intercede
Intercede Group plc

Annual Report & Accounts 2018

DiGITAL TRUST

Content

Company Profile

Intercede® is a cybersecurity company specialising in digital identities, derived credentials and access control, enabling digital trust in a mobile world.

Headquartered in the UK, with offices in the US, we believe in a connected world in which people and technology are free to exchange information securely, and complex insecure passwords become a thing of the past.

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

We have been delivering trusted solutions to high profile customers for over 20 years. Our team of experts has deployed millions of identities to governments, most of the largest aerospace and defence corporations, and major financial services and healthcare organizations, as well as leading telecommunications, cloud services and information technology firms, providing industry-leading employee and customer credential management systems.

For more information visit: **www.intercede.com**

Intercede have been providing trusted digital identities for more than 20 years – our MyID platform enables organizations to easily issue secure digital credentials at scale so they can be sure their employees, citizens or customers are who they claim to be.

Our solutions operate on-premise or in the cloud and are designed to create and secure trusted digital identities that combine the highest levels of security with a frictionless user experience.

These solutions are deployed by a range of organizations in the most data critical industries including Aerospace & Defence, military & police, government, healthcare and financial institutions.

Intercede is trusted by tech giants such as Microsoft, Intel, Citrix, AirWatch and MobileIron to add digital identity management to their solutions.

Intercede's expertise combined with the MyID platform's capabilities provides digital trust, enabling organizations to secure access, validate transactions and protect themselves against the number one cause of data breach - compromised user credentials.

MyID for employee ID

A flexible, feature-rich product enabling passwords to be replaced with secure digital identities on multiple devices. Trusted by high profile organizations around the world to secure employee access to business-critical systems and information.

- Enables deployment of digital identities to smart cards, virtual smart cards and mobile devices for securing access to corporate assets and information. MyID can be deployed as either an on-premise solution or via the cloud.
- Built to integrate with your existing systems, including certificate authorities (PKIs), identity management systems (IDMS), physical access control systems (PACS) and mobile device management systems (MDMs).
- MyID is particularly well known within US Federal government as Intercede were one of the first companies to issue and manage FIPS-201 compliant PIV credentials to cards and derived PIV credentials to mobile devices.

MyID for citizen ID

MyID helps governments to maximise return on investment by extending existing smart card based national identity schemes to the citizen's smartphone. MyID enables governments to issue mobile IDs into a government app and citizens have the frictionless experience of using their familiar Android or iOS phone with a simple PIN or biometric, such as a fingerprint, to authenticate to government services.

- **Easy to Deploy:** Citizens download a government mobile app from the Apple App Store or Google Play. They authenticate to the government portal and scan a QR code using the app on their phone to collect their Mobile ID over the air. MyID enables secure storage of the citizen identity within the government app.
- **Easy to Use:** When a citizen wants to use a government service they simply use the government app to authenticate. By confirmation of their PIN or biometric details, the Mobile ID stored within the app strongly authenticates the citizen to the service.
- **Trusted Identity Provider:** Our innovative solution enables the provision of identity services to third parties (e.g. healthcare or financial institutions). The trusted Mobile ID within the government app can be used to strongly authenticate to other services, enabling them to use the highest assurance levels delivered by a National Identity.

MyID for consumer ID

MyID provides a secure, easy to implement two-factor authentication service for mobile apps and cloud services. It allows service providers to quickly deploy strong authentication to services from mobile apps, with minimal effort and cost.

- At its core is cryptographic key management, which has been proven to prevent such breaches by only allowing access to verified devices that have been unlocked by verified users. This contrasts with alternatives such as biometric-only security or SMS one-time passwords which, although having a place, are also open to compromise.
- MyID offers a frictionless solution compared to the clumsy operation of SMS/token based one-time passwords, meaning user frustration is kept to a minimum – and they can forget their passwords forever.
- It is simple to implement: with just a few lines of code and our SDK, you are all set to provide the strongest possible protection for users, apps & data on mobile devices.

Chairman's Statement

The last financial year was another difficult period for Intercede, following a challenging 2016/2017. The Board remains confident in the Company, its products and the potential to be a leading player in the fast-evolving cybersecurity market.

Following review, the Board agreed to make several changes and brought in a new Chief Executive and reorganized the management team. The new leadership team are fully focused on building on recent successes and are committed to improving standards, enhanced operating performance and the conversion of recent product development into meaningful revenue generation and growth.

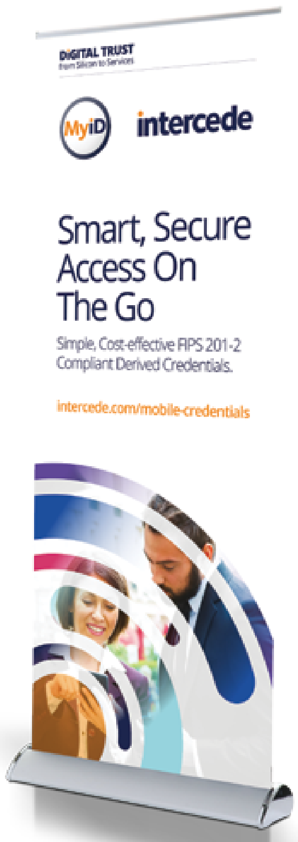
Strategy & Partnerships

At the heart of Intercede's strategy remains its market leading product MyID. With over 80 blue chip deployments worldwide and a number of important contract wins that have been added in the last 12 months, MyID continues to be the solution of choice for major public key infrastructure (PKI) system deployments. Intercede is working closely with some of the leading industry IT majors and looking to form more partnerships, from which a commercial relationship could result in a significant increase in sales revenues.

Results

Revenue for the year was £9.2m (2017: £8.3m), which represents an 11% increase on the previous year. This revenue generation has predominantly come from existing customers in Intercede's core markets of government, defence contractors and large, highly secure corporate enterprises. Against a backdrop of continued investment in technology, the Group made a loss for the year of £3.8m in the year ended 31 March 2018 (2017: £3.9m).

In the second half of the year, a cost-cutting review removed significant costs from the business without impacting our operational capability. The Group has started the new financial year with an operating cost run rate that is more than 20% lower (approximately £3m per annum) than at this point last year.



Board Changes

The founder of Intercede, Richard Parris, ceased his roles as Chairman & Chief Executive and became a Non-Executive Director of the Company on 28 March 2018. I would like to thank Richard for his many years of service to Intercede. His vision and hard work have helped make the Company what it is today.

Jayne Murphy ceased her role as Operations Director on 20 April 2018. I thank Jayne for her professionalism and hard work during her many years of service to Intercede.

I was appointed as Non-Executive Chairman on 28 March 2018 and Klaas van der Leest was appointed as Chief Executive on 10 April 2018.

I have been on the Intercede Board since 1 June 2017 as the Company's Senior Independent Non-Executive Director. Prior to this I was Chairperson of Vodafone Americas, a role held since 2013 and in which I led the development of applications for the Internet of Things ("IoT"). I joined Vodafone Americas as President of its Global Enterprise division where I built a US-wide mobile business focused exclusively on Enterprises. I have also held senior roles at BT Americas including Chief Operating Officer and President. On leaving BT in 2008, I was President of BT Global Financial Services and was responsible for BT's relationships with the top 40 global investment banks.

Klaas is an experienced executive with extensive sales, marketing, business development and general management experience in IT and IT services. He has significant international knowledge and experience as a result of various roles with remits across EMEA, Asia-Pac and North America. Klaas has worked for a number of large and small, quoted and privately owned organizations in market leading and turnaround situations including CA Technologies, Intelecom UK, Amulet Hotkey, Global Crossing, Attenda and Logica. He has proven expertise in the development and execution of national and international sales growth, 'go to market' initiatives and customer focused expansion strategies.

Outlook

Cyber-threats, whether driven by individuals, organizations or nation states are increasing in sophistication and the economic and reputational cost is growing exponentially. Intercede's MyID continues to enable our customers to eliminate reliance on the use of potentially insecure passwords for secure authentication. In doing so, they become increasingly resistant to social engineering and other cyber-attacks based on compromising employee (or end customer) login details.

The investment in new formats and components of MyID puts Intercede in a strong position to provide the market with reliable Digital Trust. Intercede experienced a strong end to the financial year which included the receipt of a large US Federal Government license order on 28 March 2018. License orders relating to this deployment have historically been received every 12 months or so and therefore the revenue for the years ending 31 March 2019 and 2020 is particularly sensitive to the timing of future orders. Following reviews, the cost base has been brought back in line with future revenue forecasts and the Board are confident that Intercede will grow and return to profit within the next two years.

