

Intercede Group plc
Annual Report and Accounts
For the year ended 31 March 2024

Registered number: 04101977



Dear Shareholders,

I am delighted to report that the Intercede Group has delivered an exceptional year with record revenues of £20.0 million, adjusted EBITDA of £6.2 million and net profit of £6.0 million. Basic earnings per share grew from 2.3p to 10.3p and the Group had a year-end cash balance of £17.2 million and no debt. This is an excellent result which builds on the foundations of the last few years and positions the Group well for further long-term growth as the market for zero trust and cyber security continues to expand.

Software licence income was a record £7.7 million in the year with the latest versions of MyID MFA v5.0 and MyID CMS v12.10 both released in the final quarter. Recurring and repeatable revenues are a strategic focus for the Group and grew notably to £8.7 million of support and maintenance and £3.6 million of professional services in the year.

We remain keen to widen our portfolio of products and services and will continue to invest both organically and via acquisitions going forward. We have increased staffing in both the UK and the US with headcount up to 108 as we further accelerate our platforms and integrate those acquired from Authlogics.

Scalability and Growth

The United States of America (US) remains our largest market and we continue to invest in people and infrastructure to help maintain our position as the leading CMS software provider to the Federal market. We have recently opened a new contemporary office in Reston, Virginia and recruited several new colleagues to the business.

The Group is also expanding its range of global distribution partners, leading to new deployments in Europe, the Middle East and Asia.

The Board are confident that there are significant opportunities for Intercede to realise in the coming years. It will continue to follow the '6 Cs' strategy (updated later in the Strategic Report). The priority remains to build Intercede into one of the leading forward-looking cybersecurity software companies operating globally:

- strong quality and commercially viable product proposition.
- a diverse, well-motivated and incentivised group of colleagues.
- a diverse and engaged Board.
- elevating the importance of Environment, Social and Governance (ESG), with a new committee being set up in FY24.

We believe that by demonstrating to our clients, channels, technology partners and colleagues that we are truly committed to delivering on this agenda and we are embedding best practice that will deliver sustainable long-term value for all.

Acquisition Strategy

The Group continues to assess a pipeline of potential acquisitions that fit our strategy of expanding our addressable cybersecurity market, especially in the zero-trust sector, and adds scale to our business through additional customers that will bring increased annually recurring revenue. The concept of 'land and expand' is a key assessment we use in evaluating any strategic acquisition.

We will maintain our disciplined approach to value creation and due diligence. During the year we terminated a deal after initial due diligence and have issued various Letters of Interest (LOIs). Our M&A pipeline is healthy, and we are confident we will find success in securing businesses that will deliver enhanced shareholder value.

Colleagues, Stakeholders and Board Changes

This exceptional year of delivery would not be possible without the professionalism, expertise, and commitment from our team of colleagues worldwide. The Board is grateful for their support and acknowledges all the efforts across the company. We would also like to thank our customers, partners, and stakeholders for their hard work in helping deliver a successful year for all concerned.

In the year John Linwood and Daniel O'Brien joined the Board and Tina Whitley was appointed Chair of the Remuneration Committee. Daniel, with his extensive financial experience became Chair of the Audit Committee. All three are independent members of both Committees. I would also like to take this opportunity of thanking Charles Pol and Rob Chandhok for all their support and hard work during their time on the Board.

Finally, I extend my thanks to Klaas and his management team for their strong leadership and performance in the year.

Outlook

The market for zero trust and cyber security will only continue to grow and become more challenging for everyone as new technologies, such as the advancement of AI, become more prevalent. The regulatory bodies in the US and Europe are increasingly driving standards which are favourable to our current software offerings and associated roadmap.

We remain the only cyber security software provider that can deliver the entire range of authentication options from PKI, FIDO passkeys, one-time passwords, and password security in an integrated software platform. This enables our customer to choose how secure they want to be and enables Intercede to help them on their journey towards better security. Our recent high-profile wins in the US, further confirm our solutions are recognised as one of the leading and most scalable platforms in the world.

Intercede continues to collaborate closely with our technology and reseller partners and together provide solutions for government, major corporates, and a range of smaller companies.

Last year I stated that it was a promising year, and we were primed for growth. Intercede has delivered on that ambition and we are now extremely excited to see the Group build on these foundations in the years ahead.

Royston Hoggarth
Chairman
17 June 2024

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Royston Hoggarth
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"In this challenging global environment, the Group has delivered record revenues in what has been an exceptional year. We look forward to building on this momentum."

OUR MISSION

Intercede is a cybersecurity software company specialising in digital identities and strong authentication for over 20 years. Global customers in government, aerospace and defence, financial services, healthcare, telecommunications, cloud services and information technology have trusted Intercede solutions and expertise in protecting their data and systems at the highest level of assurance.

It is our mission to help organisations protect themselves against data breach by deploying secure digital identities simply, securely and at scale.

Our ongoing success is built on:

- Developing innovative, robust cyber security solutions that are 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 colleagues that drives innovation.
- *Delivering sustained growth for our investors.*

OUR VISION

'Our vision is to make stronger authentication available to every enterprise'.

Revenue highlights for the year include:

- Revenues for the year ended 31 March 2024 totalling £20.0 million were approximately 65% higher than last year (2023: £12.1 million) and a 67% increase on a constant currency basis.
- Contract 1 - announced in December 2023:
 - Major new contract win with a large US Federal Agency.
 - Purchase order received, via our partners, of perpetual licences worth approximately \$6.6 million.
 - Associated annual support and maintenance of approximately \$1.4 million; this is the Group's largest single order to date and the Group highlights that this contract was an exceptional order and deemed 'one-off' due to the substantial number of perpetual licences purchased, which have been recognised in FY24.
- Contract 2 - announced in January 2024:
 - A major licence order with associated support and maintenance totaling approximately \$1.0 million for a new client in the US Intelligence Community. In addition to the perpetual licence order, the client was also contracted for a separate annual subscription of \$0.2 million.
- Licence orders in the first half of the year included a multiple MyID PIV licence orders from the US Department of State (DoS) for its Identity Management System (IDMS) solution totalling \$0.9 million and a new three year licence order for MyID MFA from a global aluminium producer in the Middle East as well as key subscription renewals for MyID PSM and MyID MFA.
- An order for a new licence test environment for an existing US Federal Agency at the year end with the potential to expand further in the coming years.
- In total, 17 new deployments were added in the year (including MyID MFA and PSM new deployments).

Operating Highlights for the year include:

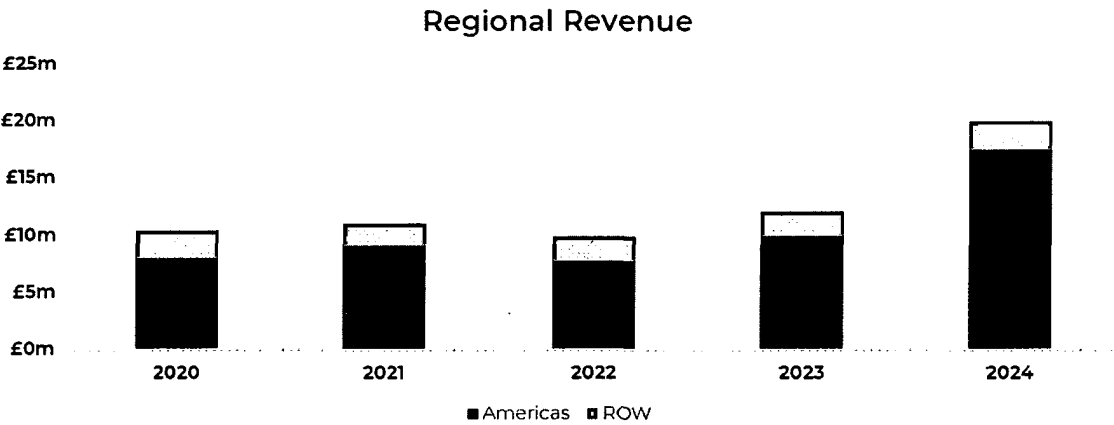
- Quarterly release cycle for MyID CMS (with versions of CMS v12.7 to v12.10 being released in FY24) and six-monthly releases for MyID MFA (MFA v4.2 and MFA v5.0 being released).
- During the year, in response to customer interest, we released a beta version of our CMS client compatible with Mac OS.
- Successfully delivered over 30 projects to a variety of customers and partners across the UK, Europe, the Middle East and the United States. These included both new; a large defence agency in the US, a defence customer in the UK, a global aluminium manufacturer, a major trust of the UK health agency, a global technology provider in West Asia; and long standing customers in federal, defence, telecoms, and finance sectors.
- Strengthened our delivery team with new employees across Development, Test, Professional Services and Customer Support including an experienced new Director of Software Development.
- Investment in internal IT infrastructure continued and the Group moved a majority of back-end support systems from on premise into the Azure Cloud. We invested in our development and testing platforms to increase performance and capacity.
- The M&A programme continued, focused on targets that add recurring revenues and have a strong industry and product logic.
- The Group successfully maintained ISO 9001 and 27001 certifications without any non-conformances.
- Successful execution and opening of a major new contemporary US office in Reston, close to Washington D.C., which facilitates customer and partner demonstrations with a dedicated "demo wall" and conference facilities.
- Our customer Net Promoter Score (NPS) in FY24 was 50 (increased from 31 in FY23) and underscores our commitment to continue to achieve greater customer satisfaction. Our focus is on high quality software products, first class support, excellent professional services and engaging with our customers to obtain their feedback through executive service reviews and our Customer Advisory Board, which are all aimed at providing better customer service and satisfaction.

Headlines

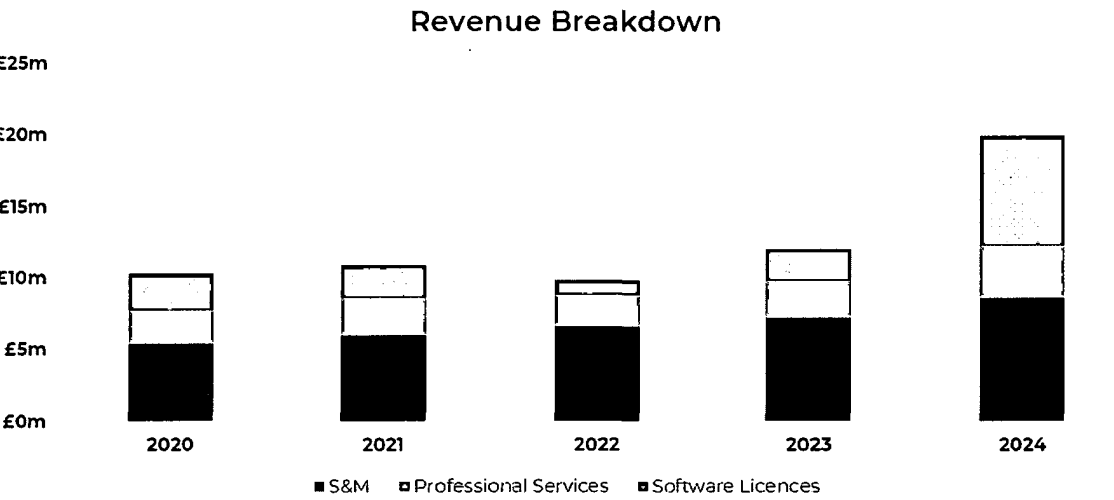
- Record Group revenues of £20.0 million.
- Record net profit of £6.0 million.
- Net cash generation from operating activities of £9.6 million.
- Basic EPS of 10.3p.
- Rebranding acquired Authlogics solutions as part of an expanded MyID product family, now comprising MyID CMS, MyID MFA and MyID PSM.
- Continued investment in product and code, including internal IT infrastructure.
- Clear strategic vision on M&A plans.
- Strong and unleveraged financial position.

	FY24 £ million	FY23 £ million	% Change
Revenue	20.0	12.1	65.3%
Gross profit	19.4	11.7	65.8%
Profit before Tax	5.6	0.6	833.3%
Net Profit	6.0	1.3	361.5%
EPS - basic	10.3p	2.3p	
EPS - diluted	9.6p	2.2p	
Gross Margin	97.2%	96.7%	
Net Margin	30.2%	10.7%	
Cash and cash equivalents	17.2	8.3	107.2%
Net cash from operating activities	9.6	2.9	231.0%
Deferred revenue	8.6	7.5	14.7%
Total Assets	25.7	17.4	47.7%
Total Equity	13.2	7.0	88.6%

Adjusted EBITDA	6.2	1.3	376.9%
Less:			
Amortisation of intangibles	0.2	0.1	
Depreciation of assets	0.1	0.1	
Right of use depreciation	0.2	0.2	
Acquisition costs	0.1	0.2	
Employee Share/Unit incentive & option plan charges	0.2	-	
Exceptional costs	0.1	0.1	
Operating Profit	5.3	0.6	783.3%

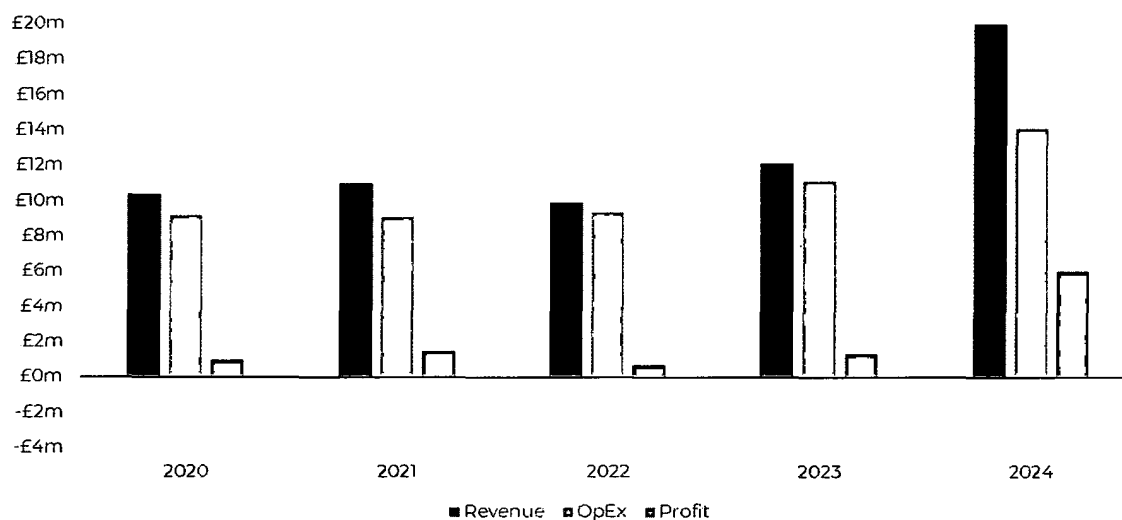


The US continues to represent Intercede’s largest market with the Americas making up 88% of total revenues during 2024 (2023: 82%). Key markets for Intercede in Europe and the Middle East have grown from previous years with new opportunities coming online thanks to MyID's MFA and PSM capabilities.



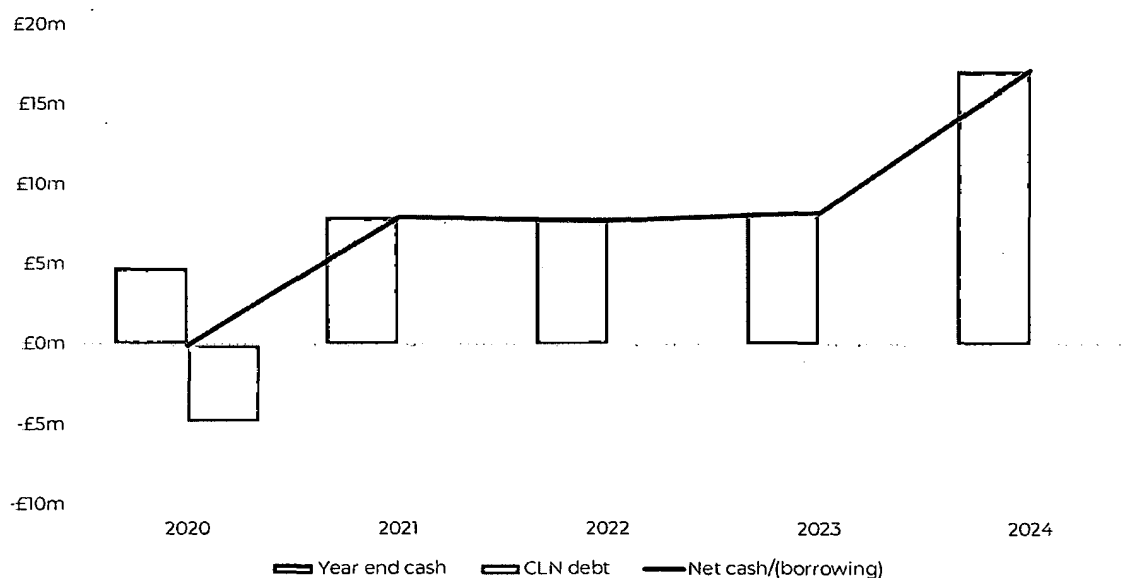
The last five years has seen progressive growth in recurring Support & Maintenance (S&M) revenues due to an increase in deployments and a loyal customer base that is resilient to churn. Software Licences revenue has significantly increased in the year and is likely to be lower in FY25. Further, Professional Services revenue grew reflecting customer appetite to upgrade to the latest release to take advantage of new features of MyID CMS. This, in combination with a low rate of churn, is evidence that the quality of the MyID CMS solution.

