

5 June 2019

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

**Preliminary Results for the Year Ended 31 March 2019**

Intercede, the leading specialist in digital identity, credential management and secure mobility, today announces its preliminary results for the year ended 31 March 2019.

**Financial Highlights**

- Revenues of £10.1m (2018: £9.2m), a 10% increase compared to last year. This reflects growth from contract wins with new customers as well as successfully upselling to existing customers. While North America continues to be the Group’s largest market, the second half of the year saw the first sale of MyID to an end customer in the region of SE Asia.
- Last year, a cost-cutting review was introduced to remove significant costs from the business without impacting operational capability. The combined effect of increased revenues and a 26% reduction in operating expenses to £10.1m, generated an operating profit of £0.02m (2018: £4.5m loss) and a net profit of £0.5m (2018: £3.8m loss), meaning that Intercede has returned to profitability a year earlier than outlined by the Board at the time of the FY18 results.
- As at 31 March 2019, gross cash balances totalled £3.2m (2018: £2.3m), following a year in which cash generated from operating activities totalled £1.0m (2018: £5.0m used in operating activities).

**Operating Highlights**

- Significant contract wins include awards from a US Federal agency tasked with intelligence and security services and an intergovernmental alliance organisation. In both cases there is an expectation of further professional services orders over the next financial year and the potential to make further license sales to connected departments.
- Intercede made MyID license sales to two existing US Federal agency customers to enable their users to issue derived PIV credentials to their mobile devices. This utilises the investment Intercede has made in integrating with Mobile Device Management (MDM) systems such as AirWatch and demonstrates the market relevance of Intercede’s ability to use iOS and Android smartphones as an identity device.
- During the year, the Group delivered, to plan, a MyID solution to issue mobile government identities to the citizens of a Middle Eastern country. Intercede is targeting further future revenue from MyID’s capability to issue digital identities to citizens of other countries on smart cards and mobile devices.
- Launch of a new derived credential solution in collaboration with Intel. This solution enables the issuance of PKI-based digital identities to a user’s Intel Authenticate-enabled tablet or notebook PC, following NIST security guidelines.
- Under the leadership of a new Chief Executive, the Group has removed unnecessary costs and restructured and refocused the management team. The number of employees and contractors as at 31 March 2019 has been reduced to 79 (2018:98).

Chuck Pol, Chairman, said:

***“Intercede has undergone a challenging period resulting in the Board making transformational changes to ensure a return to revenue growth and profitability. I am pleased to announce that the Group is reporting performance that is ahead of market expectations by returning to profit a year earlier than expected. This represents a significant turnaround from the losses incurred in recent years and I would like to thank all Intercede staff across the Group for their hard work and dedication throughout the year.***

***MyID is trusted within government circles and amongst some of the world’s largest security sensitive organizations and will continue to generate opportunities for growth and improving financial performance. The new leadership team will make employees, customers and shareholders their priority and I am confident of the Group’s future prospects”***

## Contact

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## About Intercede

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

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

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

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

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

The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

# **INTERCEDE GROUP plc**

## **Preliminary Results for the Year Ended 31 March 2019**

### **CHAIRMAN'S STATEMENT**

In last year's Chairman's Statement, I advised that Intercede had undergone a challenging period resulting in the Board making transformational changes to ensure a return to revenue growth and profitability.

#### **Results**

Led by Klaas van der Leest and a reorganized management team, the Group is reporting performance for the 2019 financial year ("FY19") that is ahead of market expectations. The combined impact of a 10% increase in revenues from £9.2m to £10.1m, and action taken to reduce the cost base by approximately £3.6m, has resulted in a return to profit which represents a significant turnaround from the losses incurred in recent years. It is a testament to the focus of the new leadership team that, even with the organizational change at the start of the year, the Group has returned to profit a year earlier than expected.

As I noted in the FY19 Interim Report, the Group has seen revenue growth from contract wins with new customers as well as successfully upselling to existing customers. The second half of FY19 has seen a continuation of this trend with the Group's first sale of MyID to an end customer in the region of SE Asia and the receipt of a large US Federal Government follow on order totalling \$4.3m (FY18: \$4.0m).

#### **Our People**

I would like to take this opportunity to thank Klaas, his management team and all Intercede staff across the Group for their hard work and dedication throughout the year. Their continued commitment and drive to ensure the business delivers the high-quality solutions that our customers require and expect, operating under tight timescales, are key factors in maintaining and enhancing the ongoing and longstanding relationships we have with our customers.

#### **Board Changes**

The founder of Intercede, Richard Parris, ceased his role as a Non-Executive Director of the Company on 14 December 2018. I would like to thank Richard for his many years of service to Intercede.

#### **Summary**

I am pleased with the healthy organic growth achieved across the Group during FY19, following a challenging FY18 and the number of substantive changes and re-tooling of the business.

North America continues to be the Group's largest market contributing 69% of revenues during FY19 with the UK, the Rest of Europe and the Rest of the World generating 3%, 17% and 11% respectively. As we look to build on the positive momentum, we recognize there are political and financial pressures in the US Federal market and that prospects for both the US and the broader global economy remain uncertain.

Intercede continues to enjoy an exceptionally strong market position within government circles and amongst some of the world's largest security sensitive organizations. MyID is a highly configurable platform that integrates with a broad range of third-party digital identity technologies and will continue to generate opportunities for growth and improving financial performance. The new leadership team will make employees, customers and shareholders their priority and I am confident of the Group's future prospects.

