

7 June 2016

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

Preliminary Results for the Year Ended 31 March 2016

Intercede, the software and service company specialising in identity, credential management and secure mobility, today announces its preliminary results for the year ended 31 March 2016.

Financial Highlights

- Revenues of £11.0m (2015: £8.8m), an increase of 25%.
- Operating expenses increased to £12.5m (2015: £10.2m), as a result of continuing investment in infrastructure, technology development and sales capacity.
- Increase in average number of employees and contractors from 113 to 125 year on year.
- Operating loss of £1.9m (2015: £1.7m).
- Loss for the year reduced to £1.0m (2015: loss of £1.3m).
- Basic loss per share 2.1p (2015: basic loss per share 2.7p).
- Cash balances remain strong: £5.3m as at 31 March 2016 (31 March 2015: £5.9m)
- The Group has no debt.

Operational Highlights

- Enterprise-wide contract with one of the largest US healthcare corporations.
- Mobile Derived Credential solution sold to a major US Federal Agency.
- New agreement with a US West Coast bank.
- Partner Agreement with Citrix and first customer sale secured.
- Collaboration with Intel to power Intel Authenticate.
- Establishment of Intercede Labs as an internal incubator for innovation.

Richard Parris, Chairman & Chief Executive of Intercede, said:

***“I am pleased to report a record year for sales, with revenues exceeding £11m, a 25% increase on the prior period. More than 12 million people around the world now trust high assurance credentials managed by Intercede products and services to secure their workplace, assets and identities.*”**

It has also been a year of organisational growth and transition as we position ourselves to be a leading enabler of digital trust services and technology for mobile devices and the Internet of Things. We continue to believe this is a large market opportunity for which Intercede has established a strong business and technology platform. Moreover, we see significant potential for growth in the total addressable market. Both of these factors mean the outlook for Intercede is very bright.”

About Intercede:

Intercede is a software and service company specialising in identity, credential management and secure mobility. Its solutions create a foundation of trust between connected people, devices and apps and combine expertise with innovation to provide world-class cybersecurity.

Intercede has been delivering solutions to high profile customers, from the US and UK governments to some of the world's largest corporations, telecommunications providers and information technology firms, for over 20 years.

Intercede's MyID software is an identity and credential management system that enables organisations to create and assign trusted digital identities to employees, citizens and machines and in turn allows secure access to services, facilities, information and networks. MyID adheres to international standards, while remaining simple enough to be deployed onto consumer devices such as smartphones, tablets and other devices in the Internet of Things.

In 2015 Intercede launched MyTAM; enabling trusted applications to be loaded into a mobile device's Trusted Execution Environment (TEE), providing hardware-level security for Android apps. The cloud-based service provides a cost-effective and convenient way for developers and corporations to protect their apps and users' sensitive data.