Revenue, OpEx & Profit

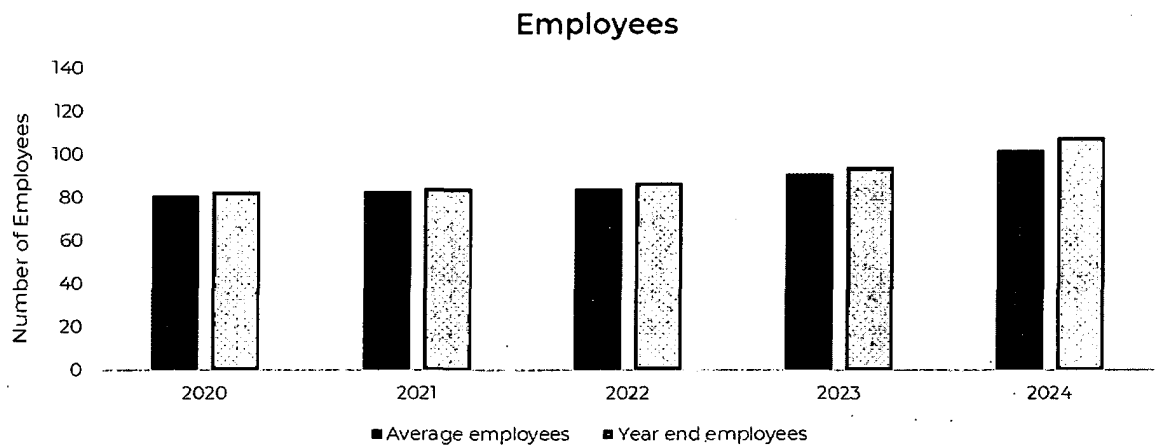


Higher Operating Expenses (OpEx) in FY24 primarily reflects strategic investment in product development to continue the expansion of MyID, investment in IT infrastructure, increased salary expense from new headcount and commission payments associated with higher revenue. As a percentage OpEx was 71% of revenue (2023: 92%).

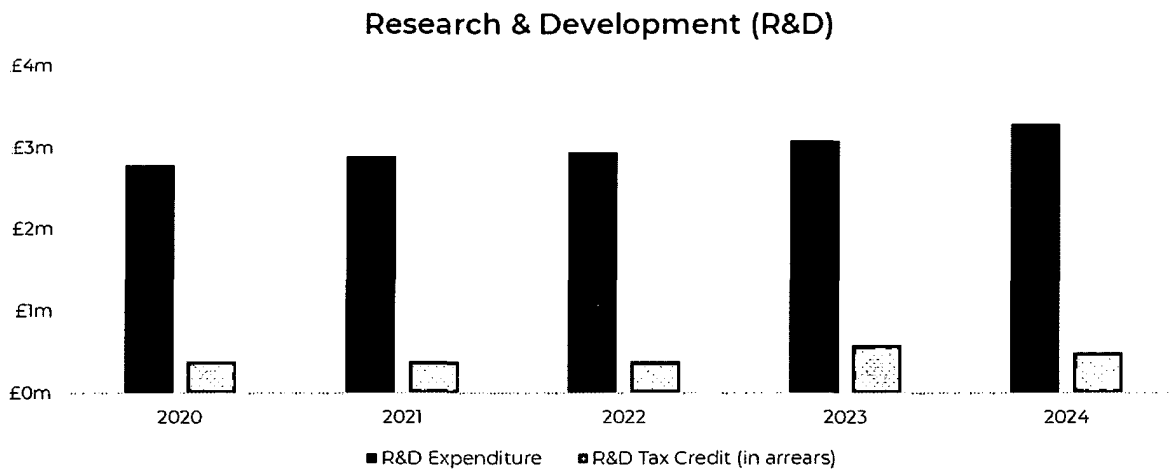
Net Cash / (Borrowing)



Following the successful early conversion and redemption of all convertible loan notes (CLNs) in February 2021, Intercede is debt free with a much strengthened financial position, providing a strong foundation for Phase Two of the Group's turnaround plan.



Employee numbers have started to selectively increase again following the tight cost control that was applied as part of Phase One of the Group turnaround plan.



Expenditure on research and development (R&D) activities totalled £3.3 million (2023: £3.1 million). In accordance with the IFRS recognition criteria, the Board has continued to determine that all internal R&D costs incurred in the year are expensed. No development expenditure has been capitalised during the year (2023: £nil). This will be reviewed on an annual basis as Intercede solutions expand and enhance.

Strategic Report

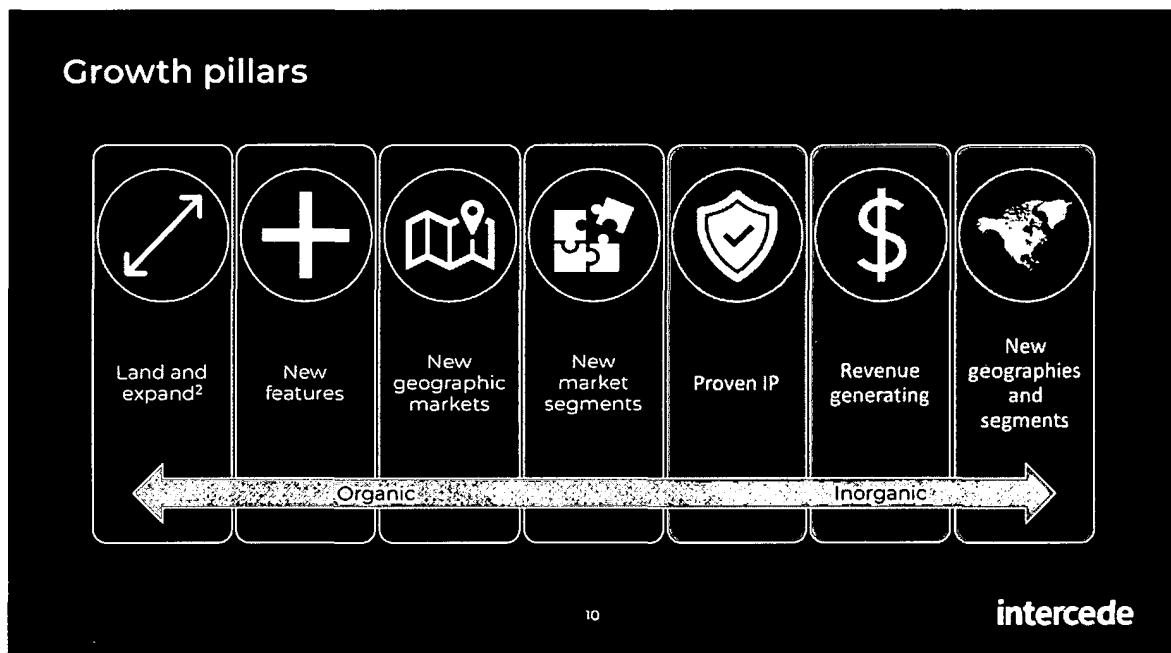
The Investment Case

Intercede provides business critical authentication software in a growing cyber security market and does this by protecting organisations against data breaches.

Our Business

Intercede has a scalable software business that has transitioned from Phase One - Transformation to Phase Two - Growth. The operating model is structured to enable the Group to grow, and key strategic investments have been made in people and infrastructure to enable execution of these growth plans.

The Group's strategy of focusing on our customers and solving real-world problems has resulted in a net promoter score of 50 in the financial year. This demonstrates the Group's capability to deliver value to our customers, which protects recurring revenue and strongly positions us for new opportunities.



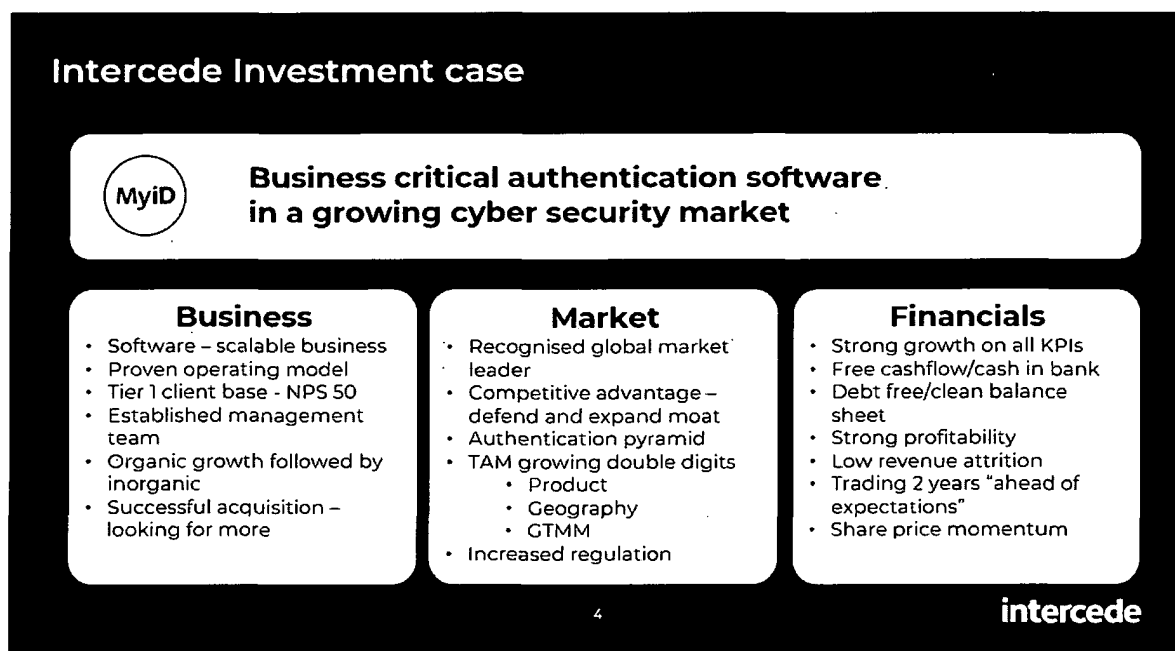
Our Market

We believe we are a recognised global market leader for MyID CMS solution and with this competitive advantage we plan to defend and expand on this through innovation, intellectual investment by recruiting the best people and introducing flexible pricing to customers. With a business-critical offering and non-discretionary nature of the expenditure, the Group has low attrition and growing recurring revenues.

Since the acquisition of Authlogics in 2022, the Group has moved down the authentication pyramid (See Products) and has been able to further expand its offering with the addition of MyID MFA and MyID PSM. This has significantly increased the addressable market, which with an integrated offering (MyID MFA v5), has enhanced our opportunities.

Our Current Financials

Following an exceptional year of delivery both in growth and other KPIs, the Group is in a strong position to continue the momentum into the new fiscal year. With cash generation resulting in a year-end balance of £17.2m, no debt and tight working capital management, it has the ability to source, engage and execute on larger M&A transactions.



Our Business Principles

As the Group has evolved by way of both organic and inorganic growth, it has adopted an enhanced set of business principles to deliver on its stated KPIs. The Board is confirming a key target of doubling revenues from the FY2023 base of £12m.

Customer First Approach

Understanding our customers and their requirements are key for the Group and we are focused on supporting their use cases with Intercede solutions. Our customer journey begins when they first engage with the Group and continues through their software purchase, onboarding, training, services, and long-term support. At each point of engagement, we aim to deliver an excellent Intercede service.

Engaging, via Customer Advisory Boards (CABs) in the US and Europe, educates our teams from development, sales to professional services how best to address user enhancement and experience of our software solutions. As the product innovates and develops, we aim to increase our customer satisfaction and retention rates, which are already market leading.

This approach facilitates the Group aim to increase revenue, delivering even better customer experience and supporting long term customer relationships and retention. Our most loyal customer has been with us for more than 20 years, which underlines our commitment to longstanding relationships.

Invest in Product

Stable and scalable Intercede software solutions allow our customers to deploy effective authentication management across their organisations. To have that capability the Group constantly invests in the product and has recently expanded that ability via strategic investment in people across development, testing and software management.

We innovate constantly to ensure we maintain technology independence with a wide range of partners and once deployed, is accessible by all employees within an organisation. (See Section on Intercede MyID Solutions for further information).

Colleagues

Putting our colleagues first and creating an environment where they can perform to their best abilities is a key principle of the Group. We do this to enable our colleagues to create the code and product that enables the sales team to sell and professional services to help successfully deploy.

During the last two years the Group has developed a succession plan by recruiting the next generation of colleagues of the Group, and to date we have been successful in that KPI. As we invest more in development, testing, presales, professional services, and customer support, we increase the bandwidth of the Group. This ensures we can deliver for our customer as we grow.

By building a more diverse and representative group of colleagues we increase innovation and foster growth. We will continue to enable opportunities for equitable growth, development, and advancement for our employees. This also attracts and retains engaged talent.

GTMM

The Group has believed in and enacted a channel go-to-market model (GTMM) whereby our products and services are delivered to our customers through various distribution and resale channels. We do this by selecting and supporting the right channel partners, creating a value proposition that resonates with customers and partners, with the key aim of increasing our reach, generating revenue and minimising our direct sales costs whilst increasing market coverage.

We partner with channels like distributors and resellers who:

- align with our values,
- have a strong customer base and
- possess the necessary expertise to effectively sell and distribute our products and services.

A well-defined indirect channel go-to-market strategy offers several benefits to the Group, including:

- access to new markets and customer segments through the expertise and reach of our channel partners.
- expanding our market reach in a cost-effective and efficient manner.
- streamlining our sales efforts by focusing on what we do best: we act as subject matter experts.
- fostering strong relationships with channel partners, leading to increased loyalty and collaboration.

During the year 94% of all new business was contracted through this channel.

Pricing

We believe we have a unique offering whose combination of features, benefits, and pricing sets us apart from our competitors. This has enabled us to provide a value proposition that resonates with both customers and channel partners.

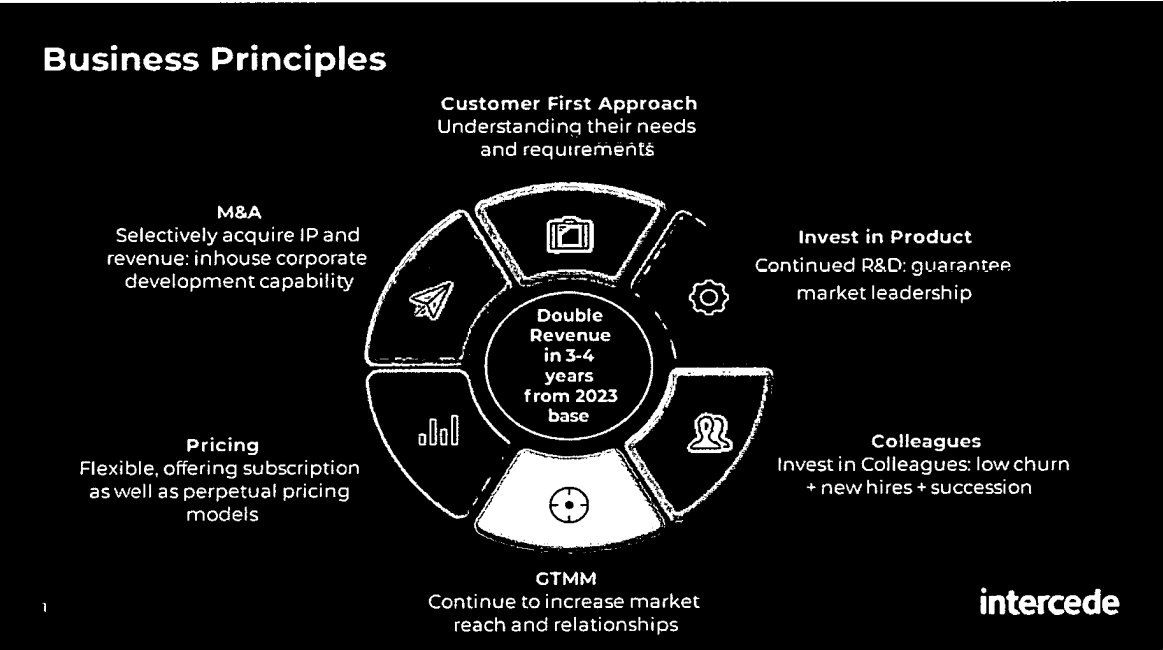
With the introduction of a new flexible pricing structure, whereby the Group now offers a subscription option on MyID CMS in addition to the well-established perpetual pricing model, we believe we have further increased the opportunities the Group can achieve.

M&A

Inorganic growth is a key strategy for the Group, and it enables it to assess gaps in capabilities across its solutions by considering whether it is cost effective to build the technology deck or purchase it. In addition, our M&A is focused on broadening the service offerings, expanding the client portfolio, and increasing recurring revenues.

As we have moved purposefully down the employee authentication pyramid, the Group is consciously aware that a pyramid has more than one side and therefore has opportunities to expand into markets with complimentary products and intellectual property via acquisitions.

With an in-house corporate development capability, the Group has adopted a strict criterion in assessing these M&A opportunities which it applies vigorously.



“We protect companies against data breach”.

Intercede MyID Solutions

Products

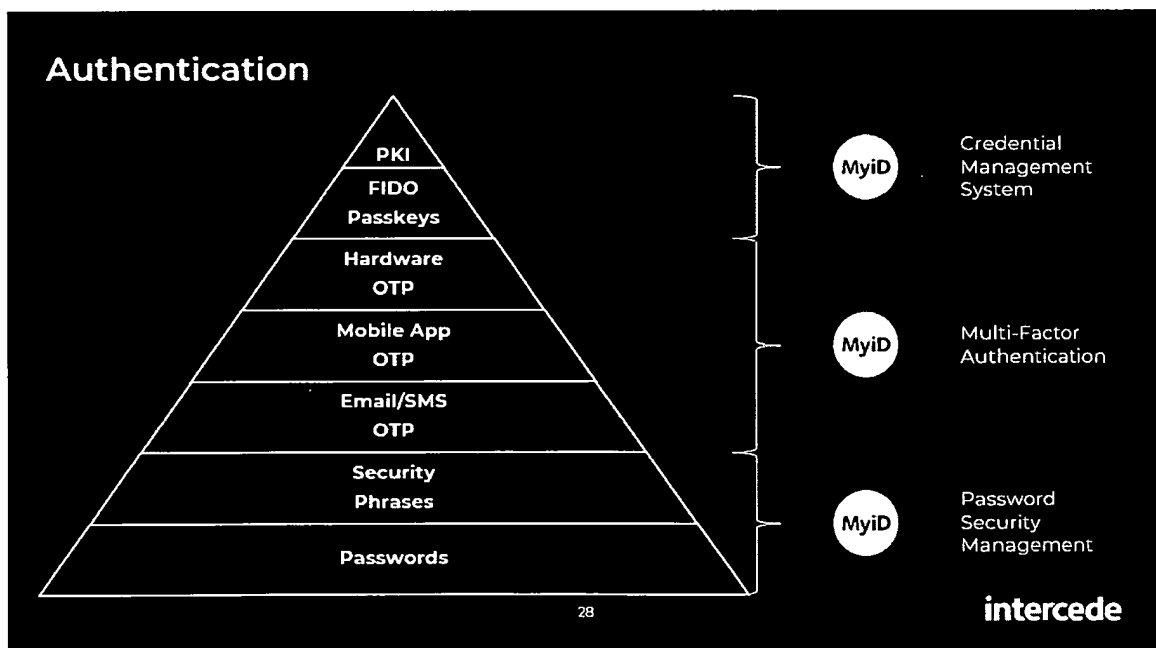
Authentication

Intercede protect our customers against data breach by enabling them to replace weak user credentials with stronger authentication simply, securely and at scale.