**Chuck Pol**  
**Chairman**

5 June 2019

# INTERCEDE GROUP plc

## Preliminary Results for the Year Ended 31 March 2019

### CHIEF EXECUTIVE'S REVIEW

I was appointed on 10 April 2018 with a remit to return Intercede to profit and rebuild value for shareholders. With this in mind, the business was restructured to ensure a clear focus on the core product and staff as well as customers and partners.

The restoration of value needed to start with a “back to basics” approach. Intercede has been successful for many years in following a strategy of building MyID as a highly configurable platform that integrates with a broad range of third-party technologies to make up a highly secure digital identity ecosystem. This niche focused strategy has allowed us to build market leading positions in a number of very attractive market segments where we enjoy the benefits of delivering differentiated products and services that have tangible and lasting value. This includes Aerospace & Defence contractors and governments who understand that replacing passwords with strong 2-factor authentication is the single most effective way for an organisation to protect themselves against the number one cause of data breach ie weak or compromised user credentials.

Some of our product development in recent years has attempted to expand MyID into new markets, including secure cloud services and the Internet of Things (IoT). This could have resulted in explosive growth for Intercede, but these are very competitive markets in which the end consumer is currently struggling to differentiate strong 2-factor authentication from biometric security or SMS one-time passwords. The option of trying to use marketing to educate the market was considered to be expensive and unlikely to deliver satisfactory shareholder value.

The investment in mobile ID and derived credentials, by contrast, has brought some very interesting Intellectual Property (IP) to the Group that we believe will contribute to the Group's future growth. Investment in innovation has been targeted to expand the Group's market coverage by developing a more standard variant of MyID that can be sold through Intercede's global network of authorised partners. This takes the proven core functionality of MyID and offers it as a cost-effective solution for enterprises of all sizes that need to comply with regulations for protecting customer information.

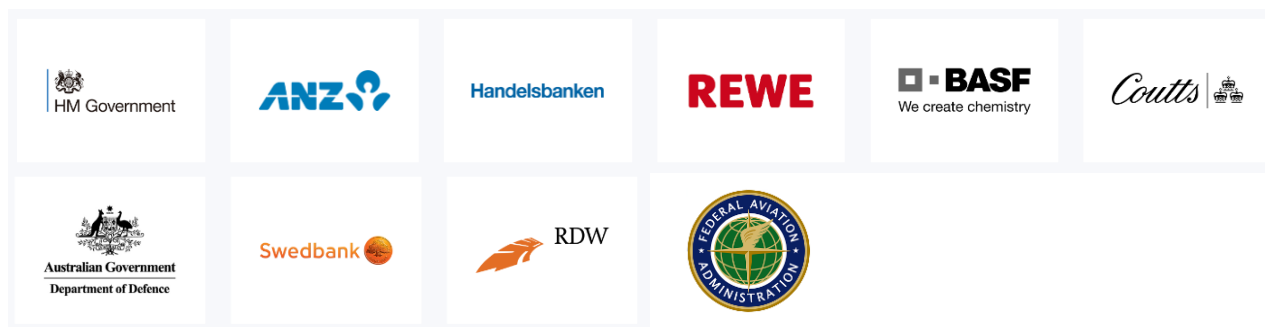
#### Review of Operations and Future Developments

I have been impressed with both the quality and range of solutions offered by the Group and can see we have a fundamentally strong business offering excellent solutions to attractive core markets. More than that, I have seen first-hand the commitment and determination of the team here at Intercede to deliver to its customers, shareholders and wider stakeholders. I am leading a very capable company that is now focused on delivering tangible customer and shareholder value, whilst providing a safe and stimulating working environment.

Intercede is trusted by government and large enterprises worldwide. The security, reliability and interoperability of MyID software sets it apart and is why we are proud to help many leading organisations around the world manage the secure digital identities they issue to citizens and employees.

#### Sample Customers:





One of the Group's key deliverables during FY19 was the MyID solution to issue mobile government identities to the citizens of a Middle Eastern country. I am pleased to report that this was delivered to plan. This solution will allow the citizen to use an app to strongly authenticate to government provided services plus potential third-party provided services such as healthcare and banking. The success of this project provides validation that Intercede's early investment in mobility is capable of generating meaningful revenue from issuing digital identities to citizens and employees on smart cards and mobile devices.

During FY19, the Group was awarded two contracts to provide existing US Federal customers with solutions to issue a derived PIV credential to a mobile device using the employee's original PIV card to authenticate the user during the self-service process. This is expected to utilise the investment Intercede has made in integrating with Mobile Device Management (MDM) systems such as AirWatch and demonstrates the market relevance of Intercede's ability to use iOS and Android smartphones as an identity device. MyID is now able to support a range of credential stores, including the device native key store (iOS and Android), MyID protected key store, and a range of MDM and Enterprise Mobility Management (EMM) systems' key stores. Intercede's technology, combined with the innovative behaviour of its employees, provides a competitive advantage to win other mobile opportunities that are currently in the pipeline for various US Federal agencies.

In the second half of FY19, the Group was pleased to announce the first sale of its MyID credential management software to a government customer in the region of SE Asia. This was received from a new Partner with offices in Singapore, Hong Kong and Malaysia, that does business throughout the region and should lead on to further business in the region in future years. Intercede utilises its global network of technology and reseller partners to provide the expertise and global footprint to locally deliver the cyber security solutions our customers need. Their experience in installing, configuring and supporting Intercede products, whilst utilising our software and services to add a higher level of security to their solutions portfolio, is extremely important.

