Intercede Group plc

Annual Report and Accounts

For the year ended 31 March 2014

Registered number 4101977

Directors' Report

For the year ended 31 March 2014

The Directors present their Annual Report and the audited financial statements for the year ended 31 March 2014

Principal Activities

The Group is a leading independent developer and supplier of identity and credential management software

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 2014 are set out on pages 19 to 36 The Group's profit for the year was £780,000 (2013 £572,000 loss for the year) The Directors do not recommend the payment of a dividend (2013 £nil)

Management of Financial Risk

The Groups policy for the management of financial risk is set out within note 13

Research and Development Expenditure

The Group continues to invest in an ongoing programme of research and development The total cost of development during the year ended 31 March 2014 was £2,876,000 (2013 £2,328,000) which has been written off as incurred

Intellectual Property

The Groups 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 Groups 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 Groups 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 Ian Drew and Ben Drury were appointed as independent non-executive directors on 15 April 2013 and 1 April 2014 respectively and Jurek Sikorski retired as a non-executive director on 21 May 2014

In accordance with the Companys Articles of Association, Andrew Walker and Ben Drury will offer themselves for re-election at the forthcoming Annual General Meeting

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

	Ordinary shares	
	2014	**2013**
RA Parris	**5,610,963**	5 549 878
AM Walker	**1,492,738**	1 616 227
I Drew	**47,000**	–
R Hoggarth	**168,721**	168 721
JS Sikorski	**123,776**	123 776
J Tredoux	**11,813,888**	12,526 344

Jacques Tredoux is interested in 1 463 216 shares which are registered in the name of Pershing Keen Nominees Limited which is a nominee of Angus Investment Holdings Limited ("Angus") Angus is controlled by The Woodcock Trust As at 31 March 2014 Jacques Tredoux was also interested in 10,350,672 shares indirectly held by The Azalia Trust Jacques Tredoux and his wife and children are members of the class of discretionary beneficiaries of both The Woodcock Trust and The Azalia Trust

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

Directors' Indemnity

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

Substantial Shareholders

As at 12 May 2014, the following had notified the Company of disclosable interests in 3% or more of the Companys issued share capital

	Ordinary shares	
	Number	**%**
The Azalia Trust	**10,350,672**	**21 2**
RA Parris	**5,615,937**	**11 5**
Liontrust Investment Partners LLP	**3,474,166**	**7 1**
Anjar International Limited	**3,241,631**	**6 7**
Plastic Technologies Limited	**3,147,436**	**6 5**
Hargreave Hale & Co	**2,334,825**	**4 8**
Herald Investment Management	**2,050,266**	**4 2**
AM Walker	**1,495,225**	**3 1**
The Woodcock Trust	**1,463,216**	**3 0**

Purchase of own Shares

As at 31 March 2014, the Company had 164,000 ordinary shares held in treasury (2013 57,975) During the year the Company purchased 250,000 ordinary shares (2013 Nil) for a consideration of £475,000 and transferred 143,975 ordinary shares from treasury to Capita IRG Trustee Limited as trustees of the new employee share incentive plan

Statement of Disclosure of Information to Auditors

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

Statement of Directors' Responsibilities

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

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

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

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

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

Annual General Meeting

The fourteenth Annual General Meeting of the Company will be held on Wednesday 17 September 2014 The Notice of the Annual General Meeting will be sent out to shareholders prior to the meeting

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting

By order of the Board

AM Walker

AM Walker

Andrew Walker
Company Secretary
5 June 2014

Corporate Governance

For the year ended 31 March 2014

As a company listed on AIM, Intercede Group plc is not required to comply with the requirements of the Combined Code A number of voluntary disclosures have been made that are not subject to audit

Board of Directors

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

The Company has historically combined the posts of Chairman and Chief Executive in one person namely Richard Parris The Board believes that to separate the roles would be detrimental at this stage of the Group's development All directors in accordance with the Combined Code, submit themselves for re-election at least every three years

