employees and contractors and their forthcoming FIPS 201-3 update is expected to include FIDO as an authentication option. FIDO is currently deployed by a number of leading organisations who want simple, strong authentication for their supplier and customer bases but still wish to retain their PKI infrastructure for employees. The problems facing such organisations is how they can commonly manage both forms of authentication and how do they apply their PKI policies and procedures to FIDO. Intercede believes it can augment FIDO with MyID and is currently working on a solution that will give the market of FIDO users what it needs: a policy-driven FIDO credential management solution. Intercede is currently working with named customers and strategic technology partners to test the first use cases before moving into full scale release. Moving down the authentication pyramid will enable Intercede to access a larger addressable market.

Review of Strategy and Operations

As with last year's Annual Report and the 2019 Interim Report, I would like to provide an update on Intercede's 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

The continuing success of the Group primarily depends on its employees across the world, who contribute daily to the achievement of the 5C strategy. The Group respects its staff and recognises that they are its most valuable asset.

We are committed to promoting a healthy corporate culture that ensures staff are motivated, challenged and happy working together for the mutual benefit of all the Group's stakeholders. Staff engagement and ongoing satisfaction levels are routinely monitored through regular employee surveys and suggestions are actioned by a self-selected Employee Working Group. In addition, there is a series of regular one-to-one meetings and quarterly company meetings to help to ensure inclusivity and awareness of the strategy and objectives.

Over the year, staff numbers increased from 79 as at 31 March 2019 to 83 as at 31 March 2020, while the attrition rate (average number of leavers over the year as a ratio of average headcount over the year) has fallen from 33% in FY19 to 9% in FY20 and currently continues to fall. This is a validation of the focus on creating a caring and inclusive culture and the improvements we have made, and continue to make, in staff mentoring, training and ongoing support mechanisms are contributory to improved skill levels, higher staff satisfaction levels and good staff retention. Our charity and community initiatives continue to be highly valued and well supported by our staff and we remain keen to ensure all staff have equal opportunity to participate in these worthwhile activities.

2 Customers

In these challenging times we are reminded of the importance of communication (indeed it could turn our 5C strategy into a 6C strategy) and every interaction with our customers is a chance to increase their advocacy. We have capitalised on this through three main initiatives during FY20: US Customer Advisory Board (CAB), Customer Portal and the Customer Satisfaction Survey.

Customer interation

Customer Advisory Board	Customer Portal	Customer Satisfaction Survey
		

The US CAB in particular was a great success. It was attended by many US federal agencies and large enterprises from across North America, who took the opportunity to get a view of upcoming updates to the MyID software platform but more importantly contribute to workshops on future MyID roadmap developments and innovations. When the Covid-19 lockdowns are lifted, there are plans for a CAB in Europe, which were already underway for our European, Middle East and Asia Pacific customers before the outbreak of the pandemic.

As outlined in the Trading Results section, we have received significant follow-on orders from existing customers, including governments and large enterprises worldwide. 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

Over the past 24 months, Intercede has been on a continuous growth path and is now looking to accelerate that growth further by working with proactive integrator and reseller partners that are well versed in the identity access management and PKI world. I was therefore pleased to announce the launch of Intercede's new Connect Partner Programme back in February 2020. This is a tiered channel scheme that rewards partner engagement to extensively integrate MyID software with world-leading strong authentication hardware and software.

Connect Partner Programme members will become part of a growing strong authentication ecosystem that is integrated and managed with MyID software.

Technology Partners

Integration & Reseller Partners

Existing and new resellers and integrators within the programme will 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 will also have access to support materials and products to help meet the growing demand for strong authentication – from deployments of 500 to millions.

4 Code

As stated in my introduction, the challenge for Intercede is scalability and the Group is tackling this on a number of fronts, including the release of MyID Professional (a simplified version of MyID Enterprise) and a planned expansion into new authentication technologies such as mobile ID and FIDO. MyID Professional is just one member of the MyID family and all platform members have an exciting roadmap of development ahead.

MyID SOFTWARE PLATFORM

MyID

MyID | Professional

MyID | Enterprise

MyID | PIV

An extensive roadmap is crucial as MyID is a Credential Management System (CMS) which typically forms part of a wider identity ecosystem and therefore must be futureproofed to work with the devices and technology our customers want to use.

Intercede has introduced a number of new releases during FY20 for the MyID software platform. These have focused on the integration aspects of MyID with the wider PKI infrastructure and include bringing in new CAs (certificate authorities), working with various authenticator devices (such as smartcards from IDEMIA and Gemalto or USB Tokens from the likes of Yubico) and HSMs (hardware security modules), extending the range of supported MDMs (Mobile Device Management systems) to include Microsoft Intune and ensuring continued interoperability with new versions of operating systems for PCs and mobiles, such as Windows and iOS. Furthermore, product enhancements such as the Self-Service Request Portal have been introduced, which will help our customers to reduce their system operator costs. New releases are now scheduled for each quarter thereby taking a more agile software delivery approach.

Investment continues as we enter FY21 with the goal of a significant release of MyID, currently designated MyID v11.6, which is the first release of a new operator client with an improved user experience and REST APIs for enhanced performance. Intercede has been working closely with Microsoft to enhance Microsoft Windows Hello for Business (WHFB) integration, enabling it to manage additional PKI credentials to each WHFB client in a very convenient self-service manner. Early stage customer trials are expected imminently.

MyID v11.6 will also introduce a new MyID authentication service which, when combined with a new MyID Authenticator mobile app, allows organisations to easily authenticate employees to applications and cloud resources (such as Office 365) using a mobile device in place of a smart card. This new capability combines a simple experience for the end user, supporting PIN, fingerprint and facial recognition, with the high security PKI-based authentication our customers demand. Designed to easily integrate into an existing infrastructure via a plug-in or standards based REST APIs, the solution enables organisations to step up to the highest levels of security quickly, without having to invest in smart cards or tokens, which is particularly important with the increased demand for home working and remote working.

Beyond MyID v11.6, the authentication service will be extended to support FIDO and will introduce a number of elements our customers are demanding to make FIDO work in the Enterprise, including:

- Policy control over who is issued which FIDO key.
- Lifecycle management over a FIDO key including replacement and revocation.
- Auditing and reporting, tracking which person has which FIDO key.
- Interoperability with the MyID authentication service, allowing one FIDO key to be used to access multiple applications.

5 Cash

Our focus on cash is more important than ever in these uncertain times and I am pleased to report we continue to maintain our fine record of managing working capital. This is reflected in the level of cash generated from operations totalling £1,360,000 (2019: £706,000) resulting in increased year end cash balances totalling £4,758,000 (31 March 2019: £3,228,000). The year end position has been further strengthened by the receipt of $4.6m (£3.7m) on 1 May 2020 relating to a US Federal Government order that was received on 29 March 2020.

Outlook

In comparison to many companies, Intercede is well placed to weather the Covid-19 pandemic. Our products and services are extremely relevant in the current climate, particularly our derived credential and mobile technology, as they allow our customers' staff to securely work remotely with full access to systems that they would use in their normal place of work. While we've seen some postponement of decisions on new sales opportunities, this has been offset thus far by the realisation of orders delayed from March and from existing customers preparing for their staff to work from home.

Furthermore, as a software company, a substantial proportion of our revenue is contracted, recurring or repeatable in nature, thereby providing us with very good forward revenue visibility with Support & Maintenance fees paid annually upfront. Software businesses incur the cost of development upfront, but income is spread over the customers' lifetime. There is therefore a balance between investing for further customer acquisition, investment in the product, and managing cash generation or burn. Over recent years, Intercede has seen both extremes of the spectrum and fully understands the importance of this balance. Needless to say, we will continue to monitor the situation closely.

The Group enters FY21 with a stronger balance sheet and a much stronger pipeline compared to this point last year, an enhanced product portfolio, an expert and extremely motivated team of colleagues, a newly launched Channel programme and a first class customer base. We therefore expect a further year of progress, particularly in terms of revenue growth, although we are mindful that much depends on the speed at which our customers return to more normal operating conditions.