Chuck Pol
Chairman
7 June 2018

Strategic Report

For the year ended 31 March 2018

Introduction

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

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

- For over 20 years, Intercede has been providing trusted identities to people, devices and apps for some of the world's largest corporations and government agencies.
- Intercede's product innovation roadmap leverages over 1,000 man years of internal expertise and is underpinned by strong customer demand and a committed set of international partners.
- New solutions can be engineered at high speed by a specialist team with longevity of employment. Product design is also informed by major customers and interoperability partners.
- Software is US and UK Government accredited, which secures access to regulated markets. Traditionally it was delivered as an on-premise solution but it can now be delivered via the Cloud, mobile and web applications to make it a scalable solution with the potential for exponential growth.

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

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

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

Operational Review

It has been a year of major change. As well as the Board and senior management changes already highlighted in the Chairman's Statement, actions have been taken to reduce the cost base and there is a renewed focus on the MyID platform at the core of Intercede's strategy.

Customers and partners recognize Intercede's leading expertise in cryptographic key management, which form market leading solutions that cannot be readily duplicated by the industry majors themselves. To widen the market into which Intercede can sell its products MyID can be deployed in various formats; namely on-premise, cloud-based and via web and mobile applications. One of the cornerstones of the Group's strategy is to utilize the various formats and components of our MyID technology to provide a solution tailored to the user; be they a government, an employee or the enterprise's end customer.

An exciting example of this in action is the recent sale of a MyID solution to a Middle Eastern country to issue mobile government identities to its citizens. This solution incorporates Intercede's mobile application authentication technology to allow citizens to easily and securely generate a digital identity on their smart phone via a government app. Using Intercede's MyID software, the digital identity can then be used for accessing a mobile eco-system of government services, healthcare, banking and e-commerce. This solution catapults them to being a world-leading nation for the mobile-first delivery of digital services.

There is also demand for Intercede's mobile authentication technology from existing US Federal agency customers. Intercede continues to work with a range of Mobile Device Managers (MDMs), including AirWatch, MobileIron, Citrix and Blackberry to extend the PIV program to issue derived credentials to a federal user's smartphone, tablet or laptop. Intercede's MyID was the first derived PIV Credential solution to receive an Authority to Operate (ATO) for a US Federal agency. It is pleasing to note that the pipeline for the next financial year contains a number of derived proof of concept opportunities for various US Federal agencies.

Markets and Products

Intercede's solutions are deployed in many market sectors for a variety of customers from governments to defence contractors and large enterprises. MyID is particularly well known within US Federal agencies as Intercede were one of the first to issue and manage FIPS-201 compliant PIV credentials to cards and derived PIV credentials to mobile devices.

Intercede works with some of the largest organizations in the world; both as customers or as partners.

Customers and partners value MyID because it is highly configurable and feature-rich and interfaces with a broad range of third party technologies that make up a PKI infrastructure. Intercede's product strategy continues to be working with partners where possible to sell MyID to an end user as part of an end-to-end PKI solution. The Group sells its products through a global network of authorised partners. They vary in size from large international consultancies and cybersecurity companies to local system integrators and value added resellers.

It is important to make MyID customisable so it can be easily integrated into a partner's solution but this can be achieved by giving the partner the toolkit to do it themselves, rather than Intercede continually changing the core MyID product to address each individual solution. This modular approach means Intercede only produces core formats of MyID (on-premise, Cloud, mobile etc), which become modules around which a partner can customise their solution using either a simple API (Application Programming Interface) or an SDK (Software Development Kit).

Sample customers

HM Government

RDW

AIRBUS

BOEING

LOCKHEED MARTIN

NORTHROP GRUMMAN

Australian Government Department of Defence

Booz | Allen | Hamilton

Deutsche Telekom

BASF The Chemical Company

REWE

TELUS

UnitedHealth Group

WELLS FARGO

Handelsbanken

Coutts

BARCLAYS

Swedbank

ANZ

Technology partners

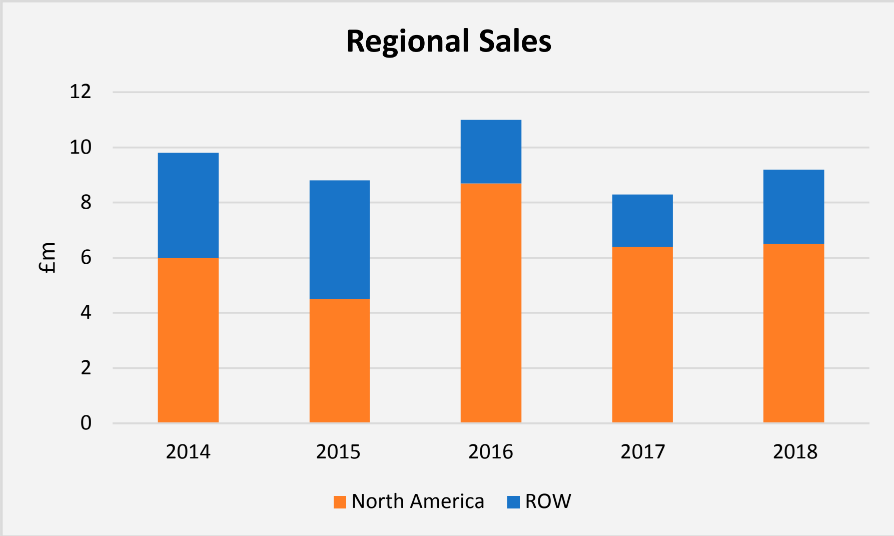
Devices
- AET
- Athena (NXP)
- Gemalto
- Giesecke & Devrient
- IDEMIA (Oberthur)
- SafeNet
- SafeNet AT
- TCOS
- TicTok
- Yubico

PKI
- DigiCert (Symantec)
- EJBCA (PrimeKey)
- Entrust
- Microsoft
- Verizon (Unicert)

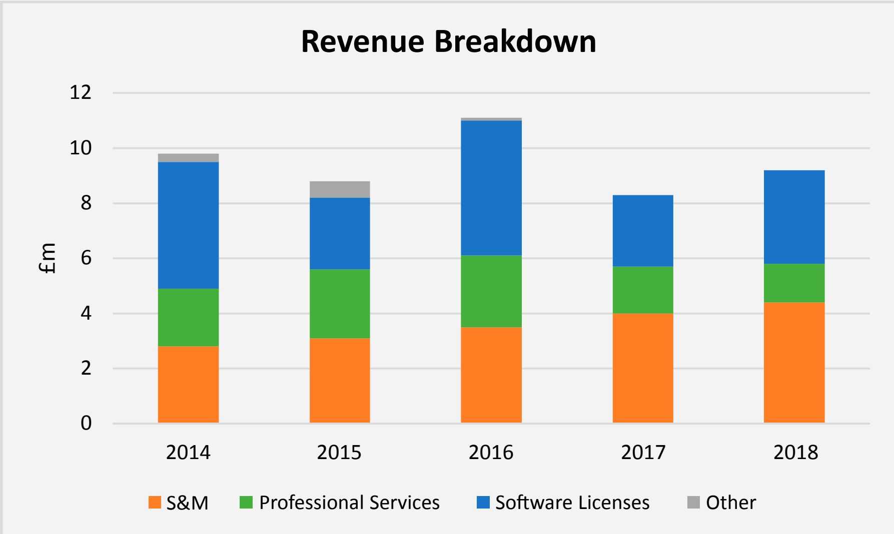
Mobile
- Google/Android
- Apple/iOS
- AirWatch
- Citrix
- MobileIron
- Blackberry
- Centrify

Card Printers
- DataCard (Entrust)
- DIGID
- Fargo (HID)
- Get Group
- Magicard
- Zebra