The number one cause of a data breach is compromised user credentials. Put another way, 'hackers don't break in, they log in.' Intercede solutions enable our customers to choose the level of security that is appropriate for them, helping them wherever they are on their journey to better security.

The authentication pyramid (below) shows the relative strength of various authentication mechanisms, with the strength of authentication increasing as the pyramid is climbed.

- Passwords and Security Phrases (longer passwords based on a number of disconnected words) are the weakest as they only comprise a single factor (if I know your password I can authenticate as you), are subject to phishing attacks, and are often reused online where they can be stolen and used by bad actors.
- Multi-Factor Authentication, also known as strong authentication, comprises two or more factors from 'something I have' (e.g. a phone or smart card), 'something I know' (e.g. a PIN or password) and 'something I am' (e.g. a fingerprint or face match) and typically generates a one-time password (OTP) which is valid for a short time only. Using two factors significantly increases the level of security as it protects against password reuse and several automated attacks.
- The highest level of security is based on cryptographic keys and includes both Public Key Infrastructure (PKI) and Faster IDentity Online (FIDO) credentials/FIDO passkeys. These provide phishing-resistance, making it extremely difficult for a bad actor to steal and reuse a credential. They are recognised by the National Institute of Standards and Technology (NIST) as offering the highest level of authentication assurance.



The MyID product family

Historically, Intercede have focused on the 'top of the' pyramid, delivering credential management systems that enable issuance of high-assurance PKI and FIDO credentials to security demanding customers in government, aerospace & defence, healthcare and financial services. With a business critical offering and non-discretionary nature of the expenditure, the Group has low attrition and growing recurring revenues.

Following the acquisition of Authlogics in October 2022, Intercede has completed the integration of the Multi-Factor Authentication (MFA) and Password Security Management (PSM) solutions into a rebranded and fully integrated MyID product family:

- MyID PSM - Secure your passwords, with user-friendly policies to help users set good passwords, and continuous assessment against the world's largest database of compromised credentials.
- MyID MFA - Authenticate to anything from anywhere, with modern authentication that is easy to use, deploy and manage.
- MyID CMS - Issue and manage high-assurance credentials simply, securely and at scale, compliant with security guidelines such as FIPS-201 and NIS2,

Intercede are now a multi-product company who uniquely offer our customers a solution wherever they are on their security journey from passwords to PKI, enabling us to address a wider range of customers including small to medium businesses.

Market drivers

Intercede offers solutions to a number of factors in the cybersecurity market which are driving organisations towards improved security:

- The number of, and sophistication of cyberattacks, is on the increase, be they state sponsored due to the current geopolitical climate, or criminally motivated (e.g. ransomware). Of particular note is the increased use of Artificial Intelligence (AI) to generate phishing attacks which are virtually indistinguishable from genuine communications, as well as the use of AI-powered deepfake technology to fool voice and facial recognition systems.
- The range of cybersecurity legislation is increasing and driving organisations towards improved cybersecurity solutions. In the US, a presidential executive order pushing MFA 'to the maximum extent possible' and updates to FIPS 201* in the US giving guidance on the use a wider range of credentials including FIDO is one example of this. Of particular note is NIS2** in Europe. The NIS2 Directive is EU-wide legislation on cybersecurity providing legal measures to boost the overall level of cybersecurity in the EU. NIS2 becomes law at the end of 2024, and member states and organisations affected must comply with local country regulations by this time.
- Due to the increased level of cyber-attack combined with the increasing level of cybersecurity legislation, spending in cybersecurity is continuing to increase and is seen as essential.
- In government, there is a drive to move away from bespoke or 'GOTS' government off-the-shelf software towards COTS (commercial off-the-shelf) solutions. This will enable customers to benefit from vendor investments in roadmap and to keep up with the rapidly changing cybersecurity landscape including adopting modern technologies faster.

*FIPS 201 link is: [Giving NIST Digital Identity Guidelines a Boost: Supplement for Incorporating Syncable Authenticators | NIST](#)

**NIS2 link is: [The NIS2 Directive: A high common level of cybersecurity in the EU | Think Tank | European Parliament \(europa.eu\)](#)

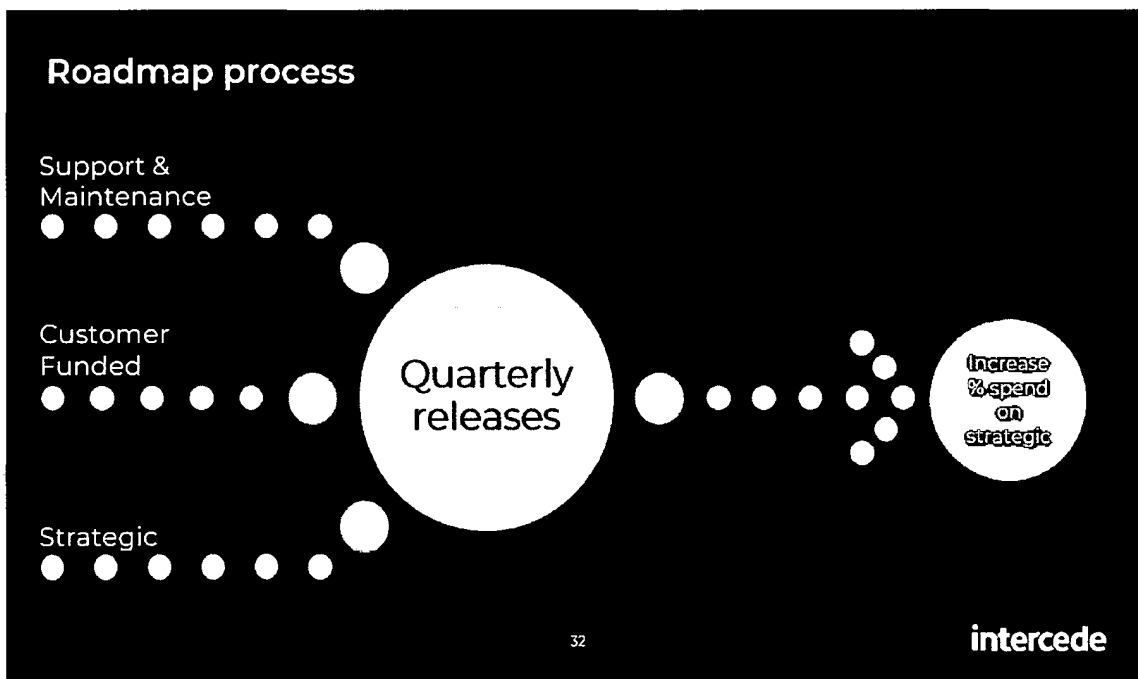
Roadmap

Intercede continues to invest in research and product development to maintain our market leading position in digital identity and credential management. Inputs into the roadmap can be split into three categories:

- **Support and Maintenance** - customers gain access to upgrades and product support. As a security product this is vital to our customers and Intercede invest in keeping the product family up to date with the latest security standards and support for third party systems and devices. This protects our S&M revenue which is either an annual contract or included in subscription pricing.
- **Customer funded** - on occasion a customer wishes to accelerate particular features on the product roadmap. This work is funded with Intercede retaining the intellectual property.
- **Strategic** - a combination of research and development activities, resulting in new features or modules in the product family, maintain or increase Intercede's competitive position. Examples over the current period have included:
 - The addition of FIDO to the MyID MFA solution, bringing high assurance authentication to an easy deploy mid-market product.
 - Support for mobile driving licence style credentials on mobile devices in the MyID CMS solution, enabling consumer devices to be used for carrying high-assurance digital identity information.
 - The introduction of a self-service client on Apple Mac, enabling customers to benefit from reduced help desk calls via user-enablement on a wider range of platforms.

The roadmap process is tightly managed, taking input from multiple internal and external stakeholders, including the Client Advisory Boards, and results in quarterly product updates.

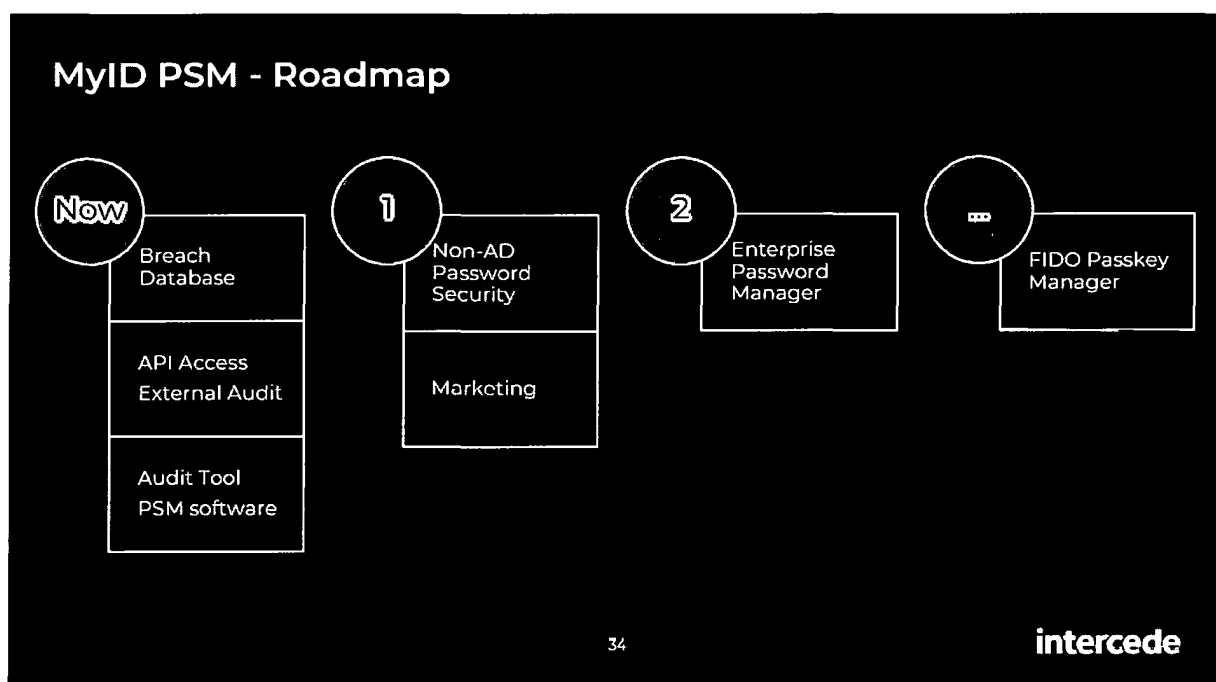
A key initiative of Intercede is to continue to increase the percentage of resources allocated to strategic roadmap development to ensure Intercede maintains and increases competitive advantage.



Specific roadmap items for the fiscal year FY25 include:

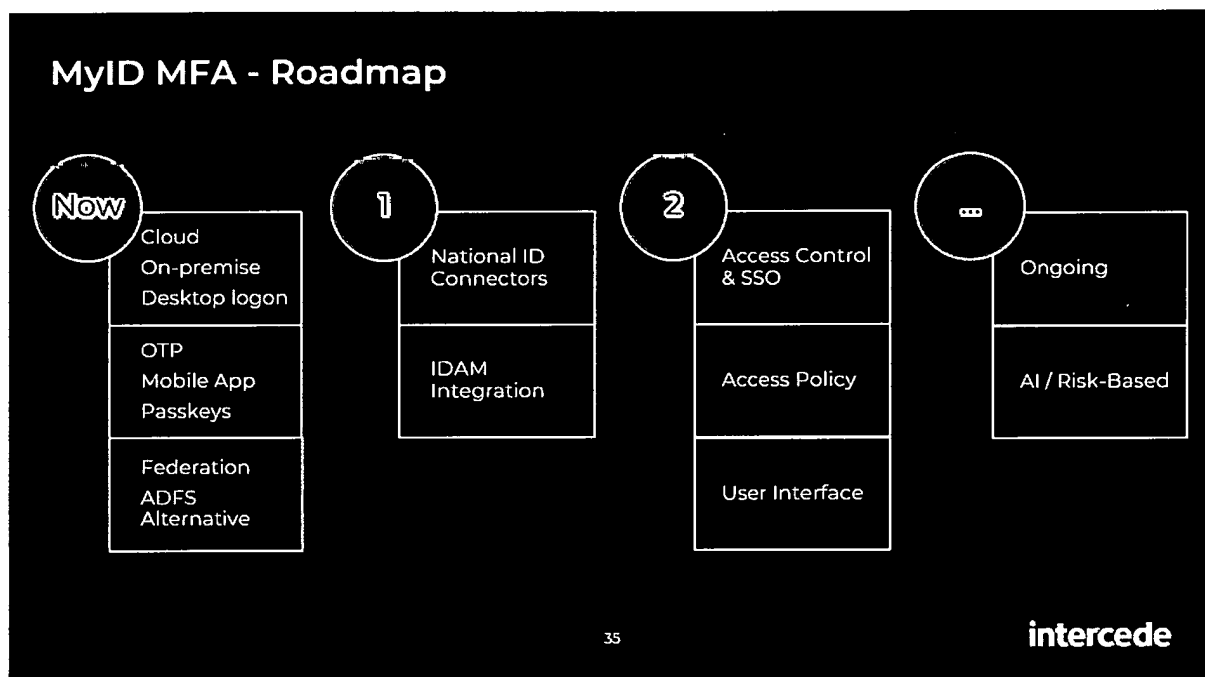
Password Security management:

- Increased marketing/awareness campaign of existing capabilities, particularly around the password breach database – with over 8 billion records, the largest collection of known compromised credentials in the world (see <https://www.intercede.com/myid-product-suite/myid-psm/>).
- Extend the solution to manage a wider range of passwords used within the enterprise.
- Extend the solution to provide enterprise password management capabilities; where passwords for applications are learned, scrambled and then replayed at logon, giving a single-sign on experience.
- Investigation into providing FIDO Passkeys management – placing Enterprise and Government organisations in control of their passkeys.



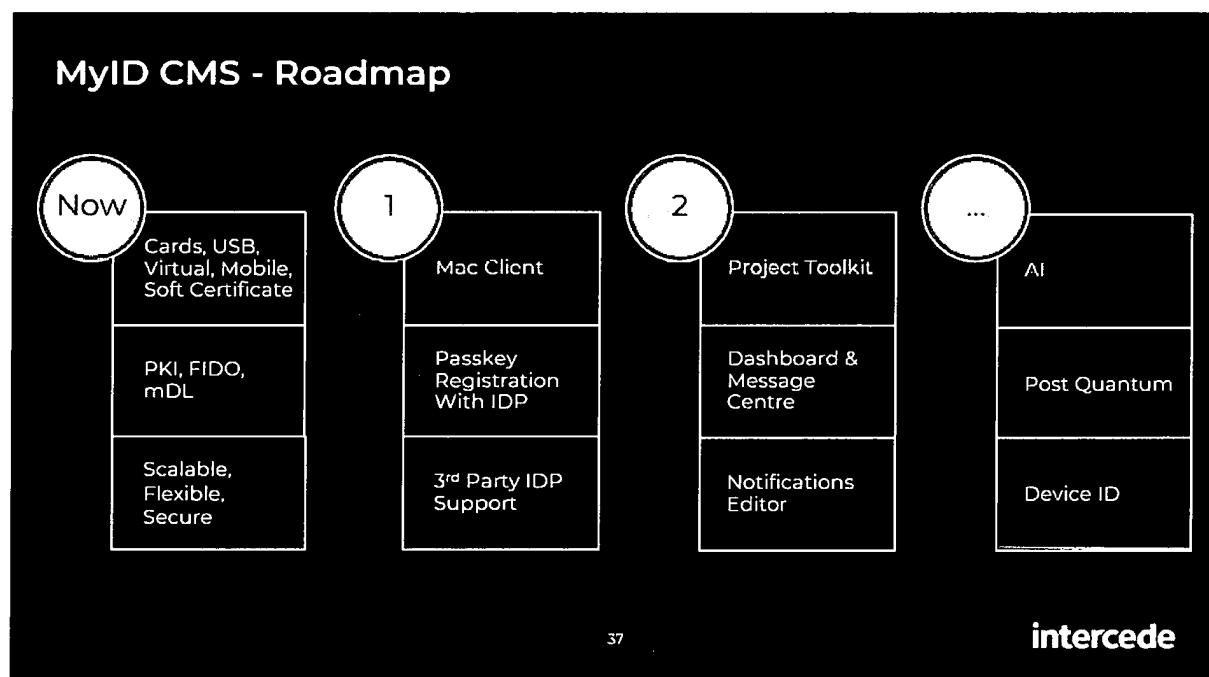
Multi-Factor Authentication

- Provide out-of-the box connectors to enable specific national ID issued credentials to be used to authenticate to MyID MFA protected resources, enabling customers to leverage high-assurance national credentials to protect local resources.
- Extend the existing authentication solution to provide authorisation and single-sign on capabilities, delivering flexible access control in a mid-market product.
- Investigation into utilising AI for risk-based and ongoing authentication.