For more information visit: www.intercede.com

ENQUIRIES**Intercede Group plc**

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INTERCEDE GROUP plc

Preliminary Results for the Year Ended 31 March 2016

CHAIRMAN'S STATEMENT

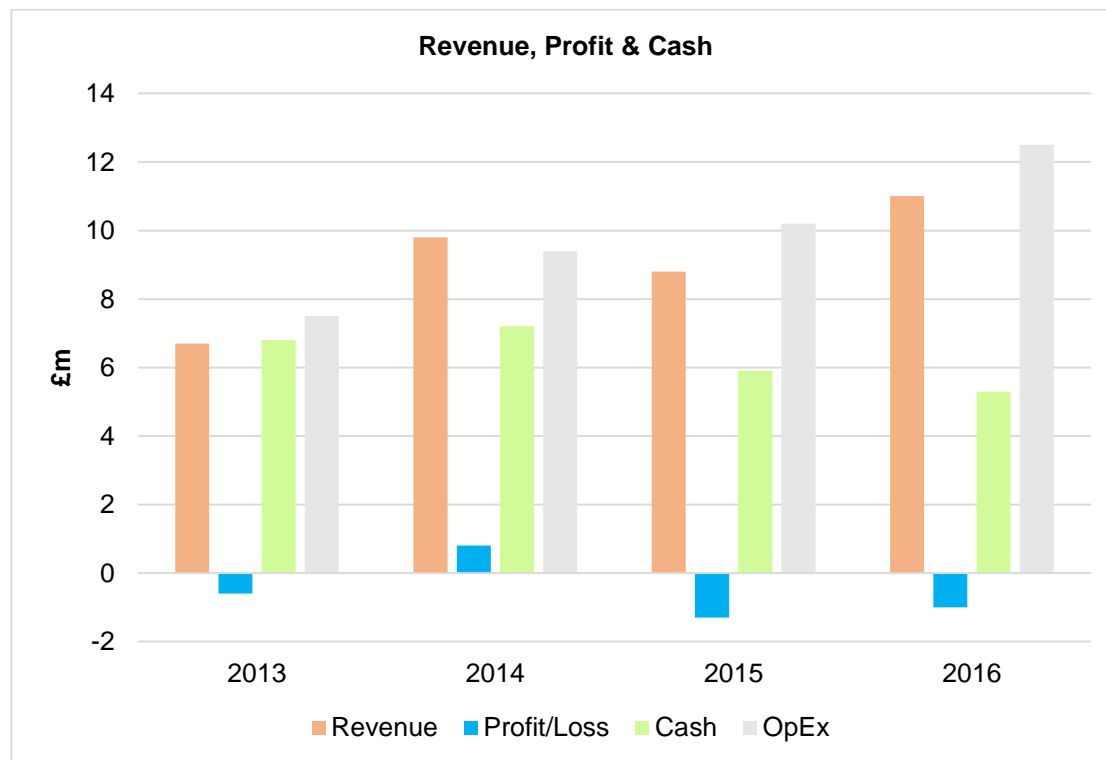
Introduction

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

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

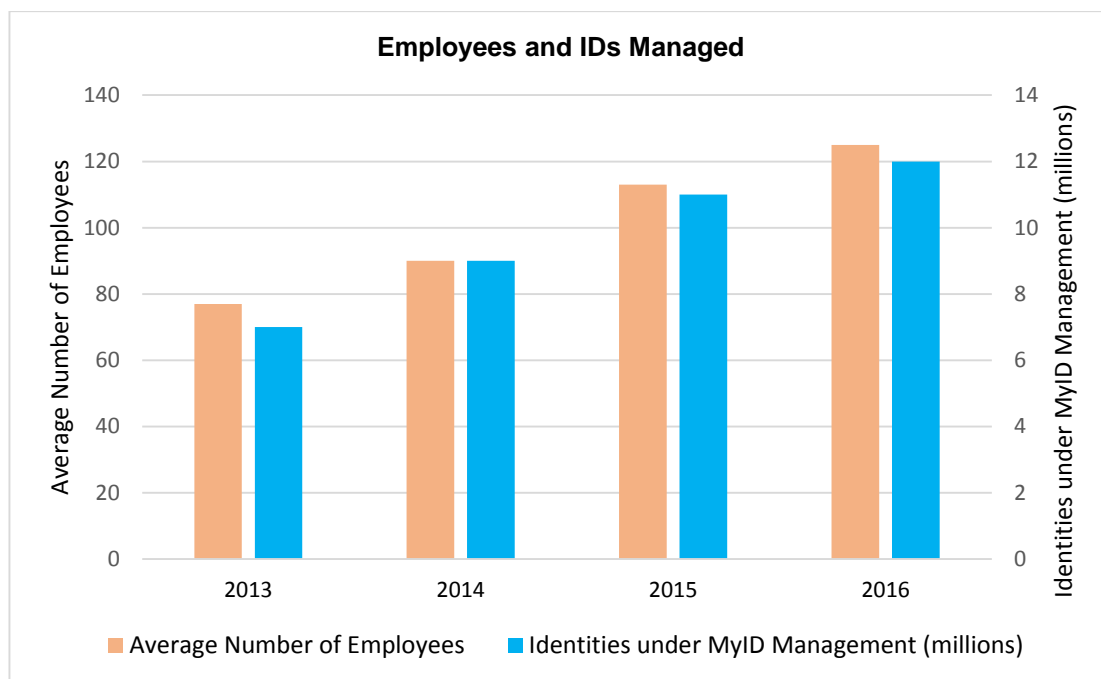
We continue to believe that digital trust represents a large market opportunity for which Intercede has established a strong business and technology platform that is poised for global adoption and exploitation. The engagement we are experiencing with some of the largest technology brands in the world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