Klaas van der Leest

Chief Executive Officer

2 June 2020

Strategic Report

For the year ended 31 March 2020

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 to people, devices and apps for some of the world's largest corporations and government agencies.
- Intercede's product innovation roadmap leverages over 1,000 man-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 for transport workers and national ID programs.

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 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

Last year the Group made significant progress, delivering impressive results and returning to profit a year earlier than planned. This was followed by a return to a first half operating profit for the six months ended 30 September 2019, the first time this has been achieved in six years. It therefore pleases me to announce a continuing trend of improved operational and financial performance. The Group generated a substantially increased profit for the year of £1,006,000 (2019: £449,000), while as at 31 March 2020 gross cash balances totalled £4,758,000 (2019: 3,228,000).

Revenue Highlights:

- Follow-on orders from an existing US Federal agency customer for 75,000 licenses and professional and development services across three different deployments. Part of the professional and development services order was met with the on-time delivery of MyID v11.5.
- A follow-on 20,000 license sale to one of the world's largest Aerospace & Defence contractors.
- A new license sale and order for professional services to provide a pilot for one of the largest US wireless network operators. A follow-on order was received in April 2020 and there is the potential to roll out to the wider employee base following a successful implementation.
- A number of smaller new license sales to the US Airforce and US Navy.
- Follow-on order from an existing US Federal Government user totalling $4.6m (£3.7m), which includes $2.05m (£1.65m) in respect of software licenses.

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

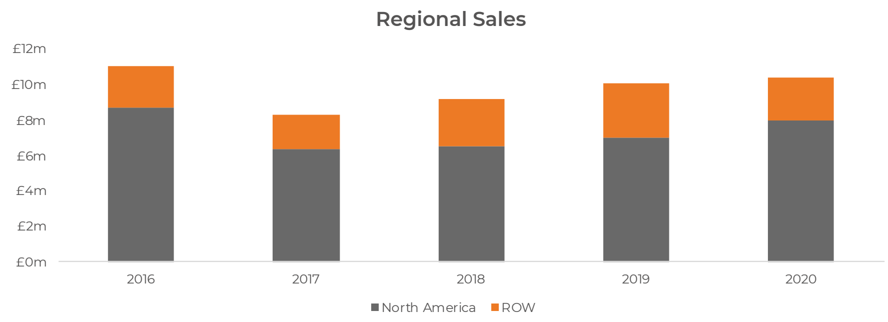
Intercede is proud to say that MyID continues to be the Credential Management System (CMS) of choice for major public key infrastructure (PKI) system deployments, totalling approximately 90 blue chip end customers worldwide.

Continued tight control of all costs has helped deliver an 8% reduction in operating expenses from £10,025,000 to £9,191,000. Staff costs continue to represent the main area of expense, representing 83% of total operating expenses (FY19: 79%). The average number of employees and contractors was 81, down from the previous year's average of 86, which reflects the cost reductions carried out in the first half of FY19. However the number of employees and contractors as at 31 March 2020 increased to 83 (2019: 79), reflecting selective recruitment most notably in the area of Sales and Marketing.

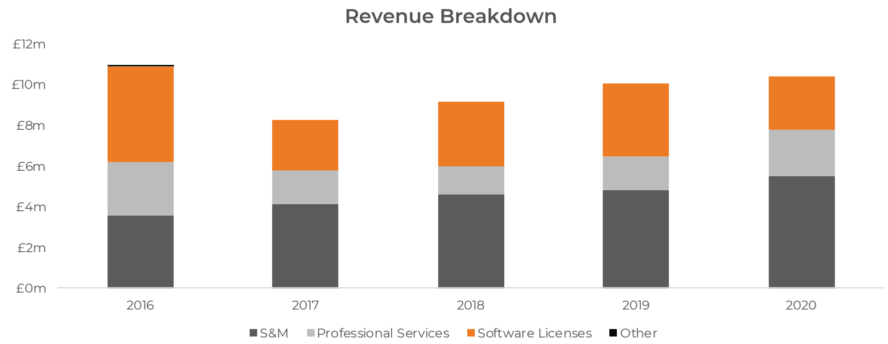
Expenditure on research and development (R&D) activities totalled £2,778,000 (FY19: £2,854,000). In accordance with the IFRS recognition criteria, the Board has continued to determine that all internal R&D costs incurred in the year are expensed. No development expenditure has been capitalised in FY20 (FY19: £nil).

Financial Graphs

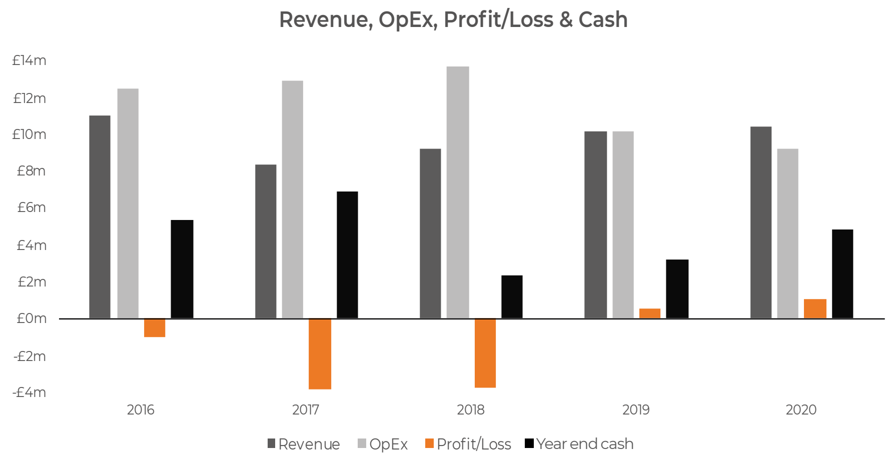
The US represents Intercede's largest market with sales to North America making up 77% of total sales during FY20 (FY19: 69%).

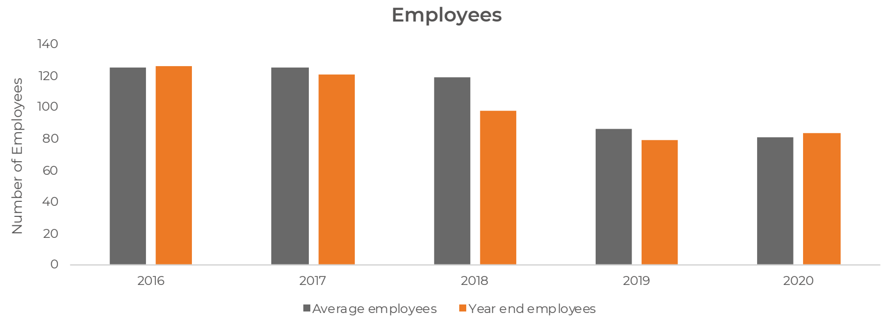


The last five years has seen progressive growth in recurring Support & Maintenance (S&M) revenues due to a steady increase in deployments. The decrease in FY20 Software License revenue is a consequence of the reduction in the number of new deployments (with revenues over £20,000) compared to FY19. This decrease is partially offset by an increase in Professional Services revenue, driven by implementations of large license orders received in the previous year and also by upgrade activity as customers look to take advantage of new product features in MyID v11. This is a validation of the investment in the MyID platform and is a testament to the Product Development teams who have kept to an aggressive release schedule.

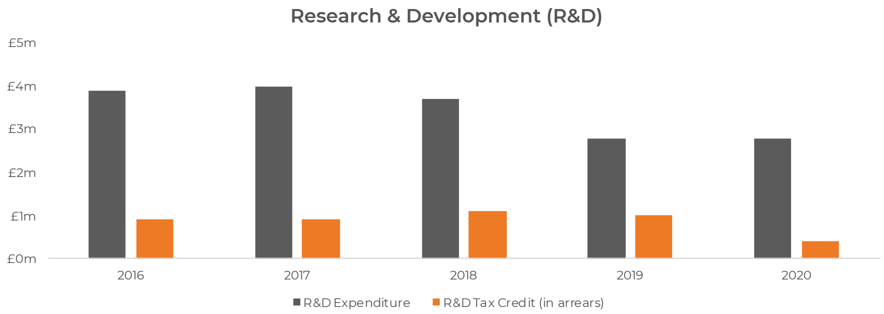


The substantial increase in operating expenses (OpEx) over the period to FY18 primarily reflects strategic investment in product development to expand MyID into emerging high-volume markets to secure mobile apps and devices, provide cloud services and protect the Internet of Things (IoT). This expenditure was reduced following the change in strategy reported in the FY18 Annual Report which, when combined with increased revenue, has enabled the Group to return to profit.