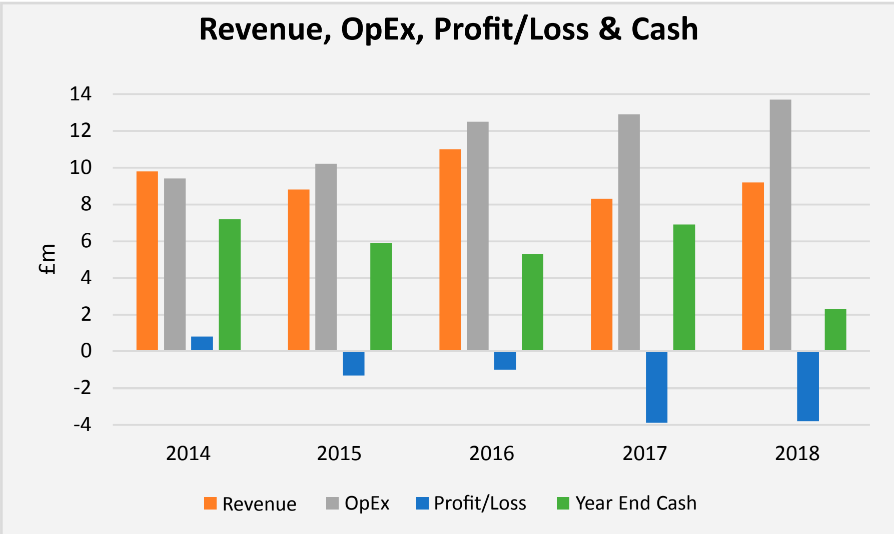
Financial Graphs



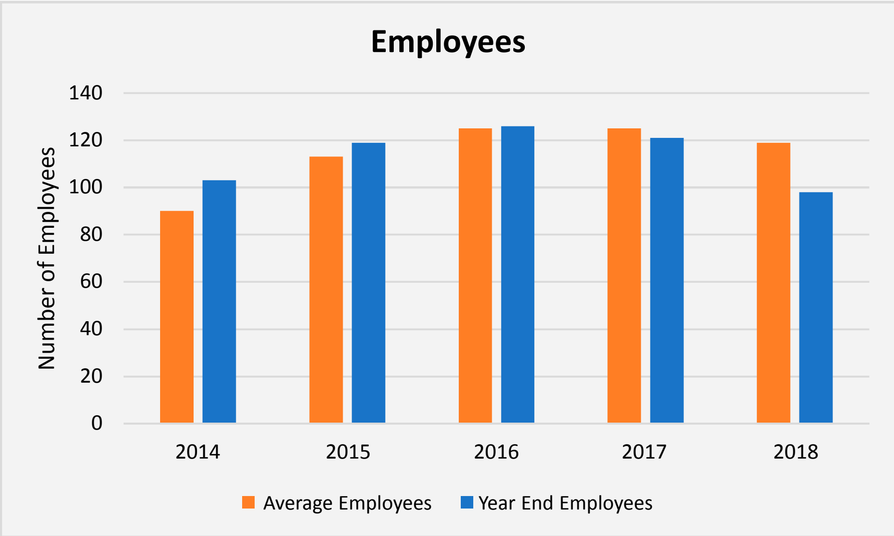
The US represents Intercede's largest market with sales to North America making up 71% of total sales during FY 2018.



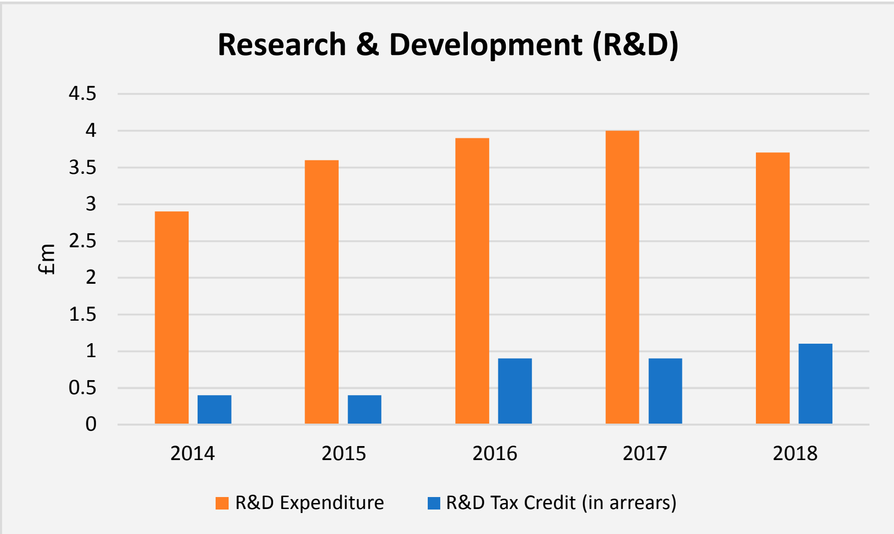
The last five years has seen progressive growth in recurring Support & Maintenance (S&M) revenues due to a cumulative increase in customers. Software license revenues from the traditional MyID business tend to be lumpy. Professional services is slightly down on last year partly due to large license orders received in the second half of the year that are expected to be implemented in the next financial year. Intercede is also encouraging new customers to stick to core product configurations, thereby reducing the need to implement costly customisations.



The substantial increase in operating expenses (OpEx) over the last five years primarily reflects high levels of strategic investment to exploit new market opportunities. This investment is expected to result in increased revenue and cash flow generation in future periods. The 2018 year end cash does not include the impact of significant orders received in the last two months of the year with gross cash balances as at 30 April 2018 increasing to £4.7m.



Intercede employ one of the largest teams with cryptographic key management experience and expertise anywhere in the world.



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

Trading Results

Revenues for the year ended 31 March 2018 totalled £9,204,000, an 11% increase on the previous year's revenues of £8,286,000. Although orders from US Federal agencies have been slower than expected, it is pleasing to see growth in newer markets and revenues generated in the second half of the year represent a high for the Group.

As previously reported, the first half of the year saw significant contract wins including an award from a major US Aerospace & Defence contractor, to manage digital identities for 130,000 devices, and a sale to a large UK defence organization. In additional there were initial MyID license sales to the largest US military shipbuilding company and to one of the world's largest diversified natural resource companies. Although both of these initial sales were small, they will help to drive future revenue growth as successful implementation should lead to follow-on orders for tens of thousands of licenses.

The second half of the year saw improvement, with significant revenue generated from existing customers as well as new customers. This includes the aforementioned sale to allow a Middle Eastern country to issue mobile national identities to its citizens. For Intercede, this is a strategically important project that exploits many of the new technologies Intercede has developed over the past few years. This Middle Eastern country is a top tier reference customer for other nations to follow and, through Intercede's network of partners, the target is to replicate this solution in multiple geographic territories. In addition to this win, Intercede secured a license order with another major healthcare provider, converted a pilot deployment with a large European bank into a full deployment and secured an initial proof of concept sale in respect of the 2020 US Census. All of these wins are expected to generate incremental revenue in the next financial year.

In the second half of the year, a cost-cutting review removed significant costs from the business without impacting our operational capability. This year contains exceptional one-off costs connected with the savings, such as Settlement Agreement costs, which are primarily responsible for a 6% increase in operating expenses from £12,891,000 to £13,669,000. The Group has started the new financial year with an operating cost run rate that is more than 20% lower (approximately £3m per annum) than at this point last year.

The increase in revenues is largely offset by the increase in operating expenses, leading to a £4,506,000 operating loss (2017: £4,721,000 operating loss).

Staff costs continue to represent the main area of expense, representing 76% of total operating expenses (2017: 78%). The average number of employees and contractors was 119, down from the previous year's average of 125. However, as a result of the second half cost reductions referred to above, the number of employees and contractors as at 31 March 2018 had been reduced to 98 (2017: 121).

Expenditure on research and development (R&D) activities totaled £3,736,000 (2017: £3,994,000), approximately 57% of which related to the areas of strategic investment outlined above (2017: 62%). 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 2018 (2017: £nil).

The net finance cost for the year was £442,000 (2017: £57,000). This reflects a full year of interest payable on the convertible loan notes that were issued in January 2017 and a partial year of interest payable on the additional £510,000 convertible loan notes that were issued, under the same instrument, on 25 August 2017.

A £1,118,000 taxation credit in the period (2017: £888,000 taxation credit) primarily reflects cash received following the 2017 R&D claim as a result of the investment activities outlined above. The Group is a beneficiary of the UK Government's efforts to encourage innovation by allowing 130% of qualifying R&D expenditure to be offset against taxable profits.

A loss for the year of £3,830,000 (2017: loss of £3,890,000) resulted in a basic and fully diluted loss per share of 7.6p (2017: loss per share 8.0p).

Financial Position

The Group's cash position at 31 March 2018 was £2,272,000 (2017: £6,891,000), but it is worth noting that the year end cash position does not include the impact of significant orders received in the last two months of the year. As at 30 April 2018, gross cash balances totalled £4.7m.

The cost-cutting review has enabled the Group to exit one of its UK properties, which has been put up for sale and is expected to realise a net receipt of £0.4m during the new financial year.

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

Treasury

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

Key Performance Indicators (KPIs)

	2014	2015	2016	2017	2018
Sales growth	45%	(10%)	25%	(25%)	11%
Export sales	91%	85%	96%	95%	94%
North American sales	61%	51%	79%	77%	71%
New deployments with revenues over £20,000	10	6	6	8	10

Principal Risks and Uncertainties

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

- The Group operates in a complex and competitive technological environment so the business will be negatively affected if the Group does not enhance its product offerings and/or respond effectively to technological change. This risk is mitigated by ongoing investment in research and development.
- The Group operates in multiple markets, both geographically and by sector, so there is a risk that territory and global macro-economic conditions 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.
- 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

Klaas van der Leest
Chief Executive
7 June 2018

Andrew Walker
Finance Director
7 June 2018

Board of Directors

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

Chuck Pol recently served as Chairperson of Vodafone Americas, a role he held since 2013 and in which he led the development of applications for the Internet of Things ("IoT"). Chuck joined Vodafone Americas as President of its Global Enterprise division where he built a US-wide mobile business focused exclusively on Enterprises.