Credential Management System

- Provide the ability to issue FIDO passkeys and then pass them to a third party IDP for authentication, enabling customers to leverage MyID CMS to issue high assurance PKI and FIDO credentials compatible with their existing identity infrastructure (e.g. Microsoft Entra ID).
- Enhanced project toolkit enabling customers to configure the CMS solution to meet their needs without the need for custom coding.
- Investigation into use of AI in identity onboarding and credential management.
- Investigation into support of quantum resistant cryptographic algorithms.
- Investigation into supporting device identity management (non-person entities) in the CMS in addition to person identities.



Market Opportunities

Breaking the total market size down further into market opportunities available to Intercede, follows a three-step process:

Addressable Market

Intercede's addressable market is any organisation globally that needs to secure and manage their user identities. Our key segments are US federal government (and related aerospace and defence suppliers) and enterprise/workforce identity, into which we provide password management, multi-factor authentication and credential management solutions.

Served Market

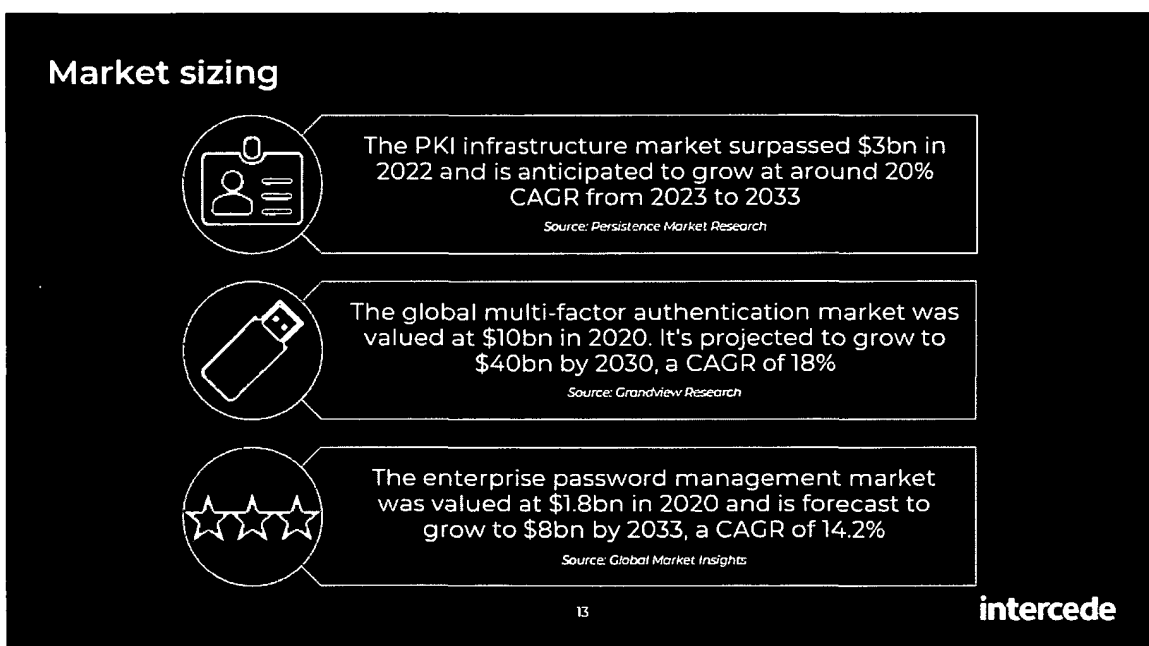
Within the addressable market Intercede have a strong footprint in the US and EMEA, and a growing footprint in the APAC region.

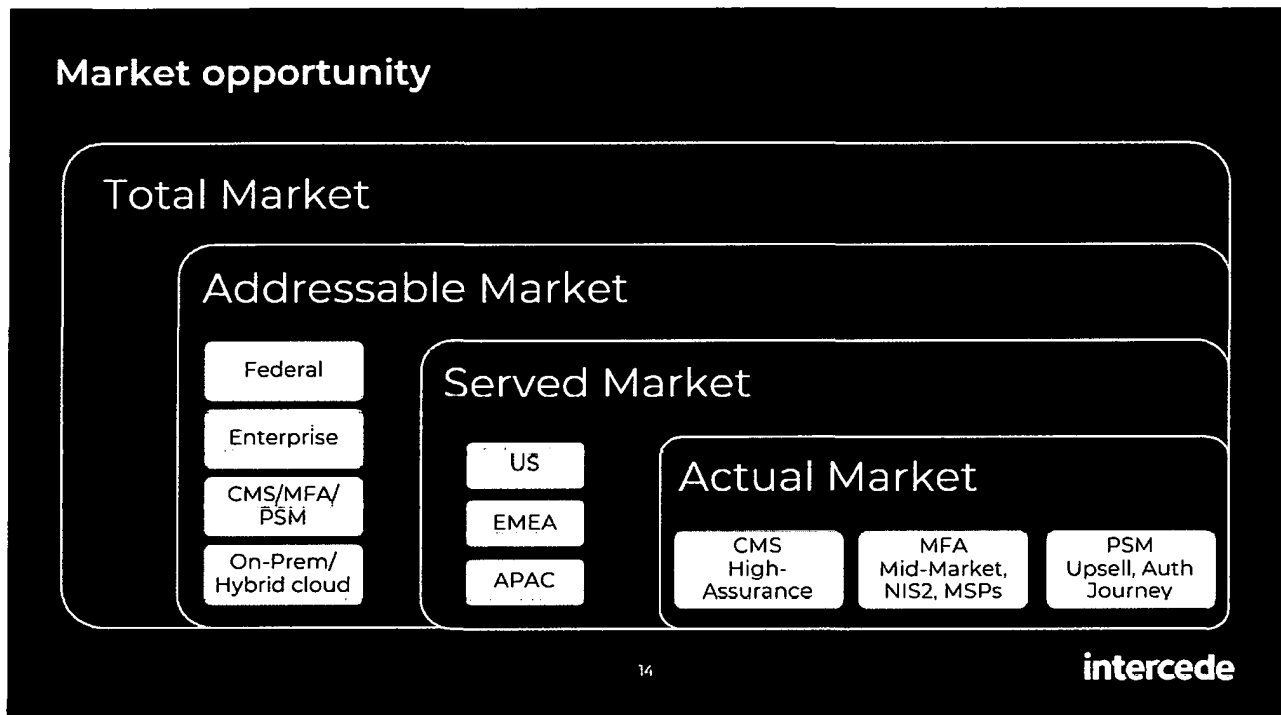
Actual Market

Within the served markets Intercede is focused on a number of growth areas:

- PKI and FIDO credential management in high assurance environments.
- Multi-Factor Authentication in the mid-size enterprise, particularly those affected by NIS2 regulations in Europe.
- Multi-Factor Authentication in small businesses, served by embedding Intercede technology into established managed service provider (MSP)/managed security service provider (MSSP) offerings.
- Password Security Management as a simple first step on a journey towards better authentication.

Accounting for the actual market opportunity and Intercede's focused growth areas, the Group is confident that the stated aim of doubling revenue within 3-4 years from the 2023 base is achievable.





Summary

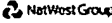
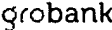
Intercede has expanded the product portfolio to uniquely cover the complete set of authentication options from passwords to PKI. We give our customers choice and help them wherever they are on their journey to stronger authentication and better security.

We continue to invest in the CMS, MFA and PSM products to ensure increased competitive positioning.

With the increased demand for high-assurance cybersecurity products, Intercede is well positioned to capitalise on the reputation gained from multiple high-profile deployments and to bring enhanced capabilities to the mid-market.

OUR CUSTOMERS

Intercede Group's sample customers

Government	Aerospace & Defence	Finance	Healthcare	Industry
 	    	    	    	    

2

OUR PARTNERS

Partners

Technology				Integration & Reseller			
							
							
							
							
							
							

Case Study One:

Deploying phishing resistant authentication in the energy sector

THE CHALLENGE:

As a provider of critical national infrastructure, a major U.S. energy provider, responsible for supplying electricity and natural gas to millions of customers, recognised the need to strengthen cybersecurity measures for workforce authentication. With a large and diverse workforce of 12,000 employees requiring various levels of physical and logical access, the provider sought a solution that was secure yet user-friendly and easy to manage.

Key requirements included:

- A single cohesive system to manage workforce authentication for both physical facilities and corporate networks.
- Simple integration with the existing IT infrastructure.
- Adherence to National Institute of Standards and Technology (NIST) authentication guidelines.
- Manageable for a small team of administrators across the entire 12,000 person workforce.
- Ease of use to avoid hindering employee productivity.

THE SOLUTION

The energy provider partnered with Intercede to implement MyID CMS, a credential management system utilizing public key infrastructure (PKI) and smart card technology.

The MyID CMS solution included:

- Smart cards issued to each employee with cryptographically protected credentials for secure authentication.
- Two-factor authentication requiring the smart card and a PIN for logical access to corporate systems.
- Smart card-based access control for physical entry into approved facilities.
- Centralized management of all 12,000 employees' smart cards through the MyID CMS software.

With MyID CMS, system administrators could easily set security policies, define user groups, audit usage, and manage the full smart card lifecycle from issuance to revocation. A key benefit was deploying strong multi-factor authentication across the organisation's workforce, facilities, and networks through a single integrated platform.

THE BENEFITS

- **Secure:** Multi-Factor authentication protects against breaches from social engineering tactics.
- **User-Friendly:** Employees use one smart card for both physical entry and network/system access replacing passwords with a simple card + PIN.
- **Manageable:** MyID CMS centrally manages 12,000 user credentials for a small admin team.
- **Best Practice:** Meets NIST standards for authentication assurance.
- **Simple to Deploy:** Integrated with existing infrastructure with no major upgrades required.
- **Future-Proof:** Supports new devices, smart cards, tokens, passkeys and standards like FIDO.

By implementing Intercede's MyID CMS solution, the energy provider secured workforce access using strong authentication that adhered to federal guidelines and best practices, all through a centralised, user-friendly platform requiring minimal administration overhead.

Case Study 2

Liverpool Heart and Chest Hospital NHS Foundation deploy MyID MFA

About Liverpool Heart and Chest Hospital

Liverpool Heart and Chest Hospital is a leading specialist cardiothoracic hospital that performs over 72,000 operations per year. As a forward-thinking NHS Trust, they allow remote access for staff and have implemented a Bring Your Own Device (BYOD) policy to reduce paper usage and increase mobility. Critical applications like X-ray review and procurement systems require secure remote access.

THE CHALLENGE

The hospital's existing VPN remote access solution required a cumbersome 5-step login process involving a hardware token. This frustrated users and deterred adoption of remote access capabilities. The complex authentication was a bottleneck for productivity.

"The 5-stage login with a hard token was taking up to 10 minutes and deterring many people from using the remote access service," said Matt Connor, IT Operations Manager.

While security was paramount for protecting sensitive medical data, the Trust needed a solution that provided a simple, reliable login experience to drive higher utilisation of remote access capabilities.

THE SOLUTION

Liverpool Heart and Chest Hospital deployed a MyID MFA solution that combined high security with a vastly improved user experience. Now when staff need to remotely access systems, they simply open a browser, enter the portal URL, and are prompted for their username, password, and a visual pattern-based authentication code.

The pattern-based authentication has significantly improved usability over the previous hard token approach, while making the login process far quicker and easier. There is no client software to install, enabling seamless BYOD access.

"The pattern-based authentication solution is the perfect fit for our BYOD strategy. Authorised staff get fast, secure access from any device, and our systems are fully protected," Connor stated.

THE BENEFITS

Since deploying the new secure remote access platform, Liverpool Heart and Chest Hospital has seen:

- Strong authentication without cumbersome hard tokens.
- A simple user experience, streamlining access for a mobile workforce.
- Support for the BYOD policy with a zero-client footprint.

- Reduced helpdesk calls related to VPN access issues.
- Scalability to easily add/remove users as needed.
- Ability to layer higher assurance levels for accessing the most sensitive data.

With passwordless authentication tailored to their clinical workflows, the hospital's staff can efficiently access the information they need from any location and device. This has boosted productivity while maintaining robust security of confidential patient records and medical systems.

SUSTAINABILITY, DIVERSITY AND INCLUSION

Intercede recognises the importance of, and supports the tenets of, good environmental practice, social makeup and sustainability in the conduct of its activities and is aware of the size and impact of the Group when acting on these principles.

To that end the Group has adopted a pragmatic, effective and deliverable plan regarding ESG commitments.

Environment

In relation to the size of the Group, Intercede aims to:

- minimise consumption through the reduction, reuse, or recycling of materials where possible.
- encourage efficient use of energy, utilities, and natural resources.
- implement cost effective carbon offset policies.

Electricity

Both Lutterworth Hall and Station Road are receiving Zero Carbon Electricity. This is a mix of renewable electricity backed by Guarantees of Origin and nuclear declarations.

	British Gas Trading Ltd	UK Average	Zero Carbon Energy for Business	Renewable Energy for Business	All Other Products
Coal	2%	3%	0%	0%	2%
Natural Gas	17%	39%	0%	0%	25%
Nuclear	26%	14%	26%	0%	35%
Renewables	54%	41%	74%	100%	36%
Other Fuels	1%	3%	0%	0%	2%
CO2 Emissions	88 g/kWh	199 g/kWh	0 g/kWh	0 g/kWh	129 g/kWh
High Level					
Radioactive					

Gas

UK sites in Lutterworth pay a Climate Change Levy (CCL), which is designed to incentivise energy efficiency and to reduce carbon emissions.

Carbon Offset

Throughout 2022 every member of staff was gifted with the planting of 2 trees for their birthday. 40 trees were planted in North America and 160 trees were planted in the UK and it has been estimated, by the supplier, that these 200 trees have sequestered 977.55 kg of CO2.

Recycling

The Group has been recycling for many years and have enhanced this by recycling specialised plastic at our local supermarket. The response to this has been very positive with approximately 960L being collected every 3 months with circa 440L of general recycling collected each month.

Other actions include:

- Food compost.
- Old office furniture is refurbished, sold (receipts are donated) or passed onto our chosen charities.
- Old IT equipment is donated to charity or local schools/colleges.
- Old aircon units and light fittings were disposed of appropriately.

EV chargers

An electric car scheme was launched a few years ago and the take up has been increasing. The scheme is a salary sacrifice scheme with payments being made from gross pay and the benefit in kind being much lower than the normal income tax rate, thereby providing a tax saving to the employee on top of having a car with low or zero emissions.

The Group has added 4 chargers at its Lutterworth sites and chargers exist at the Bracknell location, provided by the Landlord.

LED Lighting

We have installed new sensor sensitive LED lighting in our Station Road office, further enabling the Group to reduce its carbon footprint.

Challenges & Opportunities

The challenges and opportunities in FY25 are expected to be:

- Increase in travel and the consequent carbon foot print impact
- The planned office move in Reston was successfully completed in April 2024. This will significantly reduce our emissions in FY25. The emissions profile of the new office building is measurably lower than the exiting one. We have also reduced our space usage from 6,000 sq.ft to under 3,350 sq.ft
- Lutterworth Hall – Managing a Grade II listed building brings its own challenges, and we will, over a period of time, upgrade to more energy efficient and lower carbon impact facilities where allowed and economically viable.

Social

Our Colleagues

Our success is built on the diverse intellectual capital of our people. We are constantly aiming for a productive environment that is diverse and where wellbeing is central of our work. We engage with our staff, listen via an Employee Working Group and build trust as best we can.

Equity, Diversity and Inclusion ('ED&I') is essential to achieving a more productive work environment and the Group will strive, where it can have an impact, to remove barriers, increase representation and push the boundaries to create equity for all, as we build growth across our client base and partners.

Hybrid working

As a technology-driven business, innovation is driven from personal interaction internally and externally. With the strategic recruitment of younger colleagues it was essential we moved away from an exclusive work from home policy to a hybrid working model.

The model enables employees to work from home, but also come into the office in teams to foster relationship building, personal development and creative interaction. We have found hybrid working to be an essential component of our employer offering with increasing numbers of employees and potential employees viewing it as a key factor in joining and indeed staying with the Group.

Charitable and Community

Our colleagues donated 605 food items during the year and the Group matched this amount with a total of 1,210 items collected for the local foodbank on 5th December 2023. In addition, cash raised through

donations, raffles and sale of surplus office furniture was donated to Lutterworth & surrounding village foodbanks and Cancer Research UK. In total the Group donated £2,255 in the year.

Employee Appraisals

We perform interim and yearly appraisals by setting and monitoring objectives, goals and career development targets. This process is well established and important for both the colleagues and the Group as a whole. This process establishes the baseline for annual salary reviews.

“OUR RECORD RESULTS FOR THIS YEAR ARE A TESTAMENT TO OUR COLLEAGUES, THEIR COMMITMENT, INTELLIGENT DELIVERY AND TALENT”.

Financial Review

Income Statement

Revenue and operating results

The Group's revenue from continuing operations increased by 65% to £20.0 million (2023: £12.1 million) and gross profit increased by 66% to £19.4 million (2023: £11.7 million). Gross margin is broadly flat at 97% as a similar level of third-party product was sold as part of licence sale in both years.

The Group's operating profit was £5.3 million (2023: £0.6 million), after non-cash depreciation charge for property, plant and equipment in the year of £0.1 million (2023: £0.1 million), a right-of-use depreciation charge of £0.2 million (2023: £0.2 million) and amortisation costs of £0.2 million (2023: £0.1 million). Acquisition costs for the year were £0.1 million (2023: £0.2 million) with exceptional expense of £0.1 million relating to costs for moving IT infrastructure to the cloud (2023: £0.1 million relating to exiting CFO expense overlapping incoming CFO). Operating expenses increased by 27% to £14.1 million (2023: £11.1 million).

