intercede

Intercede Group plc

Annual Report & Accounts 2016

DIGITAL TRUST
from Silicon to Services

Content

Company Profile

Intercede® is a cybersecurity company that provides world-class solutions to enable digital trust to exist between people, things and applications.

The Company provides software and services that empower end users, governments and enterprises to confirm the authenticity of one another, connect with certainty, communicate with integrity, and transact with confidence.

Intercede delivers solutions to high profile customers from the US and UK governments to some of the world's largest corporations, telecomms providers and information technology firms. Our solutions currently manage over 12m digital identities globally and have the capacity to secure 80% of trusted applications across the world.

The Company's evolving product portfolio has been engineered to take advantage of the increasing complexity of cybersecurity challenges facing service providers and end-users in the hyper-connected digital world.

Our recently announced *Silicon to Services* strategy, represents a pivotal milestone in this evolution, in which Intercede will play a role in providing digital trust solutions to every part of the ecosystem.

Intercede Group plc is headquartered in the UK, listed on the London Stock Exchange (AIM: IGP) and ISO 9001 certified.

Identity & Credential Management

MyID® is an identity and credential management system that assigns trusted digital identities to employees, citizens and machines. The solution enables governments and enterprises to provide secure access to services, facilities, information and networks.

Scalable and robust, MyID creates and assigns identities to employees, citizens and machines, whilst removing the traditional reliance on highly vulnerable usernames and passwords. MyID reliably authenticates both the user and/or the device, ensuring that only trusted people and machines gain access to protected resources. MyID solves the problem of knowing who and what is interacting at any given time within a digital system; vital intelligence to protect resource allocation, data security and user privacy.

Identity Authentication for Mobile Apps

RapID™, launched in April 2016, is a cloud-based solution that provides the ability for app developers to build strong authentication into their applications quickly and cost effectively, using just a few lines of code available via a self-service SDK.

Built on the heritage of MyID, RapID enables users and service providers to establish high levels of digital trust between one another and authenticate identities without the need for usernames and passwords.

RapID is based on the only set of security technology standards already universally adopted by all popular mobile and server platforms, regardless of manufacturer.

Intercede's service architecture permits not only authentication but also allows for the sharing of trust, digital signing and data encryption. This is a pragmatic response to fast moving cyber threats facing all service providers and a convenient solution to the outdated poor user experience afforded by usernames and passwords.

Trusted application management

In 2015, Intercede launched **MyTAM™**, enabling trusted applications to be loaded into a mobile device's Trusted Execution Environment (TEE), providing hardware-level security for Android apps and a seamless experience for end users.

MyTAM replaces the need for app developers and service providers to navigate an otherwise highly complex ecosystem with a simple, convenient and cost effective cloud-based Trusted Application Management service.

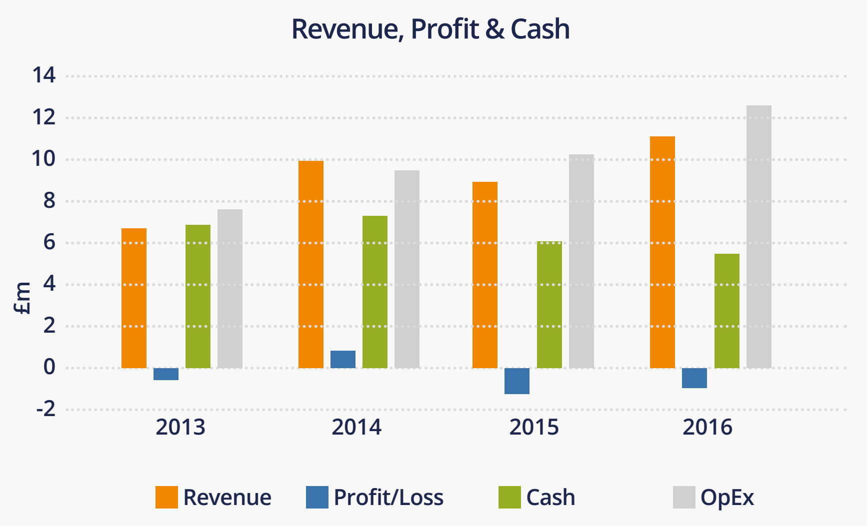
Chairman's Statement

I am pleased to report a record year for sales, with revenues exceeding £11.0m, a 25% increase on the prior period. More than 12 million people around the world now trust high assurance credentials managed by Intercede products and services to secure their workplace, assets and identities. Cash balances of £5.3m remain strong as at 31 March 2016 (31 March 2015: £5.9m), notwithstanding high levels of investment in people and resources including some restructuring.

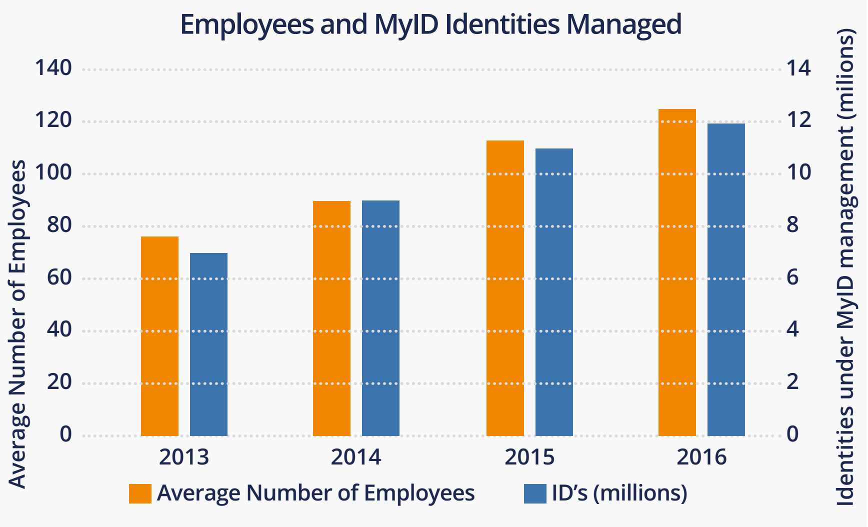
It has also been a year of organisational growth and transition as we position ourselves to be a leading enabler of digital trust services and technology for mobile devices and the Internet of Things. We have invested in brand development work to communicate this positioning, with a new brand look and feel, new website and updated collateral, designed to capture the essence of Trust and create a refreshed, re-energised and differentiated brand to take to market.

We continue to believe that digital trust represents a large market opportunity for which Intercede has established a strong business and technology platform that is poised for global adoption and exploitation. The engagements we are experiencing with some of the largest technology brands in the world supports this belief.