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

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

Klaas van der Leest – Chief Executive

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

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

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

Andrew Walker – Finance Director

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

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

Royston Hoggarth – Non-Executive Director

Royston Hoggarth is Chair of Xchanging Insurance Services (XIS) Limited, Chair & Chief Executive of iPSL Limited, an advisor to the NEC Corporation and the Board of Northgate Public Services Limited and Chair of Cirrus Response Limited. He is also Chair of England Hockey. He has held a range of Executive and Board Director roles with Private Equity backed and Publicly listed companies including IBM, Logica PLC, Cable & Wireless PLC, BT PLC, Hays PLC, Bluefin Solutions Limited and Northgate PS Limited. He was also a Venture Partner at Wellington Partners.

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

Richard Parris – Non-Executive Director

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 led the Group through all stages of its growth, including an IPO on the London Alternative Investment Market (AIM) through to 28 March 2018.

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.

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 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.

Directors' Report - For the year ended 31 March 2018

The Directors present their Annual Report and the audited financial statements for the year ended 31 March 2018.

Principal Activities

Intercede is a cybersecurity company specialising in identity, credential management and secure mobility to enable digital trust. A review of the activities of the Group and future developments is provided in the Chairman's Statement and Strategic Report.

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 2018 are set out on pages 22 to 43. The Group's loss for the year was £3,830,000 (2017: £3,890,000 loss for the year). The Directors do not recommend the payment of a dividend (2017: £nil).

Management of Financial Risk

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

Research and Development Expenditure

The Group continues to invest in an ongoing programme of research and development. The total cost of development during the year ended 31 March 2018 was £3,736,000 (2017: £3,994,000) 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. Ben Drury resigned as a non-executive director on 13 September 2017 and Richard Parris ceased his roles as Chairman & Chief Executive and became a non-executive director of the Company on 28 March 2018. Charles ("Chuck") Pol, the Company's Senior Independent Director was appointed as non-executive Chairman on 28 March 2018.

Klaas van der Leest was appointed as Chief Executive on 10 April 2018.

In accordance with the Company's Articles of Association, Royston Hoggarth, Richard Parris, Jacques Tredoux and Klaas van der Leest will offer themselves for re-election at the forthcoming Annual General Meeting.

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

	Ordinary Shares 31 March 2018	Ordinary Shares 31 March 2017
R Hoggarth	168,721	168,721
RA Parris	5,713,552	5,681,012
C Pol	70,537	—
J Tredoux	11,813,888	11,813,888
AM Walker	1,531,270	1,515,000

Jacques Tredoux is interested in 1,463,216 shares which are registered in the name of Pershing Nominees Limited which is a nominee of Angus Investment Holdings Limited ("Angus"). Angus is controlled by The South Hills Trust. As at 31 March 2018, 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 South Hills Trust and The Azalia Trust.

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

None of the Directors had any material interest in any other contract or arrangement made by the Company during the year with the exception of those referred to in note 18.

Directors' Indemnity

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

Substantial Shareholders

As at 10 May 2018, 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	20.5
RA Parris	5,713,552	11.3
Anjar International Limited	3,241,631	6.4
Plastic Technologies Limited	3,147,436	6.2
Liontrust Asset Management	2,353,275	4.7
Link Market Services Trustees Nominees	2,238,927	4.4
Herald Investment Management	2,050,266	4.1
AM Walker	1,531,270	3.0

The Link Market Services Trustees Nominees Limited shareholding relates to the Intercede Share Incentive Plan ("SIP") which has been set up for UK employees (including directors). The RA Parris and AM Walker shareholdings include 80,086 and 40,043 shares respectively that are also included within the Link Market Services Trustees Nominees Limited shareholding.

Purchase of own Shares to be held in Treasury

As at 31 March 2018, the Company had 41,645 ordinary shares held in treasury (2017: 294,000). The movement during the year reflects the purchase of 252,355 ordinary shares out of treasury by a director and a senior manager in July 2017. There were no purchases or transfers of shares to or from treasury during the previous year.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors of the ultimate parent company are responsible for the maintenance and integrity of the ultimate parent 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 the group and company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in Directors' Report confirm that, to the best of their knowledge:

- the company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the company;
- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that it faces.

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

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

Annual General Meeting

The eighteenth Annual General Meeting of the Company will be held on Wednesday 19 September 2018. The Notice of the Annual General Meeting can be found on pages 44 and 45.

Auditors

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

By order of the Board

Andrew Walker
Company Secretary
7 June 2018

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 has historically endeavoured to comply with the NAPF Corporate Governance Guidelines for smaller companies and will be taking the necessary steps to comply with AIM Notice 50 by 28 September 2018. 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, one of whom is considered to be independent. All of the directors have extensive business experience and submit themselves for re-election at least every three years.

Richard Parris, Intercede's founder, ceased his roles as Chairman & Chief Executive and became a non-executive director of the Company on 28 March 2018. Chuck Pol, the previous Senior Independent Director, was appointed as Non-Executive Chairman on 28 March 2018 and Klaas van der Leest was appointed as Chief Executive on 10 April 2018.

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 10 April 2018 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. Chuck Pol is also a member of the Audit Committee.

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

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

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 21 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, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. This expectation is on the basis that the Group has significant cash and debtor balances as at the date of these accounts and these balances, together with receipts from confirmed and highly likely renewals and repeat orders, are anticipated to cover substantially all of the Group's reduced level of ongoing operating costs for the next 12 months. 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 non-executive directors. None of the Committee members has any personal interest in the matters to be decided. The Chief Executive is invited to attend committee meetings but is not present during discussions relating to his own remuneration.

Remuneration Policy

The remuneration packages for executive directors are intended to incentivise them to meet the financial and strategic objectives of the Group. The policy is to pay individual directors a salary at market levels for comparable jobs recognising the size of the Group and the business sector in which it operates. The main components are base salary, an annual bonus plan, pension contributions and share options. Note 4 to the financial statements provides details of the remuneration paid and payable in respect of the year ended 31 March 2018.

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 vested during the year ended 31 March 2016. No options were exercised during the year. 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.

Further options were granted to a senior manager on 29 September 2017. These options will vest and become exercisable on 29 September 2020 subject to the achievement of performance targets based upon 50% growth on FY2017 revenues in FY2018, a doubling of FY2017 revenues in FY2019 and a tripling of FY2017 revenues in FY2020.

During the year, two senior managers left the Company resulting in the forfeiture of 40,000 and 74,025 options that had been granted on 7 November 2014 and 29 June 2015 respectively. RA Parris ceased his roles as Chairman & Chief Executive and became a non-executive director of the Company on 28 March 2018. This resulted in the forfeiture of 567,029 and 200,000 options that had been granted on 16 August 2011 and 7 November 2014 respectively.

The following options were outstanding as at 31 March 2018:

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	421,048	1.0p	16 August 2014 to 15 August 2021
Unapproved	16 August 2011	255,582	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	260,000	127.5p	7 November 2017 to 6 November 2024
EMI	29 September 2017	181,818	57.5p	29 September 2020 to 28 September 2027

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

RA Parris – 302,536 options were granted on 16 August 2011 (92,012 of which are unapproved) and 50,000 options were granted on 7 November 2014 to JK Murphy, the wife of RA Parris. These options were forfeited when JK Murphy ceased her role as Operations Director on 19 April 2018.

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

Share Incentive Plan (SIP)

Following the introduction of a Share Incentive Plan for all UK employees during the year ended 31 March 2014, a similar plan was introduced for all US employees during the year ended 31 March 2015. Full details are provided in note 17.

Share Price

As at 31 March 2018, the market value of the shares of the Company was 24.0p (mid-market price). The share price fluctuated between a high of 64.5p and a low of 21.5p during the year ended 31 March 2018.

Independent Auditors' Report to the Members of Intercede Group plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Intercede Group plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2018 and of the group's loss and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 March 2018; the consolidated statement of comprehensive income; the consolidated cash flow statement; the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

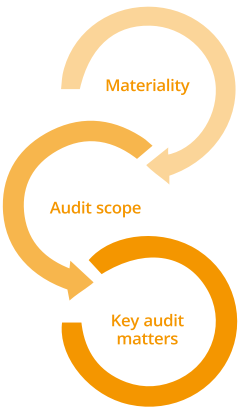
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit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

Independence

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

Our audit approach

Overview



- Overall group materiality: £124,000 (2017: £119,642), based on 2.5% of loss before tax.
- Overall company materiality: £98,590 (2017: £87,380), based on 1% of total assets.

- We conducted our audit of the complete financial information of two entities; Intercede Limited and Intercede Group plc (Company) due to their size and risk characteristics.