Financial Results



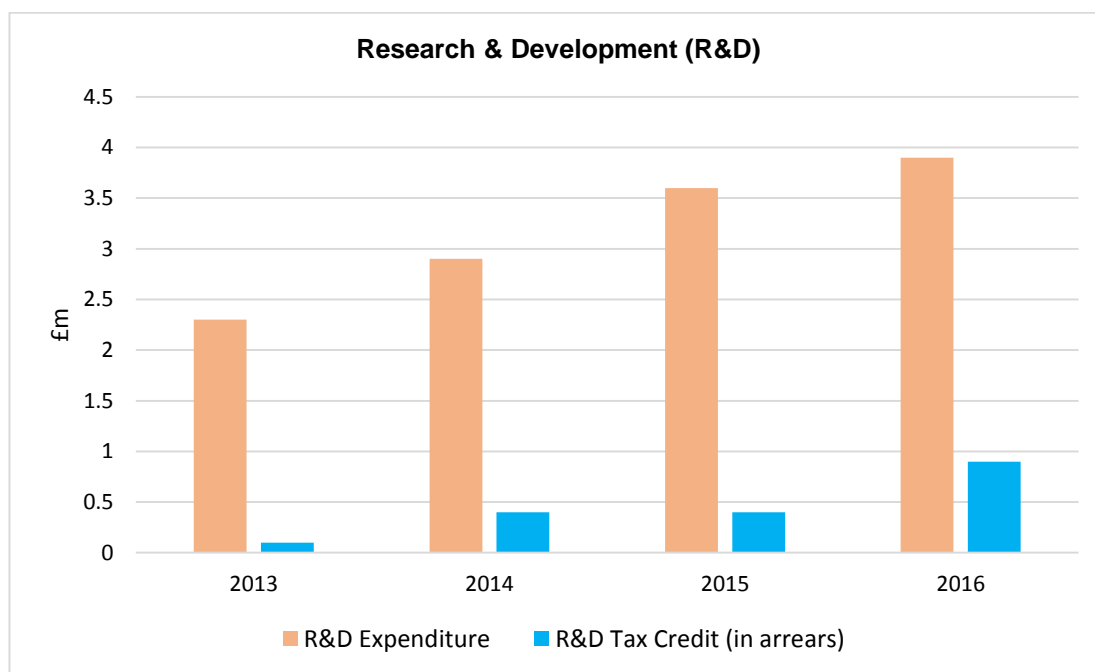
Following the Board's decision to embark upon a period of strategic investment, operating expenses and revenues have increased overall at a Compound Annual Growth Rate of more than 18%. The investment has been funded organically to date with cash balances remaining strong.