Employee numbers have been reduced back to pre-FY15 levels, ie before the commencement of strategic investment in product development to expand MyID into emerging high-volume markets.



R&D is an important part of Intercede's investment strategy. Money spent on people qualifies, in arrears, for UK government tax credits which are paid in cash in the following year.

A £432,000 taxation credit in the year (FY19: £979,000 taxation credit) primarily reflects cash received following the 2019 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. In recent years, the tax credit has been unrestricted due to taxable losses exceeding R&D losses, although this was not the case for the 2019 claim. Had the 2019 claim been unrestricted, the amount claimed during FY20 would have been £717,000 which is a fairer reflection of the Group's continued level of strategic investment activities.

The net finance cost for the year was £578,000 (2019: £589,000). This includes interest in respect of lease liabilities totalling £112,000 (2019: £122,000).

A profit for the year of £1,006,000 (2019: £449,000) resulted in a basic profit per share of 2.0p and a fully diluted profit per share of 1.9p (2019: basic profit per share of 0.9p and fully diluted profit per share 0.8p).

Financial Position

The Group's cash position at 31 March 2020 was £4,758,000 (2019: £3,228,000), following a year in which cash generated from operations totalled £1,360,000 (2019: £706,000). The year end position has been further strengthened by the receipt of $4.6m (£3.7m) on 1 May 2020 relating to a US Federal Government order that was received on 29 March 2020.

The cost-cutting review enabled the Group to exit one of its UK properties and the sale of this property was completed on 5 April 2019 resulting in net proceeds of £422,000 and a profit on disposal of £50,000 (2019: classified as an asset held for sale at a carrying value of £373,000).

The Group has no plans to commence the payment of dividends and will do so when the Board considers this to be appropriate.

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)

	2016	2017	2018	2019	2020
Sales growth	25%	(25%)	11%	10%	2%
Export sales	96%	95%	94%	97%	99%
North American sales	79%	77%	71%	69%	77%
New deployments with revenues over £20,000	6	8	10	9	4

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 the Group 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 outbreak 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 in general have been cancelled or postponed. All staff have been given the capability to work from home, including appropriate support, training and equipment. The Group continues to monitor the situation closely to mitigate any potential impact and have modelled a number of different possible scenarios and identified mitigating actions that would be taken.
- 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
2 June 2020

Board of Directors

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

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

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

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

Klaas van der Leest – Chief Executive

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

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

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

Andrew Walker – Finance Director

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

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

Royston Hoggarth – Non-Executive Director

Royston Hoggarth is Chair of Xchanging Insurance Services (XIS) Limited, Chair & Chief Executive of iPSL Limited, an advisor to the NEC Corporation and the Board of Northgate Public Services Limited, Chair of Arkessa Limited and Chair of Cirrus Response Limited. He is also Chair of England Hockey.

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

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

Jacques Tredoux – Non-Executive Director

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

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

Rob Chandhok – Non-Executive Director

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

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

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

Directors' Report - For the year ended 31 March 2020

The Directors present their Annual Report and the audited financial statements of the Group and the Company for the year ended 31 March 2020.

Principal Activities

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

The Company

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

Review of Operations

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

Results and Dividends

The audited accounts for the year ended 31 March 2020 are set out on pages 31 to 55. The Group's profit for the year was £1,006,000 (2019: £449,000). The Directors do not recommend the payment of a dividend (2019: £nil).

Management of Financial Risk

The Group's policy for the management of financial risk is set out within note 15.

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 2020 was £2,778,000 (2019: £2,854,000) 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 are provided on pages 18 and 19. Rob Chandhok was appointed as an independent non-executive director on 12 June 2019.

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 2020	Ordinary Shares 31 March 2019
C Pol	133,037	133,037
R Chandhok	—	N/A
R Hoggarth	168,721	168,721
J Tredoux	14,984,636	13,315,756
K van der Leest	—	—
A Walker	1,531,270	1,531,270

Jacques Tredoux is interested in 1,463,216 shares which are registered in the name of Pershing Nominees Limited which is a nominee of Angus Investment Holdings Limited ("Angus"). Angus is controlled by The South Hills Trust. As at 31 March 2020, Jacques Tredoux was also interested in 13,521,420 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.

On 28 December 2016, the Company announced a fundraising that resulted in the subsequent issue of convertible loan notes ("CLNs") totalling £4,495,000 on 30 January 2017 (see note 13). The interests of the Directors, and their immediate families, that were included in this issue are £1,000,000 and £50,000 for Jacques Tredoux and Andrew Walker respectively. None of the Directors participated in a further issue of CLNs totalling £510,000 on 25 August 2017.

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 18.

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 7 May 2020, 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	13,521,420	26.8
R Parris	5,149,138	10.2
Anjar International Limited	3,241,631	6.4
Palm Ltd.	3,147,436	6.2
Canaccord Genuity Wealth Management	2,441,000	4.8
Liontrust Asset Management	2,267,203	4.5
Herald Investment Management	2,050,266	4.1
Link Market Services Trustees Nominees	1,915,033	3.8
A Walker	1,541,076	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 7 May 2020 the percentage of the Company's issued share capital that is not in public hands is 47.5%. 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%.

Purchase of Own Shares to be Held in Treasury

As at 31 March 2020, the Company had 41,645 ordinary shares held in treasury (2019: 41,645). There were no purchases or transfers of shares to or from treasury during the year.

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 regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors 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.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and 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 Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 twentieth Annual General Meeting of the Company will be held on Wednesday 16 September 2020. The Notice of the Annual General Meeting will be sent out to shareholders prior to the meeting.

Independent Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Andrew Walker
Company Secretary
2 June 2020

Corporate Governance Report

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

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

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

The Board of Directors

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

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

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

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

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

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

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

The performance of the Board is evaluated on a regular basis to achieve continuous improvement. Following a challenging period in recent financial years, the Board agreed to make 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 recent years. The Group has a strategic plan to expand the business and generate shareholder value. In essence, this is a 5C 'back to basics' strategy centred around Colleagues, Customers, Channels, Code and Cash (see pages 6 to 11 for an update on the execution of this strategy). The 5C strategy is kept under review by and evolves under the guidance of the Board.

Section 172 Companies Act 2006 Statement

Section 172 of the Companies Act 2006 requires Directors to consider the interests of stakeholders as part of their decision-making process. This statement should be read in accordance with the strategic report (see pages 12 to 17) and this governance section. The following considerations inform decision making:

- Take into account the likely consequences of decisions in the long term. Just over two years ago the Board recognised that the Group had to get back to sustainable revenue growth and profitability. Led by a new Chief Executive and a reorganised management team, the Group has been 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 recent years but also ensured a 'back to basics' approach that strengthens all areas of the Group.
- Have regard to the interests of the Company's employees, as set out on page 20 of the Directors' Report.
- Understand the need to foster the Company's business relationships with suppliers, customers and others. Customers are one of the focus points of the Company's 5C strategy as discussed in detail within the Chief Executive's Review on pages 6 to 11.

- Understand our impact on our local community and the environment. The Group takes part in various recycling and waste reduction programmes and tracks products which may need safe disposal in the future. Community engagement is highly regarded at Board level and charity and community initiatives continue to be highly valued and well supported by employees, who vote on the range of charities that Intercede will support in the coming year.
- Take into account the desirability of the Company maintaining a reputation for high standards of business conduct, in addition to lending full support to the maintenance of the Group's ISO9001 status as discussed below in the Risk Management Review section.
- Have regard to the need to act fairly.