- Going Concern assessment (Group and parent).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Going Concern assessment Refer to the notes to the financial statements on page 26 of the Group financial statements and page 40 of the Company financial statements for the going concern assessment. The preparation of the financial statements on the going concern basis requires the directors to consider future forecasts of cash flows, to determine whether the Group and Company will be able to meet their liabilities as and when they fall due for a period of at least 12 months from the date on which the financial statements are signed.	As part of our audit, we have reviewed the Board approved Budget for the year ended 31 March 2019 and forecasts for the year ended 31 March 2020 and in particular; • we have reviewed the historical track record of the business in terms of generating revenue and the pipeline of orders as at 31 March 2018; • we have reviewed the impact of the recent cost reduction exercise, particularly noting the operating costs incurred by the business in the period since this exercise was undertaken; • we have reviewed the movements in cash and cash equivalents in the period since 31 March 2018; • we have reviewed the assumptions in respect of cash receipts from the disposal of assets held for sale and tax credits in relation to research and development expenditure; • we have also considered the key sensitivities within the Budget and forecasts, the further mitigating actions available to management and the expected cash headroom over the next 12 months. Based on the work undertaken, we believe that the directors have a reasonable basis on which to conclude that it is appropriate to prepare the accounts on the going concern basis.

How we tailored the audit scope

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

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

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

Materiality

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

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

	Group financial statements	Company financial statements
Overall materiality	£124,000 (2017: £119,642).	£98,590 (2017: £87,380).
How we determined it	2.5% of loss before tax.	1% of total assets.
Rationale for benchmark applied	Based on the benchmarks used in the Annual Report and Accounts, loss before tax is the primary measure used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark.	Based on the benchmarks used in the Annual Report and Accounts, total assets is the primary measure used by the shareholders in assessing the performance of the Company, and is a generally accepted auditing benchmark.

Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £6,200 (Group audit) (2017: £6,973) and £4,930 (Company audit) (2017: £4,269) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors’ Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors’ Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors’ responsibilities in respect of the financial statements set out on page 15, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group’s and the company’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors’ responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Mark Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
7 June 2018

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2018

	Notes	2018 £'000	2017 £'000
Continuing operations			
Revenue	2	**9,204**	8,286
Cost of sales		**(41)**	(116)
Gross profit		**9,163**	8,170
Operating expenses		**(13,669)**	(12,891)
Operating loss	3	**(4,506)**	(4,721)
Finance income	5	**10**	13
Finance costs	5	**(452)**	(70)
Loss before tax		**(4,948)**	(4,778)
Taxation	6	**1,118**	888
Loss for the year		**(3,830)**	(3,890)
Total comprehensive expense attributable to owners of the parent company		**(3,830)**	(3,890)
Loss per share (pence)	7		
- basic		**(7.6)p**	(8.0)p
- diluted		**(7.6)p**	(8.0)p

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

Consolidated Balance Sheet

At 31 March 2018

	Notes	2018 £'000	2017 £'000
Non-current assets			
Property, plant and equipment	8	**195**	695
Current assets			
Assets held for sale	10	**373**	—
Trade and other receivables	11	**4,709**	1,280
Cash and cash equivalents		**2,272**	6,891
		7,354	8,171
Total assets		**7,549**	8,866
Equity			
Share capital	12	**505**	499
Share premium		**673**	673
Equity reserve		**66**	60
Merger reserve		**1,508**	1,508
Accumulated deficit		**(5,719)**	(2,354)
Total equity		**(2,967)**	386
Non-current liabilities			
Convertible loan notes	13	**4,670**	4,124
Deferred revenue		**324**	141
		4,994	4,265
Current liabilities			
Trade and other payables	14	**1,857**	1,390
Deferred revenue		**3,665**	2,825
		5,522	4,215
Total liabilities		**10,516**	8,480
Total equity and liabilities		**7,549**	8,866

The financial statements on pages 22 to 37 were authorised for issue by the Board of Directors on 7 June 2018 and were signed on its behalf by:

K van der Leest 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 2018

	Share capital £'000	Share premium £'000	Equity reserve £'000	Merger reserve £'000	Accumulated deficit £'000	Total equity £'000
As at 1 April 2016	487	232	—	1,508	1,131	3,358
Purchase of own shares	—	—	—	—	(143)	(143)
Employee share option plan charge (note 17)	—	—	—	—	60	60
Employee share incentive plan charge (note 17)	—	—	—	—	488	488
Issue of new shares	12	441	—	—	—	453
Equity component of convertible loan notes (note 13)	—	—	60	—	—	60
Loss for the year and total comprehensive expense	—	—	—	—	(3,890)	(3,890)
As at 31 March 2017	499	673	60	1,508	(2,354)	386
Purchase of own shares	—	—	—	—	(147)	(147)
Employee share option plan credit (note 17)	—	—	—	—	(19)	(19)
Employee share incentive plan charge (note 17)	—	—	—	—	493	493
Issue of new shares (note 12)	6	—	—	—	—	6
Re-issuance of treasury shares (note 12)	—	—	—	—	138	138
Equity component of convertible loan notes (note 13)	—	—	6	—	—	6
Loss for the year and total comprehensive expense	—	—	—	—	(3,830)	(3,830)
As at 31 March 2018	**505**	**673**	**66**	**1,508**	**(5,719)**	**(2,967)**

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

Share capital: Nominal value of shares issued.
Share premium: Amount subscribed for share capital in excess of the nominal value.
Equity reserve: Amount recorded as equity on the initial fair value measurement of issued convertible loan notes.
Merger reserve: Created on the issue of shares on acquisition of its subsidiary accounted for in line with merger accounting principles.
Accumulated deficit: All other net losses not recognised elsewhere.

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

Consolidated Cash Flow Statement

For the year ended 31 March 2018

	2018 £'000	2017 £'000
Cash flows from operating activities		
Operating loss	(4,506)	(4,721)
Depreciation	156	194
Loss on disposal of property, plant and equipment	—	48
Employee share option plan (credit)/charge	(19)	60
Employee share incentive plan charge	493	488
Employee unit incentive plan charge/(credit)	2	(20)
Employee unit incentive plan payment	(8)	(28)
Increase in trade and other receivables	(3,340)	(364)
Increase/(decrease) in trade and other payables	434	(417)
Increase in deferred revenue	1,023	820
Cash used in operations	(5,765)	(3,940)
Finance income	13	14
Finance costs on convertible loan notes	(344)	—
Taxation	1,118	888
Net cash used in operating activities	(4,978)	(3,038)
Investing activities		
Purchases of property, plant and equipment	(29)	(73)
Cash used in investing activities	(29)	(73)
Financing activities		
Purchase of own shares	(141)	(143)
Proceeds from issue of ordinary share capital	—	453
Proceeds from re-issuance of treasury shares	138	—
Proceeds from issue of convertible loan notes	510	4,495
Convertible loan note issue costs	(27)	(321)
Cash generated from financing activities	480	4,484
Net (decrease)/increase in cash and cash equivalents	(4,527)	1,373
Cash and cash equivalents at the beginning of the year	6,891	5,289
Exchange (losses)/gains on cash and cash equivalents	(92)	229
Cash and cash equivalents at the end of the year	2,272	6,891

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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 04101977.

Basis of preparation

The consolidated financial statements of Intercede Group plc have been prepared in accordance with European Union endorsed International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the EU and the Companies Act 2006 applicable to companies reporting under IFRS.

Going concern assessment

The Group has reported a loss for the year ended 31 March 2018 of £3,830,000 and as a consequence, it has net liabilities of £2,967,000 as at 31 March 2018. However it should be noted that the Group's net liabilities include £4,670,000 in respect of Convertible Loan Notes which are not due for repayment until 29 December 2021.

The Group's Cash Flow Statement for the year ended 31 March 2018 discloses a decrease in cash and cash equivalents of £4,527,000 and the Balance Sheet discloses cash and cash equivalents of £2,272,000 as at 31 March 2018.

Following a cost reduction exercise, the Group has started the new financial year ended 31 March 2019 with an operating cost run rate that is more than 20% lower (approximately £3m per annum) than at the equivalent point in the year ended 31 March 2018. In addition, it is noted that following receipts from major customers, gross cash balances had increased to £4.7m as at 30 April 2018.

The Directors have reviewed the approved Budget for the year ended 31 March 2019 and forecasts for the year ended 31 March 2020 and have concluded that the Group is expected to generate sufficient cash to enable it to meet its liabilities, as and when they fall due, for a period of at least 12 months from the date of signing these financial statements. Accordingly they believe it is appropriate to prepare the financial statements on a going concern basis under the historical cost convention.

Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based upon historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The accounting estimates that have the most risk of causing a material adjustment to the amounts recognised in the financial statements are the judgements 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 2018 (2017: £nil).
- The Group is a beneficiary of the UK Government's efforts to encourage innovation by allowing a percentage of qualifying R&D to be paid as tax credits. The annual R&D tax credit claims are recognised in arrears, ie the period during which a claim is submitted and cash is received.
- Deferred tax asset – a deferred tax asset has not been recognised against the backdrop of substantial strategic investment leading to reported losses 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 17) including expected volatility and the expected life of the option.

The Company has elected to prepare its entity financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and these are separately presented on pages 38 to 43.

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

Software as a service (SAAS) sales – Revenue 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 services – Fees are invoiced at the beginning of the period to which they relate and are initially recorded as deferred revenue. Revenue is then recognised evenly over the maintenance period.