Employees and MyID Identities managed



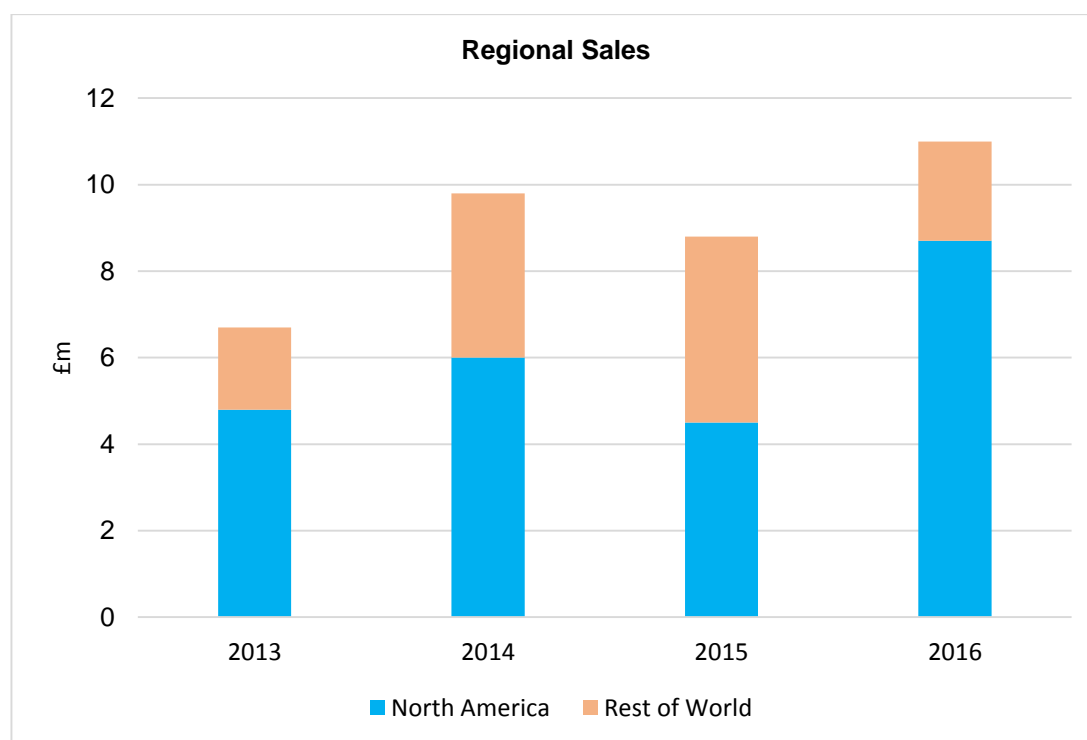
Intercede’s investment plan for people and corporate infrastructure has resulted in a progressive increase in the number of employees. This has enabled the delivery of an increased number of digital identities managed by the MyID platform and leaves the Company well positioned for future growth.

Research & Development (R&D)



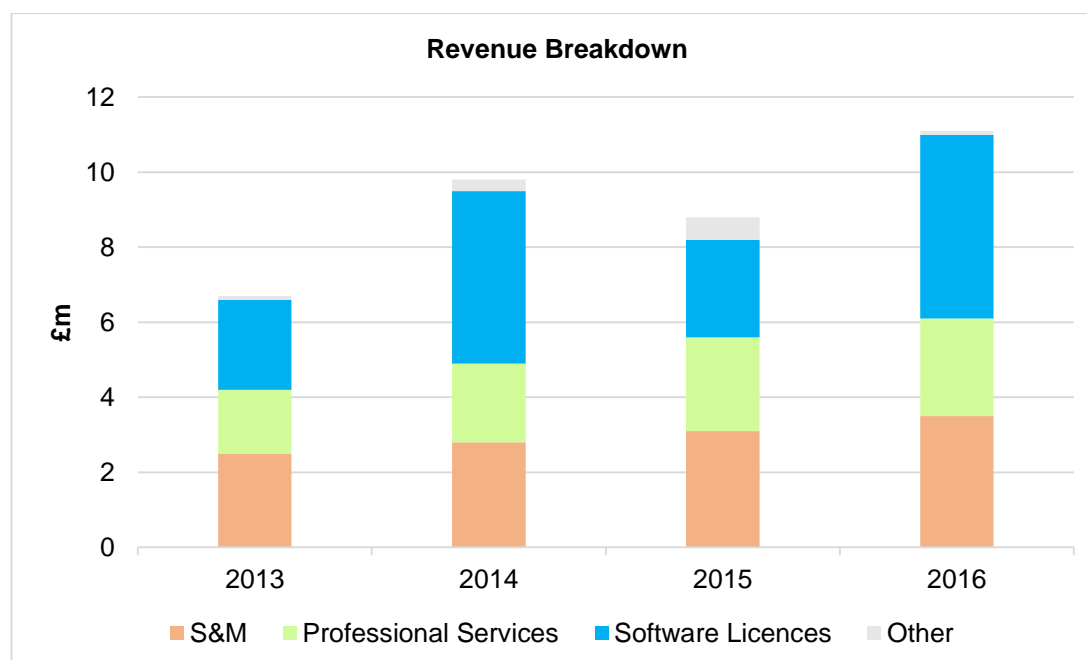
Research and development is an important part of Intercede’s investment strategy. Money spent on people qualifies, in arrears, for UK government tax credits which are paid in cash in the following year.