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

Risk Management Review

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

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

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

Group Organisation

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

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

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

Financial Reporting

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

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

Going Concern

The Directors, after having made appropriate enquiries including consideration of the potential implications of Covid-19, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. As outlined in note 1, this expectation follows a review of forecasts for the years ended 31 March 2021 and 31 March 2022, which show that the Group is expected to generate 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. They also believe the Group is well placed to address Convertible Loan Notes totalling £5,005,000 which are currently set to be converted or repaid by 29 December 2021. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Chuck Pol
Chairman
2 June 2020

Report of the Audit Committee

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

- 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.
- the need to satisfy itself on the independence and objectivity of the external auditors.

For the year ended 31 March 2020, 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. A particular focus for the Committee was the Group's approach to the adoption of IFRS 16 Leases. Further information on the adoption of IFRS 16 is provided in note 1 to the consolidated financial statements.

The Committee has reviewed all significant issues concerning the consolidated financial statements. The principal matter considered for the year ended 31 March 2020 was the assessment of going concern. As part of this assessment, the Board reviewed forecasts for the years ended 31 March 2021 and 31 March 2022.

Royston Hoggarth
Chairman
Audit Committee
2 June 2020

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 2020.

Service Contracts

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

Pension Arrangements

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

Share Options

The Company introduced a new Share Option Plan for senior executives on 22 July 2011 and options were granted later that year. The awards made to directors on 16 August 2011 have now all lapsed or been forfeited. The awards made to senior managers on 26 July and 20 December 2011 vested during the year ended 31 March 2016. No options were exercised during the year.

Further options were granted to senior managers and directors on 7 November 2014 in accordance with the resolution that was approved by shareholders at the Company's AGM on 17 September 2014. These options will vest and become exercisable subject to the Company's share price reaching 400p over 30 consecutive dealing days in the period between the 3rd and 7th anniversary of the date of grant.

Options were granted to the new Chief Executive and the Finance Director on 19 October 2018. These options will vest and become exercisable subject to the Company's share price reaching the following prices for a period of 30 consecutive trading days in the period up to and ending 19 October 2021, being three years from the date of the grant (the "Performance Criteria"):

- 69p per Ordinary Share ("Tranche 1");
- 119p per Ordinary Share ("Tranche 2"); and
- 169p per Ordinary Share ("Tranche 3").

Dependent on the Performance Criteria above being achieved, the number of options that will vest and become exercisable is as follows:

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

Further options were granted to senior managers on 24 October 2018, 27 March 2019 and 22 August 2019 in similar tranches ie 50% 25% 25%. These options will vest and become exercisable subject to the Performance Criteria above (Tranche 1 - 69p; Tranche 2 - 119p; Tranche 3 - 169p) being achieved for a period of 30 consecutive trading days in the period up to and ending 24 October 2021.

The following options were outstanding as at 31 March 2020:

Plan	Date of Grant	No. of Shares	Exercise Price	Dates Exercisable
EMI	26 July 2011	152,500	1.0p	26 July 2014 to 25 July 2021
EMI	20 December 2011	50,000	1.0p	20 December 2014 to 19 December 2021
EMI	7 November 2014	210,000	127.5p	7 November 2017 to 6 November 2024
EMI	19 October 2018	1,575,925	27.0p	19 October 2021 to 18 October 2028
Unapproved	19 October 2018	74,075	27.0p	19 October 2021 to 18 October 2028
EMI	24 October 2018	300,000	24.5p	24 October 2021 to 23 October 2028
EMI	27 March 2019	150,000	17.0p	27 March 2022 to 27 March 2029
EMI	22 August 2019	150,000	33.2p	22 August 2022 to 22 August 2029

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

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

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

On 24 October 2017, a free unit award equivalent to 70,537 ordinary shares of 1 pence each in the capital of the Company ("Free Units") was granted to C Pol, a non-executive Director of Intercede Group plc. This award will vest and become exercisable on 24 October 2020 subject to the achievement of performance targets based upon 50% growth on FY2017 revenues in FY2018, a doubling of FY2017 revenues in FY2019 and a tripling of FY2017 revenues in FY2020. 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. These awards were made under the existing Intercede MyID Inc. Unit Incentive Plan, further details of which are provided in note 17.

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 17.

Share Price

As at 31 March 2020, the market value of the shares of the Company was 46.5p (mid-market price). The share price fluctuated between a high of 63.5p and a low of 16.5p during the year ended 31 March 2020.

Chuck Pol
Chairman
Remuneration Committee
2 June 2020

Independent Auditors' Report to the Members of Intercede Group plc

Report on the audit of the financial statements

Opinion:

In our opinion:

- Intercede Group plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2020 and of the Group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Accounts (the "Annual Report"), which comprise: the Consolidated Balance Sheet and Company Balance Sheet as at 31 March 2020; the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

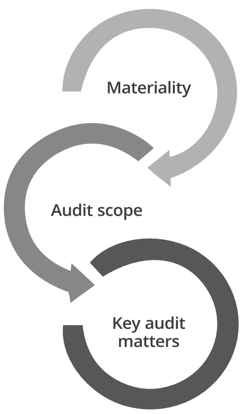
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit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

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall group materiality: £94,000 (2019: £123,000), based on 5% of 3 year average profit/ loss before tax.
- Overall company materiality: £89,000 (2019: £103,000), based on 1% of total assets, capped at 95% of overall group materiality.

- The Group financial statements are a consolidation of a number of entities. In establishing our overall approach, we identified two entities which in our view, require an audit of their complete financial information both due to their size and risk characteristics: Intercede Limited and Intercede Group plc (the Company).
- The audit work performed on these two entities, together with specified procedures on Intercede MyID Inc. and additional procedures performed over the consolidation of Intercede Group plc, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

- Going Concern assessment (Group and parent).
- Impairment consideration relating to COVID-19 (Group).
- IFRS 16 transition (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Going Concern assessment (Group and parent) Refer to the notes to the financial statements on page 35 of the Group financial statements and page 53 of the Company financial statements for the going concern assessment. The preparation of the financial statements on the going concern basis requires the Directors to consider future forecasts of cash flows to determine whether the Group and Company will be able to meet their liabilities as and when they fall due for a period of at least 12 months from the date on which the financial statements are signed.	As part of our audit, we reviewed the Board approved operating plan for the year ended 31 March 2021 and forecasts for the year ended 31 March 2022, which included specific consideration of COVID-19, and in particular; ▪ we considered the historical track record of the business in terms of generating revenue and tested the pipeline of orders as at 31 March 2020; ▪ we tested the movements in cash and cash equivalents in the period since 31 March 2020; ▪ we tested the assumptions in respect of cash receipts from research and development tax credits; and ▪ we also considered the key sensitivities within the operating plan and forecasts and challenged the assumptions and stress tests within. Based on the work undertaken, we believe that the Directors have a reasonable basis on which to conclude that this is appropriate to prepare the financial statements on the going concern basis. Our reporting on going concern is set out in page 29 of our report.
Impairment consideration relating to COVID-19 (Group) The Directors have considered the impairment of certain assets due to the potential impact of the COVID-19 pandemic on the Group financial statements.	We tested management's assessment of the potential impact on the balance sheet, specifically around the potential impairment of fixed assets and trade receivables. We assessed management's forecasts and plans, considering the key sensitivities and challenged the assumptions and stress tests within. We assessed the level of trade receivables balances which currently remain unpaid, tracing a sample of amounts received after the year end to bank statements. We also assessed management's calculation of the expected credit loss provision by reviewing the track record of the business in receiving payment and assessing the probability that undue amounts will be paid in light of the current economic conditions of the customer base. Based on the work undertaken we believe that appropriate provision has been recognised.
IFRS 16 transition (Group) Refer to the critical accounting estimates and judgements on page 35 and note 19 of the Group financial statements. The Group has applied IFRS 16 from 1 April 2019, using the fully retrospective basis so that prior year comparatives have been restated. The Group have applied judgements in their adoption of IFRS 16 including the assessment of lease term and discount rate applied to the leases..	We reperformed calculations for the right of use asset and lease liability; We tested the underlying data to lease contracts; We reviewed and challenged key assumptions and methodology within management's impact assessment; and We reviewed the disclosures within the financial statements and we are satisfied that they are consistent with the evidence obtained and compliant with IAS 8 and IFRS 16.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of a number of entities. In establishing our overall approach, we identified two entities which in our view, require an audit of their complete financial information both due to their size and risk characteristics: Intercede Limited and Intercede Group plc (the Company).