Tight cost control continues to be a focus for the Group in conjunction with considered project expenditure to support revenue growth. Meanwhile the Group continues to recognise the achievements of its staff with pay rises and performance-related rewards. Staff costs represents the highest area of expense representing 80% of total operating costs (2023: 81%). Intercede had 108 employees and contractors as at 31 March 2024 (2023: 94). The average number of employees and contractors during the period was 102 (2023: 91).

The statutory profit before tax for the period was £5.6 million (2023: £0.6 million) and profit for year was £6.0 million (2023: £1.3 million).

Taxation

The Group has a tax credit of £0.4 million for the year due to amounts received from HMRC in respect of R&D claims, less US corporation tax payable. (2023: tax credit of £0.7 million). The Group has carried forward unused tax losses of £3.7 million (2023: £9.9 million). Intercede makes an R&D claim as part of its annual tax return and can choose whether to carry taxable losses forward or to request a cash repayment from the UK government. The Group continues to review its R&D capitalisation policy in accordance with accounting standards as the Group develops out its product portfolio.

Finance Income

Net finance income was £0.3 million (2023: £0.1 million) reflecting increased interest income due to a combination of higher cash balances and rate rises.

Earnings per share

Earnings per share from continuing operations in the year was 10.3 pence for basic and 9.6 pence for diluted (2023: 2.3p pence for basic and 2.2p diluted) and was based on the profit for the year of £6.0 million (2023: £1.3 million) with a basic weighted average number of shares in issue during the period of 58,231,712 (2023: 57,939,548 shares). For diluted the weighted average number of shares in issue during the year was 62,429,062 (2023: 60,595,485).

Dividend

The Board is not proposing a dividend (2023: £nil).

Financial Position

Assets

Non-current assets of £4.2 million comprise goodwill of £2.4 million (2023: £2.4 million), identifiable intangibles of £0.6 million (2023: £0.8 million), property, plant and equipment of £0.4 million (2023: £0.1 million) and IFRS 16 right of use assets of £0.7 million (2023: £0.2 million). Trade and other receivables decreased by £1.2 million to £4.3 million (2023: £5.5 million) reflecting a more even spread of customer orders over the year, compared to a concentration towards the end of the previous year.

Liabilities

Current liabilities increased by £1.6 million to £11.1 million (2023: £9.5 million) reflecting increased deferred revenue at the year end of £7.9 million (2023: £7.0 million). Non-Current liabilities increased by £0.6 million to £1.5 million (2023: £0.9 million), which also reflects increased deferred revenue at the year end of £0.7 million (2023: £0.6 million) and the impact of increase lease liabilities of £0.6 million (2023: £0.2 million).

Contingent Consideration

Included in current and non-current liabilities are contingent consideration amounts due on the acquisition of Authlogics Ltd. These amounts have been based on the reasonable estimates by management of Authlogics achieving its recognised revenue targets for the calendar years ending June 2024 and June 2025. The Group's current and non-current liabilities include £0.3 million (2023: £0.3 million) and £0.2 million (2023: £0.2 million) respectively for the contingent consideration liabilities.

Capital and Reserves

Total equity increased to £13.2 million (2023: £7.0 million), reflecting the profit for the year. Accordingly, the accumulated deficit account has now moved into a retained earnings position of £5.7 million for the year (2023: £0.5 million accumulated deficit). The Group regularly assesses its capital position and maintains a disciplined approach to the allocation of excess capital.

Liquidity and capital resources

The Group remains in a good financial position, with gross cash balances of £17.2 million as at 31 March 2024 compared to £8.3 million held at 31 March 2023. During the year there has been a cash outflow for investing activities of £0.4 million (2023: £2.2 million, mainly due to the £2.0 million acquisition of Authlogics Ltd). The net cash inflow from operating activities rose significantly to £9.6 million (2023: £2.9 million) which reflects an increased profit for the year and good management of working capital movements thanks to tight management of debtors. The increased profit for the year is underpinned by strong licence orders in the year. The Group has refined its Treasury Policy and spread its cash balances held across a number of UK banking institutions with reputable credit ratings.

The Group had no debt at the year-end (2023: £nil).

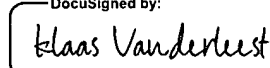
Outlook

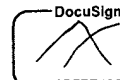
FY24 was an exceptional year for the Group. Intercede continues to invest in its colleagues, IT Infrastructure, product development, sales and marketing to maintain and sustain its current momentum.

We embark into FY25 with good visibility on the pipeline, known and fully resourced internal critical investments, and with a clear roadmap on our acquisition strategy. As mentioned earlier, the focus is on growth and execution of strategic plans to deliver it.

By order of the Board

Klaas van der Leest
Chief Executive Officer
17 June 2024

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Nitil Patel
Chief Financial Officer

Engaging with our key Stakeholders

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 (pages 9 to 21) and the governance section. Examples of how the Board engages with stakeholders is explained throughout this Annual Report and below:

- Consider the likely consequences of decisions in the long term:
- The interests of the Group's employees.
- The need to foster the Group's business relationships with suppliers, customers, and others.
- The impact of the Group's operations on the community and environment.
- The desirability of the Group to maintain a reputation for exacting standards of business conduct, and
- The need to act fairly with all shareholders of the Group.

How are we applying the above?

- a) The Group has now embarked on Phase Two with the overarching themes of scalability and consistent revenue growth. This is being delivered through our Business Principles as described on pages 10 to 12. This virtuous circle will enable the Group to achieve these stated themes.
- b) The Companywide Kick Off (CKO) was held in April 23 and we successfully recruited 17 new employees, increasing capabilities and succession planning. We continue to engage with our colleagues during the year via a comprehensive and detailed survey. Further, the Group is using technology to enhance the employee engagement in the Group via SharePoint, emPerform and online training modules.
- c) Customers and channel partners are a focal point of the Group's Business Principles, as discussed in detail within the Business Principles as described on pages 10 to 12.
- d) Recognising our impact on our local community and the environment with the aim of developing an ESG strategy. Concern for the environment and promoting greater sustainability are important considerations for the Group and how we conduct business; we aim to reduce the environmental impact of our activities.

The ESG committee has met twice this year and reports on pages 25 to 27. Social is a key deliverable for the Group and diverse employee recruitment is improving as per (b) above.

- e) In addition to lending full support to the maintenance of the Group's ISO 9001 & ISO 27001 status, as discussed below in the Risk Management Review section, the Group deploys an extensive policy and process environment with a dedicated principal technical consultant.
- f) We meet shareholders (institutions as well as retail) frequently via online and in person meetings. We listen and take on feedback including balancing financial growth strategies with returns on those investments. We have strengthened our governance and increased our Board diversity in the year.

The Board reviews key strategic decisions together. Below are a few examples of how this was approached, showing regard to s172:

- On acquisitions, the Board were given high level updates on the engagements the Executives had in the year, which would have led to further in-depth analysis had they proceeded.
- The Group continued to develop its strategic plan and the Board held a strategy session in March 2024, taking into consideration all stakeholders.
- Operationally, the Board is informed monthly on progress against Budget as well as ongoing strategic initiatives.

The Directors are conscious of the continued evolution of the governance landscape (see QCA Code 2023 which will be applied next year when required), and the need to consider the requirements of different stakeholder groups.

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

Understanding, recognising and addressing risks and uncertainties the Group faces

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 the Group provides can present technical challenges that carry a certain element of commercial risk, and it is naturally exposed to external market, geopolitical and compliance related risks that are not necessarily within its control. Intercede works diligently to identify, monitor, and mitigate known risks and uncertainties, as best it can.

Sector and Market Risk

- The Group operates in a vastly complex and competitive technological environment so the business will be negatively affected if it does not enhance its product offerings and/or respond effectively to technological change. Intercede's main market is currently in the US Federal environment which is the largest for its PKI/CMS offering and is subject to timing and award delays.

This risk is mitigated by ongoing investment in research and development, enhanced product road map with constant account, and client management. The Group also releases quarterly updates to its flagship MyID CMS product. Furthermore, MyID MFA and PSM provide smaller but more regular deals and therefore less subject to extended award delays.

Impact	4 out of 9	Medium	Movement in year:
None			

Global Environment

- The Group conducts business globally, both geographically and by sector, so there is a risk that territory and global macro-economic conditions (including the impact of the Ukraine and Israel & Gaza conflict) may result in one or more of these markets being adversely affected and the revenues of the business impacted accordingly. With inflation the ability to pass on price increases can be limited depending on the market, competitor pricing strategies and clients.

This risk is mitigated as best the Group can, both through the long-term nature of customer relationships and the diversification that results from operating in multiple markets, as well as the increased focus on cyber security. In addition, the Group has expanded its solutions to MyID MFA and MyID CMS. Events like the Ukraine invasion have resulted in closer 5 eyes collaboration and resulted in net new UK Government related business.

Impact	6 out of 9	Medium	Movement in year:
None			

Business Continuity and IT Infrastructure

- Management has assessed the requirements and 'fit for purpose' capabilities of the Group's business continuity and disaster recovery plans together with its current IT infrastructure. The risk has been evaluated as high.

The risk is planned to be mitigated over the next 12–24-month period with the migration of the majority of the IT infrastructure into the cloud. This will enable increased resilience and enhanced business continuity capabilities.

Impact	9 out of 9	High	Movement in year:
None			

Regulatory Environment

- Technology companies are exposed to constant changes to regulations, intellectual property infringement and piracy. Any negative changes could adversely impact on the Group's performance and outlook.

The Group mitigates this by market knowledge and enhanced collaboration with our clients, suppliers, and partners. It has yearly Client Advisory Board meetings in the US and Europe and follow proposed regulatory changes closely.

The Group rigorously defends its intellectual property in the primary jurisdictions within which it operates.

Impact	4 out of 9	Medium	Movement in year:
None			

People

- The Group's performance is largely dependent on the experience and expertise of its employees. The loss or lack of key personnel or ability to recruit 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, attractive benefits, career progression and staff engagement to retain and attract key personnel

Impact	6 out of 9	Medium	Movement in year:
Higher			

M&A and Integration

- All M&A transactions carry a significant level of risk and uncertainty with an impact that could be far reaching and ultimately costly if not managed correctly.

To mitigate this the Group operates a strict criteria of assessment, high level of quality due diligence and vigorous and detailed integration plans

Impact	4 out of 9	Medium	Movement in year:
None			

Cyber and information security

- There is a potential risk that we fail to maintain the confidentiality, integrity and availability of information and key systems. A breach could lead to the loss of sensitive data, intellectual property, and confidential business information, severely damaging client trust and the Group’s reputation.

The Group aims to mitigate this by ongoing training and awareness campaigns, including those focused on phishing. With the move to a secure cloud environment for greater reliability and security the Group will continue to be as vigilant as it can.

Impact	6 out of 9	Medium	New
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Board of Directors

Royston Hoggarth

Non-Executive Chairman

Royston Hoggarth is currently Chair of Intercede Group plc, Cirrus Response Limited and Stellar Omada Limited. He is a non Executive Director of Cellhire Limited, an advisor to the NEC Corporation and NEC Software Services Limited. He is also Chair of England Hockey.

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

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

John Linwood

Non-Executive Director

With 40 years' experience as a senior leader in technology and 11 years as a Non-Executive Director, John brings a wealth of experience in both Executive and Board roles. John has successfully delivered large scale technology at a global level, led major digital transformation programs, innovation, technology and data services for some of the biggest names in the technology sector including Microsoft, Yahoo, BBC and UK Ministry of Defence. John is also an experienced Non-Executive Director with FTSE and AIM listed companies and a UK Government Agency as well as a founder of 3 successful technology start-ups. John's experience brings a high degree of technology, commercial and leadership ability operating at a global scale that has proven itself repeatedly throughout his career.

At Microsoft for 11 years, John led a large software and service engineering organisation responsible for developing and running Microsoft's online MSN platform around the world.

As Senior Vice President at Yahoo for 5 years, John led a very large, global software and service engineering organisation based in 22 countries including Yahoo's software engineering centre in Bengaluru, India.

John was CTO at the BBC for 4½ years responsible for all IT, production and broadcast technology delivering game changing outcomes for the broadcaster.

John also has extensive experience in delivering Machine Learning and Artificial Intelligence technology to drive advanced data analytics as CTO at Wood Mackenzie, a leading data analytics firm in the Energy and Mining sector and Earth-I an earth observation satellite data analytics company.

John is on the Board of National Grid ESO, the UK's electricity system operator and Brooks Macdonald Group plc, a UK Wealth Management company with £17bn of assets under management. John is also a Strategic Technology Adviser to the UK's Ministry of Defence.

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 have 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.

Tina Whitley

Non-Executive Director

Tina is the Chief Executive Officer of NEC Software Solutions UK and is responsible for the Group's overall strategic development and operation. She joined NEC in 2016 having previously been at the Capita Group for 7 years and was the MD of the SIMS, Higher Education and Libraries businesses on departure to NEC.

A proven and inspirational business leader with extensive experience across the Information Technology sector. She has directly overseen teams across all disciplines, including sales, marketing, procurement, operations, product management, technical services, HR and finance.

She is passionate about the customer experience, building excellent relationships and ensuring exemplary delivery. Developing people and building teams is key and she manages operations rigorously, identifying high performers, stretching their capabilities effectively improving the Group's overall performance. This approach has proven to be successful in both the UK and Internationally including multi-cultural environments across Europe, the Middle East, Africa and India. She was appointed a Non-Executive Director of Intercede on 1 July 2022.

Daniel O'Brien

Non-Executive Director

Daniel O'Brien has over 30 years' experience in financial roles across successful listed, PE backed and privately owned international organisations. Most recently Daniel was CFO, and then COO, at the media and events company Tarsus Group, and was a lead executive overseeing the take private acquisition by Charterhouse and the subsequent sale of the business to Informa plc for approximately \$1bn.

He has held senior finance roles in a range of multinational companies including COLT Telecoms, Eidos Plc, Huveaux Plc as Group Finance Director and Shine Group as Chief Financial Officer.

Daniel currently sits on the advisory board of several organisations including Cuil Bay Capital, Pendragon International Media and is a trustee of the charity School-Home Support.

Daniel qualified as a chartered accountant at Deloitte in 1991 is a member of the Institute of Chartered Accountants in England and Wales. He was appointed a Non-Executive Director of Intercede on 20 October 2023.

Klaas van der Leest

Chief Executive Officer

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, Intelcom 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.

Nitil Patel

Chief Financial Officer

Nitil has been a CFO and a plc board member since 2001. Recently he was the interim CFO at D4t4 Solutions plc (2021), which helps global enterprises derive value via Celebrus, the company's flagship first party product suite. From 2016 to 2020, he was the CFO at Dods Group plc (now renamed Merit Group plc), a leading technology company specialising in data, business intelligence and media delivering content to more than fifty countries across six continents.

Before Merit, Nitil was CFO of multi-media content creator Ten Alps plc (rebranded Zinc Media plc) from 2001 to 2016. During this time, Nitil managed three divisions of the group, driving growth both organically and through strategic acquisitions. He was a key member of the team from the very start of Ten Alps in 1999 as Finance Director and was responsible for its listing on AIM in 2001.

Nitil is a fellow of the Institute of Chartered Accountants in England and Wales. He joined in April 2022.

Introduction to Corporate Governance from the Chairman

Dear Shareholders,

On behalf of the Board I am pleased to present the corporate governance report for the year ended 31 March 2024. The Directors recognise that shareholders look to the Board to deliver growth and long-term shareholder value and I recognise that an efficient, effective and dynamic governance framework is critical to achieving this.

We are always aiming to enhance our governance, reporting and visibility of the Group, adhering to agreed codes that address the needs of the Group and taking in to account the size of the Group.

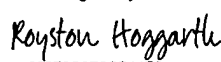
The role of the Board is to provide good governance, succinct and timely advice and create an environment for business success. High standards of corporate governance for delivering long-term success to the Group is recognised and the Board notes its role in setting the culture, values and ethics of the Group and communicating this internally and externally. We set this out formally in our Section 172 Statement on pages 30 to 31.

Meeting regularly and having monthly calls enables the Board to monitor and promote a healthy and diverse corporate culture. As mentioned earlier, adherence to codes and governance rules enables the Group to foster this environment. The Group complies with AIM Rule 26 which requires disclosure of a recognised corporate governance code, how it applies it, any departures and suitability for the Group.

The Board has adopted the Quoted Companies Alliance Corporate Governance Code 2018 ("QCA Code") whose set of principles for governance are ideally suited for the Group in relation to the size, resource and its current development stage. The Board acknowledges the publication of the new QCA Code 2023 and will look to apply the updated principles over the next year thereby adhering to best practice.

By order of the Board

Royston Hoggarth
Non-executive Chairman
17 June 2024

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Caption

Board's collective responsibility:

- **Strategic Vision**
- **Effective and suitable control of the Group**
- **Key investment decisions and direction**

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 cognisant 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 Strategic Report on pages 9 to 21.

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

The Group has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code for small and mid-size quoted companies (revised in April 2018 to meet the new requirements of AIM Rule 26). A detailed statement of the Group's compliance against the code is provided on Intercede's website: <https://www.intercede.com/company/investor-relations/corporate-governance/>. A review of the new updated code 2023 will be carried out and applied in 2025.

The Board of Directors

The Board is led by the Chairman, Royston Hoggarth, 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, transparently and openly*. 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. Intercede gives high priority to communications with current and potential future shareholders by means of an active investor relations programme, both institutional and retail. 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.

In the year, the Board has constructively and proactively challenged management on Group strategies, proposals, operating performance and key decisions, as part of its ongoing work to assess and safeguard the position and prospects of the Group.

The QCA Code requires the Board to have an appropriate balance between Executive and Non-Executive Directors.

The board changes made in the last few years have increased independence and diversity. It now comprises two Executive Directors and five Non-Executive Directors, three of whom are considered to be independent. All of the Directors have extensive business experience and submit themselves for re-election at least every two years. Details of the breadth of their skills and experience can be found in the Board of Directors section on pages 35 to 37.