The establishment and further development of these and other partner relationships is critical for the Group's future growth prospects. MyID is a Credential Management System (CMS) which typically forms part of a wider identity ecosystem and therefore must be futureproofed to work with the devices and technology our customers want to use. We were therefore pleased to recently announce the launch of our new derived credential solution in collaboration with Intel. This solution enables the issuance of PKI-based digital identities to a user's Intel Authenticate-enabled tablet or notebook PC, following NIST security guidelines. The user can then access networks and systems using hardware protected multi-factor authentication. This is not only secure but also provides a better user experience as the user can use a fingerprint or a face match in place of a PIN.

## Technology Partners:



## Reseller Partners:



### People

Our employees remain core to our current and future business success. Without talented people, there are no further product innovations or technical solutions.

During FY19, we restructured the business and made a number of strategic appointments designed to improve operational delivery and strengthen commercial focus on organic growth including:

- Mike Weston as Chief Operating Officer. Mike has extensive experience around software engineering and system integration, both for commercial off-the-shelf products as well as bespoke software solutions. In addition, he has a track record of delivering on time and to budget across different time zones. When at Logica, Mike was SVP Operations for Asia and prior to that CEO for Offshore Services. In the latter role, he grew Logica's offshore service delivery model from a fledging business into a 2,000 strong headcount. In growing these businesses, he introduced stronger discipline and focus to organisational delivery and review, thereby ensuring greater efficiency and built-in robustness into estimation and development processes.
- Jean Dignand as Chief Sales Officer. Jean has a wealth of solution sales experience in hardware, software and services, as well as cloud, with a good understanding of the wider security space. He has worked in smaller companies as well as larger corporates including Capita, MTI Technology, HP and Salesforce.com.

Annual Employee Surveys have been re-instated to provide a clear staff barometer and a platform for staff input. There is more work to be done across the business but, with an open and transparent top-down and bottom-up approach, staff motivation remains a priority.

### Outlook

Following actions taken at the end of last year, and throughout the current year, the Group now has a much better framework in place for future success. We have removed unnecessary costs and restructured and refocused our management team. Whilst a number of challenges remain, I now have a much clearer view of the shape and potential of the business going forward.

As such the 'back to basics' approach, highlighted at the start of this section, means the coming year will see a laser focus on execution. The objectives of the business are geared towards sustainable revenue growth and profitability which, after an initial year of transformation, now appear within reach. Our focus is on organic

growth through the execution of the agreed strategy which centres around colleagues, customers, channels and cash.

We need to ensure our colleagues, who have maintained an admirable focus on supporting their customers during this difficult period, continue to feel motivated and committed to Intercede. We are fortunate to have so many talented people who have chosen Intercede as their place of work, and we must make sure that commitment is consistently rewarded and maintained.

We have an excellent customer list, which has been created by delivering outstanding value. This will continue to be the number one priority for everyone in our business. There have been distractions that have interfered with this focus over the recent past, but it will be the focus of the entire Group, at all levels.

Channel partnerships are critical to the continued and enhanced growth of the business both in established markets and also in new geographies such as SE Asia. Specific investments have been and will continue to be made in terms of people, product and marketing to ensure the success of this go-to-market model.

And finally, we need to focus on cash. The Group has a good record of managing working capital but we need to drive efficiency in everything we do whilst at the same time ensuring the importance of cash is understood in all parts of the business.

We have ended this financial year in a much stronger position than we started it, with a strong leadership team and a clear focus on product and operational execution. I am confident this will continue strongly in FY20 and beyond as we deliver success.

**Klaas van der Leest**  
Chief Executive Officer

5 June 2019

# INTERCEDE GROUP plc

## Preliminary Results for the Year Ended 31 March 2019

### STRATEGIC REPORT

#### Introduction

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

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

- For over 20 years, Intercede has been providing trusted identities to people, devices and apps for some of the world's largest corporations and government agencies.
- Intercede's product innovation roadmap leverages over 1,000 man-years of internal expertise and is underpinned by strong customer demand and a committed set of international partners.
- New solutions are engineered at high speed by a specialist team with longevity of employment. Product design is also informed by major customers and interoperability partners.
- Intercede's MyID software is US and UK Government accredited, which secures access to regulated markets. Traditionally it was delivered as an on-premise solution for employee ID, but it is now also deployed as a managed service for large scale transport worker and citizen programs.
- The scalability of MyID combined with its technology independence make it well positioned to capitalise on the growing demand for digital identities in the rapidly emerging markets of blockchain and the Internet of Things (IoT).

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

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

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

#### Trading Results

Last year we outlined our confidence that the cost-cutting review and the reorganisation of the management team would provide a firm platform to drive future growth. The cost-cutting review was introduced with the aim of focusing Intercede on delivering core MyID solutions and returning the Group to profit within two years.

I am pleased to report that this confidence was well-founded as the Group has made significant progress, delivering impressive results and returning to profit a year earlier than planned. Revenues for the year ended 31 March 2019 increased by 10% to £10,108,000, whilst operating expenses were reduced by 26% to £10,068,000, both of which combined to generate an operating profit of £16,000 (2018: £4,506,000 loss) and a net profit of £528,000 (2018: £3,830,000 loss). As at 31 March 2019, gross cash balances totalled £3,228,000 (2018: £2,272,000).