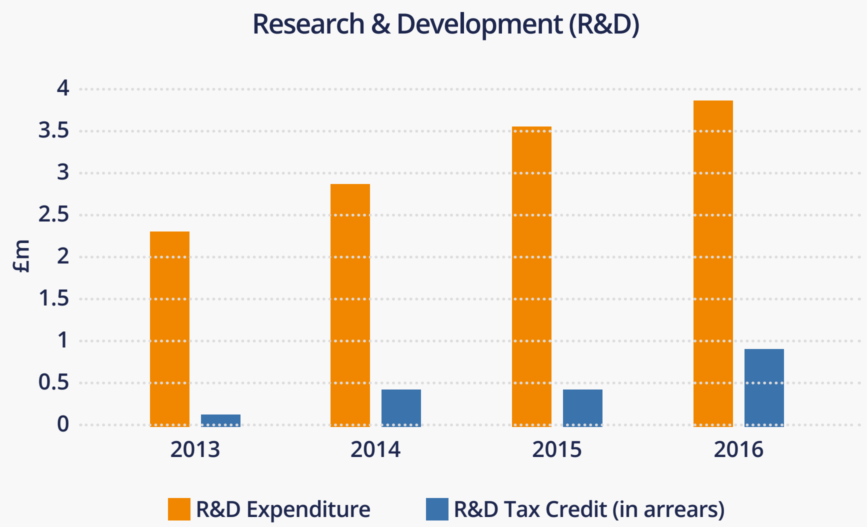
Financial Results



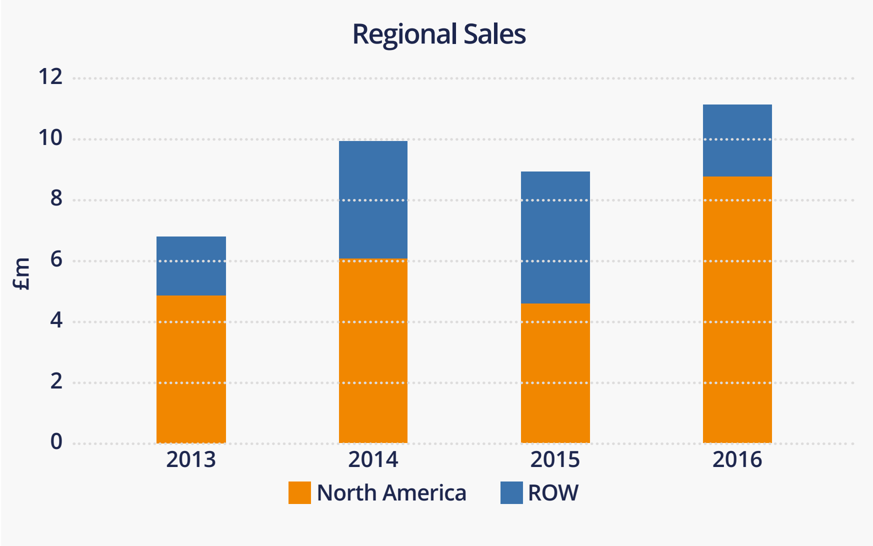
Following the Board's decision to embark upon a period of strategic investment, operating expenses and revenues have increased overall at a Compound Annual Growth Rate of more than 18%. The investment has been funded organically to date with cash balances remaining strong.



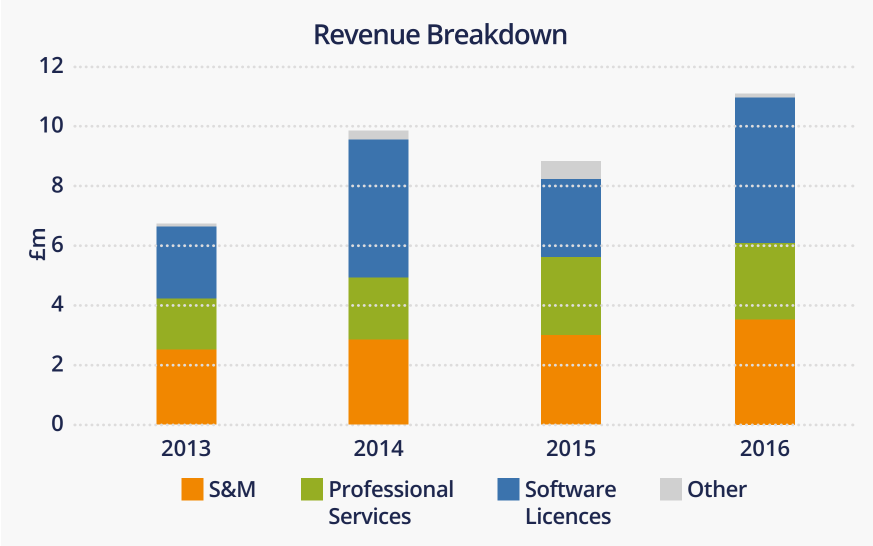
Intercede's investment plan for people and corporate infrastructure has resulted in a progressive increase in the number of employees. This has enabled the delivery of an increased number of digital identities managed by the MyID platform and leaves the Company well positioned for future growth.



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



The US represents Intercede's largest market with sales to North America approaching 80% of total sales during FY16.



Over the last four years there has been progressive growth in recurring Support & Maintenance (S&M) fees and Professional Services fees, which tend to be independent of the lumpiness of licence revenue. We expect this trend to continue. The introduction of the MyTAM and RapID cloud-based services is expected to increase growth and smooth the volatility of software licence sales.

Review of Operations

Our vision is a world in which digital trust from silicon chips to services becomes the norm. Implicit in this goal of universal connectivity, people, devices and apps must:

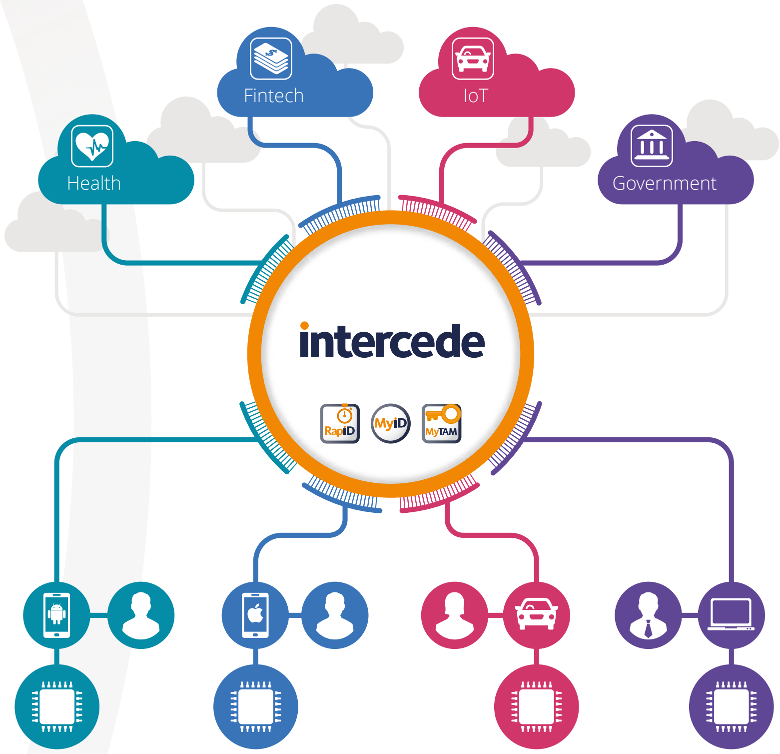
- Confirm the authenticity of one another
- Connect with certainty and confidence
- Communicate with integrity and privacy

We enable our customers to meet these fundamental needs by simplifying the associated technological complexities in an efficient and cost effective way through the consumption of our software and services.

During the year we battle-tested our products and services by securing some of the World's largest and most security sensitive organisations and have leveraged our pedigree to enable a new generation of services and tools to secure cloud services and protect the Internet of Things in emerging high volume markets.

To fund this new business activity we have, by design and prior disclosure, reinvested funds from current year operations into more staff, facilities and marketing. As indicated in my report last year, our plan has been to be cash flow neutral over the period. In order to achieve this it was important that we also focused our sales efforts on existing lines of business to generate current period revenues. In response we have expanded and refreshed our sales operation, resulting in the signing of the following new contracts:

- Enterprise-wide contract with one of the largest US healthcare corporations.
- Mobile Derived Credential solution sold to a major US Federal Agency.
- New agreement with a US West Coast bank.
- Partner Agreement with Citrix and first customer sale secured.
- A collaboration with Intel to power Intel Authenticate.



DiGITAL TRUST
from Silicon to Services

Other large customers who were active during the year include BASF, Department of Homeland Security, Deutsche Telekom, Lockheed Martin and Northrop Grumman. In addition, Intercede has entered partnership negotiations with leading Mobile Device Management (MDM), Identity Management (IDM) and document signing vendors. This will significantly extend Intercede's ecosystem and accelerate the penetration of our Derived Credential Solution in the next period.

A strategic highlight of the year was the establishment of Intercede Labs as an internal incubator for innovation. The first project initiated in Labs is RapID, a service to eliminate usernames and passwords. Early indications are that RapID satisfies a global high volume need and that we have technology leadership in our solution. A self-service portal has been established at rapid.intercede.com in anticipation of high demand and our marketing function has been restructured to maximize our promotion of the RapID service to new markets and channels.

Outlook

Intercede is targeting 10-20 times growth in the number of trusted identities under management by Intercede products and services by 2020, which offers a tantalising glimpse of the step change in revenues and profitability that we anticipate in future periods. Some would even consider this a conservative expectation, given the explosive growth in digital trust that is forecast as a result of the Internet of Things and the evidence we have already seen. Given the growth in size of this total addressable market, the outlook for Intercede is very bright, notwithstanding the uncertainty of timing for market adoption and associated working capital demands of supporting increasing R&D and marketing spend.