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

Audit Committee – Daniel O'Brien is the Chair of the Audit Committee given his recent and relevant financial experience as a Chief Operating and previously Chief Financial Officer at Tarsus Group and non-executive director role.

Tina Whitley and John Linwood are also members of the Audit Committee and Royston Hoggarth will be invited by the Chair as and when requested.

Remuneration Committee – Tina Whitley is the Chair of the Remuneration Committee which also comprises John Linwood and Daniel O’Brien. Royston Hoggarth will be invited by the Chair as and when requested.

Nominations Committee – John Linwood is the Chair of the Nominations Committee which also comprises Royston Hoggarth, Jacques Tredoux, Klaas van der Leest and Nitil Patel.

ESG Committee – Jo Reynolds (Administration & Facilities Manager) is the Chair of the ESG Committee which also comprises Klaas van der Leest, Claire Baum (HR Manager), Marcus Hennessey (Internal Systems Support Manager) and Nitil Patel. There are no non-executives on this committee. This committee met twice in the year and all members attended.

	Board meetings		Audit Committee		Remuneration Committee		Nomination Committee	
Executive Directors	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended
Klaas van der Leest	4	4	1	1	-	-	2	2
Nitil Patel	4	4	1	1	-	-	2	2
Non-Executive Directors								
Royston Hoggarth	4	4	1	1	3	3	2	2
Jacques Tredoux	4	4	1	1	2	1	2	2
Tina Whitley	4	4	1	1	3	3	2	2
John Linwood (appointed 20 June 2023)	3	3	-	-	1	1	1	1
Daniel O’Brien (appointed 20 Oct 2023)	2	2	-	-	1	1	-	-
Charles Pol (resigned 25 September 2023)	2	1	-	-	2	2	1	1
Rob Chandhok (resigned 21 June 2023)	1	1	-	-	-	-	-	-

The performance of the Board is evaluated on a regular basis to achieve continuous improvement. Following a challenging period in recent financial years, the Board made a number of changes to get the Group back to sustainable revenue growth and profitability. The combined impact of increased revenues and action taken to reduce the cost base has resulted in a return to profit, which represents a significant turnaround from the losses incurred in previous years.

The Group has a strategic plan to expand the business and generate shareholder value, which forms the basis of Phase Two of Intercede's turnaround. In essence, this is the Group's business proposal which is kept under review by, and evolves under, the guidance of the Board.

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 and Chief Financial Officer.

Operational risk management is embedded in the Group's business processes, which are set down in writing in the policies and procedures that make up the Group's quality management system (QMS) and are periodically reviewed by external quality compliance auditors.

The Board places a significant emphasis on the Group's reputation for quality and, in addition to lending full support to the maintenance of the Group's ISO 9001, ISO 27001 status and Group Risk Register, and takes reputational matters into account in its decision-making. This is part of our ongoing commitment to providing the highest levels of protection for the confidentiality, integrity, and availability of our data,

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 9 to 21.

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.

In addition to the EMT there is also an Operating Management Team (OMT) comprising of senior managers executing and implementing the strategies of the Group as well as the day-to-day operational activities

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 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 2025 and 31 March 2026, which show that the Group is expected to have sufficient cash to enable it to meet its liabilities, as and when they fall due, for a period of at least 12 months from the date of signing these financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Royston Hoggarth
Chairman
17 June 2024

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Royston Hoggarth
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AUDIT COMMITTEE REPORT

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

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

For the year ended 31 March 2024 ('FY24'), there was one Audit Committee meeting attended by Royston Hoggarth and Charles Pol and another by Tina Whitley and Royston Hoggarth. Many of the Audit Committee matters listed above are addressed at quarterly board meetings, particularly around the review of risks and controls.

The significant issues considered by the Committee in relation to the FY24 Financial statements, and how these were addressed, were:

- **External audit** - The Audit Committee monitors the Group's relationship with the external auditor, Cooper Parry Group Limited ('Cooper Parry'), to ensure that external independence and objectivity has been maintained and will continue to review and challenge the work undertaken to ensure the effectiveness of the audit process. This is the second year that Cooper Parry has provided audit services to the Group and the Audit Committee has already built a strong and productive working relationship with Cooper Parry.
- **Risk management and internal control** - The Committee is responsible for advising the Board on risk exposure and the review of internal controls that are in place to mitigate risk. Principal risks and uncertainties facing the business are presented on pages 32 to 34. The internal control environment continues to evolve and develop as the Group grows and considers integration of potential acquisitions, with a particular focus on the automation of processes and introduction of new technology to enhance control and communication across the Group.
- **Going concern** – As part of the going concern assessment, the Board reviewed forecasts for the years ended 31 March 2025 and 31 March 2026 and concluded that the Group has sufficient cash to continue in operational existence for the foreseeable future. The Committee also notes that the Group continues to monitor cash balances weekly for working capital and corporate development funding requirements and that annual recurring revenues from Support & Maintenance, plus repeatable Professional Services revenues, now largely cover annual fixed costs. This is a firm foundation that allows the Group to remain profitable, even in leaner years.

Daniel O'Brien
Chair
Audit Committee
17 June 2024

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Dan O'Brien
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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 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, share options and long-term incentives plans. Note 4 to the financial statements provides details of the remuneration paid and payable in respect of the year ended 31 March 2024.

Recruitment

The Nominations Committee is responsible for leading the process for Board appointments and making recommendations to the Board.

Service Contracts

The executive directors have service contracts that are terminable by either party giving either 6 or 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 Executive Directors.

Share Options including Growth Share Schemes

The Group aims to align the interests of the Executive Directors with the interest of the long-term shareholders. The Remuneration Committee has discretion to make option grants to Executive Directors and other staff, subject to the applicable scheme rules, and to determine appropriate performance conditions. The share option plans are subject to rules and limits approved by shareholders in general meeting. Any exercise is subject to satisfaction of the specified performance conditions.

Share Incentive Plan (SIP)

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

Consultation with shareholders

The Remuneration Committee is committed to an ongoing dialogue with shareholders and seeks the views of significant shareholders when any major changes are being made to remuneration arrangements, especially in

regard to Long Term Incentive Plans (LTIPs). The Committee takes into account the views of significant shareholders when formulating and implementing the policy.

Chairman and Non- Executive Director fees

Key to the Group is to ensure ability to attract and recruit high quality Chairman and Non-Executive Directors to help deliver on the Group strategy in the interest of the shareholders.

A basic fee is set for normal duties, commensurate with fees paid for similar roles in other similar companies, taking account of the time commitment, responsibilities, and committee position(s). Payments are made monthly or quarterly.

Non-Executive Directors are not eligible for compensation for loss of office, pensions, incentives, bonuses, or any similar payments other than normal out-of-pocket expenses incurred on behalf of the business.

Share Price

As at 31 March 2024, the market price of the shares of the Company was 110p (mid-market price). The share price fluctuated between a high of 112.5p and a low of 41.5p during the year ended 31 March 2024.

Tina Whitley
Chair
Remuneration Committee
17 June 2024

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Directors' Report

For the year ended 31 March 2024

The Directors present their Annual Report and the audited financial statements of the Group and the Company for the year ended 31 March 2024.

Principal Activities

Intercede is a cybersecurity software company specialising in digital identity and strong authentication. Its innovative solutions enable organisations to protect themselves against the number one cause of data breach: compromised user credentials.

The Company

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

Review of Operations and Future Developments

The review of operations and future developments is omitted from the Directors' Report as it is included in Highlights on page 4 and the Strategic Report on pages 9 to 21.

Results and Dividends

The audited accounts for the year ended 31 March 2024 are set out on pages 60 to 89. The Group's profit for the year was £6 million (2023: £1.3 million). The Directors do not recommend the payment of a dividend (2023: £nil).

Directors and their Interests

Details of the present Directors, all who served throughout the year, are provided on pages 35 to 37. In accordance with the Company's Articles of Association, Tina Whitley, John Linwood and Nitil Patel will offer themselves for re-election, along with Daniel O'Brien, 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 2024	31 March 2023
R Hoggarth*	693,654	375,214
J Tredoux **	16,437,860	16,437,860
K van der Leest ***	898,200	816,800
T Whitley****	40,135	-
J Linwood	-	-
D O'Brien	53,644	-
N Patel ***	35,268	30,768

*R Hoggarth holds 545,214 and his wife holds 148,440 shares.

****J** 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 2024, Jacques Tredoux was also interested in 14,974,644 shares indirectly held by The Azalia Trust. Jacques Tredoux and/or his wife and children are members of the class of discretionary beneficiaries of The South Hills Trust and The Azalia Trust.

*****K** van der Leest and N Patel hold 28,694 and 15,288 shares via the SIP employee scheme, respectively

******T** Whitley holds her shares via her husband.

None of the Directors had any material interest in any other contract or arrangement made by the Company during the year with the exception of those referred to in note 16 of the Consolidated Financial Statements.

Director Share Options

Klaas van der Leest

Plan	Date of Grant	No. of Shares	Exercise Price	Dates Exercisable
EMI	19 October 2018	130,000	27.0p	19 October 2021 to 18 October 2028
EMI	10 October 2022	500,000	38p	10 October 2025 to 9 October 2032

Nitil Patel

Plan	Date of Grant	No. of Shares	Exercise Price	Dates Exercisable
EMI	10 October 2022	500,000	38p	10 October 2025 to 9 October 2032

Growth Share Scheme

Director	Date of Grant	Growth Shares awarded	Maximum Ordinary Shares available under the Growth Share Scheme
Klaas van der Leest	10 October 2022	300	1,785,705

Full details of the Growth Share Scheme can be found in note 16 of the Consolidated Financial Statements.

Directors' Indemnity

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

Substantial Shareholders

As at 17 May 2024, the following had notified the Company of disclosable interests in 3% or more of the Company's issued share capital:

Shareholder	Ordinary Shares (No.)	Issued Share Capital (%)
The Azalia Trust	14,974,644	25.7%
Canaccord Genuity Wealth Management	3,803,383	6.5%
Herald Investment Management	3,290,184	5.6%
Anjar International Ltd.	3,157,323	5.4%
Palm Ltd.	3,147,436	5.4%
Premier Miton Investors	2,252,497	4.9%
Liontrust Asset Management	2,786,967	4.8%
Hargreaves Lansdown Nominees	2,719,147	4.7%
R Parris	2,205,706	3.8%
Interactive Investor (EO)	1,913,027	3.3%

The Intercede Share Incentive Plan shareholding ("SIP") has been set up for UK employees (including directors). In accordance with AIM Rule 26, as at 17 May 2024 the percentage of the Company's issued share capital that is not in public hands is 34.3%. 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%.

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 2024 was £3.3 million (2023: £3.1 million) which has been written off as incurred.

Intellectual Property (IP)

The Group's revenues are primarily derived from licensing its proprietary MyID products. Intercede Limited owns the copyright for these products. 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.

Through the acquisition of Authlogics, the Group has added to its portfolio of IP with a Password Breach database, Password Security Management and Multi-Factor Authentication software. PSM and MFA solutions generate income through subscription based on multi-year contracts.

The Group has now rebranded all solutions under the MyID brand and integrated the development and testing operations.

Board Changes

In the year Charles Pol and Rob Chandhok resigned from the Board and John Linwood and Daniel O'Brien joined, with Tina Whitley moving to Chair the Remuneration Committee whilst Daniel, with his extensive financial experience and acumen, became Chair of the Audit Committee. All three are independent members of both Committees.

Employees

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. 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.

Environment, Social and Governance (ESG)

The Group's policy regarding 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.

A new ESG committee was formed last year, with a specific objective to enhance the Group's ESG impact and its maiden report is on pages 25 to 27.

Share option schemes

The Company operates share option Schemes which are open to employees. The three current Schemes are the Intercede Employee Share Options 'SIP' Scheme, the Intercede EMI Share Options Scheme, and the Intercede Long Term Incentive Plan. Details of the share options are laid out within note 16 to the accounts.

System of risk management and internal control

In accordance with the Companies Act s414 c(11) information in relation to the business and risks is shown in the Strategic Report. The Board is responsible for maintaining a risk management and internal control system and for managing principal risks faced by the Group. Such a system is designed to manage rather than eliminate business risks and can only provide reasonable and not absolute assurance against material mistreatment or loss.

Supplier Payment Policy

It is Group policy to pay amounts due from suppliers according to the agreed terms of payment upon receipt of a valid invoice and accurate. The Group does not follow a code on standard payment practice. At 31 March 2024 Intercede had 4 days (2023: 30 days) of outstanding liabilities to creditors.

Treasury policy

The Group's operations are now funded by cash reserves. A new policy was adopted in the year maintaining strict management and control of cashflows, reducing risk of institution concentration and utilising a market rate of interest on its balances. Maintaining good bank relationships is key for the Group and it does so across a range of suppliers, thereby reducing risk concentration.

The Group also has exposure to foreign currency rate fluctuations and assess hedging contracts to enable stability in income with a given fixed rate. To date the Group has not entered into any hedging contracts.

Financial instruments

The Group's financial risk management objectives and policies are discussed within note 14 to the accounts.

Political and Charitable contributions

The Group made no political contributions during the year (2023: £nil), and charitable donations of £2,255 (2023: £200).

Share Capital

Details of changes to the Company's share capital during the year, including the issue and repurchase of shares, are provided in note 12 to the Consolidated Financial Statements.

Directors' Confirmations

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

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditor is 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 auditor is aware of that information.

Annual General Meeting

The 24th Annual General Meeting of the Company will be held on Wednesday 25 September 2024. The Notice of the Annual General Meeting will be sent out to shareholders prior to the meeting.

Website publication

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

Independent Auditor

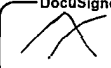
A resolution to re-appoint Cooper Parry Group Limited as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Nitil Patel

Company Secretary

17 June 2024

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Directors' responsibilities

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with UK adopted international accounting standards, and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. The directors are also required to prepare the financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market (AIM).

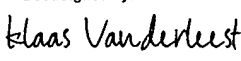
In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the Group accounts have been prepared in accordance with UK adopted international accounting standards, and the Parent Company accounts have been prepared under UK GAAP, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

Website publication

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

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By order of the Board

Klaas van der Leest
Chief Executive Officer
17 June 2024

Independent auditor's report to the members of Intercede Group plc

Opinion

We have audited the financial statements of Intercede Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2024 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Cash Flow Statement and the related notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2024 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Our approach to the audit

We adopted a risk-based audit approach. We gained a detailed understanding of the group's business, the environment it operates in and the risks it faces.

The key elements of our audit approach were as follows:

In order to assess the risks identified, the engagement team performed an evaluation of identified components and to determine the planned audit responses based on a measure of materiality, calculated by considering the significance of components as a percentage of the group's total revenue and profit before taxation and the group's total assets.

From this, we determined the significance of each component to the group as a whole and devised our planned audit response. In order to address the audit risks described in the Key audit matters section which were identified during our planning process, we performed a full-scope audit of the financial statements of the parent company, Intercede Group plc, and all of the group's UK trading subsidiaries, providing 100% coverage of revenues and profit before tax for these components. The operations that were subject to full-scope audit procedures made up 98% of consolidated profit after tax. Entities subject to specific scope review procedures made up 0% of the consolidated revenue and 2% of consolidated profit after tax.

Key audit matters

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

Risk Description	Our response to the risk
Revenue recognition: As detailed in note 1 to the financial statements, Significant Accounting Policies, the Group's revenue is generated from a number of streams, as follows: • Software licences (goods); • Software as a service; • Professional services; and • Support and maintenance Given the material nature of revenue and the variety of methods it is generated through, the appropriateness of revenue recognition and management's application of the Group's revenue recognition accounting policies represents a key risk area of significant judgement in the financial statements.	We have assessed accounting policies for consistency and appropriateness under the financial reporting framework and to ensure that they lead to the recognition of revenue when performance obligations are fulfilled. In addition, we reviewed for consistency of application as well as the basis of any recognition estimates. We have obtained an understanding of processes through which the businesses initiate, record, process and report revenue transactions. We performed walkthroughs of the processes as set out by management, to ensure controls appropriate to the size and nature of operations are designed and implemented correctly throughout the transaction cycle. We tested a sample of transactions from each revenue stream to confirm that revenue has been recognised in accordance with the accounting policies and performance obligations for recognition have been met. These have been vouched to invoice, signed contracts, sales quotes and purchase orders and nominal posting. A complete listing of journals posted to revenue nominal codes has been obtained. We have tested manual adjustments to supporting evidence on a sample basis. We performed cut-off procedures to test transactions around the year end and verified a sample of revenue to originating documentation to provide evidence that transactions were recorded in the correct year.

Carrying value and impairment of goodwill: The Group has a significant goodwill balance. The Group's assessment of carrying value requires significant judgement, in particular regarding cash flows, growth rates, discount rates and sensitivity assumptions.	We challenged the assumptions used in the impairment model for goodwill, which is described in note 8 to the financial statements. We considered historical trading performance by comparing recent growth rates of both revenue and operating profit. We assessed the appropriateness of the assumptions concerning growth rates and inputs to the discount rates against latest market expectations. We performed sensitivity analysis to determine whether an impairment would be required if costs increase at a higher than forecast rate.
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Our application of materiality

We apply the concept of materiality in planning and performing our audit, in determining the nature, timing and extent of our audit procedures, in evaluating the effect of any identified misstatements, and in forming our audit opinion.

The materiality for the group financial statements as a whole was set at £200,000. This has been determined with reference to the benchmark of the group's revenue which we consider to be an appropriate measure for a group of companies such as these. Materiality represents 1% of group revenue. Performance materiality has been set at 80% of group materiality.