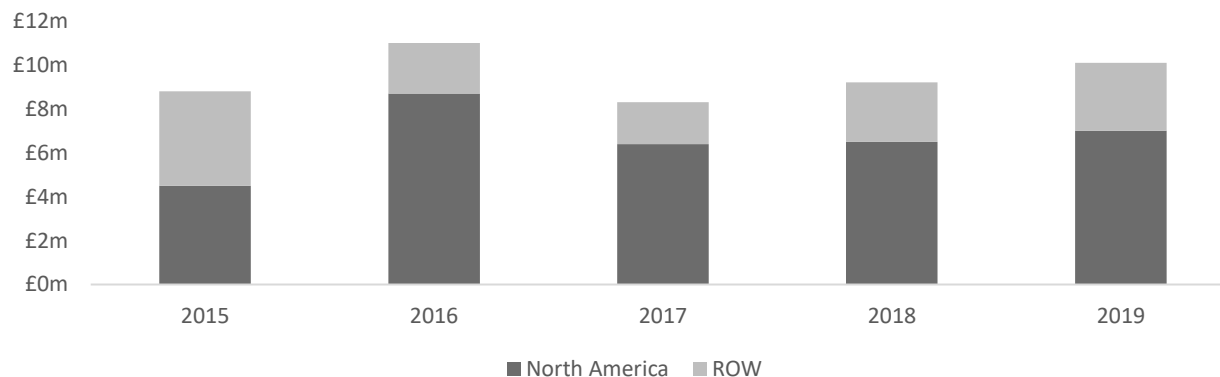


## Revenue Highlights:

- A new award of a MyID contract from a US Federal agency tasked with intelligence and security services. Orders have been received to date for 60,000 device licenses with an expectation of further professional services orders over the next financial year.
- A new award of a MyID contract from an intergovernmental alliance organisation with the potential to roll out to other departments following a successful implementation.
- Two MyID license sales to existing US Federal customers to enable their users to issue derived PIV credentials to their mobile devices using their original PIV card.
- A new award of a MyID contract to a government in SE Asia, which represents the first MyID sale in that region.
- A new award of a MyID contract to a US Mid-Western diversified energy company to manage digital identities for 15,000 devices.
- Follow-on MyID sales for a US Federal customer (won in FY17), a US military shipbuilder (won in FY18) and a leading European telecommunications company (won in FY14) for 35,000, 20,000 and 20,000 device licenses respectively.

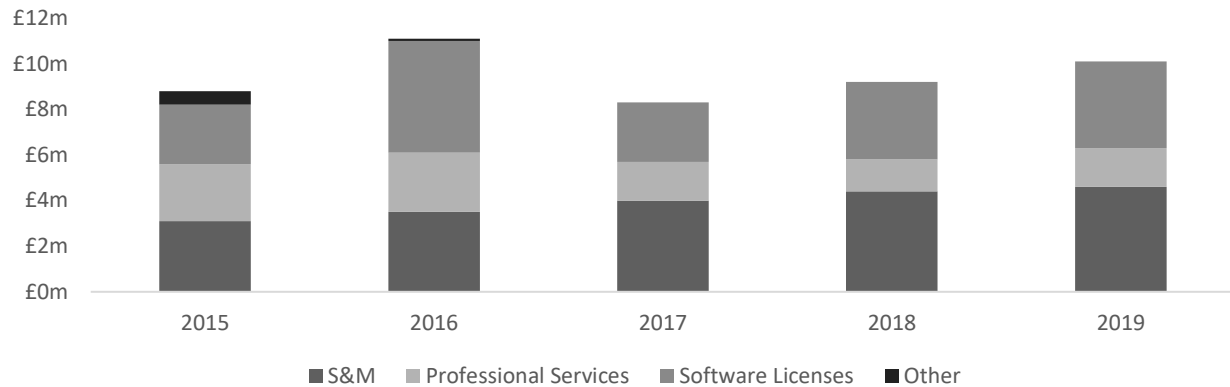
These orders include software licenses, associated support & maintenance and professional services, some of which will be recognised as revenue beyond the current financial year. They have contributed to a net growth in Intercede's worldwide deployments to just under 90 deployments, all of which are blue chip customers. MyID continues to be the Credential Management System (CMS) of choice for major public key infrastructure (PKI) system deployments.

## Regional Sales



The US represents Intercede's largest market with sales to North America making up 69% of total sales during FY19 (2018: 71%).