Richard Parris
Chairman & Chief Executive

Strategic Report

Introduction

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

The Group's vision can be outlined as follows:

- Trust is a prerequisite for any transaction in the always-on, always-connected world.
- A digital identity is the best way to establish trust, ensuring that the people and devices interacting are who and what they claim to be.
- IDs need to be available on whatever device a user chooses, be it PC, smart phone, tablet or wearable.
- IDs need to be provisioned from secure cloud services, to meet the demands for scale from the consumer and IoT markets.
- IDs need to be trusted, non-repudiable, auditable and managed according to policy.
- Intercede has the skills and vision to establish its technology as a market leading platform to exploit this opportunity.

In addition:

- More and more transactions are being carried out online from mobile devices.
- The applications used to carry out these transactions need to protect data.
- Hardware protection of apps is becoming widely available in the form of Trusted Execution Environments (TEE) and other silicon-protected on-device environments.
- Applications need to be securely provisioned to the TEE.
- Intercede's MyTAM can be established as a market leading service to exploit this opportunity.

Strategic Investment

Intercede has embarked upon a period of substantial investment in order to take advantage of the opportunities outlined above. The costs associated with this strategy are being incurred now but the benefits, in terms of increased revenues and cash flow generation, are anticipated to arise in future periods.

The main areas of selective investment are:

- The development of mobile security applications involving interoperability with technologies such as iOS, Android, Windows and BlackBerry.
- The establishment and launch of MyTAM, a cloud-based service that enables organisations such as app developers, service providers, banks and media streaming companies to load apps into the TEE built into chipsets in a rapidly increasing proportion of Android devices.
- Increased collaboration with major industry players such as Intel, Microsoft, ARM and Citrix.
- Creation of a dedicated Intercede Services team focused on delivering Intercede solutions into the consumer market.
- Enhancing the core MyID platform to support US Standard FIPS 201-2 compliant derived credentials, thereby extending Intercede's dominant position in the US federal government PIV market to mobile devices.
- Re-engineering and expansion of the MyID platform as a cloud-based service to improve scalability to consumer levels and to ensure that all of the new areas of opportunity are supported.
- Sales and marketing to promote and protect the MyID, MyTAM and RapID names and technology and to build industry relationships.

These activities have resulted in further growth in headcount and a commensurate need for office and IT infrastructure and equipment, both on-premise and cloud-based. The Company has taken on additional office space during the past year in the UK and US.

Trading Results

The Group's financial targets were to deliver a 30%+ increase in sales revenues whilst accelerating investment in people and resources to take advantage of the opportunities provided by the impact of smart phones and global cybersecurity concerns, as described in the Chairman's Statement. This strategic investment has been funded organically to date.

Revenues for the year ended 31 March 2016 totalled £11,004,000, 25% higher than the previous year's revenues of £8,819,000, primarily due to growth from the Group's identity and credential management business.

Whilst good progress has been made on multiple fronts with the new mobile security activities which are taking the Group into different and larger potential markets for our technology, the revenues from these activities represented less than 5% of total revenues in FY16.

Planned investment in additional resources as outlined above resulted in a 22% increase in operating expenses from £10,215,000 to £12,511,000. The combined effect of higher revenues and higher costs has led to a £1,917,000 operating loss (2015: £1,740,000 operating loss).

Staff costs continue to represent the main area of expense, representing 79% of total operating expenses (2015: 79%). Intercede had 125 employees and contractors as at 31 March 2016 (2015: 119). The average number of employees and contractors increased from 113 to 125 year on year.

Expenditure on research and development (R&D) activities totalled £3,905,000 (2015: £3,576,000), approximately 71% of which related to the areas of strategic investment outlined above (2015: 78%). 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 as at 31 March 2016 (2015: £nil).

Finance income for the year was £32,000 (2015: £68,000). Cash and interest bearing short term deposits averaged in excess of £5 million throughout the period notwithstanding increased levels of investment.

An £892,000 taxation credit for the period (2015: £363,000 taxation credit) primarily reflects cash received following the 2015 R&D claim as a result of the investment activities outlined above. The Group is a beneficiary of the UK Government's efforts to encourage innovation by allowing 125% (set to increase to 130% for the 2016 R&D claim) of qualifying R&D expenditure to be offset against taxable profits.

As at 31 March 2016, the Group has £9,460,000 (2015: £9,544,000) of prior year tax losses available for carry forward.

A loss for the year of £993,000 (2015: loss of £1,309,000) resulted in a basic and fully diluted loss per share of 2.1p (2015: loss per share 2.7p).

Financial Position

The Group's cash position remains strong with cash and short term deposits totalling £5,289,000 as at 31 March 2016 (2015: £5,895,000). The year on year reduction reflects the increased investment outlined above and the £610,000 impact of a share buyback programme in support of the Intercede Share Incentive Plans for UK and US employees.

The Group has no debt and is in a position to be able to commence the payment of dividends as and when the Board considers this to be appropriate.

Treasury

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

Key Performance Indicators (KPIs)

The following KPIs are some of the tools used by management to monitor performance in addition to the more traditional financial statement and sales pipeline information that is provided to the Board each month.

	2014	2015	2016	Target
Trusted identities, devices and apps under MyID management	9 million	11 million	12 million	250 million
Sales growth	45%	(10%)	25%	30%+
Export sales	91%	85%	96%	80%+
North American sales	61%	51%	79%	50%+
New deployments with revenues over £20,000	10	6	6	10+

The above KPIs support the overall target of 250 million identities, devices and apps under MyID management by 2020.

Principal Risks and Uncertainties

The principal risks and uncertainties facing the Group are as follows:

- The Group operates in multiple markets, both geographically and by sector, so there is a risk that territory and global macro-economic conditions may result in one or more of these markets being adversely affected and the revenues of the business impacted accordingly. This risk is mitigated to an extent, both through the long term nature of customer relationships and the diversification that results from operating in multiple markets.
- The Group operates in a complex and competitive technological environment so the business will be negatively affected if the Group does not enhance its product offerings and/or respond effectively to technological change. This risk is mitigated by ongoing investment in research and development.
- Technology companies are exposed to intellectual property infringement and piracy. The Group rigorously defends its intellectual property in the primary jurisdictions within which it operates.
- The Group's performance is largely dependent on the experience and expertise of its employees. The loss or lack of key personnel is likely to adversely impact the Group's results. To mitigate this risk, the Group aims to put in place appropriate management structures and to provide competitive remuneration packages to retain and attract key personnel.

By order of the Board

AM Walker

Andrew Walker
Finance Director

Board of Directors

Richard Parris - Chairman & Chief Executive

Richard Parris is an Anglo-American technology entrepreneur with extensive experience in the digital trust and cybersecurity industries. Expert in business development and innovation, Richard founded Intercede and has led the Group through all stages of its growth, including an IPO on the London Alternative Investment Market (AIM).

He is a regular speaker and evangelist for digital trust at major conferences and has provided advice to government policy makers in senior executive agencies in the UK and US.

Richard is a Chartered Engineer and has an MBA from the University of Warwick Business School. He has served on the UK Government's Cyber Growth Partnership and the membership committee of TechUK.

Andrew Walker - Finance Director

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

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

Jayne Murphy - Chief Operations Officer

Jayne has 17 years' experience at Intercede as Chief Operations Officer. During this time she has been responsible for the establishment of Intercede's global infrastructure including human resources, facilities, customer support functions, ISO quality culture, administration functions, staff incentive and retention plans.

Jayne participates in all main Board meetings in the capacity of PDMR to support the CEO in all operational and HR matters. She is also a director of Intercede's US subsidiary, Intercede MyID Inc. In this role Jayne spends a significant amount of time in the US supervising the growth of Intercede's US operation.

Prior to joining Intercede, Jayne held a number of senior managerial roles in the NHS including that of Chief Executive of Coventry Healthcare NHS Trust. Trained as a professional hospital manager, Jayne is experienced in managing large multidisciplinary teams of highly qualified professionals in resource constrained environments.

Jayne is a serving Magistrate.

Rob Chandhok - Non-Executive Director

Rob Chandhok is a technology strategist who is well versed in creating business value in the mobile and Internet of Things markets. He recently left his position as President, Chief Operating Officer and member of the Board of Helium Systems Inc., a San Francisco based IoT start-up where he led the creation of a new platform and solution business for industrial sensing and control. Prior to this he was President of Qualcomm Interactive Platforms and Senior Vice President of Qualcomm Technologies. In this role, Rob was responsible for the strategies underlying the development and productisation of Qualcomm's mobile software technologies, and the integration of mobile operating systems and the applications written to them with the company's industry-leading chipsets.