The materiality for the parent company financial statements as a whole was set at £180,000 and performance materiality represents 80% of materiality. This has been determined with reference to the benchmark of the parent company's total assets which we consider to be an appropriate measure for a parent company such as this. Materiality has been capped to 90% of group materiality.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- Reviewing management's cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements;

- Challenging management on key assumptions included in their forecast scenarios;
- Considering the potential impact of various scenarios on the forecasts;
- Reviewing results post year end to the date of approval of these financial statements and assessing them against original budgets;
- Reviewing management's forecasting accuracy by comparing the prior year budgets to actual results; and
- Reviewing management's disclosures in the financial statements.

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

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

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 51, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Our assessment focused on key laws and regulations the company has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but are not limited to compliance with the Companies Act 2006, AIM listing rules, UK adopted international accounting standards, United Kingdom Generally Accepted Accounting Practice (UK GAAP) and relevant tax legislation.

We are not responsible for preventing irregularities and cannot be expected to detect non-compliance with all laws and regulations. Our approach to detecting irregularities included, but was not limited to, the following:

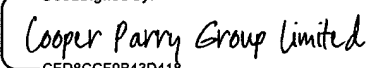
- obtaining an understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework;
- obtaining an understanding of the entity's policies and procedures and how the entity has complied with these, through discussions and sample testing of controls;
- obtaining an understanding of the entity's risk assessment process, including the risk of fraud;
- designing our audit procedures to respond to our risk assessment;
- performing audit testing over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business; and
- reviewing accounting estimates for bias specifically those in relation to goodwill and deferred tax assets.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

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

DocuSigned by:

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Melanie Hopwell (Senior Statutory Auditor)
For and on behalf of Cooper Parry Group Limited
Statutory Auditor

Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA
Date: 17 June 2024

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2024

	Notes	2024 £'000	2023 £'000
Continuing operations			
Revenue	2	19,963	12,110
Cost of sales		(560)	(403)
Gross profit		<u>19,403</u>	<u>11,707</u>
Operating expenses		(14,138)	(11,136)
Operating profit	3	<u>5,265</u>	<u>571</u>
Finance income	5	393	130
Finance costs	5	(63)	(75)
Profit before tax		<u>5,595</u>	<u>626</u>
Taxation	6	428	685
Profit for the year		<u>6,023</u>	<u>1,311</u>
Total comprehensive income attributable to owners of the parent company		<u>6,023</u>	<u>1,311</u>
Earnings per share (pence)	7		
- basic		10.3p	2.3p
- diluted		<u>9.6p</u>	<u>2.2p</u>

The accompanying notes on pages 64 to 83 are an integral part of these financial statements.

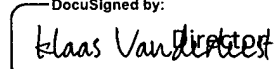
Consolidated Balance Sheet

As at 31 March 2024

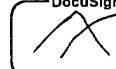
	Note	2024 £'000	2023 £'000
Non-current assets			
Goodwill arising on acquisition	8	2,442	2,442
Other intangible assets	8	611	785
Property, plant and equipment	9(a)	399	125
Right-of-use assets	9(b)	709	262
		<u>4,161</u>	<u>3,614</u>
Current assets			
Trade and other receivables	11	4,307	5,489
Cash and cash equivalents		17,226	8,334
		<u>21,533</u>	<u>13,823</u>
Total assets		<u>25,694</u>	<u>17,437</u>
Equity			
Share capital	12	584	584
Share premium		5,430	5,430
Merger reserve		1,508	1,508
Retained earnings / (Accumulated deficit)		5,656	(492)
Total equity		<u>13,178</u>	<u>7,030</u>
Non-current liabilities			
Lease liabilities	9(b)	631	204
Contingent consideration		160	174
Deferred revenue		667	550
		<u>1,458</u>	<u>928</u>
Current liabilities			
Lease liabilities	9(b)	173	261
Contingent consideration		282	313
Trade and other payables	13	2,686	1,918
Deferred revenue		7,917	6,987
		<u>11,058</u>	<u>9,479</u>
Total liabilities		<u>12,516</u>	<u>10,407</u>
Total equity and liabilities		<u>25,694</u>	<u>17,437</u>

The financial statements on pages 60 to 83 were authorised for issue by the Board of Directors on 17 June 2024 and were signed on its behalf by:

K van der Leest

DocuSigned by:

 8B742F849B444FE...

N Patel

DocuSigned by:

 0B77E435723B4A3...

Director

The accompanying notes on pages 64 to 83 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2024

	Share capital	Share premium	Merger Reserve	Accumulated Deficit / Retained Earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
At 1 April 2022	577	5,268	1,508	(1,842)	5,551
Purchase of own shares for SIP (for employees)	-	-	-	(54)	(54)
Issue of new shares (note 12)	7	162	-	-	169
Employee share option plan charge (note 16)	-	-	-	50	50
Employee share incentive plan charge (note 16)	-	-	-	43	43
Profit for the year and total comprehensive income	-	-	-	1,311	1,311
At 31 March 2023	584	5,430	1,508	(492)	7,030
Purchase of own shares for SIP (for employees)	-	-	-	(54)	(54)
Employee share option plan charge (note 16)	-	-	-	134	134
Employee share incentive plan charge (note 16)	-	-	-	45	45
Profit for the year and total comprehensive income	-	-	-	6,023	6,023
At 31 March 2024	584	5,430	1,508	5,656	13,178

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.

Merger reserve: Created on the issue of shares on acquisition of its subsidiary accounted for in line with merger accounting principles.

Accumulated deficit / Retained Earnings: All other net losses / net profits not recognised elsewhere.

The accompanying notes on pages 64 to 83 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2024

	Note	2024 £'000	2023 £'000
Cash flows from operating activities			
Profit for the year		6,023	1,311
Taxation		(428)	(685)
Finance income		(393)	(130)
Finance costs		63	75
Depreciation of property, plant & equipment		84	66
Depreciation of right-of-use assets		196	246
Amortisation		174	83
Exchange (gains) / losses on foreign currency lease liabilities		(24)	40
Employee share option plan charge		134	50
Employee share incentive plan charge		45	43
Employee unit incentive plan charge / (credit)		13	(51)
Employee unit incentive plan payment		(14)	(3)
Decrease / (increase) in trade and other receivables		1,218	(831)
Increase in trade and other payables		721	334
Increase in deferred revenue		1,046	1,668
Cash generated from operations		8,858	2,216
Finance income		403	116
Finance costs on leases		(60)	(44)
Tax received		428	574
Net cash generated from operating activities		9,629	2,862
Investing activities			
Purchases of property, plant and equipment		(358)	(70)
Purchase of business (net of cash acquired)		-	(2,009)
Cash used in investing activities		(358)	(2,079)
Financing activities			
Purchase of own shares		(54)	(54)
Proceeds from issue of ordinary share capital		-	169
Principal element of lease payments		(279)	(409)
Cash used in financing activities		(333)	(294)
Net increase in cash and cash equivalents		8,938	489
Cash and cash equivalents at the beginning of the year		8,334	7,787
Exchange (losses) / gains on cash and cash equivalents		(46)	58
Cash and cash equivalents at the end of the year		17,226	8,334

The total cash outflow for leases is £339,000 (2023: £453,000).

The accompanying notes on pages 64 to 83 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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 are drawn up to 31 March each year and have been prepared in accordance with UK adopted international accounting standards ("IFRS") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. As detailed in the Directors' Report, the Directors continue to adopt the going concern basis on preparing the financial statements.

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 84 to 89.

Going concern assessment

Reported profit in each of the last five years have been underpinned by increasing recurring revenues and a continued high level of cash balances. The Directors have reviewed forecasts for the years ended 31 March 2025 and 31 March 2026 and concluded that the Group is expected to have sufficient cash to enable it to meet its liabilities, as and when they fall due, for a period of at least 12 months from the date of signing these financial statements. Accordingly, they believe it is appropriate to prepare the financial statements on a going concern basis under the historical cost convention.

Critical accounting estimates and judgements

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

Judgements:

- Research & Development (R&D) costs – in accordance with the IFRS recognition criteria outlined elsewhere within the research and development costs policy, the Board has determined that all internal R&D costs incurred in the year are expensed. No development expenditure has been capitalised as at 31 March 2024 (2023: £nil). In general, the Group's R&D activities are closely interrelated and it is not until the technical feasibility of a product can be determined with reasonable certainty that development costs are considered for capitalisation. In addition, intangible assets are not recognised unless it is reasonably certain that the resultant products will generate future economic benefits in excess of the amounts capitalised.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

1 Accounting policies (continued)

- The Group is a beneficiary of the UK Government's efforts to encourage innovation by allowing 86% (130% for year ended 31 March 2023) of qualifying R&D to be offset against taxable profits. Intercede makes an R&D Claim as part of its annual tax return and can choose whether to carry taxable losses forward or to request a cash repayment from the UK government.
- Carrying value of goodwill – The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 8.

Estimates:

- A deferred tax asset has not been recognised against the backdrop of substantial R&D investment leading to a number of years of historic taxable losses and unused tax losses brought forward. To get to the point where the Group is in a position to justify recognition of a deferred tax asset in respect of these unused trading losses, it is necessary to demonstrate evidence of consistent, year-on-year taxable profits and that a taxable profit in any one year is not a one-off.

Basis of consolidation

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

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

Foreign currencies

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

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

Revenue recognition

Revenue, which excludes sales between Group companies and trade discounts, represents the invoiced value of goods and services net of value added tax to end users, partners and resellers. Where services are provided via resellers and partners, the satisfaction of the performance obligations are determined by reference to the end users, with the transaction price being the amount which is directly under the control of the Group. The Group's revenue recognition policies are detailed below:

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

1 Accounting policies (continued)

Software as a service (SAAS) sales – This revenue stream has separate performance obligations in respect of the licence element and the support and maintenance element. The recognition of licence revenue is at a point in time, for which the enforceable contract term is typically twelve months, whereas support and maintenance revenue is recognised evenly over the time during which the service is provided.

Software as a service (SAAS) subscriptions – Revenue for the provision of authentication and data protection services to customers, is recognised evenly over the time during which the subscription is provided.

Professional services – Revenue is recognised over time as costs are incurred.

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

Segmental reporting

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

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

Research and development costs

Expenditure incurred on research and product development and testing is charged to the statement of comprehensive income in the period in which it is incurred, unless the development expenditure meets the criteria for capitalisation. Where the development expenditure meets the criteria for capitalisation, development costs are capitalised and amortised over the period of expected future sales of the related projects with impairment reviews being carried out at least annually. The asset is carried at cost less any accumulated amortisation and impairment losses.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair value (at the date of exchange) of assets given, liabilities incurred or assumed, equity instruments issued and cash paid by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the statement of comprehensive income as incurred.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are re-measured to fair value at the acquisition date.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognised at their fair value at the acquisition date.

Goodwill

Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill has an indefinite expected useful life and is not amortised but is tested annually for impairment.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

1 Accounting policies (continued)

Goodwill is recognised as an intangible asset in the consolidated balance sheet. Goodwill therefore includes non-identified intangible assets including business processes, buyer-specific synergies, know-how and workforce-related industry-specific knowledge and technical skills. Negative goodwill arising on acquisitions would be recognised directly in the consolidated income statement. On closure or disposal of an acquired business, goodwill would be taken into account in determining the profit or loss on closure or disposal.

Intangible assets acquired as part of a business combination

For acquisitions, the Group recognises intangible assets separately from goodwill provided they are separable or arise from contractual or other legal rights and their fair value can be measured reliably. Intangible assets are initially recognised at fair value, which is regarded as their cost. Intangible assets are subsequently held at cost less accumulated amortisation and impairment losses. Where intangible assets have finite lives, their cost is amortised on a straight-line basis over those lives. The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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 year 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% per annum
Computer and office equipment	25% per annum

Impairment of tangible and intangible assets

The carrying amount of the Group's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount with the impairment loss recognised as an operating expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

1 Accounting policies (continued)

Leased assets

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

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

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

Trade and other receivables

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

Cash and cash equivalents

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

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, and discounted accordingly.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

1 Accounting policies (continued)

Share-based payments

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

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

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

Taxation

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

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

Adoption of new accounting standards

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing on 1 April 2023: IFRS 17 Insurance Contracts, along with amendments to existing standards including IAS 1 (disclosure of accounting policies), IAS 8 (definition of accounting estimates), IAS 12 (assets & liabilities arising from a single transaction and international tax reform Pillar Two Model rules). None of the amendments had a material impact on the Group's financial statements for the year ended 31 March 2024.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

2. Revenue

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

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

	2024 £'000	2023 £'000
UK	388	539
Rest of Europe	1,172	906
Americas	17,492	9,879
Rest of World	911	786
	<u>19,963</u>	<u>12,110</u>

Analysis of revenue is as follows:

	2024 £'000	2023 £'000
Software licences	7,672	2,268
Professional services	3,568	2,526
Support and maintenance	8,723	7,316
	<u>19,963</u>	<u>12,110</u>

Two end customers made up more than 10% of the Group's revenue, contributing £9,192,000 (2023: two end customers contributing £4,385,000). Revenue of £7,096,000 (2023: £4,994,000) has been recognised that was included in the deferred revenue liability balances at the beginning of the year. The Group's deferred revenue liabilities typically arise from support and maintenance services for which revenue is recognised evenly over the maintenance period. Where the contract term is longer than 12 months it is shown in non-current liabilities totalling £667,000 (2023: £550,000). The maturity of non-current deferred revenue liabilities is £446,000 due within 1-2 years (2023: £316,000) and £221,000 due within 2-5 years (2023: £234,000).

3. Operating profit

Operating profit is stated after charging / (crediting):

	2024 £'000	2023 £'000
Staff costs (note 4)	11,259	9,027
Foreign exchange loss / (gain)	167	(19)
Depreciation of property, plant and equipment	84	66
Depreciation of right-of-use buildings	196	226
Depreciation of right-of-use equipment	-	20
Amortisation	174	83

Included in the staff costs above is research and development expenditure totalling £3,311,000 (2023: £3,053,000).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

3. Operating profit (continued)

The analysis of auditor's remuneration is as follows:

	2024 £'000	2023 £'000
Fees payable for the audit of the parent company and consolidated financial statements	62	57
Fees payable for the audit of the Company's subsidiaries, pursuant to legislation	18	18
Tax services	-	3
	<u>80</u>	<u>78</u>

4. Staff costs

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

	2024 Number	2023 Number
Technical	75	67
Sales and marketing	14	12
Administration	13	12
	<u>102</u>	<u>91</u>

Their aggregate remuneration comprised:

	2024 £'000	2023 £'000
Wages and salaries	9,637	7,764
Social security costs	1,092	939
Other pension costs	343	286
Employee share option plan charge (note 16)	134	50
Employee share and unit incentive plan charge / (credit)	53	(12)
	<u>11,259</u>	<u>9,027</u>

Pension contributions totalling £54,000 (2023: £46,000) are included within year end trade and other payables.

Directors' remuneration

The aggregate remuneration of the Directors was as follows:

	2024 £'000	2023 £'000
Emoluments	1,363	908
Social security costs	173	110
Company contributions to defined contribution pension scheme	14	13
Directors' share option plan charge	103	42
Directors' share and unit incentive plan charge	3	(54)
	<u>1,656</u>	<u>1,019</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

4. Staff costs (continued)

Directors' emoluments

	Salary and fees 2024 £'000	Bonus 2024 £'000	Benefits in kind 2024 £'000	Pension contributions 2024 £'000	Total 2024 £'000	Total 2023 £'000
Executive Directors:						
K van der Leest	250	595	1	5	851	486
N Patel	166	207	1	9	383	231
A Walker (resigned 27.07.22)	-	-	-	-	-	64
Non-Executive Directors:						
C Pol (resigned 25.09.23)	13	-	-	-	13	46
R Hoggarth	29	-	-	-	29	25
R Chandhok (resigned 21.06.23)	7	-	-	-	7	25
T Whitley	29	-	-	-	29	19
J Linwood (appointed 20.06.23)	24	-	-	-	24	-
D O'Brien (appointed 20.10.23)	13	-	-	-	13	-
	<u>531</u>	<u>802</u>	<u>2</u>	<u>14</u>	<u>1,349</u>	<u>896</u>
Fees paid to related parties	<u>28</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28</u>	<u>25</u>

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 Directors' Report on pages 46 to 50.

5. Finance income and costs

	2024 £'000	2023 £'000
Finance income		
Interest income on short term bank deposits	<u>393</u>	<u>130</u>
Finance costs		
Unwinding discount applied to contingent consideration	(3)	(31)
Interest in respect of lease liabilities	<u>(60)</u>	<u>(44)</u>
	<u>(63)</u>	<u>(75)</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

6. Taxation

The tax credit comprises:	2024 £'000	2023 £'000
Current year – UK corporation tax	-	-
Current year – US corporation tax	(39)	(30)
Research and development tax credits relating to prior years	467	604
Deferred tax on separately identifiable acquired intangibles	-	111
Taxation	428	685

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

	2024 £'000	2023 £'000
Profit before tax	5,595	626
Tax calculated at UK corporation tax rate of 25% (2023: 19%)	(1,399)	(119)
Enhanced research and development tax deduction	623	650
Research and development tax credits relating to prior years	467	604
Total fixed asset differences	35	2
Expenses not deductible for tax purposes	(85)	(34)
Deferred tax on creation of intangible asset	-	113
Foreign exchange & tax rate differences	10	4
Losses brought forward utilised	777	16
Losses carried forward	-	(551)
Tax credit for the year	428	685

The Group has unused tax losses of £3,916,000 (2023: £9,946,000) and unrecognised deferred tax assets of £979,000 (2023: £2,486,000) calculated at the corporation tax rate of 25% (2023: 25%), being the enacted rate at which the deferred tax assets would unwind, were they to be recognised. Intercede makes an R&D Claim as part of its annual tax return and can choose whether to carry taxable losses forward or to request a cash repayment from the UK government.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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.