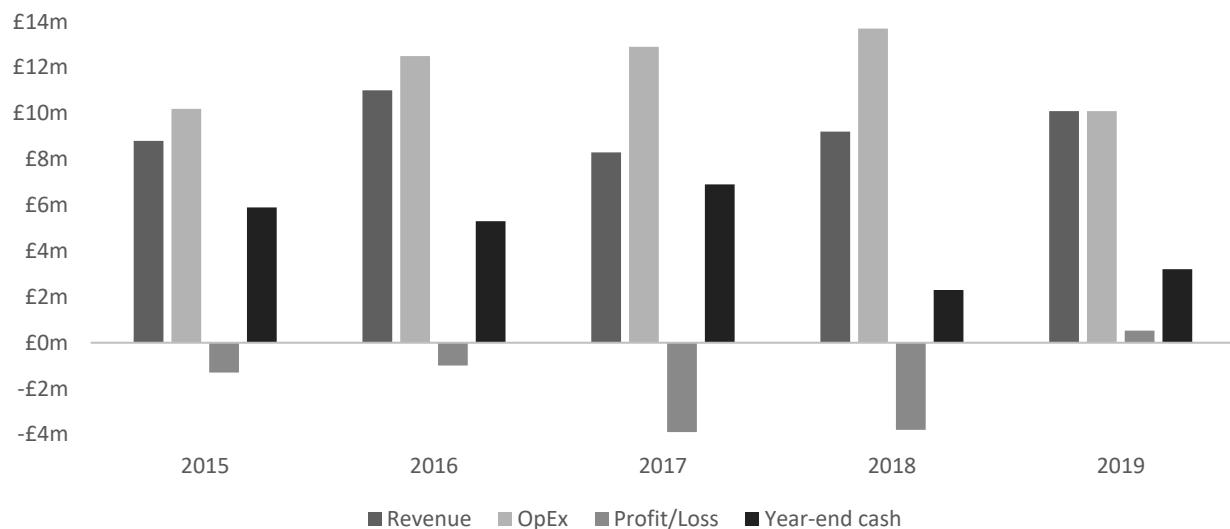
## Revenue Breakdown



The last five years has seen progressive growth in recurring Support & Maintenance (S&M) revenues due to a steady increase in deployments. The number of new deployments (with revenues over £20,000) in FY19 is consistent with FY18 but there is an increase in Software License revenue due to higher follow-on software license sales to existing customers and the impact of higher revenue per new deployment. Professional Services revenue is also higher than FY18 partly due to implementations of large license orders received in the previous year.

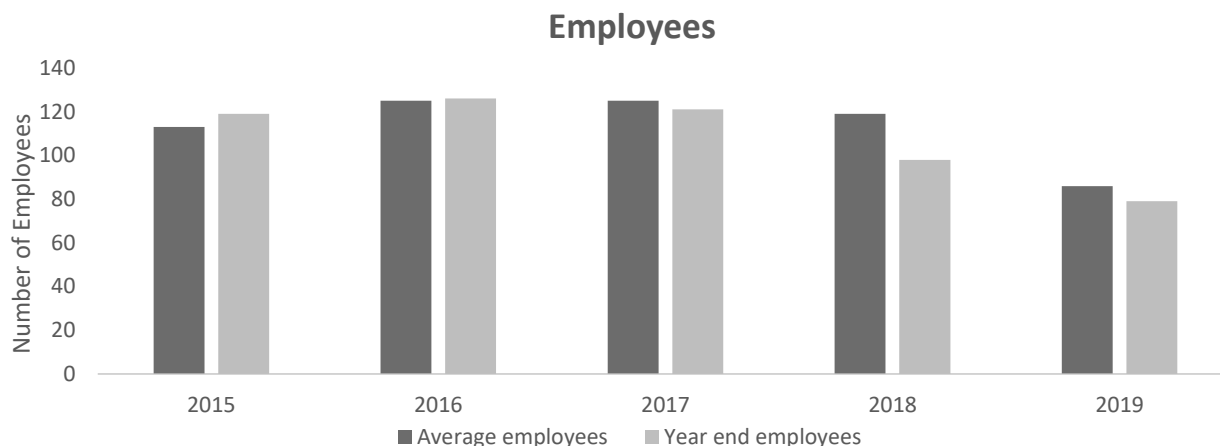
Action taken to reduce the cost base is primarily responsible for the 26% reduction in operating expenses from £13,669,000 to £10,068,000. The Group has started the new financial year with a similar operating cost run rate but will consider strategic investment to exploit new revenue opportunities.

## Revenue, OpEx, Profit/Loss & Cash



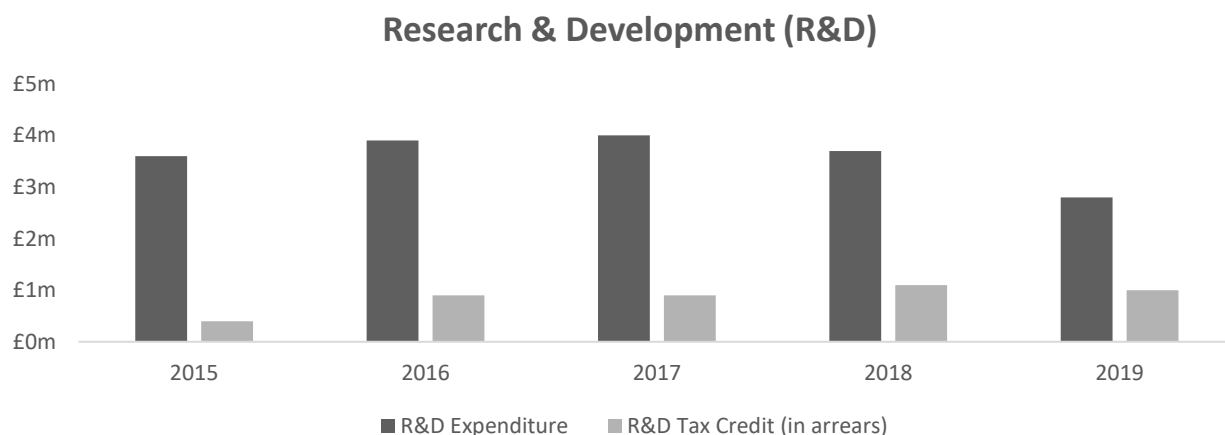
The substantial increase in operating expenses (OpEx) over the period to FY18 primarily reflects strategic investment in product development to expand MyID into emerging high-volume markets to secure mobile apps and devices, provide cloud services and protect the Internet of Things (IoT). This expenditure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

Staff costs continue to represent the main area of expense, representing 79% of total operating expenses (2018: 76%). The average number of employees and contractors was 86, down from the previous year's average of 119. However, as a result of the cost reductions referred to above, the number of employees and contractors as at 31 March 2019 had been reduced to 79 (2018: 98).