Segmental reporting

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

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

Research and development costs

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

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

Property, plant and equipment

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

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

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

Assets held for sale

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

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.

Convertible loan notes

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

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

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

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2018

dependent on the terms of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used are disclosed in note 17.

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

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.

The Group operates a Unit Incentive Plan to provide similar benefits for all US employees. The plan provides phantom shares or units, equivalent in value to shares in the Company, and the plan is cash-settled.

Taxation

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

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

Adoption of new accounting standards

A number of new amendments to IFRS 12, IAS 7, IAS 12 and IFRS for SMEs are effective for the first time for periods beginning on 1 April 2017 and have been adopted in these financial statements. None of the amendments impacted on the Group's consolidated financial statements.

At the balance sheet date there are a number of new standards and amendments to existing standards in issue but not effective. The Group intends to adopt these standards when they become effective, rather than adopt them early. Information on these new standards that is expected to be relevant to the Group's financial statements is provided below. There are no other new standards, amendments to existing standards or interpretations that would be expected to have a material impact on the Group.

- **IFRS 9 Financial Instruments**
  FRS 9 addresses the classification, measurement and impairment of financial instruments, along with hedge accounting, and is effective for accounting periods commencing on or after 1 January 2018. It is unlikely that there will be any material impact on the financial statements. The classification and measurement of financial liabilities in accordance with IFRS 9 Financial Instruments remains largely unchanged from IAS 39 Financial Instruments: Recognition and Measurement. Hence short-term receivables and payables with no stated interest rate would continue to be measured at their invoiced amount, because the effect of discounting is likely to be immaterial. The standard also applies a new prospective impairment model to trade receivables in which expected credit losses are recognised based on historical observed default rates. The Group's historical observed default rates are extremely low.
- **IFRS 15 Revenue from Contracts with Customers**
  IFRS 15 sets out to clarify the principles of revenue recognition and also requires enhanced disclosures. The standard is effective for accounting periods beginning on or after 1 January 2018. The Group is continuing to assess the full impact of the standard but does not believe that there will be any material impact on the way revenue is recognised. The Group already recognises the separate performance obligations in any contract, as stated in the Revenue Recognition policy, and each obligation has a clear transaction price. Applying the criteria of the standard is not expected to change the revenue recognition method for each obligation with the exception of Software as a Service (SAAS) sales. The license element of these sales provides customers with a right to use the intellectual property of the license at a point in time. Therefore the revenue associated with the license element should be recognised at a point in time as opposed to the period over which the service is provided. This change will only impact new SAAS sales in the first year (typically the enforceable contract term) and is likely to result in the acceleration of recognition of the revenue associated with the software element. The total revenue from SAAS sales in FY 2018 was less than 5%.
- **IFRS 16 Leases**
  IFRS 16 sets out the principles for recognition, measurement, presentation and disclosure of leases and will replace IAS 17 Leases. Adoption of IFRS 16 will result in the Group recognising right of use assets and lease liabilities for all contracts that are, or contain, a lease. Instead of recognising an operating expense for its operating lease payments, the Group will instead recognise interest on its lease liabilities and depreciation on its right-of-use assets. The standard is effective for accounting periods beginning on or after 1 January 2019. The Group is in the process of reviewing IFRS 16 and believes that as a result of adopting this standard, an asset for operating leases will be shown on the balance sheet based on the minimum future lease payments as disclosed in note 16. While there is no net impact on the statement of comprehensive income over the life of the lease, there is likely to be an immaterial impact from applying the effective interest method, resulting in a decreasing total lease expense throughout the lease term.

2 Revenue

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

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

	2018 £'000	2017 £'000
UK	533	403
Rest of Europe	963	960
North America	6,506	6,367
Rest of World	1,202	556
	9,204	8,286

Revenue of £2,852,000 (2017: £2,711,000) and £1,006,000 (2017: less than 10%) is derived from two end customers that individually represents over 10% of the Group's revenues.

3 Operating loss

Operating loss is stated after charging/(crediting):

	2018 £'000	2017 £'000
Staff costs (note 4)	9,868	10,049
Settlement Agreement costs (note 4)	190	—
Compensation for loss of office paid to Executive Directors and key management (note 4)	334	—
Foreign exchange loss/(gain)	155	(165)
Depreciation of property, plant and equipment (note 8)	156	194
Operating lease rentals	397	390
Cost of sales	41	116
Other expenses	2,569	2,423
	13,710	13,007

Included in the costs above is research and development expenditure totalling £3,736,000 (2017: £3,994,000).

The analysis of auditors' remuneration is as follows:

	2018 £'000	2017 £'000
Fees payable for the audit of the parent company and consolidated financial statements	42	37
Fees payable for the audit of the Company's subsidiaries, pursuant to legislation	5	5
	47	42

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2018

4 Staff costs

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

	2018 Number	2017 Number
Technical	91	97
Sales and marketing	17	17
Administration	11	11
	119	125

Their aggregate remuneration comprised:

	2018 £'000	2017 £'000
Wages and salaries	8,669	8,355
Social security costs	927	857
Other pension costs	320	309
Employee share option plan (credit)/charge (note 17)	(19)	60
Employee share and unit incentive plan (note 17)	495	468
	10,392	10,049

Pension contributions totalling £59,000 (2017: £44,000) are included within year end trade and other payables.

The figures above include Settlement Agreement costs totalling £190,000 and the remuneration of the Executive Directors and key management, which includes compensation for loss of office totalling £334,000.

Directors' remuneration

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

	2018 £'000	2017 £'000
Emoluments	488	486
Compensation for loss of office	334	—
Company contributions to money purchase pension scheme	49	28
	871	514

Directors' emoluments

	Salary and fees 2018 £'000	Bonus 2018 £'000	Compensation for loss of office 2018 £'000	Benefits in kind 2018 £'000	Total 2018 £'000	Total 2017 £'000	Pension contributions 2018 £'000	Pension contributions 2017 £'000
Executive Directors								
RA Parris	222	—	192	2	416	223	29	14
AM Walker	152	—	—	1	153	153	8	8
Non-Executive Directors								
C Pol	43	—	—	—	43	—	—	—
R Chandhok	—	—	—	—	—	57	—	—
B Drury	13	—	—	—	13	25	—	—
R Hoggarth	25	—	—	—	25	25	—	—
	455	—	192	3	650	483	37	22
Fees paid to third parties	25	—	—	—	25	25	—	—

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 and costs

	2018 £'000	2017 £'000
Finance income		
Interest income on short-term bank deposits	10	13
Finance costs		
Convertible loan notes	(452)	(70)

Finance costs represent interest payable totalling £383,000 (2017: £60,000) in respect of the convertible loan notes that were issued during the year plus £69,000 (2017: £10,000) representing an effective interest rate adjustment (note 13).

6 Taxation

The tax credit comprises:

	2018 £'000	2017 £'000
Current year – UK corporation tax	—	—
Current year – US corporation tax	(30)	(34)
Research and development tax credits relating to prior years	1,148	922
Taxation	1,118	888

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:

	2018 £'000	2017 £'000
Loss before tax	(4,948)	(4,778)
Loss before tax at UK corporation tax rate of 19% (2017: 20%)	940	956
Research and development claim	850	784
Research and development tax credits relating to prior years	1,148	922
Depreciation in excess of capital allowances	(23)	(32)
Expenses not deductible for tax purposes	(8)	(2)
Other temporary differences	(2)	1
Employee share option plan credit/(charge)	4	(12)
Employee share incentive plan charge	(94)	(70)
Employee unit incentive plan credit	1	11
Purchase of shares for employee share incentive plan	98	74
US corporation tax	(16)	(1)
Losses brought forward utilised	13	—
Losses carried forward	(1,793)	(1,743)
Tax credit for the year	1,118	888

The Group has unused tax losses of £13,854,000 (2017: £11,773,000) and unrecognised deferred tax assets of £2,355,000 (2017: £2,001,000) calculated at the UK corporation tax rate of 17% (2017: 17%).

Notes to the Consolidated Financial Statements continued
For the year ended 31 March 2018

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 year.