Rob was most recently associated with Qualcomm's developments in the Internet of Things. He championed an industry initiative called AllJoyn, which is an open source project driving interoperability between over 100 companies in the Allseen Alliance, especially in home consumer electronics. He was appointed a Non-Executive Director of Intercede on 1 April 2015.

Ben Drury - Non-Executive Director

Ben Drury is the founder and a Non-Executive Director of 7digital, which has grown into an AIM listed global company since he founded it in 2004, and a Non-Executive Director of Marmalade Technologies Limited and Pimoroni Limited. Ben began his career in 1996 as a founder of dotmusic.com before being headhunted in 2000 by BT Group. He was named by Growing Business magazine as a Young Gun 2006 – the award for leading entrepreneurs under 35 – and, in 2007, 7digital was awarded the prestigious Red Herring Top 100 Europe Award. In 2008, Ben was a finalist in the Ernst & Young Entrepreneur of the Year awards, and, in 2013, 7digital made it into the Sunday Times Tech Track 100 and the Deloitte Fast 500.

Ben graduated from King's College London with a BSc (Honours) Physics with Philosophy of Science degree. He is an active angel investor and has served as Deputy Chairman of the Entertainment Retailers Association (ERA) and on the board of the Official UK Charts Company. Ben also acts as an advisor to the Entrepreneur First Program. He was appointed a Non-Executive Director of Intercede on 1 April 2014.

Royston Hoggarth - Non-Executive Director

Royston Hoggarth is Chairman & Chief Executive of iPSL Limited and Non-Executive Chairman of Northgate Public Services. Until April 2012, he was UK Chief Executive for Hays PLC. Prior to Hays, he was Chief Executive UK for BT Global Services, and, before that, Chief Executive for the UK, US and European subsidiaries of Cable & Wireless PLC. He also worked for Logica CMG PLC for six years as Group Marketing Director, responsible for Group strategy and Chief Executive International, responsible for the Americas, Middle East, Asian and Australian businesses, and for IBM where he spent 13 years in a variety of senior management roles. He was appointed a Non-Executive Director of Intercede on 5 August 2002.

Jacques Tredoux - Non-Executive Director

Jacques Tredoux is the Chief Executive of Tredoux Capital Limited, a company authorized by the Financial Services 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.

Director's Report - For the year ended 31 March 2016

The Directors present their Annual Report and the audited financial statements for the year ended 31 March 2016.

Principal Activities

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

The Company

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

Results and Dividends

The audited accounts for the year ended 31 March 2016 are set out on pages 19 to 37. The Group's loss for the year was £993,000 (2015: £1,309,000 loss for the year). The Directors do not recommend the payment of a dividend (2015: £nil).

Management of Financial Risk

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

Research and Development Expenditure

The Group continues to invest in an ongoing programme of research and development. The total cost of development during the year ended 31 March 2016 was £3,905,000 (2015: £3,576,000) which has been written off as incurred.

Intellectual Property

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

Employees

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

Environment

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

Directors and their Interests

Details of the present Directors are provided on pages 12 and 13.

In accordance with the Company's Articles of Association, Richard Parris and Ben Drury will offer themselves for re-election at the forthcoming Annual General Meeting.

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

	Ordinary Shares 31 March 2016	Ordinary Shares 31 March 2015
RA Parris	5,664,516	5,645,396
AM Walker	1,506,752	1,497,192
R Chandhok	—	N/A
B Drury	—	—
R Hoggarth	168,721	168,721
J Tredoux	11,813,888	11,813,888

Jacques Tredoux is interested in 1,463,216 shares which are registered in the name of Pershing Keen Nominees Limited which is a nominee of Angus Investment Holdings Limited ("Angus"). Angus is controlled by The Woodcock Trust. As at 31 March 2016, Jacques Tredoux was also interested in 10,350,672 shares indirectly held by The Azalia Trust. Jacques Tredoux and his wife and children are members of the class of discretionary beneficiaries of both The Woodcock Trust and The Azalia Trust.

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

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 2016, the following had notified the Company of disclosable interests in 3% or more of the Company's issued share capital:

	Ordinary Shares Number	%
The Azalia Trust	10,350,672	21.2
RA Parris	5,673,666	11.6
Liontrust Investment Partners LLP	3,849,166	7.9
Anjar International Limited	3,241,631	6.7
Plastic Technologies Limited	3,147,436	6.5
Herald Investment Management	2,050,266	4.2
Hargreave Hale Nominees Limited	1,803,050	3.7
AM Walker	1,511,327	3.1
The Woodcock Trust	1,463,216	3.0

Purchase of own Shares to be held in Treasury

As at 31 March 2016, the Company had 294,000 ordinary shares held in treasury (2015: 309,000) following the transfer of 15,000 shares to an employee, pursuant to an incentive arrangement. During the year the Company purchased 32,500 ordinary shares to be held in treasury for a consideration of £47,000 (2015: 160,000 ordinary shares for a consideration of £251,000) and 32,500 options were exercised using treasury shares (2015: 15,000).

Statement of Disclosure of Information to Auditors

Each of the Directors confirm that, so far as they are aware, there is no relevant audit information of which the auditors are unaware; and each Director has taken all of the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards comprising Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) 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 Company and Group for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Report of the Remuneration Committee comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess a company's performance, business model and strategy.

Annual General Meeting

The sixteenth Annual General Meeting of the Company will be held on Wednesday 14 September 2016. The Notice of the Annual General Meeting can be found on page 38 of this Annual Report.

Auditors

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

By order of the Board

AM Walker

Andrew Walker
Company Secretary
7 June 2016

Corporate Governance

As a company listed on AIM, Intercede Group plc is not required to comply with the requirements of the Combined Code. The Company does endeavour to comply with the NAPF Corporate Governance Guidelines for smaller companies and a number of voluntary disclosures have been made that are not subject to audit.

Board of Directors

The Company is controlled through the Board of Directors which currently comprises two executive and four non-executive directors, two of whom are considered to be independent. All of the directors have extensive business experience.

The Company has historically combined the posts of Chairman and Chief Executive in one person, namely Richard Parris. The Board believes that to separate the roles would be detrimental at this stage of the Group's development.

Ben Drury was appointed as the senior independent non-executive director with effect from 1 April 2015. This is to be a rotated position amongst qualifying non-executive directors as recommended by the Nominations Committee and ratified by the Main Board. All directors submit themselves for re-election at least every three years.

Committees of the Board

The Board has established three committees; the Audit Committee, the Remuneration Committee and the Nominations Committee.

The structure of the Board Committees from 1 April 2015 onwards is as follows;

Audit Committee – Royston Hoggarth is the Chairman of the Audit Committee given his "recent and relevant" financial experience in a variety of Chairman, Chief Executive and non-executive director roles and given his prior experience as Chairman of the Axon Group plc Audit Committee. Ben Drury and Rob Chandhok, both of whom are considered to be independent, are also members of the Audit Committee.

Remuneration Committee – Ben Drury has been appointed as the Chairman of the Remuneration Committee which also comprises Royston Hoggarth and Rob Chandhok, thereby providing a majority of independent directors.

Nominations Committee – The Nominations Committee consists of Richard Parris (Chairman) and Rob Chandhok (independent non-executive director).

Relations with Shareholders

The Company gives high priority to communications with current and potential future shareholders by means of an active investor relations programme. The principal communication with private investors is through the website (www.intercede.com) and the provision of Annual and Interim Reports. All shareholders will receive at least twenty one clear days' notice of the Annual General Meeting at which the Directors will be present and available for questions.

Going Concern

The Directors, after having made appropriate enquiries including a review of the Group's financial forecasts for 2016/17 and 2017/18, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Internal Control

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group which complies with the guidance "Internal Control: Guidance for Directors on the Combined Code (The Turnbull Report)".

The key features of the Group's internal control systems are as follows:

Group Organisation and Culture

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. Senior management concentrates on the formulation of strategic proposals to the Board and operational decision making.

Delegation of Authority

The Board reserves to itself a range of key decisions to ensure it retains proper direction and control of the Group, whilst delegating authority to individual directors who are responsible for the day to day management of the business.

Financial Reporting

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 period.

Report of the Remuneration Committee

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

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

Remuneration Policy

The remuneration packages for Executive Directors are intended to incentivise them to meet the financial and strategic objectives of the Group. The policy is to pay individual directors a salary at market levels for comparable jobs recognising the size of the Group and the business sector in which it operates. The main components are base salary, an annual bonus plan, pension contributions and share options. Note 4 to the financial statements provides details of the remuneration paid and payable in respect of the year ended 31 March 2016.