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

Expenditure on research and development (R&D) activities totalled £2,854,000 (2018: £3,736,000). In accordance with the IFRS recognition criteria, the Board has continued to determine that all internal R&D costs incurred in the year are expensed. No development expenditure has been capitalised as at 31 March 2019 (2018: £nil).



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

A £979,000 taxation credit in the period (2018: £1,118,000 taxation credit) primarily reflects cash received following the 2018 R&D claim as a result of the investment activities outlined above. The Group is a beneficiary of the UK Government's efforts to encourage innovation by allowing 130% of qualifying R&D expenditure to be offset against taxable profits.

The net finance cost for the year was £467,000 (2018: £442,000). The increase reflects a full year of interest payable on the additional £510,000 convertible loan notes that were issued, under the same instrument, on 25 August 2017.

A profit for the year of £528,000 (2018: loss of £3,830,000) resulted in a basic profit per share of 1.0p and a fully diluted profit per share of 0.9p (2018: basic and fully diluted loss per share 7.6p).

### Financial Position

The Group's cash position at 31 March 2019 was £3,228,000 (2018: £2,272,000), following a year in which cash generated from operating activities totalled £960,000 (2018: £4,978,000 used in operating activities).

The cost-cutting review has enabled the Group to exit one of its UK properties, which as at 31 March 2019 was classified as an asset held for sale at a carrying value of £373,000 (2018: £373,000). The sale of this property was completed on 5 April 2019 resulting in net proceeds of £422,000 and a profit on disposal of £50,000.

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)

|  | 2015  | 2016 | 2017  | 2018 | 2019 |
|--|-------|------|-------|------|------|
| Sales growth                               | (10%) | 25%  | (25%) | 11%  | 10%  |
| Export sales                               | 85%   | 96%  | 95%   | 94%  | 97%  |
| North American sales                       | 51%   | 79%  | 77%   | 71%  | 69%  |
| New deployments with revenues over £20,000 | 6     | 6    | 8     | 10   | 9    |

### 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 (including the impact of issues such as the US China trade dispute, Brexit and the Italian banking crisis) 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

**Andrew Walker**  
Finance Director

5 June 2019

**INTERCEDE GROUP plc**

**Consolidated Statement of Comprehensive Income for the year ended 31 March 2019**

|  | 2019            | 2018            |
|--|-----------------|-----------------|
|  | £'000           | £'000           |
| <b>Continuing operations</b>   |                 |                 |
| <b>Revenue</b>   | 10,108          | 9,204           |
| Cost of sales  | <u>(24)</u>     | <u>(41)</u>     |
| <b>Gross profit</b>  | 10,084          | 9,163           |
| Operating expenses   | <u>(10,068)</u> | <u>(13,669)</u> |
| <b>Operating profit / (loss)</b>   | 16              | (4,506)         |
| Finance income   | 11              | 10              |
| Finance costs  | <u>(478)</u>    | <u>(452)</u>    |
| <b>Loss before tax</b>   | (451)           | (4,948)         |
| Taxation   | <u>979</u>      | <u>1,118</u>    |
| <b>Profit / (loss) for the year</b>  | <u>528</u>      | <u>(3,830)</u>  |
| <b>Total comprehensive income / (expense) attributable to owners of the parent company</b> | <u>528</u>      | <u>(3,830)</u>  |
| <b>Profit / (loss) per share (pence)</b>   |                 |                 |
| - basic  | 1.0p            | (7.6)p          |
| - diluted  | <u>0.9p</u>     | <u>(7.6)p</u>   |

**INTERCEDE GROUP plc**

**Consolidated Balance Sheet as at 31 March 2019**

|                                     | 2019<br>£'000  | 2018<br>£'000  |
|-------------------------------------|----------------|----------------|
| <b>Non-current assets</b>           |                |                |
| Property, plant and equipment       | <u>154</u>     | <u>195</u>     |
| <b>Current assets</b>               |                |                |
| Assets held for sale                | 373            | 373            |
| Trade and other receivables         | 4,797          | 4,709          |
| Cash and cash equivalents           | <u>3,228</u>   | <u>2,272</u>   |
|                                     | <u>8,398</u>   | <u>7,354</u>   |
| <b>Total assets</b>                 | <u>8,552</u>   | <u>7,549</u>   |
| <b>Equity</b>                       |                |                |
| Share capital                       | 505            | 505            |
| Share premium                       | 673            | 673            |
| Equity reserve                      | 66             | 66             |
| Merger reserve                      | 1,508          | 1,508          |
| Accumulated deficit                 | <u>(4,898)</u> | <u>(5,719)</u> |
| <b>Total equity</b>                 | <u>(2,146)</u> | <u>(2,967)</u> |
| <b>Non-current liabilities</b>      |                |                |
| Convertible loan notes              | 4,747          | 4,670          |
| Deferred revenue                    | <u>166</u>     | <u>324</u>     |
|                                     | <u>4,913</u>   | <u>4,994</u>   |
| <b>Current liabilities</b>          |                |                |
| Trade and other payables            | 1,899          | 1,857          |
| Deferred revenue                    | <u>3,886</u>   | <u>3,665</u>   |
|                                     | <u>5,785</u>   | <u>5,522</u>   |
| <b>Total liabilities</b>            | <u>10,698</u>  | <u>10,516</u>  |
| <b>Total equity and liabilities</b> | <u>8,552</u>   | <u>7,549</u>   |