The audit work performed on these two entities, together with specified procedures on Intercede MyID Inc. and additional procedures performed over the consolidation of Intercede Group plc, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

	Group financial statements	Company financial statements
Overall materiality	£94,000 (2019: £123,000).	£89,000 (2019: £103,000).
How we determined it	5% of 3 year average profit/ loss before tax..	1% of total assets, capped at 95% of overall group materiality.
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report and Accounts, profit/ loss before tax is the primary measure used by the shareholders in assessing the performance of the Group, and given the fluctuations in the company profitability in recent years it is considered appropriate to use three years average profit/loss before tax as a benchmark. This is a generally accepted auditing benchmark.	Given the company holds the investments of the group, a total assets benchmark is considered to be appropriate to use. This is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall Group materiality. The level of materiality remains consistent across the group consolidation and its components.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £5,000 (Group audit) (2019: £6,125) and £5,000 (Company audit) (2019: £5,150) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report 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 Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Gillian Hinks (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
2 June 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2020

	Notes	2020 £'000	2019 Restated* £'000
Continuing operations			
Revenue	2	**10,355**	10,108
Cost of sales		**(12)**	(24)
Gross profit		**10,343**	10,084
Operating expenses		**(9,191)**	(10,025)
Operating profit	3	**1,152**	59
Finance income	5	**19**	11
Finance costs	5	**(597)**	(600)
Profit / (loss) before tax		**574**	(530)
Taxation	6	**432**	979
Profit for the year		**1,006**	449
Total comprehensive income attributable to owners of the parent company		**1,006**	449

Profit per share (pence)	7		
- basic		**2.0p**	0.9p
- diluted		**1.9p**	0.8p

* See note 19 for details about restatements to reflect the impact of IFRS 16 Leases.
The accompanying notes on pages 35 to 50 are an integral part of these financial statements.

Consolidated Balance Sheet

At 31 March 2020

	Notes	2020 £'000	2019 Restated* £'000	1 April 2018 Restated* £'000
Non-current assets				
Property, plant and equipment	8(a)	119	154	195
Right of use assets	8(b)	980	1,135	1,363
		1,099	1,289	1,558
Current assets				
Assets held for sale	10	—	373	373
Trade and other receivables	11	5,100	4,797	4,709
Cash and cash equivalents		4,758	3,228	2,272
		9,858	8,398	7,354
Total assets		10,957	9,687	8,912
Equity				
Share capital	12	505	505	505
Share premium		673	673	673
Equity reserve		66	66	66
Merger reserve		1,508	1,508	1,508
Accumulated deficit		(4,133)	(5,420)	(6,162)
Total equity		(1,381)	(2,668)	(3,410)
Non-current liabilities				
Convertible loan notes	13	4,832	4,747	4,670
Lease liabilities	8(b)	1,207	1,404	1,587
Deferred revenue		195	166	324
		6,234	6,317	6,581
Current liabilities				
Lease liabilities	8(b)	316	253	219
Trade and other payables	14	1,632	1,899	1,857
Deferred revenue		4,156	3,886	3,665
		6,104	6,038	5,741
Total liabilities		12,338	12,355	12,322
Total equity and liabilities		10,957	9,687	8,912

* See note 19 for details about restatements to reflect the impact of IFRS 16 Leases.

The financial statements on pages 31 to 50 were authorised for issue by the Board of Directors on 2 June 2020 and were signed on its behalf by:

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

The accompanying notes on pages 35 to 50 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Share capital £'000	Share premium £'000	Equity reserve £'000	Merger reserve £'000	Accumulated deficit £'000	Total equity £'000
At 1 April 2018 (Original)	505	673	66	1,508	(5,719)	(2,967)
Change in accounting policy	—	—	—	—	(443)	(443)
At 1 April 2018 (Restated *)	505	673	66	1,508	(6,162)	(3,410)
Proceeds from recycling of own shares	—	—	—	—	27	27
Employee share option plan charge (note 17)	—	—	—	—	17	17
Employee share incentive plan charge (note 17)	—	—	—	—	249	249
Profit for the year and total comprehensive income (Restated *)	—	—	—	—	449	449
At 31 March 2019 (Restated *)	505	673	66	1,508	(5,420)	(2,668)
Proceeds from recycling of own shares	—	—	—	—	38	38
Employee share option plan charge (note 17)	—	—	—	—	99	99
Employee share incentive plan charge (note 17)	—	—	—	—	144	144
Profit for the year and total comprehensive income	—	—	—	—	1,006	1,006
At 31 March 2020	**505**	**673**	**66**	**1,508**	**(4,133)**	**(1,381)**

* See note 19 for details about restatements to reflect the impact of IFRS 16 Leases.
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 35 to 50 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2020

	2020 £'000	2019 Restated* £'000
Cash flows from operating activities		
Profit for the year	1,006	449
Taxation	(432)	(979)
Finance income	(19)	(11)
Finance costs	597	600
Depreciation of property, plant & equipment	81	116
Depreciation of right of use assets	235	228
Profit on disposal of assets held for sale	(50)	—
Employee share option plan charge	99	17
Employee share incentive plan charge	144	249
Employee unit incentive plan charge	36	5
Employee unit incentive plan payment	(4)	(7)
Increase in trade and other receivables	(356)	(131)
(Decrease) / increase in trade and other payables	(299)	44
Increase in deferred revenue	299	63
Increase in lease liabilities	23	63
Cash generated from operations	1,360	706
Finance income	17	9
Finance costs on convertible loan notes	(400)	(400)
Finance costs on leases	(112)	(122)
Tax received	432	979
Net cash generated from operating activities	1,297	1,172
Investing activities		
Proceeds on disposal of assets held for sale	422	—
Purchases of property, plant and equipment	(46)	(75)
Cash generated from / (used in) investing activities	376	(75)
Financing activities		
Proceeds from recycling of own shares	38	27
Principal elements of lease payments	(236)	(212)
Cash used in financing activities	(198)	(185)
Net increase in cash and cash equivalents	1,475	912
Cash and cash equivalents at the beginning of the year	3,228	2,272
Exchange gains on cash and cash equivalents	55	44
Cash and cash equivalents at the end of the year	4,758	3,228

* See note 19 for details about restatements to reflect the impact of IFRS 16 Leases.
The total cash outflow for leases is £347,000 (2019: £334,000).
The accompanying notes on pages 35 to 50 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

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 European Union endorsed International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the EU and the Companies Act 2006 applicable to companies reporting under IFRS.

Going concern assessment

Following the completion of a cost reduction exercise during the second half of the year ended 31 March 2018, and further cost reductions during the first half of the year ended 31 March 2019, the Group has reported profits for the years ended 31 March 2019 and 31 March 2020 of £449,000 and £1,006,000 respectively. The successful execution of a turn-around plan has also resulted in an increase in cash balances from £2,272,000 as at 31 March 2018 to £4,758,000 as at 31 March 2020, with a further significant increase in cash balances resulting from the receipt of $4.6m (£3.7m) on 1 May 2020 relating to a US Federal Government order that was received on 29 March 2020.

Based upon this substantially improved financial performance, and a review of forecasts for the years ended 31 March 2021 and 31 March 2022 including consideration of the potential implications of Covid-19, the Directors have concluded that the Group is expected to generate 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. They also believe the Group is well placed to address Convertible Loan Notes totalling £5,005,000 which are currently set to be converted or repaid by 29 December 2021. 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 2020 (2019: £nil).
- The Group is a beneficiary of the UK Government's efforts to encourage innovation by allowing a percentage of qualifying R&D to be paid as tax credits. The annual R&D tax credit claims are recognised in arrears, ie the period during which a claim is submitted and cash is received.

Estimates:

- Share-based payments – the estimation of fair values for share-based payments is dependent on a number of assumptions (outlined in note 17) including expected volatility and the expected life of the option.
- Deferred tax asset – a deferred tax asset has not been recognised against the backdrop of substantial R&D investment leading to taxable losses and unused tax losses brought forward. To get to the point where the Group has a taxable profit and is in a position to utilise trading losses brought forward, indicatively there would need to be either or a combination of the following: a) the level of qualifying R&D expenditure is reduced by over 80%; and b) the level of qualifying accounting profit is over six times higher.
- Leased assets - The lease liability is initially measured at the present value of the future lease payments, which are discounted at the Group's incremental borrowing rate (8%). Had the discount rate used been greater/lower by 1% then the right of use assets and corresponding lease liabilities, created on inception, would have been lower/greater by 5%.