Service Contracts

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

Pension Arrangements

The Group makes pension contributions to money purchase schemes in respect of both of the Executive Directors.

Share Options

The Company introduced a new Share Option Plan for senior executives on 22 July 2011 and options were granted later that year. The awards made to senior managers on 26 July and 20 December 2011 have now vested and 32,500 options were exercised during the year when the market value of the shares of the Company was 143.5p. The awards made to directors on 16 August 2011 have yet to vest but will vest and become exercisable subject to the Company's share price reaching 200p over 30 consecutive dealing days prior to 16 August 2018.

Further options were granted to senior managers and directors on 7 November 2014 and on 29 June 2015 in accordance with the resolution that was approved by shareholders at the Company's AGM on 17 September 2014. These options will vest and become exercisable subject to the Company's share price reaching 400p over 30 consecutive dealing days in the period between the 3rd and 7th anniversary of the date of grant.

The following options were outstanding as at 31 March 2016:

Plan	Date of Grant	No. of Shares	Exercise Price	Dates Exercisable
EMI	26 July 2011	152,500	1.0p	26 July 2014 to 25 July 2021
EMI	16 August 2011	631,572	1.0p	16 August 2014 to 15 August 2021
Unapproved	16 August 2011	612,087	1.0p	16 August 2014 to 15 August 2021
EMI	20 December 2011	50,000	1.0p	20 December 2014 to 19 December 2021
EMI	7 November 2014	401,961	127.5p	7 November 2017 to 6 November 2024
Unapproved	7 November 2014	98,039	127.5p	7 November 2017 to 6 November 2024
EMI	29 June 2015	74,025	94.5p	29 June 2018 to 28 June 2025

The interests of the Directors and their immediate families that are included within the options outlined above are as follows:

RA Parris – 869,565 options were granted on 16 August 2011 (448,517 of which are unapproved) and 250,000 options were granted on 7 November 2014 (98,039 of which are unapproved).

AM Walker – 374,094 options were granted on 16 August 2011 (163,570 of which are unapproved) and 50,000 options were granted on 7 November 2014.

On 1 September 2015, a free unit award equivalent to 100,000 ordinary shares of 1 pence each in the capital of the Company ("Free Units") was granted to R Chandhok, Non-Executive Director of Intercede Group plc. The Free Units will vest on 30 June 2018, subject to R Chandhok remaining a member of the Board at this date.

The award was made under the existing Intercede MyID Inc. Unit Incentive Plan, further details of which are provided in note 15.

Share Incentive Plan (SIP)

Following the introduction of a Share Incentive Plan for all UK employees during the year ended 31 March 2014, a similar plan was introduced for all US employees during the year ended 31 March 2015. Full details are provided in note 15.

Share Price

As at 31 March 2016, the market value of the shares of the Company was 126.5p (mid-market price). The share price fluctuated between a high of 154.0p and a low of 93.5p during the year ended 31 March 2016.

Independent Auditors' Report to the Members of Intercede Group plc

Report on the group financial statements

Our opinion

In our opinion, Intercede Group plc's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 31 March 2016 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Balance Sheet as at 31 March 2016;
- the Consolidated Statement of Changes in Equity for the year then ended;
- the Consolidated Cash Flow Statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the company financial statements of Intercede Group plc for the year ended 31 March 2016.

Mark Smith

Mark Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
7 June 2016

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2016

	Notes	2016 £'000	2015 £'000
Continuing operations			
Revenue	2	11,004	8,819
Cost of sales		(410)	(344)
Gross profit		10,594	8,475
Operating expenses		(12,511)	(10,215)
Operating loss	3	(1,917)	(1,740)
Finance income	5	32	68
Loss before tax		(1,885)	(1,672)
Taxation	6	892	363
Loss for the year		(993)	(1,309)
Total comprehensive expense attributable to owners of the parent company		(993)	(1,309)
Loss per share (pence)	7		
- basic		(2.1)p	(2.7)p
- diluted		(2.1)p	(2.7)p

There is no other comprehensive income/expense for the current or preceding year.
The accompanying notes are an integral part of these financial statements.

Consolidated Balance Sheet

At 31 March 2016

	Notes	2016 £'000	2015 £'000
Non-current assets			
Property, plant and equipment	8	**864**	853
Current assets			
Trade and other receivables	10	**1,146**	1,074
Cash and cash equivalents		**5,289**	5,895
		6,435	6,969
Total assets		**7,299**	7,822
Equity			
Share capital	11	**487**	487
Share premium account		**232**	232
Other reserves		**1,508**	1,508
Retained earnings		**1,131**	2,257
Total equity attributable to owners of the parent company		**3,358**	4,484
Non-current liabilities			
Deferred revenue		**122**	229
Current liabilities			
Trade and other payables	12	**1,795**	1,126
Deferred revenue		**2,024**	1,983
		3,819	3,109
Total liabilities		**3,941**	3,338
Total equity and liabilities		**7,299**	7,822

The financial statements on pages 19 to 32 were authorised for issue by the Board of Directors on 7 June 2016 and were signed on its behalf by:

RA Parris Director
AM Walker Director

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 April 2014	487	232	1,508	3,972	6,199
Purchase of own shares	—	—	—	(688)	(688)
Employee share option plan charge (note 15)	—	—	—	118	118
Employee share incentive plan charge (note 15)	—	—	—	164	164
Loss for the year and total comprehensive expense	—	—	—	(1,309)	(1,309)
At 31 March 2015	487	232	1,508	2,257	4,484
Purchase of own shares	**—**	**—**	**—**	**(610)**	**(610)**
Employee share option plan charge (note 15)	**—**	**—**	**—**	**115**	**115**
Employee share incentive plan charge (note 15)	**—**	**—**	**—**	**334**	**334**
Employee treasury share transfer	**—**	**—**	**—**	**28**	**28**
Loss for the year and total comprehensive expense	**—**	**—**	**—**	**(993)**	**(993)**
At 31 March 2016	**487**	**232**	**1,508**	**1,131**	**3,358**

All amounts included in the table above are attributable to owners of the parent company.
The accompanying notes are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2016

	2016 £'000	2015 £'000
Cash flows from operating activities		
Operating loss	(1,917)	(1,740)
Depreciation	186	153
Employee share option plan charge	115	118
Employee share incentive plan charge	334	164
Employee unit incentive plan charge	58	6
Employee treasury share transfer	28	—
(Increase)/decrease in trade and other receivables	(100)	686
Increase/(decrease) in trade and other payables	611	(599)
(Decrease)/increase in deferred revenue	(66)	341
Interest received	36	70
Cash used in operations	(715)	(801)
Taxation	892	363
Net cash generated from/(used in) operating activities	177	(438)
Investing activities		
Purchases of property, plant and equipment	(197)	(249)
Cash used in investing activities	(197)	(249)
Financing activities		
Purchase of own shares	(610)	(688)
Cash used in financing activities	(610)	(688)
Net decrease in cash and cash equivalents	(630)	(1,375)
Cash and cash equivalents at the beginning of the year	5,895	7,247
Exchange gains on cash and cash equivalents	24	23
Cash and cash equivalents at the end of the year	5,289	5,895

The accompanying notes are an integral part of these financial statements.

Notes to the Consolidated Accounts

For the year ended 31 March 2016

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 which is listed on the AIM section of the London Stock Exchange and is incorporated and domiciled in the UK. The address of its registered office is Lutterworth Hall, St. Mary's Road, Lutterworth, Leicestershire, LE17 4PS. The registered number of the company is 4101977.

Basis of preparation

The consolidated financial statements of Intercede Group plc have been prepared in accordance with European Union (EU) endorsed International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the EU and the Companies Act 2006 applicable to companies reporting under IFRS. The Directors consider that the going concern assumption is appropriate and therefore the consolidated financial statements have been prepared on a going concern basis under the historical cost convention.

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 relating to:

- Research & Development (R&D) costs – in accordance with the IFRS recognition criteria outlined elsewhere within this note, 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 2016 (2015: £nil)
- Deferred tax asset – a deferred tax asset has not been recognised against the backdrop of the current programme of substantial strategic investment and unused tax losses brought forward.
- Share-based payments – the estimation of fair values for share-based payments is dependent on a number of assumptions (outlined in note 15) including expected volatility and the expected life of the option.