**INTERCEDE GROUP plc**

**Consolidated Statement of Changes in Equity for the year ended 31 March 2019**

|  | Share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Equity<br>reserve<br>£'000 | Merger<br>reserve<br>£'000 | Accumulated<br>deficit<br>£'000 | Total<br>equity<br>£'000 |
|--|---------------------------|---------------------------|----------------------------|----------------------------|---------------------------------|--------------------------|
| As at 1 April 2017                                 | 499                       | 673                       | 60                         | 1,508                      | (2,354)                         | 386                      |
| Purchase of own shares                             | -                         | -                         | -                          | -                          | (147)                           | (147)                    |
| Employee share option plan credit                  | -                         | -                         | -                          | -                          | (19)                            | (19)                     |
| Employee share incentive plan charge               | -                         | -                         | -                          | -                          | 493                             | 493                      |
| Issue of new shares                                | 6                         | -                         | -                          | -                          | -                               | 6                        |
| Re-issuance of treasury shares                     | -                         | -                         | -                          | -                          | 138                             | 138                      |
| Equity component of convertible loan notes         | -                         | -                         | 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)                  |
| Proceeds from recycling of own shares              | -                         | -                         | -                          | -                          | 27                              | 27                       |
| Employee share option plan charge                  | -                         | -                         | -                          | -                          | 17                              | 17                       |
| Employee share incentive plan charge               | -                         | -                         | -                          | -                          | 249                             | 249                      |
| Profit for the year and total comprehensive income | -                         | -                         | -                          | -                          | 528                             | 528                      |
| As at 31 March 2019                                | <u>505</u>                | <u>673</u>                | <u>66</u>                  | <u>1,508</u>               | <u>(4,898)</u>                  | <u>(2,146)</u>           |

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

**INTERCEDE GROUP plc**

**Consolidated Cash Flow Statement for the year ended 31 March 2019**

|   | 2019<br>£'000 | 2018<br>£'000 |
|---|---------------|---------------|
| <b>Cash flows from operating activities</b>                     |               |               |
| Operating profit / (loss)                                       | 16            | (4,506)       |
| Depreciation  | 116           | 156           |
| Employee share option plan charge / (credit)                    | 17            | (19)          |
| Employee share incentive plan charge                            | 249           | 493           |
| Employee unit incentive plan charge                             | 5             | 2             |
| Employee unit incentive plan payment                            | (7)           | (8)           |
| Increase in trade and other receivables                         | (131)         | (3,340)       |
| Increase in trade and other payables                            | 44            | 434           |
| Increase in deferred revenue                                    | 63            | 1,023         |
|   | 372           | (5,765)       |
| <b>Cash generated from / (used in) operations</b>               |               |               |
| Finance income  | 9             | 13            |
| Finance costs on convertible loan notes                         | (400)         | (344)         |
| Taxation  | 979           | 1,118         |
|   | 960           | (4,978)       |
| <b>Net cash generated from / (used in) operating activities</b> |               |               |
| <b>Investing activities</b>                                     |               |               |
| Purchases of property, plant and equipment                      | (75)          | (29)          |
|   | (75)          | (29)          |
| <b>Cash used in investing activities</b>                        |               |               |
| <b>Financing activities</b>                                     |               |               |
| Proceeds from recycling / (purchase) of own shares              | 27            | (141)         |
| Proceeds from re-issuance of treasury shares                    | -             | 138           |
| Proceeds from issue of convertible loan notes                   | -             | 510           |
| Convertible loan note issue costs                               | -             | (27)          |
|   | 27            | 480           |
| <b>Cash generated from financing activities</b>                 |               |               |
| <b>Net increase / (decrease) in cash and cash equivalents</b>   | 912           | (4,527)       |
| Cash and cash equivalents at the beginning of the year          | 2,272         | 6,891         |
| Exchange gains / (losses) on cash and cash equivalents          | 44            | (92)          |
|   | 3,228         | 2,272         |
| <b>Cash and cash equivalents at the end of the year</b>         | 3,228         | 2,272         |



## INTERCEDE GROUP plc

### Preliminary Results for the Year Ended 31 March 2019

#### NOTES

1. The financial information set out in this announcement does not constitute the Group's Statutory Accounts for the years ended 31 March 2019 or 2018, but is derived from those accounts. Statutory Accounts for 2018 have been delivered to the Registrar of Companies and those for 2019, which have been approved by the Board of Directors, will be delivered following the Group's Annual General Meeting. The Company's auditors have reported on those accounts; their reports were unqualified and did not contain statements under Section 498 of the Companies Act 2006.

The Annual General Meeting will be held at 2.00 pm on Wednesday 18 September 2019 at the registered office of the Company. Copies of the full Statutory Accounts and the Notice of Annual General Meeting will be despatched to shareholders in due course. Copies will also be available on the website ([www.intercede.com](http://www.intercede.com)) and from the registered office of the Company: Lutterworth Hall, St. Mary's Road, Lutterworth, Leicestershire, LE17 4PS.