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

Basis of consolidation

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

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2020

Foreign currencies

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

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

Revenue recognition

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

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

Software as a service (SAAS) sales – Revenue associated with the license element is recognised at a point in time as opposed to the period over which the service is provided. This applies to new SaaS sales in the first year, for which the enforceable contract term is typically twelve months. Any renewal of a SaaS sale (after the enforceable contract term) will result in revenue being recognised evenly over the period during which the service is provided.

Consulting and development services – Revenue is recognised on a time and materials basis 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 maintenance period.

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 losses and net liabilities 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.

In general, the Group's research and development activities are closely interrelated and it is not until the technical feasibility of a product can be determined with reasonable certainty that development costs are considered for capitalisation. In addition, intangible assets are not recognised unless it is reasonably certain that the resultant products will generate future economic benefits in excess of the amounts capitalised.

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

Assets held for sale

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

Leased assets

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

The lease liability is initially measured at the present value of the future lease payments, which are discounted at the Group's incremental borrowing rate (8%). 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 lease term.

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 measured at amortised cost. When determining whether the credit risk of a trade receivable has increased significantly since initial recognition, and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience.

Cash and cash equivalents

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

Convertible loan notes

The proceeds received from the issue of the convertible loan notes are allocated between their financial liability and equity components. The financial liability is initially recognised at fair value (being the discounted cash flows using a market rate of interest that would be payable on a similar instrument that does not include an option to convert). The equity component is assigned to the residual amount after deducting this fair value liability from the fair value of the financial instrument as a whole. It is recognised in the 'Equity reserve' within shareholders' equity. More information is provided in note 13.

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

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

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 17.

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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2020

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.

Taxation

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

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

Adoption of new accounting standards

New standards that are effective for the first time during the year ended 31 March 2020 are as follows:

- **IFRS 16 Leases**

  IFRS 16 sets out the principles for recognition, measurement, presentation and disclosure of leases and replaces IAS 17 Leases. The standard is effective for accounting periods beginning or after 1 January 2019. The Group changed its accounting policies as a result of adopting IFRS 16 as described in the Leased Assets policy. The Group elected to adopt the new rules retrospectively. This is disclosed in note 19.

The Group has also applied the following standards and amendments for the first time for their annual reporting period commencing on 1 April 2019: Prepayment Features with Negative Compensation – Amendments to IFRS 9, Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28, Annual Improvements to IFRS Standards 2015 – 2017 Cycle, Plan Amendment, Curtailment or Settlement – Amendments to IAS 19 and Interpretation 23 Uncertainty over Income Tax Treatments. None of the amendments had a material impact on the Group's financial statements for the year ended 31 March 2020.

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 liabilities 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:

	2020 £'000	2019 £'000
UK	131	331
Rest of Europe	1,126	1,738
North America	7,958	6,981
Rest of World	1,140	1,058
	10,355	10,108

Analysis of revenue is as follows:

	2020 £'000	2019 £'000
Software licence sales	2,611	3,602
Consulting and development services	2,309	1,698
Support and maintenance services	5,435	4,808
	10,355	10,108

Revenue of £3,378,000 (2019: £3,004,000) is derived from the only end customer that individually represents over 10% of the Group's revenues. The Group's deferred revenue liabilities arise from support and maintenance services for which revenue is recognised evenly over the maintenance period. Revenue of £3,894,000 (2019: £3,679,000) has been recognised that was included in the deferred revenue liability balances at the beginning of the year.

3 Operating profit

Operating profit is stated after charging / (crediting):

	2020 £'000	2019 £'000
Staff costs (note 4)	7,619	7,994
Foreign exchange loss	41	68
Depreciation of property, plant and equipment	81	116
Depreciation of right of use buildings	228	228
Depreciation of right of use equipment	7	—
Profit on disposal of assets held for sale	(50)	—

Included in the staff costs above is research and development expenditure totalling £2,778,000 (2019: £2,854,000).

The analysis of auditors' remuneration is as follows:

	2020 £'000	2019 £'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	5	5
	55	48

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2020

4 Staff costs

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

	2020 Number	2019 Number
Technical	61	66
Sales and marketing	10	10
Administration	10	10
	81	86

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	6,322	6,782
Social security costs	758	693
Other pension costs	260	248
Employee share option plan charge (note 17)	99	17
Employee share and unit incentive plan (note 17)	180	254
	7,619	7,994

Pension contributions totalling £44,000 (2019: £40,000) are included within year end trade and other payables.

Directors' remuneration

The aggregate remuneration of the Executive Directors was as follows:

	2020 £'000	2019 £'000
Emoluments	546	668
Company contributions to defined contribution pension scheme	19	19
	565	687

Directors' emoluments

	Salary and fees 2020 £'000	Bonus 2020 £'000	Benefits in kind 2020 £'000	Total 2020 £'000	Total 2019 £'000	Pension contributions 2020 £'000	Pension contributions 2019 £'000
Executive Directors							
K van der Leest [1]	200	120	—	320	394	11	11
A Walker	152	73	1	226	274	8	8
Non-Executive Directors							
C Pol	95	—	—	95	92	—	—
R Hoggarth	25	—	—	25	25	—	—
R Chandhok [3]	22	—	—	22	—	—	—
R Parris [2]	—	—	—	—	20	—	—
	494	193	1	688	805	19	19
Fees paid to related parties	25	—	—	25	25	—	—

[1] Appointed 10 April 2018.

[2] Ceased to be an Executive Director and appointed as a Non-Executive Director on 28 March 2018
Ceased to be a Non-Executive Director on 14 December 2018.

[3] Appointed 12 June 2019.

The Remuneration Committee awarded bonuses of £200,000 and £121,000 respectively to K van der Leest and A Walker (2019: £200,000 and £121,000 respectively). Both of the executive directors have agreed to waive 40% of the bonus awarded given the current climate.

Fees paid to related parties comprise amounts paid to Tredoux Capital Limited under an arrangement to provide the Group with the services of J Tredoux as a Non-Executive Director. J Tredoux is a Director of Tredoux Capital Limited. Details of the Directors' share options are set out in the Report of the Remuneration Committee on pages 25 to 26.

5 Finance income and costs

	2020 £'000	2019 £'000
Finance income		
Interest income on short term bank deposits	19	11
Finance costs		
Convertible loan notes	(485)	(478)
Interest in respect of lease liabilities	(112)	(122)
	(597)	(600)

Finance costs in respect of the convertible loan notes represent interest payable totalling £400,000 (2019: £400,000) plus £85,000 (2019: £78,000) representing an effective interest rate adjustment (note 13).

6 Taxation

The tax credit comprises:

	2020 £'000	2019 £'000
Current year – UK corporation tax	—	—
Current year – US corporation tax	(28)	(31)
Research and development tax credits relating to prior years	460	1,010
Taxation	432	979

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

	2020 £'000	2019 £'000
Profit / (loss) before tax	574	(530)
Tax calculated at UK corporation tax rate of 19% (2019: 19%)	(109)	101
Research and development claim	531	374
Research and development tax credits relating to prior years	460	1,010
Depreciation in excess of capital allowances	3	(6)
Expenses not deductible for tax purposes	(1)	(1)
Other temporary differences	52	(11)
Employee share option plan charge	(19)	(3)
Employee share incentive plan charge	(27)	(47)
Employee unit incentive plan charge	(2)	—
US corporation tax	(6)	(3)
Losses brought forward utilised	11	11
Losses carried forward	(461)	(446)
Tax credit for the year	432	979

The Group has unused tax losses of £8,775,000 (2019: £8,710,000) and unrecognised deferred tax assets of £1,667,000 (2019: £1,481,000) calculated at 19% (2019: 17%), the corporation tax rate that is effective from 1 April 2020.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2020

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.