The Company has elected to prepare its entity accounts in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and these are separately presented on pages 34 to 37.

Basis of consolidation

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

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

Foreign currencies

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

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

Revenue recognition

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

Software licence sales – Revenue is recognised upon delivery of the software.

Software as a service (SAAS) sales – Revenue is recognised evenly over the period during which the service is provided.

Consulting and development services – Revenue is recognised on a time and materials basis as costs are incurred.

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

Distribution of hardware – Revenue is recognised upon delivery of the product.

Training and installation services – Revenue is recognised upon the completion of training or installation services.

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 sales, 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

Notes to the Consolidated Accounts continued

For the year ended 31 March 2016

asset is carried at cost less any accumulated amortisation and impairment losses.

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

Property, plant and equipment

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

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

Freehold buildings	2% pa
Leasehold improvements	Remaining period of the lease
Fixtures and fittings	15% pa
Computer and office equipment	25% pa

Leased assets

Leases under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to the statement of comprehensive income on a straight-line basis.

Trade and other receivables

Trade receivables are classified as loans and receivables under IFRS 7 and recognised and carried at original invoice amount less a provision for any uncollectible amounts. Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying value and the present value of estimated future cash flows.

Cash and cash equivalents

Cash and cash equivalents are classified as loans and receivables under IFRS 7 and are held with highly rated financial institutions. These comprise cash at bank and in hand and short-term deposits with an original maturity of up to twelve months.

Finance income

Finance income represents interest received and receivable on cash and cash equivalents.

Pension costs

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

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair values requires determination of the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used are disclosed in note 15.

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

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

Taxation

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

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

Adoption of new accounting standards

There are no new standards, amendments to existing standards or interpretations which are effective for the first time during the year ended 31 March 2016 that have a material impact on the Group.

At the balance sheet date there are a number of new standards and amendments to existing standards in issue but not effective, including IFRS 9 'Financial Instruments', which is effective for periods beginning on or after 1 January 2018, IFRS 15 'Revenue from contracts with customers', which is expected to be effective for periods beginning on or after 1 January 2018 and IFRS 16 'Leasing', which is effective for periods beginning on or after 1 January 2019.

The Group has not early-adopted any of these new standards or amendments to existing standards. The Group is currently assessing the impact of IFRS 9, IFRS 15 and IFRS 16. There are no other new standards, amendments to existing standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

2 Revenue

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

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

	2016 £'000	2015 £'000
UK	462	1,301
Rest of Europe	1,312	1,848
North America	8,699	4,493
Rest of World	531	1,177
	11,004	8,819

Revenue of £3,334,000 (2015: £1,541,000) and £2,164,000 (2015: £nil) is derived from two end customers. These revenues are from the only end customers which individually represent over 10% of the Group's revenues.

3 Operating loss

Operating loss is stated after charging/(crediting):

	2016 £'000	2015 £'000
Staff costs (note 4)	9,826	8,019
Foreign exchange gain	(108)	(101)
Depreciation of property, plant and equipment (note 8)	186	153
Operating lease rentals	363	305
Other expenses	2,654	2,183
	12,921	10,559

Included in the costs above is research and development expenditure totalling £3,905,000 (2015: £3,576,000).

The analysis of auditors' remuneration is as follows:

	2016 £'000	2015 £'000
Fees payable for the audit of the parent company and consolidated financial statements	36	35
Fees payable for the audit of the Company's subsidiaries, pursuant to legislation	5	2
Services related to remuneration	—	27
	41	64

Notes to the Consolidated Accounts continued
For the year ended 31 March 2016

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

	2016 Number	2015 Number
Technical	95	87
Sales and marketing	19	16
Administration	11	10
	125	113

Their aggregate remuneration comprised:

	2016 £'000	2015 £'000
Wages and salaries	8,192	6,773
Social security costs	842	710
Other pension costs	285	248
Employee share option plan charge (note 15)	115	118
Employee share and unit incentive plans charge (note 15)	392	170
	9,826	8,019

Pension contributions totalling £44,000 (2015: £40,000) are included within year end trade and other payables.

Directors' remuneration
The aggregate remuneration of the executive Directors and key management was as follows:

	2016 £'000	2015 £'000
Emoluments	776	487
Company contributions to money purchase pension scheme	28	29
	804	516

Directors' emoluments

	Salary and fees 2016 £'000	Bonus 2016 £'000	Benefits in kind 2016 £'000	Total 2016 £'000	Total 2015 £'000	Pension contributions 2016 £'000	Pension contributions 2015 £'000
Executive Directors							
RA Parris	222	149	1	372	223	14	15
AM Walker	152	94	1	247	154	8	8
Non-Executive Directors							
R Chandhok	67	—	—	67	—	—	—
I Drew	—	—	—	—	15	—	—
B Drury	25	—	—	25	16	—	—
R Hoggarth	25	—	—	25	16	—	—
JS Sikorski	—	—	—	—	4	—	—
	491	243	2	736	428	22	23
Fees paid to third parties	25	—	—	25	12	—	—

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

Details of the Directors' share options are set out in the Report of the Remuneration Committee on page 17.

5 Finance income

	2016 £'000	2015 £'000
Interest income on short term bank deposits	32	68

6 Taxation

The tax credit comprises:

	2016 £'000	2015 £'000
Current year – UK corporation tax	—	—
Current year – US corporation tax	(40)	(20)
Research and development tax credits relating to prior years	932	383
Taxation	892	363

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

	2016 £'000	2015 £'000
Loss before tax	(1,885)	(1,672)
Loss before tax at UK corporation tax rate of 20% (2015: 21%)	377	351
Research and development claim	859	927
Research and development tax credits relating to prior years	932	383
Capital allowances in excess of depreciation	—	26
Expenses not deductible for tax purposes	(3)	(1)
Other temporary differences	(2)	(4)
Employee share option plan charge	(23)	(25)
Employee share incentive plan charge	(67)	(35)
Employee unit incentive plan charge	(11)	—
Purchase of shares for employee share incentive plan	97	101
Share options exercised	9	5
US corporation tax	(10)	2
Transition to FRS101 by subsidiary	19	—
Losses carried forward	(1,285)	(1,367)
Tax credit for the year	892	363

The Group has unused tax losses of £9,460,000 (2015: £9,544,000) and unrecognised deferred tax assets of £1,703,000 (2015: £1,909,000) calculated at the UK corporation tax rate of 18% (2015: 20%).

Notes to the Consolidated Accounts continued

For the year ended 31 March 2016

7 Loss per share

The calculations of loss per ordinary share are based on the loss for the financial year and the weighted average number of ordinary shares in issue during each year. Basic and diluted loss per share are the same as potential dilution cannot be applied to a loss making period.

		2016 £'000	2015 £'000
Loss for the year		(993)	(1,309)
		Number	Number
Weighted average number of shares	– basic	48,429,489	48,526,457
	– diluted	48,429,489	48,526,457
		Pence	Pence
Loss per share	– basic	(2.1)p	(2.7)p
	– diluted	(2.1)p	(2.7)p

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

	2016 Number	2015 Number
Issued ordinary shares at start of year	48,735,005	48,735,005
Effect of purchase of own shares	(305,516)	(208,548)
Weighted average number of shares - basic	48,429,489	48,526,457
Add back effect of purchase of own shares	N/A	N/A
Effect of share options in issue	N/A	N/A
Weighted average number of shares – diluted	48,429,489	48,526,457

8 Property, plant and equipment

	Freehold Land and buildings £'000	Leasehold improvements £'000	Fixtures and fittings £'000	Computer and office equipment £'000	Total £'000
Cost					
At 1 April 2014	422	58	83	611	1,174
Additions	—	25	14	210	249
Disposals	—	—	—	(7)	(7)
At 1 April 2015	422	83	97	814	1,416
Additions	—	41	27	129	197
Disposals	—	—	(1)	—	(1)
At 31 March 2016	422	124	123	943	1,612
Accumulated depreciation					
At 1 April 2014	16	—	46	355	417
Charge for the year	9	13	11	120	153
On disposals	—	—	—	(7)	(7)
At 1 April 2015	25	13	57	468	563
Charge for the year	8	19	12	147	186
On disposals	—	—	(1)	—	(1)
At 31 March 2016	33	32	68	615	748
Net Book Amount					
At 31 March 2016	389	92	55	328	864
At 31 March 2015	397	70	40	346	853

9 Subsidiaries

The Company's subsidiaries, all of which have been consolidated in the Group's financial statements at 31 March 2016, 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

10 Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	**733**	781
Prepayments and accrued income	**332**	224
Other debtors	**81**	69
	1,146	1,074

As outlined in note 13, the Group's main credit risk relates to its trade receivables. The carrying amount of trade and other receivables approximates to their fair value, which has been calculated based on expectations of debt recovery from historic performances. Trade receivables are stated net of a provision for estimated irrecoverable amounts of £nil (2015: £nil). The level of trade receivables over 60 days old which have been provided for is £nil (2015: £nil). The amount written off as irrecoverable during the year was £nil (2015: £nil).