#### 2. SEGMENTAL REPORTING

All of the Group's revenue, operating profits / (losses) and net liabilities originate from operations in the United Kingdom. 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:

|                | 2019<br>£'000 | 2018<br>£'000 |
|----------------|---------------|---------------|
| UK             | 331           | 533           |
| Rest of Europe | 1,738         | 963           |
| North America  | 6,981         | 6,506         |
| Rest of World  | 1,058         | 1,202         |
|                | <u>10,108</u> | <u>9,204</u>  |

#### 3. OPERATING PROFIT / (LOSS)

Operating profit / (loss) is stated after charging / (crediting):

|  | 2019<br>£'000 | 2018<br>£'000 |
|--|---------------|---------------|
| Staff costs  | 7,994         | 9,868         |
| Settlement Agreement costs   | -             | 190           |
| Compensation for loss of office paid to directors and key management | -             | 334           |
| Foreign exchange (gain) / loss                                       | (25)          | 155           |
| Depreciation of property, plant and equipment                        | 116           | 156           |
| Operating lease rentals  | 364           | 397           |
| Cost of sales  | 24            | 41            |
| Other expenses   | 1,619         | 2,569         |
|  | <u>10,092</u> | <u>13,710</u> |

Included in the costs above is research and development expenditure totalling £2,854,000 (2018: £3,736,000).

#### 4. TAXATION

|  |               |               |
|--|---------------|---------------|
| The tax credit comprises:                                    | 2019<br>£'000 | 2018<br>£'000 |
| Current year – UK corporation tax                            | -             | -             |
| Current year – US corporation tax                            | (31)          | (30)          |
| Research and development tax credits relating to prior years | 1,010         | 1,148         |
| Taxation   | <u>979</u>    | <u>1,118</u>  |

The Group has unused tax losses of £8,710,000 (2018: £13,854,000) and unrecognised deferred tax assets of £1,481,000 (2018: £2,355,000) calculated at 17% (2018: 17%), the UK corporation tax rate that will be effective from 1 April 2020.

#### 5. EARNINGS / (LOSS) PER SHARE

The calculations of earnings / (loss) per ordinary share are based on the profit / (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.

|   |                   |                   |
|---|-------------------|-------------------|
|   | 2019<br>£'000     | 2018<br>£'000     |
| Profit / (loss) for the year              | <u>528</u>        | <u>(3,830)</u>    |
|   | Number            | Number            |
| Weighted average number of shares – basic | 50,482,281        | 50,212,714        |
| – diluted                                 | <u>59,214,607</u> | <u>50,212,714</u> |
|   | Pence             | Pence             |
| Profit / (loss) per share – basic         | 1.0p              | (7.6)p            |
| – diluted                                 | <u>0.9p</u>       | <u>(7.6)p</u>     |

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

|   |                   |                   |
|---|-------------------|-------------------|
|   | 2019<br>Number    | 2018<br>Number    |
| Issued ordinary shares at start of year     | 50,523,926        | 49,903,143        |
| Effect of treasury shares                   | (41,645)          | (115,623)         |
| Effect of issue of ordinary share capital   | -                 | 425,194           |
| Weighted average number of shares – basic   | <u>50,482,281</u> | <u>50,212,714</u> |
| Add back effect of treasury shares          | 41,654            | N/A               |
| Effect of share options in issue            | 1,417,294         | N/A               |
| Effect of convertible loan notes in issue   | <u>7,273,387</u>  | <u>N/A</u>        |
| Weighted average number of shares – diluted | <u>59,214,607</u> | <u>50,212,714</u> |

#### 6. DIVIDEND

The Directors do not recommend the payment of a dividend.

## 7. 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. The asset has been reclassified from Property, plant and equipment into Current assets at its carrying value of £373,000 (2018: £373,000). This is estimated to be lower than its fair value less costs to sell, so no impairment loss is required.

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

## 8. SHARE CAPITAL

|  | 2019         | 2018         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| <i>Authorised</i>  |              |              |
| 481,861,616 ordinary shares of 1p each (2018: 481,861,616) | <u>4,819</u> | <u>4,819</u> |
| <i>Issued and fully paid</i>                               |              |              |
| 50,523,926 ordinary shares of 1p each (2018: 50,523,926)   | <u>505</u>   | <u>505</u>   |

As at 31 March 2019, the Company had 41,645 ordinary shares held in treasury (2018: 41,645).

## 9. Convertible loan notes

|  | 2019         | 2018         |
|--|--------------|--------------|
|  | £'000        | £'000        |
| <b>Non-current</b>                           |              |              |
| 8% Convertible loan notes (29 December 2021) | <u>4,747</u> | <u>4,670</u> |

Borrowings are repayable as follows:

|                            | 2019         | 2018         |
|----------------------------|--------------|--------------|
|                            | £'000        | £'000        |
| Between two and five years | <u>4,747</u> | <u>4,670</u> |

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:

|   | 2019         | 2018         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Nominal value of convertible loan note issue          | 5,005        | 5,005        |
| Issue costs   | (348)        | (348)        |
| Equity component at date of issue                     | <u>(66)</u>  | <u>(66)</u>  |
| Liability component at date of issue                  | 4,591        | 4,591        |
| Effective interest rate adjustment from date of issue | <u>156</u>   | <u>79</u>    |
| Liability component at 31 March                       | <u>4,747</u> | <u>4,670</u> |