Regional Sales



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

Revenue Breakdown



Over the last four years there has been progressive growth in recurring Support & Maintenance (S&M) fees and Professional Services fees, which tend to be independent of the lumpiness of licence revenue. We

expect this trend to continue. The introduction of the MyTAM and RapID cloud-based services is expected to increase growth and smooth the volatility of software licence sales.

Review of Operations

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

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

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

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

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

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

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

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

Outlook

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

Richard Parris
Chairman & Chief Executive

INTERCEDE GROUP plc

Preliminary Results for the Year Ended 31 March 2016

STRATEGIC REPORT

Introduction

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

The Group's vision can be outlined as follows:

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

In addition:

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

Strategic Investment

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

The main areas of selective investment are:

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

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

Trading Results

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

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

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

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

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

Expenditure on research and development (R&D) activities totalled £3,905,000 (2015: £3,576,000), approximately 71% of which related to the areas of strategic investment outlined above (2015: 78%). In accordance with the IFRS recognition criteria, the Board has continued to determine that all internal R&D costs incurred in the year are expensed. No development expenditure has been capitalised as at 31 March 2016 (2015: £nil).

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

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

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

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

Financial Position

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

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

Treasury

The Group manages its treasury function as part of the finance department. Whilst the Group's operations are primarily based in the UK it has successfully exported its technology throughout the world for many years. This results in invoices being raised in currencies other than sterling; the most notable being US dollars and euros. A number of suppliers also invoice the Group in US dollars and euros. The Group's

current policy is not to hedge these exposures and the exchange differences are recognised in the statement of comprehensive income in the year in which they arise.

Key Performance Indicators (KPIs)

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

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

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

Principal Risks and Uncertainties

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

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

By order of the Board

Andrew Walker
Finance Director

INTERCEDE GROUP plc

Consolidated Statement of Comprehensive Income for the year ended 31 March 2016

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

There is no other comprehensive income/expense for the current or preceding year.

INTERCEDE GROUP plc**Consolidated Balance Sheet at 31 March 2016**

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

INTERCEDE GROUP plc

Consolidated Statement of Changes in Equity for the year ended 31 March 2016

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

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

INTERCEDE GROUP plc

Preliminary Results for the Year Ended 31 March 2016

NOTES

1. The financial information set out in this announcement does not constitute the Group's Statutory Accounts for the years ended 31 March 2015 or 2016, but is derived from those accounts. Statutory Accounts for 2015 have been delivered to the Registrar of Companies and those for 2016, 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 14 September 2016 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) 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 and net assets 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:

	2016 £'000	2015 £'000
UK	462	1,301
Rest of Europe	1,312	1,848
North America	8,699	4,493
Rest of World	531	1,177
	<hr/>	<hr/>
	11,004	8,819
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3. TAXATION

The tax credit comprises:	2015 £'000	2015 £'000
Current year – UK corporation tax	-	-
Current year – US corporation tax	(40)	(20)
Research and development tax credits relating to prior years	932	383
	<hr/>	<hr/>
Taxation	892	363
	<hr/>	<hr/>

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

4. LOSS PER SHARE

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

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

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

5. DIVIDEND

The Directors do not recommend the payment of a dividend.

6. SHARE CAPITAL

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

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