Included within trade receivables are receivables with a carrying amount of £148,000 (2015: £253,000) which are past due but have not been impaired as the amounts are still considered to be recoverable. The level of unprovided trade receivables over 60 days old was £6,000 (2015: £206,000). The average age of the Group's trade receivables is 34 days (2015: 35 days).

11 Share capital

	2016 £'000	2015 £'000
Authorised		
481,861,616 ordinary shares of 1p each (2015: 481,861,616)	**4,819**	4,819
Issued and fully paid		
48,735,005 ordinary shares of 1p each (2015: 48,735,005)	**487**	487

As at 31 March 2016 the Company had 294,000 ordinary shares held in treasury (2015: 309,000) following the transfer of 15,000 shares to an employee, pursuant to an incentive arrangement. During the year the Company purchased 32,500 ordinary shares to be held in treasury (2015: 160,000) and 32,500 options were exercised using treasury shares (2015: 15,000).

12 Trade and other payables

	2016 £'000	2015 £'000
Trade payables	**609**	440
Taxation and social security	**188**	169
Accruals	**998**	517
	1,795	1,126

Included within accruals is £64,000 (2015: £6,000) relating to the employee Unit Incentive Plan (see note 15).

Notes to the Consolidated Accounts continued

For the year ended 31 March 2016

13 Financial instruments

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

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

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

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

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

Interest rate risk

The Group has primarily financed its operations to date through equity finance.

Liquidity risk

The Group has cash balances and no external borrowings.

Credit risk

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

Foreign currency risk

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

Interest rate profile

The Group has cash deposits of £5,289,000 (2015: £5,895,000) at the year end. This includes US dollar deposits of £1,422,000 (2015: £388,000) and euro deposits of £195,000 (2015: £122,000). Interest rates on cash deposits are based on LIBOR.

Maturity of financial liabilities

The Group has no external borrowings. The only financial liabilities are short term trade and other payables as outlined within note 12.

Borrowing facilities

The Group has no undrawn committed borrowing facilities (2015: £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 2016	**2,134**	**200**	**2,334**
At 31 March 2015	713	531	1,244

14 Financial commitments

a) *Capital commitments*

The Group had no capital commitments at the year end (2015: £nil).

b) *Operating leases*

Future aggregate commitments under non-cancellable operating leases are as follows:

	2016 £'000	2015 £'000
Due within one year	**292**	164
Due between one and two years	**344**	154
Due between two and five years	**891**	—
Due beyond five years	**550**	—

The operating lease commitments outlined above primarily relate to rent payable for the Company's UK and US offices.

15 Share based payments

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

Further options were granted on 7 November 2014 and 29 June 2015 in accordance with the resolution that was approved by shareholders at the Company's AGM on 17 September 2014. The fair value of the options granted was determined using a monte carlo valuation model and includes a share price target of 400p, as disclosed in the Report of the Remuneration Committee.

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

Grant date	26 July 2011	16 Aug 2011	20 Dec 2011	7 Nov 2014	29 June 2015
Share price at grant date	69.0p	57.0p	64.0p	127.5p	94.5p
Exercise price	1.0p	1.0p	1.0p	127.5p	94.5p
Number of employees	4	3	1	8	1
Shares under option	200,000	1,243,659	50,000	500,000	74,025
Expected vesting period (years)	3	6	3	6	5
Expected option life (years)	7	7	7	7	7
Expected volatility	57.53%	58.21%	42.54%	39.03%	39.65%
Risk free rate	2.29%	1.65%	1.24%	1.93%	1.87%
Expected dividends expressed as a dividend yield	2.90%	3.51%	3.13%	3.00%	3.00%
Fair value per option	55.0p	44.0p	50.0p	27.0p	15.0p

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

The options granted on 26 July 2011 and 20 December 2011 have now vested and 47,500 of these options had been exercised to date as at 31 March 2016.

The total charge for the year relating to employee share options was £115,000 (2015: £118,000). Share options outstanding at the year end have a weighted average contractual life of 6.3 years (2015: 7.2 years).

In February 2014, HM Revenue & Customs approved an equity-settled Share Incentive Plan (SIP) for all UK employees including the Executive Directors. A Free Share award of £3,600 per employee was made on 2 July 2015 which, based upon the previous day's closing middle market price of 94.5p, resulted in 3,809 shares being issued to each of the 100 employees who were eligible. Partnership Shares can be subscribed for by employees via salary deductions during the year ending 31 March 2017, either on a monthly or lump sum basis to a cumulative value of up to £1,800. As at 31 March 2016, 78 employees representing 76% of the eligible employees, had made binding commitments to subscribe for Partnership Shares during the year ending 31 March 2017. Matching Shares will be given to employees on the basis of two Matching Shares for each Partnership Share.

Free Share and Matching Share awards to date have been met by the transfer of ordinary shares held in treasury and from continued on market purchases either by the Company or Capita IRG 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, it is the Company's intention to issue new ordinary shares to meet these awards.

The total charge for the year relating to the employee Share Incentive Plan was £334,000 (2015: £164,000).

Notes to the Consolidated Accounts continued

For the year ended 31 March 2016

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. A Free Unit award of £3,600 per employee was made on 30 September 2015 which, based upon the previous day's closing middle market price of 109.5p, resulted in 3,287 units being issued to each of the 14 employees who were eligible. Partnership Units can be subscribed for by employees via salary deductions during the year ending 31 December 2016, either on a monthly or lump sum basis to a cumulative value of up to $3,000. As at 31 March 2016, 7 employees representing 54% of the eligible employees, had made binding commitments to subscribe for Partnership Units during the year ending 31 December 2016. Matching Units will be given to employees on the basis of two Matching Units for each Partnership Unit.

As noted in the Report of the Remuneration Committee, a Free Unit award equivalent to 100,000 ordinary shares of 1 pence each in the capital of the Company was granted to R Chandhok, Non-Executive Director of Intercede Group plc, on 1 September 2015.

The total charge for the year relating to the employee Unit Incentive Plan was £58,000 (2015: £6,000) as outlined in the table below:

	2016 £'000	2015 £'000
At 1 April	6	—
Additional charge	58	6
At 31 March	64	6

16 Related party transactions

During the year ended 31 March 2016, J Tredoux served as a Non-Executive Director. J Tredoux is also a director of Tredoux Capital Limited, the Group's corporate finance adviser. Consultancy fees charged by Tredoux Capital Limited to the Group in respect of his services as a Non-Executive Director and general corporate finance advice, and balances outstanding at the year ends were as follows:

	2016 £'000	2015 £'000
Consultancy fees charged	25	21
Balance outstanding at the year end	6	5

During the year ended 31 March 2016, R Hoggarth served as a Non-Executive Director. R Hoggarth was appointed as Chairman of Northgate Public Services, an existing Intercede customer, in January 2016. Sales made to Northgate Public Services during the year ended 31 March 2016 totalled £107,000, of which £8,000 was outstanding at the year end.

Independent Auditors' Report to the Members of Intercede Group plc

Report on the company financial statements

Our opinion

In our opinion, Intercede Group plc's company financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Accounts, comprise:

- the Company Balance Sheet as at 31 March 2016; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the group financial statements of Intercede Group plc for the year ended 31 March 2016.

Mark Smith

Mark Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
7 June 2016

Company Balance Sheet

At 31 March 2016

	Notes	2016 £'000	2015 £'000
Non-current assets			
Investments	3	**4,221**	3,713
Current assets			
Trade and other receivables	4	—	161
Total assets		**4,221**	3,874
Equity			
Share capital	5	**487**	487
Share premium account	6	**232**	232
Profit and loss account	6	**2,946**	3,149
Total equity attributable to owners of the parent company		**3,665**	3,868
Current liabilities			
Trade and other payables	7	**556**	6
Total liabilities		**556**	6
Total equity and liabilities		**4,221**	3,874

The financial statements on pages 34 to 37 were authorised for issue by the Board of Directors on 7 June 2016 and were signed on its behalf by:

RA Parris Director
AM Walker Director

The accompanying notes are an integral part of these financial statements.