	2020 £'000	2019 £'000
Profit for the year	1,006	449

		Number	Number
Weighted average number of shares	– basic	50,482,281	50,482,281
	– diluted	53,232,738	51,941,220

		Pence	Pence
Profit per share	– basic	2.0p	0.9p
	– diluted	1.9p	0.8p

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

	2020 Number	2019 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	—	—
Weighted average number of shares - basic	50,482,281	50,482,281
Add back effect of treasury shares	41,645	41,645
Effect of share options in issue	2,708,812	1,417,294
Effect of convertible loan notes in issue	—	—
Weighted average number of shares – diluted	53,232,738	51,941,220

The convertible loan notes are anti-dilutive and have therefore been excluded from the calculation of diluted profit per share. Had the convertible loan notes been dilutive in nature, this would have increased the weighted average number of shares by 7,273,387 (2019: 7,273,387).

8(a) Property, plant and equipment

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer and office equipment £'000	Total £'000
Cost				
At 1 April 2018	70	126	965	1,161
Additions	—	—	75	75
Disposals	—	(19)	(28)	(47)
At 1 April 2019	70	107	1,012	1,189
Additions	—	—	46	46
Disposals	—	(6)	—	(6)
At 31 March 2020	70	101	1,058	1,229
Accumulated depreciation				
At 1 April 2018	34	78	854	966
Charge for the year	16	12	88	116
On disposals	—	(19)	(28)	(47)
At 1 April 2019	50	71	914	1,035
Charge for the year	15	11	55	81
On disposals	—	(6)	—	(6)
At 31 March 2020	65	76	969	1,110
Net book amount				
At 31 March 2020	5	25	89	119
At 31 March 2019	20	36	98	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:

	2020 £'000	2019 £'000	1 April 2018 £'000
Right of use assets			
Buildings	906	1,135	1,363
Equipment	74	—	—
	980	1,135	1,363
Lease liabilities			
Current	316	253	219
Non-current	1,207	1,404	1,587
	1,523	1,657	1,806

The maturity of lease liabilities is as follows:

	2020 £'000	2019 £'000	1 April 2018 £'000
Due within one year	316	253	219
Due between one and two years	372	278	240
Due between two and five years	784	946	924
Due beyond five years	51	180	423
	1,523	1,657	1,806

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2020

9 Subsidiaries

The Company's subsidiaries, all of which have been consolidated in the Group's financial statements at 31 March 2020, are as follows:

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

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

10 Assets held for sale

The sale of a UK based property was completed on 5 April 2019 resulting in net proceeds of £422,000 and a profit on disposal of £50,000.

11 Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	5,288	4,993
Less: credit loss allowance	(345)	(380)
Prepayments and accrued income	132	138
Other debtors	25	46
	5,100	4,797

The amount written off as irrecoverable during the year was £nil (2019: £nil). The movement between the opening and closing credit loss allowance is outlined in the table below:

	2020 £'000	2019 £'000
At 1 April	(380)	—
Additional credit loss allowance	(194)	(380)
Unused credit loss allowance	229	—
At 31 March	(345)	(380)

Included within trade receivables are receivables with a gross carrying amount of £172,000 (2019: £1,453,000) which are past due. The level of trade receivables over 60 days old was £162,000 (2019: £531,000). The average age of the Group's trade receivables is 84 days (2019: 93 days).

12 Share capital

	2020 £'000	2019 £'000
Authorised		
481,861,616 ordinary shares of 1p each (2019: 481,861,616)	4,819	4,819
Issued and fully paid		
50,523,926 ordinary shares of 1p each (2019: 50,523,926)	505	505

As at 31 March 2020, the Company had 41,645 ordinary shares held in treasury (2019: 41,645).

13 Convertible loan notes

	2020 £'000	2019 £'000
Non-current		
8% Convertible loan notes (29 December 2021)	4,832	4,747

Borrowings are repayable as follows:

	2020 £'000	2019 £'000
Due between one and two years	4,832	—
Between two and five years	—	4,747
	4,832	4,747

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

	2020			2019		
	Debt £'000	Interest £'000	Total £'000	Debt £'000	Interest £'000	Total £'000
Due within one year	—	400	400	—	400	400
Due between one and two years	5,005	399	5,404	—	400	400
Due between two and five years	—	—	—	5,005	399	5,404
	5,005	799	5,804	5,005	1,199	6,204

The table above shows the contractual, undiscounted cash flows due in future periods to settle the debt and interest payments. The total amount of debt payable shown above differs from the total book value of debt of £4,832,000 (2019: £4,747,000) as the book value of debt includes unamortised fees and is net of the value ascribed to the equity element of the convertible loan note.

On 30 January 2017, the Company issued £4,495,000 convertible loan notes that carry an interest coupon of 8.0% pa payable quarterly. The Company has granted security by way of a composite guarantee and debenture in favour of Welbeck Capital Partners LLP to secure the repayment of principal and interest due on the convertible loan notes to the holders. Holders of the convertible loan notes may 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 amount recognised in the balance sheet in relation to the convertible loan notes is as follows:

	2020 £'000	2019 £'000
Nominal value of convertible loan note issue	5,005	5,005
Issue costs	(348)	(348)
Equity component at date of issue	(66)	(66)
Liability component at date of issue	4,591	4,591
Effective interest rate adjustment from date of issue	241	156
Liability component at 31 March	4,832	4,747

14 Trade and other payables

	2020 £'000	2019 £'000
Trade payables	277	293
Taxation and social security	135	146
Accruals	1,220	1,460
	1,632	1,899

Included within accruals is £40,000 (2019: £8,000) relating to the Employee Unit Incentive Plan (note 17).

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2020

15 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 are denominated in sterling, bear interest at fixed rates.

Liquidity risk

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

Credit risk

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

Foreign currency risk

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

Interest rate profile

The Group has cash deposits of £4,758,000 (2019: £3,228,000) at the year end. This includes US dollar deposits of £753,000 (2019: £985,000) and euro deposits of £41,000 (2019: £97,000). Interest rates on cash deposits are based on LIBOR.

Maturity of financial liabilities

The maturity of the Group's external borrowings are disclosed in note 13 and the maturity of lease liabilities are disclosed in note 8(b). The only other financial liabilities are short term trade and other payables as outlined within note 14.

Borrowing facilities

The Group has no undrawn committed borrowing facilities (2019: £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 2020	**5,754**	**153**	**5,907**
At 31 March 2019	5,753	270	6,023

16 Financial commitments

a) *Capital commitments*

The Group had no capital commitments at the year end (2019: £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 (2019: £nil).

17 Share based payments

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

Further options were granted on 7 November 2014 in accordance with the resolution that was approved by shareholders at the Company's AGM on 17 September 2014. The fair value of the options granted was determined using a Monte Carlo valuation model and includes a share price target of 400p, as disclosed in the Report of the Remuneration Committee.

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

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2020

17 Share based payments continued

Further options were granted on 19 October 2018, 24 October 2018, 27 March 2019 and 22 August 2019 with a contractual life of 10 years. The fair value of the options granted was determined using a Monte Carlo valuation model and includes share price targets, as disclosed in the Report of the Remuneration Committee, on pages 25 to 26.

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

Grant date	19 Oct 2018	19 Oct 2018	19 Oct 2018	24 Oct 2018	24 Oct 2018	24 Oct 2018
Share price at grant date (pence)	27.0	27.0	27.0	24.5	24.5	24.5
Exercise price (pence)	27.0	27.0	27.0	24.5	24.5	24.5
Number of employees granted options	2	2	2	2	2	2
Number of shares originally under option	850,000	400,000	400,000	300,000	150,000	150,000
Expected vesting period (years)	3	3	3	3	3	3
Expected option life (years)	7	7	7	7	7	7
Expected volatility (%)	58.68	58.68	58.68	58.73	58.73	58.73
Risk free rate (%)	1.23	1.23	1.23	1.11	1.11	1.11
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	9.0	8.0	10.0	8.0	7.0

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	61.00	61.00	68.60	68.60	68.60
Risk free rate (%)	0.70	0.70	0.70	0.34	0.34	0.34
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	5.0	4.0	17.0	16.0	14.0

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

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

The total charge for the year relating to employee share options was £99,000 (2019: £17,000). Share options outstanding at the year end have a weighted average contractual life of 7.8 years (2019: 8.8 years).