	2024 £'000	2023 £'000
Profit for the year	<u>6,023</u>	<u>1,311</u>
	Number	Number
Weighted average number of shares – basic	58,231,712	57,939,548
– diluted	<u>62,429,062</u>	<u>60,595,485</u>
	Pence	Pence
Earnings per share – basic	10.3p	2.3p
– diluted	<u>9.6p</u>	<u>2.2p</u>

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

	2024 Number	2023 Number
Issued ordinary shares at start of year	58,363,357	57,743,357
Effect of treasury shares	(131,645)	(131,645)
Effect of issue of ordinary share capital	-	327,836
Weighted average number of shares – basic	<u>58,231,712</u>	<u>57,939,548</u>
Add back effect of treasury shares	131,645	131,645
Effect of share options in issue	<u>4,065,705</u>	<u>2,524,292</u>
Weighted average number of shares – diluted	<u>62,429,062</u>	<u>60,595,485</u>

Please see note 12 for details of issues of ordinary share capital.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

8. Intangible assets

	Acquired intangible assets £'000	Goodwill £'000	Total £'000
Cost			
At 1 April 2022	-	-	-
Businesses acquired	868	2,442	3,310
At 1 April 2023	868	2,442	3,310
Businesses acquired	-	-	-
At 31 March 2024	868	2,442	3,310
Amortisation			
At 1 April 2022	-	-	-
Charge for the year	83	-	83
At 1 April 2023	83	-	83
Charge for the year	174	-	174
At 31 March 2024	257	-	257
Carrying amount			
At 31 March 2024	611	2,442	3,053
At 31 March 2023	785	2,442	3,227

Acquired intangible assets are made up of the separately identified intangibles acquired with the purchase of Authlogics Ltd in October 2022.

Impairment testing for goodwill

The Group identifies cash-generating units (CGUs) at the operating company level, as this represents the lowest level at which cash inflows are largely independent of other cash inflows. Goodwill acquired in a business combination is allocated, at acquisition, to the groups of CGUs that are expected to benefit from that business combination.

Goodwill at 31 March 2023 all relates to the acquisition of Authlogics Ltd in October 2022. The CGUs of Authlogics Limited and the rest of Intercede plc are both expected to benefit from this acquisition and the cash flows are grouped for the purpose of the impairment review.

The Goodwill value has been tested for impairment by comparing it against the "value in use" in perpetuity of the CGU group. The value in use calculation was based on projected cash flows, derived from the latest forecasts prepared by management and budgets approved by the Board, discounted at a Group discount rate of 11.6% to calculate their net present value.

Key assumptions used in "value in use" calculations

The calculation of "value in use" is most sensitive to the CGU specific operating and growth assumptions, that are reflected in management forecasts for the five years to March 2029. The revenue growth rates used in the

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

8. Intangibles (continued)

cash flow forecast are based on management's expectations of the future opportunities for the Intercede MyID platform and the ability to upsell additional authentication functionality to existing Intercede and Authlogics customers on a global basis. The forecasts include the costs associated with bringing various authentication functionality under a single MyID platform, which is directly linked to the forecast sales growth. Given the stage of development of the business, the forecasts assume growth in revenue based on targeted total growth of 22% over the 5 year forecast period. Long-term growth rates to calculate the terminal value are capped at 4% for revenue and 3% for costs. The value in use calculation shows sufficient headroom of cash flow above the net assets value of the Group when the following sensitivity analysis is performed: either a 112% increase in the discount rate or a decrease in the terminal revenue growth rate to 1% or a reduction in the targeted growth to a negative growth rate of 27% during the 5 year forecast period.

9(a). Property, plant and equipment

	Leasehold improvements £'000	Fixtures and fittings £'000	Computer and Office equipment £'000	Total £'000
Cost				
At 1 April 2022	70	100	940	1,110
On Acquisition	-	1	22	23
Additions	-	-	70	70
Disposals	-	(3)	(165)	(168)
At 1 April 2023	70	98	867	1,035
Additions	-	141	217	358
Disposals	-	(38)	(41)	(79)
At 31 March 2024	70	201	1,043	1,314
Accumulated depreciation				
At 1 April 2022	70	94	829	993
On Acquisition	-	1	18	19
Charge for the year	-	5	61	66
On disposals	-	(3)	(165)	(168)
At 1 April 2023	70	97	743	910
Charge for the year	-	4	80	84
On disposals	-	(38)	(41)	(79)
At 31 March 2024	70	63	782	915
Net book amount				
At 31 March 2024	-	138	261	399
At 31 March 2023	-	1	124	125

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

9(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:

	2024 £'000	2023 £'000
Right-of-use assets		
Buildings	709	262
	<u>709</u>	<u>262</u>
Lease liabilities		
Current	173	261
Non-current	631	204
	<u>804</u>	<u>465</u>

The maturity of lease liabilities is as follows:

	2024 £'000	2023 £'000
Due within one year	173	261
Due between one and two years	128	128
Due between two and five years	286	76
Due over five years	217	-
	<u>804</u>	<u>465</u>

The depreciation charged on right-of-use asset and the interest expense in respect of lease liabilities is disclosed in notes 3 and 5 respectively. Right-of-use asset (buildings) additions in the year were £667,000 (2003: £nil). The total cash outflow for leases is disclosed within the Consolidated Cash Flow Statement.

10. Subsidiaries

The Company's subsidiaries, all of which have been consolidated in the Group's financial statements at 31 March 2024, are as follows:

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

Intercede Limited, Intercede 2000 Limited and Authlogics Limited are registered at Lutterworth Hall, St. Mary's Rd, Leicestershire, LE17 4PS, UK. Intercede MyID Inc. is registered at 2711 Centerville Rd, Suite 400, Wilmington, New Castle, DE 19808, USA and Intercede National Security Services LLC is registered at 251 Little Falls Drive, Wilmington, New Castle, DE 19808, USA.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

11. Trade and other receivables

	2024 £'000	2023 £'000
Trade receivables	3,974	5,127
Prepayments and accrued income	223	280
Other debtors	110	82
	<u>4,307</u>	<u>5,489</u>

The amount written off as irrecoverable during the year was £nil (2023: £nil). The Group's customer base is predominantly made up of large corporates or government departments and there is virtually no history of trade receivables being uncollected. A credit loss allowance is only recognised in the very rare cases when recoverability is deemed to be improbable and was £nil during the year (2023: £nil).

Included within trade receivables are receivables with a gross carrying amount of £138,000 (2023: £370,000) which are past due. The level of trade receivables over 60 days old was £15,000 (2023: £118,000). The average age of the Group's trade receivables is 46 days (2023: 63 days).

12. Share capital

	2024 £'000	2023 £'000
<i>Authorised</i>		
481,861,616 ordinary shares of 1p each (2023: 481,861,616)	<u>4,819</u>	<u>4,819</u>
<i>Issued and fully paid</i>		
58,363,357 ordinary shares of 1p each (2023: 58,363,357)	<u>584</u>	<u>584</u>

There were no changes to share capital during the year (2023: issue of 620,000 ordinary shares to facilitate the exercise of options by a Director in September 2022). As at 31 March 2024, the Company had 131,645 ordinary shares held in treasury (2023: 131,645).

13. Trade and other payables

	2024 £'000	2023 £'000
Trade payables	75	296
Taxation and social security	185	173
Accruals	<u>2,426</u>	<u>1,449</u>
	<u>2,686</u>	<u>1,918</u>

Included within accruals is £24,000 (2023: £25,000) relating to the Employee Unit Incentive Plan (note 16).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

14. Financial instruments

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

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

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

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

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

Interest rate risk

The Group has financed its operations to date through a variety of sources of external finance primarily including equity and convertible loan notes (none in the current or prior year), which have historically borne interest at fixed rates and denominated in sterling. The last tranche of convertible loan notes were issued in 2017 and successfully retired when a call notice was issued in February 2021, following which twelve out of thirteen noteholders elected to convert into new ordinary shares. Since then no new convertible loan notes have been issued.

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 licence 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

14. Financial instruments (continued)

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 licence 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 £17,226,000 (2023: £8,334,000) at the year end. This includes US dollar deposits of £1,876,000 (2023: £1,152,000) and Euro deposits of £28,000 (2023: £67,000). Interest rates on cash deposits are based on SONIA.

Maturity of financial liabilities

The Group has no external borrowings. The maturity of the Group's lease liabilities is disclosed in note 9(b). The only other financial liabilities are short term trade and other payables as outlined within note 13.

Borrowing facilities

The Group has no undrawn committed borrowing facilities (2023: £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 2024	5,500	79	5,579
At 31 March 2023	5,802	200	6,002

15. Financial commitments

a) Capital commitments

The Group had no capital commitments at the year end (2023: £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 (2023: £nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

16. Share based payments

The Directors' Report on pages 46 to 50 provides details of the status of share options granted since a Share Option Plan was introduced for senior executives on 22 July 2011. Details relating to the options that remain outstanding as at 31 March 2024 are outlined below.

Options were granted on 19 October 2018, 24 October 2018, 27 March 2019, 22 August 2019 and 10 October 2022 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 Directors' Report.

The Growth Share Scheme

Launched in October 2022, the Growth Share Scheme allocated new shares (the "Growth Shares") in a subsidiary company, Intercede Limited, which were purchased at nominal cost and awarded to the CEO as disclosed in the Directors' Report. The Growth Share Scheme will commence partial vesting if, in the 30-day period following the release of Group's results for the year ended 31 March 2025 (the "Vesting Period"), the average closing mid-market price of an Ordinary Share equals or exceeds 121 pence per Ordinary Share. The Growth Shares do not carry any voting rights nor entitlement to any dividend.

Performance criteria and vesting criteria

The number of Growth Shares exchangeable into Ordinary Shares depends on the average price of an Ordinary Share during the Vesting Period. A 30-day averaging period will be used to measure the price of an Ordinary Share achieved to ensure that performance will not be unduly impacted by short-term volatility. The value of the Growth Shares is calculated by applying a 5% premium to the base share price of 66 pence ("Base Price").

- At 121 pence (an 83% per cent. increase from the Base Price) per Ordinary Share or below, no value is delivered to participants;
- At 173 pence (a 162% per cent. increase from the Base Price) per Ordinary Share, the Growth Share Scheme will be awarded in full; and
- Between 121 pence per Ordinary Share and 173 pence per Ordinary Share, the Growth Share Scheme award increases on a sliding scale up to the maximum award.

For the Growth Share Scheme to vest in full, the share price of the Company will need to increase by approximately 162% from the Base Price, representing an increase in market capitalisation of approximately £101m.

Participants have 60 days following the Vesting Period to exchange the Growth Shares into Ordinary Shares. Any Growth Shares outstanding on the long stop date (being 60 days after the Company's results for the year ended 31 March 2025 are announced) will automatically be converted to deferred shares. Deferred shares have no rights and no entitlement to capital in the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

16. Share based payments (continued)

The fair value of options and Growth Shares granted and the assumptions used in the calculations were as follows:

Grant date	19 October 2018 Options			24 October 2018 Options			27 March 2019 Options			22 August 2019 Options			10 October 2022 Options	Growth Shares
Share price at grant date (pence)	27.0	27.0	27.0	24.5	24.5	24.5	17.0	17.0	17.0	33.2	33.2	33.2	38.0	66.0
Exercise price (pence)	27.0	27.0	27.0	24.5	24.5	24.5	17.0	17.0	17.0	33.2	33.2	33.2	38.0	66.0
Number of employees granted options	2	2	2	2	2	2	1	1	1	1	1	1	5	1
Number of shares originally under option	850,000	400,000	400,000	300,000	150,000	150,000	75,000	37,500	37,500	75,000	37,500	37,500	1,700,000	1,785,705
Expected vesting period (years)	3	3	3	3	3	3	3	3	3	3	3	3	3	3
Expected option life (years)	7	7	7	7	7	7	7	7	7	7	7	7	7	3
Expected volatility (%)	58.68	66.77	66.77	58.73	66.77	66.77	61.00	66.77	66.77	68.60	66.77	66.77	57.77	57.77
Risk free rate (%)	1.23	0.76	0.76	1.11	0.76	0.76	0.70	0.76	0.76	0.34	0.76	0.76	2.25	2.25
Expected dividends expressed as a dividend yield (%)	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	0.00	0.00
Fair value per option (pence)	12.0	59.0	57.0	10.0	60.0	58.0	7.0	63.0	60.0	17.0	56.0	55.0	7.9	4.8

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

The total charge for the year relating to employee share options was £134,000 (2023: £50,000). Share options outstanding at the year end have a weighted average contractual life of 4.9 years (2023: 5.9 years).

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

No Free Share awards were made during the year ended 31 March 2024. 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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

16. Share based payments (continued)

£1,800. Matching Shares were given to employees on the basis of one Matching Share for each Partnership Share.

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 £45,000 (2023: £43,000).

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.

The total charge for the year relating to the employee unit incentive plan was £13,000 (2023: £51,000 credit) as outlined in the table below:

	2024 £'000	2023 £'000
At 1 April	25	79
Additional charge / (credit)	13	(51)
Paid during the year	(14)	(3)
At 31 March	<u>24</u>	<u>25</u>

17. Related party transactions

During the year ended 31 March 2024, 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:

	2024 £'000	2023 £'000
Consultancy fees charged	<u>28</u>	<u>25</u>
Balance outstanding at the year end	<u>-</u>	<u>8</u>

Company Balance Sheet

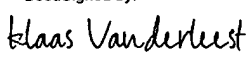
As at 31 March 2024

	Notes	2024 £'000	2023 £'000
Non-current assets			
Investments	3	<u>6,213</u>	<u>6,034</u>
Current assets			
Trade and other receivables	4	<u>4,828</u>	<u>4,841</u>
Total assets		<u>11,041</u>	<u>10,875</u>
Equity			
Share capital	5	584	584
Share premium		5,430	5,430
Retained earnings		<u>5,003</u>	<u>4,837</u>
Total equity		<u>11,017</u>	<u>10,851</u>
Current liabilities			
Trade and other payables	6	<u>24</u>	<u>24</u>
Total liabilities		<u>24</u>	<u>24</u>
Total equity and liabilities		<u>11,041</u>	<u>10,875</u>

The Company has taken advantage of the exemption under Section 408 of the Companies Act 2006 from presenting its own profit and loss account. The amount of profit dealt with in the Company financial statements was £41,000 (2023: £182,000).

The financial statements on pages 84 to 89 were authorised for issue by the Board of Directors on 17 June 2024 and were signed on its behalf by:

K van der Leest Director

DocuSigned by:

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N Patel Director

DocuSigned by:

 0B77E435723B4A3...

The accompanying notes on pages 86 to 89 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 2024

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total Equity £'000
As at 1 April 2022	577	5,268	4,616	10,461
Purchase of own shares	-	-	(54)	(54)
Issue of new shares	7	162	-	169
Employee share option and share incentive plan charges	-	-	93	93
Profit for the year and total comprehensive income	-	-	182	182
As at 31 March 2023	584	5,430	4,837	10,851
Purchase of own shares	-	-	(54)	(54)
Employee share option and share incentive plan charges	-	-	179	179
Profit for the year and total comprehensive income	-	-	41	41
As at 31 March 2024	584	5,430	5,003	11,017

Note: see page 62 for a description of the reserves appearing in the column headings of the table above.

The accompanying notes on pages 86 to 89 are an integral part of these financial statements.

Notes to the Company Financial Statements

For the year ended 31 March 2024

1 Accounting policies

The Company is a holding company which was set up to facilitate the admission of the Group onto the AIM section of the London Stock Exchange. It does not trade and it has no employees or staff costs and is therefore not required to display a staff costs note. The Directors of the Company were paid by Intercede Ltd for their services to the Group, see note 4 for further details.

Basis of Preparation

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

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

- (a) the requirements of IAS 7 'Statement of cash flows';
- (b) the requirements of IFRS 7 'Financial Instruments: Disclosures';
- (c) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 'Share Based Payment';
- (d) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements';
- (e) the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- (f) the requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement'; and
- (g) the requirements of paragraphs 17-19 of IAS 24 'Related Party Disclosures'.

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

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

Critical accounting estimates and judgements

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

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

Investments

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

Notes to the Company Financial Statements

For the year ended 31 March 2024

1 Accounting policies (continued)

Amounts owed by subsidiary undertakings

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

Taxation

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

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

Share-based payments

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

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

Adoption of new accounting standards

The Company has applied the following standards and amendments for the first time for the annual reporting period commencing on 1 April 2023: IFRS 17 Insurance Contracts, along with amendments to existing standards including IAS 1 (disclosure of accounting policies), IAS 8 (definition of accounting estimates), IAS 12 (assets & liabilities arising from a single transaction and international tax reform Pillar Two Model rules). None of the amendments had a material impact on the Company's financial statements for the year ended 31 March 2024.

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

Notes to the Company Financial Statements

For the year ended 31 March 2024

2 Auditor's remuneration

Fees payable to the Company's auditors for the audit of the parent company are £2,000 (2023: £2,000).

3 Investments

	2024	2023
	£'000	£'000
At 1 April	6,034	5,994
Additions	179	40
At 31 March	6,213	6,034

Additions in the year of £179,000 (2023: £40,000) reflect the employees of the Company's subsidiaries share option, incentive and unit plan charges net of any credits or payments relating to the unit plan. 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 2024 and their registered offices are set out in note 10 of the consolidated financial statements.

4 Trade and other receivables

	2024	2023
	£'000	£'000
Amounts owed by subsidiary undertakings	4,828	4,841

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

5 Share capital

	2024	2023
	£'000	£'000
<i>Authorised</i>		
481,861,616 ordinary shares of 1p each (2023: 481,861,616)	4,819	4,819
<i>Allotted and fully paid</i>		
58,363,357 ordinary shares of 1p each (2023: 58,363,357)	584	584

As at 31 March 2024, the Company had 131,645 ordinary shares held in treasury (2023: 131,645).

Notes to the Company Financial Statements
For the year ended 31 March 2024

6 Trade and other payables

	2024	2023
	£'000	£'000
Accruals	24	24

7 Financial commitments

a) Capital commitments

The Company had no capital commitments at the year end (2023: £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 (2023: £nil).