Intercede Group plc: Registered No. 4101977

Notes to the Company Accounts

For the year ended 31 March 2016

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. The financial statements have been prepared on the going concern basis in accordance with IFRS as adopted by the European Union, and with those parts of the Companies Acts applicable to companies reporting under IFRS. The Company has taken advantage of Section 408 of the Companies Act 2006 not to present its own profit and loss account. The amount of loss dealt with in the Company financial statements was £70,000 (2015: £70,000 loss).

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 paragraph 17 of IAS 24 'Related Party Disclosures'.

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

Basis of accounting

The financial statements have been prepared under the historical cost basis of accounting.

Fixed asset investments

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

Taxation

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

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

Share-based payments

The equity-settled share option programme allows employees to acquire shares of the ultimate Parent Company; these awards are granted by the ultimate Parent 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.

2 Auditors' remuneration

Fees payable to the Company's auditors for the audit of the parent company are £2,000 (2015: £2,000).

Notes to the Company Accounts continued

For the year ended 31 March 2016

3 Investments

	2016 £'000	2015 £'000
At 1 April	3,713	3,425
Additions	508	288
At 31 March	4,221	3,713

Additions in the year of £508,000 (2015: £288,000) reflect the employee share option, incentive and unit plan charges relating to employees of the Company's subsidiaries.

The Company's subsidiaries at 31 March 2016 were:

	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

4 Trade and other receivables

	2016 £'000	2015 £'000
Amounts owed by subsidiary undertakings	—	160
Prepayments and accrued income	—	1
	—	161

Amounts owed by subsidiary undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

5 Share capital

	2016 £'000	2015 £'000
Authorised		
481,861,616 ordinary shares of 1p each (2015: 481,861,616)	4,819	4,819
Allotted and fully paid		
48,735,005 ordinary shares of 1p each (2015: 48,735,005)	487	487

As at 31 March 2016 the Company had 294,000 ordinary shares held in treasury (2015: 309,000) following the transfer of 15,000 shares to an employee, pursuant to an incentive arrangement. During the year the Company purchased 32,500 ordinary shares to be held in treasury (2015: 160,000) and 32,500 options were exercised using treasury shares (2015: 15,000).

6 Reserves

	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 April 2015	232	3,149	3,381
Purchase of own shares	—	(582)	(582)
Employee share option and share incentive plan charges	—	449	449
Loss for the year	—	(70)	(70)
At 31 March 2016	232	2,946	3,178

7 Trade and other payables

	2016 £'000	2015 £'000
Amounts owed to subsidiary undertakings	492	—
Accruals	64	6
	556	6

Amounts owed to subsidiary undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

8 Financial commitments

a) Capital commitments

The Company had no capital commitments at the year end (2015: £nil).

b) Operating leases

The Company had no annual commitments under non-cancellable operating leases at the year end (2015: £nil).

Notice of Annual General Meeting

Notice is hereby given that the sixteenth Annual General Meeting of Intercede Group plc will be held at Lutterworth Hall, St. Mary's Road, Lutterworth, Leicestershire, LE17 4PS on Wednesday 14 September 2016 at 2.00 pm for the following purposes:

Ordinary Business
To consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions of the Company.

1 To receive and to adopt the Company's financial statements for the year ended 31 March 2016 together with the reports of the Directors and the auditors.

2 To re-elect Richard Parris as a director.

3 To re-elect Ben Drury as a director.

4 To re-appoint PricewaterhouseCoopers LLP to hold office as auditors until the next Annual General Meeting, and to authorise the Directors to determine the remuneration of the auditors.

Special Business
To consider and, if thought fit, pass resolution 5 which will be proposed as an ordinary resolution of the Company and resolutions 6 and 7 which will be proposed as special resolutions of the Company.

5 THAT,

(a) the Directors be generally and unconditionally authorised, in accordance with section 551 of the Companies Act 2006 (the "Act"), to exercise all powers of the Company to allot relevant securities (as defined in sections 549(1)-(3) of the Act) up to a maximum nominal amount of £160,000.00 (being approximately 33% of issued ordinary share capital);

(b) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, on 1 October 2017;

(c) the Company may, before this authority expires, make an offer or agreement which would or might require relevant securities to be allotted after it expires; and

(d) all previous unutilised authorities under section 551 of the Act shall cease to have effect (save to the extent that the same are exercisable pursuant to section 551(7) of the Act by reason of any offer or agreement made prior to the date of this resolution which would or might require relevant securities to be allotted on or after that date).

6 THAT,

(a) the Directors be given power:

(i) (subject to the passing of resolution 5) to allot for cash equity securities (as defined in section 560(1) of the Act for the purposes of section 561 of the Act) pursuant to the general authority conferred on them by that resolution; and

(ii) to allot equity securities (as defined in section 560(2) of the Act),

in either case as if section 561(1) of the Act did not apply to the allotment but this power shall be limited:

(A) to the allotment of equity securities in connection with an offer or issue to or in favour of ordinary shareholders on the register on a date fixed by the Directors where the equity securities respectively attributable to the interests of all those shareholders are proportionate (as nearly as practicable) to the respective numbers of ordinary shares held by them on that date but the Directors may make such exclusions or other arrangements as they consider expedient in relation to fractional entitlements, legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange; and

(B) to the allotment (other than under (A) above) of equity securities having a nominal amount not exceeding in aggregate £48,000.00 (being approximately 10% of issued ordinary share capital);

(b) this power shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, on 1 October 2017;

(c) all previous unutilised authorities under section 570 of the Act shall cease to have effect; and

(d) the Company may, before this power expires, make an offer or agreement which would or might require equity securities to be allotted after it expires.

7 THAT, in accordance with article 10 of the Company's articles of association and the Act, the Company is generally and unconditionally authorised to make market purchases (within the meaning of section 693 of the Act) of ordinary shares of 1 pence each in the capital of the Company (Ordinary Shares) on such terms and in such manner as the Directors of the Company may determine provided that:

(A) the maximum number of Ordinary Shares that may be purchased under this authority is 4,800,000 (being approximately 10% of issued ordinary share capital);

(B) the maximum price which may be paid for any Ordinary Share purchased under this authority shall not be more than an amount equal to 105% of the average of the middle market prices shown in the quotations for the Ordinary Shares in the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that Ordinary Share is purchased. The minimum price which may be paid shall be the nominal value of that Ordinary Share (exclusive of expenses payable by the Company in connection with the purchase);

(C) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, or, if earlier, on 1 October 2017; and

(D) the Company may make a contract or contracts to purchase Ordinary Shares under this authority before its expiry which will or may be executed wholly or partly after the expiry of this authority and may make a purchase of Ordinary Shares in pursuance of any such contract.

By order of the Board

Andrew Walker
Company Secretary
7 June 2016

Registered office
Lutterworth Hall
St. Mary's Road
Lutterworth
Leicestershire
LE17 4PS

Notes:

1. A member is entitled to appoint a proxy to exercise all or any of his rights to attend and to speak and vote instead of him at the meeting. A member may appoint more than one proxy in relation to a meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. A proxy need not be a member of the Company.
2. The form of proxy and power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy of such power or authority must be received by the Company's registrars not later than 48 hours before the time appointed for the meeting. Completion and return of the form of proxy will not prevent you from attending and voting at the meeting instead of the proxy, if you wish.
3. Only persons entered on the register of members of the Company at 6:00 pm on 12 September 2016 are entitled to attend the meeting either in person or by proxy and the number of ordinary shares then registered in their respective names shall determine the number of votes such persons are entitled to cast on a poll at the meeting.
4. Only holders of ordinary shares are entitled to attend and vote at the meeting.
5. As at 7 June 2016 the Company's issued ordinary share capital consists of 48,735,005 shares. The total voting rights in the Company as at 7 June 2016, as adjusted for 294,000 treasury shares, are 48,441,005.
6. Copies of the service contracts of the executive directors and the non-executive directors' terms of appointment are available for inspection at the registered office of the Company during normal business hours from the date of this notice and at the place of the meeting for a period of at least 15 minutes prior to the meeting until its conclusion.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