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

No Free Share and Matching Share awards were made during the year ended 31 March 2020. 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.

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 £144,000 (2019: £249,000).

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, Free Unit awards equivalent to 70,537 and 100,000 ordinary shares of 1 pence each in the capital of the Company ("Free Units") were granted to C Pol on 24 October 2017 and R Chandhok on 11 February 2020 respectively.

The total charge for the year relating to the employee unit incentive plan was £36,000 (2019: £5,000) as outlined in the table below:

	2020 £'000	2019 £'000
At 1 April	8	10
Additional charge	36	5
Paid during the year	(4)	(7)
At 31 March	40	8

18 Related party transactions

During the year ended 31 March 2020, 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:

	2020 £'000	2019 £'000
Consultancy fees charged	25	25
Balance outstanding at the year end	19	13

19 IFRS 16 transition

The Group has applied IFRS 16 retrospectively and the tables below show the adjustments ("Adj") recognised for each line item for 31 March 2020, 31 March 2019 and the opening Consolidated Balance Sheet at 1 April 2018. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

In applying IFRS 16 for the first time, the Group has applied the practical expedient of applying a single discount rate to a portfolio of leases with reasonably similar characteristics.

Consolidated Statement of Comprehensive Income (extract)

	Year ended 31 March 2020			Year ended 31 March 2019		
	Original £000	Adj £000	Restated £000	Original £000	Adj £000	Restated £000
Operating expenses	(9,281)	90	(9,191)	(10,068)	43	(10,025)
Operating profit	1,062	90	1,152	16	43	59
Finance costs	(485)	(112)	(597)	(478)	(122)	(600)
Profit for the year	1,028	(22)	1,006	528	(79)	449
Profit per share (pence)						
- basic	2.0p	0.0p	2.0p	1.0p	(0.1)p	0.9p
- diluted	1.9p	0.0p	1.9p	0.9p	(0.1)p	0.8p

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2020

Consolidated Balance Sheet (extract)

	As at 31 March 2020			As at 31 March 2019			As at 1 April 2018		
	Original £000	Adj £000	Restated £000	Original £000	Adj £000	Restated £000	Original £000	Adj £000	Restated £000
Non-current assets									
Right of use assets	—	980	980	—	1,135	1,135	—	1,363	1,363
Total assets	9,977	980	10,957	8,552	1,135	9,687	7,549	1,363	8,912
Equity									
Accumulated deficit	(3,590)	(543)	(4,133)	(4,898)	(522)	(5,420)	(5,719)	(443)	(6,162)
Total equity	(838)	(543)	(1,381)	(2,146)	(522)	(2,668)	(2,967)	(443)	(3,410)
Non-current liabilities									
Lease liabilities	—	1,207	1,207	—	1,404	1,404	—	1,587	1,587
Current liabilities									
Lease liabilities	—	316	316	—	253	253	—	219	219
Total liabilities	10,815	1,523	12,338	10,698	1,657	12,355	10,516	1,806	12,322
Total equity and liabilities	9,977	980	10,957	8,552	1,135	9,687	7,549	1,363	8,912

Consolidated Cash Flow Statement (extract)

	Year ended 31 March 2020			Year ended 31 March 2019		
	Original £000	Adj £000	Restated £000	Original £000	Adj £000	Restated £000
Profit for the year	1,028	(22)	1,006	528	(79)	449
Finance costs	485	112	597	478	122	600
Depreciation	81	235	316	116	228	344
Increase in lease liabilities	—	23	23	—	63	63
Cash generated from operations	1,012	348	1,360	372	334	706
Finance costs on leases	—	(112)	(112)	—	(122)	(122)
Net cash generated from operating activities	1,061	236	1,297	960	212	1,172
Principal elements of lease payments	—	(236)	(236)	—	(212)	(212)
Cash generated from / (used in) financing activities	38	(236)	(198)	27	(212)	(185)
Net increase in cash and cash equivalents	1,475	—	1,475	912	—	912

Company Balance Sheet

At 31 March 2020

	Notes	2020 £'000	2019 £'000
Non-current assets			
Investments	3	**5,726**	5,452
Current assets			
Trade and other receivables	4	**5,013**	4,832
Total assets		**10,739**	10,284
Equity			
Share capital	5	**505**	505
Share premium		**673**	673
Equity reserve		**66**	66
Retained earnings		**4,524**	4,186
Total equity		**5,768**	5,430
Non-current liabilities			
Convertible loan notes	6	**4,832**	4,747
Current liabilities			
Trade and other payables	7	**139**	107
Total liabilities		**4,971**	4,854
Total equity and liabilities		**10,739**	10,284

The amount of profit dealt with in the Company financial statements was £57,000 (2019: £58,000).

The financial statements on pages 51 to 55 were authorised for issue by the Board of Directors on 2 June 2020 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 2020

	Share capital £'000	Share premium £'000	Equity reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 April 2018	505	673	66	3,835	5,079
Proceeds from recycling of own shares	—	—	—	27	27
Employee share option and share incentive plan charges	—	—	—	266	266
Profit for the year and total comprehensive income	—	—	—	58	58
As at 31 March 2019	505	673	66	4,186	5,430
Proceeds from recycling of own shares	—	—	—	**38**	**38**
Employee share option and share incentive plan charges	—	—	—	**243**	**243**
Profit for the year and total comprehensive income	—	—	—	**57**	**57**
As at 31 March 2020	**505**	**673**	**66**	**4,524**	**5,768**

Note: see page 33 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 2020

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 cost 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.

Investments

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

Critical accounting estimates and judgements

No critical accounting estimates or judgments have been applied in the preparation of the Company's financial statements.

Taxation

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

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

Convertible loan notes

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

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

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

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.

Notes to the Company Financial Statements continued

For the year ended 31 March 2020

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

New standards that are effective for the first time during the year ended 31 March 2020 include IFRS 16, which sets out the principles for recognition, measurement, presentation and disclosure of leases and replaces IAS 17 Leases. Adoption of IFRS 16 has not had an impact, as the Company has no leases.

The Company has also applied the following standards and amendments for the first time for their annual reporting period commencing on 1 April 2019: Prepayment Features with Negative Compensation – Amendments to IFRS 9, Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28, Annual Improvements to IFRS Standards 2015 – 2017 Cycle, Plan Amendment, Curtailment or Settlement – Amendments to IAS 19 and Interpretation 23 Uncertainty over Income Tax Treatments. None of the amendments had a material impact on the Company's financial statements for the year ended 31 March 2020.

2 Auditors' remuneration

Fees payable to the Company's auditors for the audit of the parent company are £2,000 (2019: £2,000).

3 Investments

	2020 £'000	2019 £'000
At 1 April	5,452	5,188
Additions	274	264
At 31 March	5,726	5,452

Additions in the year of £274,000 (2019: £264,000) 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 2020 and their registered offices are set out in note 9 of the consolidated financial statements.

4 Trade and other receivables

	2020 £'000	2019 £'000
Amounts owed by subsidiary undertakings	5,013	4,832

Amounts owed by subsidiary undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is charged on amounts owed by subsidiary undertakings at market rates.

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. No impairment was identified in respect to this as at the year end.

5 Share capital

	2020 £'000	2019 £'000
Authorised		
481,861,616 ordinary shares of 1p each (2019: 481,861,616)	4,819	4,819
Allotted and fully paid		
50,523,926 ordinary shares of 1p each (2019: 50,523,926)	505	505

As at 31 March 2020, the Company had 41,645 ordinary shares held in treasury (2019: 41,645).

6 Convertible loan notes

Details of the Company's convertible loan notes at 31 March 2020 are set out in note 13 of the consolidated financial statements.

7 Trade and other payables

	2020 £'000	2019 £'000
Accruals	139	107

8 Financial commitments

a) Capital commitments

The Company had no capital commitments at the year end (2019: £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 (2019: £nil).

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For more than twenty years our software has evolved to meet the changing needs of our customers and we look forward to continue setting the pace with new software capabilities and enhancements.

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