	2018 £'000	2017 £'000
Loss for the year	(3,830)	(3,890)

		Number	Number
Weighted average number of shares	– basic	50,212,714	48,835,080
	– diluted	50,212,714	48,835,080

		Pence	Pence
Loss per share	– basic	(7.6)p	(8.0)p
	– diluted	(7.6)p	(8.0)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:

	2018 Number	2017 Number
Issued ordinary shares at start of year	49,903,143	48,735,005
Effect of treasury shares	(115,623)	(294,000)
Effect of issue of ordinary share capital	425,194	394,075
Weighted average number of shares - basic	50,212,714	48,835,080
Add back effect of treasury shares	N/A	N/A
Effect of share options in issue	N/A	N/A
Effect of convertible loan notes in issue	N/A	N/A
Weighted average number of shares – diluted	50,212,714	48,835,080

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 2016	422	124	123	943	1,612
Additions	—	29	29	15	73
Disposals	—	(83)	(20)	(13)	(116)
At 1 April 2017	422	70	132	945	1,569
Additions	—	—	2	27	29
Reclassification to assets held for sale (note 10)	(422)	—	—	—	(422)
Disposals	—	—	(8)	(7)	(15)
At 31 March 2018	—	70	126	965	1,161
Accumulated depreciation					
At 1 April 2016	33	32	68	615	748
Charge for the year	9	23	18	144	194
On disposals	—	(37)	(18)	(13)	(68)
At 1 April 2017	42	18	68	746	874
Charge for the year	7	16	18	115	156
Reclassification to assets held for sale (note 10)	(49)	—	—	—	(49)
On disposals	—	—	(8)	(7)	(15)
At 31 March 2018	—	34	78	854	966
Net book amount					
At 31 March 2018	—	36	48	111	195
At 31 March 2017	380	52	64	199	695

9 Subsidiaries

The Company's subsidiaries, all of which have been consolidated in the Group's financial statements at 31 March 2018, are as follows:

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

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

10 Assets held for sale

An office based in the UK is presented as an asset held for sale following the commitment of the Group, on 23 February 2018, to a plan to sell the property. Efforts to sell the asset have commenced and a sale is anticipated within the next 12 months.

The asset has been reclassified from Property, plant and equipment into Current assets at its carrying value of £373,000. This is estimated to be lower than its fair value less costs to sell, so no impairment loss is required.

11 Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	**4,589**	1,033
Prepayments and accrued income	**120**	137
Other debtors	**—**	110
	4,709	1,280

As outlined in note 15, 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 (2017: £nil). The level of trade receivables over 60 days old which have been provided for is £nil (2017: £nil). The amount written off as irrecoverable during the year was £nil (2017: £nil).

Included within trade receivables are receivables with a carrying amount of £390,000 (2017: £37,000) 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 £2,000 (2017: £15,000). The average age of the Group's trade receivables is 41 days (2017: 33 days).

12 Share capital

	2018 £'000	2017 £'000
Authorised		
481,861,616 ordinary shares of 1p each (2017: 481,861,616)	**4,819**	4,819
Issued and fully paid		
50,523,926 ordinary shares of 1p each (2017: 49,903,143)	**505**	499

The increase in issued and fully paid ordinary shares of 1p each represents the issue of 620,783 shares on 25 July 2017 to facilitate the July 2017 Free Share award (note 17).

As at 31 March 2018, the Company had 41,645 ordinary shares held in treasury (2017: 294,000). During the year, the Company re-issued 252,355 treasury shares to a director and a senior manager.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2018

13 Convertible loan notes

	2018 £'000	2017 £'000
Non-current		
8% Convertible loan notes (29 December 2021)	4,670	4,124

Borrowings are repayable as follows:

	2018 £'000	2017 £'000
Between two and five years	4,670	4,124

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

	2018			2017		
	Debt £'000	Interest £'000	Total £'000	Debt £'000	Interest £'000	Total £'000
Due within one year	—	400	400	—	331	331
Due between one and two years	—	400	400	—	360	360
Due between two and five years	5,005	799	5,804	4,495	1,077	5,572
	5,005	1,599	6,604	4,495	1,768	6,263

The table above shows the contractual, undiscounted cash flows due in future periods to settle the debt and interest payments. The total amount of debt payable shown above differs from the total book value of debt of £4,670,000 (2017: £4,124,000) as the book value of debt includes unamortised fees and is net of the value ascribed to the equity element of the convertible loan note.

On 30 January 2017 the Company issued £4,495,000 convertible loan notes that carry an interest coupon of 8.0% pa payable quarterly. The Company has granted security by way of a composite guarantee and debenture in favour of Welbeck Capital Partners LLP to secure the repayment of principal and interest due on the convertible loan notes to the holders. Holders of the convertible loan notes may convert into ordinary shares, at a conversion price of 68.8125 pence per ordinary share, at any time until the final redemption date of 29 December 2021.

On 25 August 2017 the Company issued £510,000 convertible loan notes under the same convertible loan note instrument.

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

	2018 £'000	2017 £'000
Nominal value of convertible loan note issue	5,005	4,495
Issue costs	(348)	(321)
Equity component at date of issue	(66)	(60)
Liability component at date of issue	4,591	4,114
Effective interest rate adjustment from date of issue	79	10
Liability component at 31 March	4,670	4,124

14 Trade and other payables

	2018 £'000	2017 £'000
Trade payables	397	451
Taxation and social security	166	175
Accruals	1,294	764
	1,857	1,390

Included within accruals is £10,000 (2017: £16,000) relating to the Employee Unit Incentive Plan (note 17).

15 Financial instruments

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

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

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

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

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

Interest rate risk

The Group has financed its operations to date through a variety of sources of external finance primarily including equity and convertible loan notes. The convertible loan notes, which are denominated in sterling, bear interest at fixed rates.

Liquidity risk

The Group's policy has been to ensure continuity of funding throughout the year.

Credit risk

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

Foreign currency risk

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

Interest rate profile

The Group has cash deposits of £2,272,000 (2017: £6,891,000) at the year end. This includes US dollar deposits of £589,000 (2017: £910,000) and euro deposits of £34,000 (2017: £203,000). Interest rates on cash deposits are based on LIBOR.

Maturity of financial liabilities

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

Borrowing facilities

The Group has no undrawn committed borrowing facilities (2017: £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 2018	**4,428**	**132**	**4,560**
At 31 March 2017	1,704	230	1,934

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2018

16 Financial commitments

a) *Capital commitments*

The Group had no capital commitments at the year end (2017: £nil).

b) *Operating leases*

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

	2018 £'000	2017 £'000
Due within one year	355	410
Due between one and two years	355	383
Due between two and five years	748	953
Due beyond five years	97	371
	1,555	2,117

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

17 Share based payments

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

Further options were granted on 7 November 2014 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.

On 29 September 2017 options were granted with a contractual life of 10 years and exercise subject to achievement of performance targets, a 3 year vesting period and continued employment. The fair value of these options was determined using a Black-Scholes valuation model.

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	29 Sept 2017
Share price at grant date	69.0p	57.0p	64.0p	127.5p	94.5p	57.5p
Exercise price	1.0p	1.0p	1.0p	127.5p	94.5p	57.5p
Number of employees granted options	4	3	1	8	1	1
Number of shares originally under option	200,000	1,243,659	50,000	500,000	74,025	181,818
Expected vesting period (years)	3	6	3	6	5	3
Expected option life (years)	7	7	7	7	7	7
Expected volatility	57.53%	58.21%	42.54%	39.03%	39.65%	45.32%
Risk free rate	2.29%	1.65%	1.24%	1.93%	1.87%	0.87%
Expected dividends expressed as a dividend yield	2.90%	3.51%	3.13%	3.00%	3.00%	3.00%
Fair value per option	55.0p	44.0p	50.0p	27.0p	15.0p	19.0p

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.

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

The total credit for the year relating to employee share options was £19,000 (2017: £60,000 charge). Share options outstanding at the year end have a weighted average contractual life of 4.7 years (2017: 5.3 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 25 July 2017 which, based upon the previous day's closing middle market price of 60.5p, resulted in 5,950 shares being issued to each of the 106 employees who were eligible. Partnership Shares can be subscribed for by employees via salary deductions during the year ending 31 March 2019, either on a monthly or lump sum basis to a cumulative value of up to £1,800. As at 31 March 2018, 50 employees representing 61% of the eligible employees, had made binding commitments to subscribe for Partnership Shares during the year ending 31 March 2019.

17 Share based payments continued

Free Share and Matching Share awards to date have generally been met by the transfer of ordinary shares held in treasury and from continued on market purchases either by the Company or Link Market Services Trustees Limited as Trustee of the SIP. To the extent that ordinary shares are not available in treasury or in the volume required through the market, the Company will issue new ordinary shares to meet these awards. This was the route that was followed in respect of the July 2016 and 2017 Free Share awards.

The total charge for the year relating to the employee share incentive plan was £493,000 (2017: £488,000).

In October 2014, the Company introduced a unit incentive plan to provide similar benefits for all US employees. The plan provides phantom shares or units, equivalent in value to shares in the company, and the plan is cash-settled. As noted in the Report of the Remuneration Committee, a Free Unit award equivalent to 70,537 ordinary shares of 1 pence each in the capital of the Company ("Free Units") was granted to C Pol on 24 October 2017.

The total charge for the year relating to the employee unit incentive plan was £2,000 (2017: £20,000 credit) as outlined in the table below:

	2018 £'000	2017 £'000
At 1 April	**16**	64
Additional charge/(credit)	**2**	(20)
Paid during the year	**(8)**	(28)
At 31 March	**10**	16

18 Related party transactions

During the year ended 31 March 2018, 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:

	2018 £'000	2017 £'000
Consultancy fees charged	**25**	25
Balance outstanding at the year end	**19**	13

During the year ended 31 March 2018, R Hoggarth served as a Non-Executive Director. R Hoggarth was also Chairman of Northgate Public Services, an existing Intercede customer, up until 31 March 2018. Sales made to Northgate Public Services during the year ended 31 March 2018 totalled £100,000 (2017: £39,000), of which £4,000 (2017: £8,000) was outstanding at the year end.

Company Balance Sheet
At 31 March 2018

	Notes	2018 £'000	2017 £'000
Non-current assets			
Investments	3	**5,188**	4,721
Current assets			
Trade and other receivables	4	**4,671**	4,017
Total assets		**9,859**	8,738
Equity			
Share capital	5	**505**	499
Share premium		**673**	673
Equity reserve		**66**	60
Retained earnings		**3,835**	3,305
Total equity		**5,079**	4,537
Non-current liabilities			
Convertible loan notes	6	**4,670**	4,124
Current liabilities			
Trade and other payables	7	**110**	77
Total liabilities		**4,780**	4,201
Total equity and liabilities		**9,859**	8,738

The amount of profit dealt with in the Company financial statements was £65,000 (2017: £46,000 loss).

The financial statements on pages 38 to 43 were authorised for issue by the Board of Directors on 7 June 2018 and were signed on its behalf by:

K van der Leest Director
AM Walker Director

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

Intercede Group plc: Registered No. 04101977

Company Statement of Changes in Equity

For the year ended 31 March 2018

	Share capital £'000	Share premium £'000	Equity reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 April 2016	487	232	—	2,946	3,665
Purchase of own shares	—	—	—	(143)	(143)
Employee share option and share incentive plan charges	—	—	—	548	548
Issue of new shares	12	441	—	—	453
Equity component of convertible loan notes	—	—	60	—	60
Loss for the year and total comprehensive expense	—	—	—	(46)	(46)
As at 31 March 2017	499	673	60	3,305	4,537
Purchase of own shares	—	—	—	(147)	(147)
Employee share option and share incentive plan charges	—	—	—	474	474
Issue of new shares (note 5)	6	—	—	—	6
Re-issuance of treasury shares (note 5)	—	—	—	138	138
Equity component of convertible loan notes (note 6)	—	—	6	—	6
Profit for the year and total comprehensive income	—	—	—	65	65
As at 31 March 2018	**505**	**673**	**66**	**3,835**	**5,079**

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

Notes to the Company Financial Statements

For the year ended 31 March 2018

1 Accounting policies

The Company is a holding company which was set up to facilitate the admission of the Group onto the AIM section of the London Stock Exchange. It does not trade and it has no employees or staff costs and is therefore not required to display a staff costs note.

Basis of Preparation

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

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

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

As outlined in note 1 to the Consolidated Financial Statements, the Directors consider that the going concern assumption is appropriate and therefore the Company Financial Statements have been prepared on a going concern basis under the historical cost convention.

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

Fixed asset investments

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

Critical accounting estimates and judgements

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

Taxation

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

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

Convertible loan notes

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

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

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

Share-based payments

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

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

Adoption of new accounting standards

A number of new amendments to existing standards are effective for the first time for periods beginning on 1 April 2017 and have been adopted in these financial statements None of the amendments impacted on the Company's financial statements.

At the balance sheet date there are a number of new standards and amendments to existing standards in issue but not effective. The Company intends to adopt these standards when they become effective, rather than adopt them early. Information on these new standards that is expected to be relevant to the Company's financial statements is provided below. There are no other new standards, amendments to existing standards or interpretations that would be expected to have a material impact on the Company. The Company does not trade and therefore does not believe that there will be any impact from IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases.

- **IFRS 9 Financial Instruments**
  IFRS 9 addresses the classification, measurement and impairment of financial instruments, along with hedge accounting, and is effective for accounting periods commencing on or after 1 January 2018. It is unlikely that there will be any material impact on the financial statements. The classification and measurement of financial liabilities in accordance with IFRS 9 Financial Instruments remains largely unchanged from IAS 39 Financial Instruments: Recognition and Measurement. Hence short-term receivables and payables with no stated interest rate would continue to be measured at their invoiced amount, because the effect of discounting is likely to be immaterial. The standard also applies a new prospective impairment model to trade receivables in which expected credit losses are recognised based on historical observed default rates. The Company does not have trade receivables.

2 Auditors' remuneration

Fees payable to the Company's auditors for the audit of the parent company are £2,000 (2017: £2,000).

3 Investments

	2018 £'000	2017 £'000
At 1 April	4,721	4,221
Additions	467	500
At 31 March	5,188	4,721

Additions in the year of £467,000 (2017: £500,000) reflect the employee share option, incentive and unit plan charges and credits relating to employees of the Company's subsidiaries.

The Company's subsidiaries at 31 March 2018 are:

	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

The registered offices are set out in note 9 of the consolidated financial statements.

4 Trade and other receivables

	2018 £'000	2017 £'000
Amounts owed by subsidiary undertakings	4,671	4,017

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

Notes to the Company Financial Statements continued

For the year ended 31 March 2018

5 Share capital

	2018 £'000	2017 £'000
Authorised		
481,861,616 ordinary shares of 1p each (2017: 481,861,616)	4,819	4,819

Allotted and fully paid		
50,523,926 ordinary shares of 1p each (2017: 49,903,143)	505	499

The increase in issued and fully paid ordinary shares of 1p each represents the issue of 620,783 shares on 25 July 2017 to facilitate the July 2017 Free Share award (note 16 of the consolidated financial statements).

As at 31 March 2018, the Company had 41,645 ordinary shares held in treasury (2017: 294,000). During the year, the Company re-issued 252,355 treasury shares to a director and a senior manager.

6 Convertible loan notes

	2018 £'000	2017 £'000
Non-current		
8% Convertible loan notes (29 December 2021)	4,670	4,124

Borrowings are repayable as follows:

	2018 £'000	2017 £'000
Between two and five years	4,670	4,124

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

	2018			2017		
	Debt £'000	Interest £'000	Total £'000	Debt £'000	Interest £'000	Total £'000
Due within one year	—	400	400	—	331	331
Due between one and two years	—	400	400	—	360	360
Due between two and five years	5,005	799	5,804	4,495	1,077	5,572
	5,005	1,599	6,604	4,495	1,768	6,263

The table above shows the contractual, undiscounted cash flows due in future periods to settle the debt and interest payments. The total amount of debt payable shown above differs from the total book value of debt of £4,670,000 (2017: £4,124,000) as the book value of debt includes unamortised fees and is net of the value ascribed to the equity element of the convertible loan note.

On 30 January 2017 the Company issued £4,495,000 convertible loan notes that carry an interest coupon of 8.0% pa payable quarterly. The Company has granted security by way of a composite guarantee and debenture in favour of Welbeck Capital Partners LLP to secure the repayment of principal and interest due on the convertible loan notes to the holders. Holders of the convertible loan notes may convert into ordinary shares, at a conversion price of 68.8125 pence per ordinary share, at any time until the final redemption date of 29 December 2021.

On 25 August 2017 the Company issued £510,000 convertible loan notes under the same convertible loan note instrument.

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

	2018 £'000	2017 £'000
Nominal value of convertible loan note issue	**5,005**	4,495
Issue costs	**(348)**	(321)
Equity component at date of issue	**(66)**	(60)
Liability component at date of issue	**4,591**	4,114
Effective interest rate adjustment from date of issue	**79**	10
Liability component at 31 March	**4,670**	4,124

7 Trade and other payables

	2018 £'000	2017 £'000
Accruals	**110**	77

8 Financial commitments

a) Capital commitments

The Company had no capital commitments at the year end (2017: £nil).

b) Operating leases

The Company had no annual commitments under non-cancellable operating leases at the year end (2017: £nil).

Notice of Annual General Meeting

Notice is hereby given that the eighteenth Annual General Meeting of Intercede Group plc will be held at Lutterworth Hall, St. Mary's Road, Lutterworth, Leicestershire, LE17 4PS on Wednesday 19 September 2018 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 2018 together with the reports of the Directors and the auditors.

2 To re-elect Royston Hoggarth as a director.

3 To re-elect Richard Parris as a director.

4 To re-elect Jacques Tredoux as a director.

5 To re-elect Klaas van der Leest as a director.

6 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 7 which will be proposed as an ordinary resolution of the Company and resolutions 8, 9 and 10 which will be proposed as special resolutions of the Company.

7 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 £166,728.00 (being 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 2019;

(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).

8 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 £50,523.00 (being 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 2019;

(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.

9 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 5,052,392 (being 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 2019; 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.

10 THAT the Directors be authorised to call general meetings (other than Annual General Meetings) on not less than 14 days' notice, such authority to expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on 1 October 2019.

By order of the Board

Andrew Walker
Company Secretary
7 June 2018

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 17 September 2018 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 2018 the Company's issued ordinary share capital consists of 50,523,926 shares. The total voting rights in the Company as at 7 June 2018, as adjusted for 41,645 treasury shares, are 50,482,281.
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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