Committees of the Board

The Board has established three committees, the Audit Committee, the Remuneration Committee and the Nominations Committee Prior to the retirement of Jurek Sikorski on 21 May 2014, membership of both the Audit Committee and the Remuneration Committee was exclusively non-executive while membership of the Nominations Committee comprised the Chairman and the non-executive directors

The structure of the Board Committees from 21 May 2014 onwards is as follows

Audit Committee – Royston Hoggarth has been appointed as 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 his prior experience as Chairman of the Axon Group plc Audit Committee Ian Drew and Ben Drury both of whom are considered to be independent, are also members of the Audit Committee

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

Nominations Committee – The Nominations Committee consists of Richard Parris (Chairman) and Ian Drew (independent non-executive director)

Relations with Shareholders

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

Going Concern

The Directors, after having made appropriate enquiries including a review of the Groups financial forecasts for 2014/15 and 2015/16, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future For this reason they continue to adopt the going concern basis in preparing the financial statements

Internal Control

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by 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

For the year ended 31 March 2014

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 Chairman & Chief Executive is invited to attend committee meetings but is not present during discussions relating to his own remuneration

Remuneration Policy

The remuneration packages for Executive Directors are intended to incentivise them to meet the financial and strategic objectives of the Group The policy is to pay individual directors a salary at market levels for comparable jobs recognising the size of the Group and the business sector in which it operates The main components are base salary, an annual bonus plan, pension contributions and share options Note 4 to the financial statements provides details of the remuneration paid and payable in respect of the year ended 31 March 2014

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 three months notice by either party with the exception of J Tredoux whose services are provided via Tredoux Capital, corporate finance advisers to the Group This engagement is terminable on 30 days' 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 Board's decision to embark upon a continuing programme of accelerated investment in technology development to take advantage of the opportunities provided by the advent of smartphones and global cyber security concerns has resulted in subsequent amendments to the performance conditions associated with these options The awards made to directors on 16 August 2011 are exercisable subject to the Company's share price reaching 200p and the awards made to senior managers on 26 July and 20 December 2011 will now become exercisable subject to their continued employment three years after the date of grant No new options were granted during the year ended 31 March 2014

The following options were outstanding as at 31 March 2014

Plan	Date of grant	No of shares	Exercise price	Dates exercisable
EMI	26 July 2011	200 000	1 0p	26 July 2014 to 25 July 2021
EMI	16 Aug 2011	631 572	1 0p	16 Aug 2014 to 15 Aug 2021
Unapproved	16 Aug 2011	612 087	1 0p	16 Aug 2014 to 15 Aug 2021
EMI	20 Dec 2011	50 000	1 0p	20 Dec 2014 to 19 Dec 2021

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

RA Parris – 869,565 options were granted on 16 August 2011 (448,517 of which are unapproved)

AM Walker – 374,094 options were granted on 16 August 2011 (163,570 of which are unapproved)

Share Incentive Plan (SIP)

The Company introduced a new SIP for all UK employees during the period and, as outlined in note 15 a Free Share award of £3,000 per employee was made on 26 March 2014

Share Price

As at 31 March 2014, the market value of the shares of the Company was 190 5p (mid-market price)
The share price fluctuated between a high of 199 0p and a low of 53 5p during the year ended 31 March 2014

Independent Auditors' Report to the Members of Intercede Group plc

Report on the group financial statements

Our opinion

In our opinion the financial statements, defined below

- give a true and fair view of the state of the group's affairs as at 31 March 2014 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

This opinion is to be read in the context of what we say in the remainder of this report

What we have audited

The group financial statements (the "financial statements"), which are prepared by Intercede Group plc, comprise

- the Consolidated Balance Sheet as at 31 March 2014,
- the Consolidated Statement of Comprehensive Income for the year then ended,
- the Consolidated Statement of Changes in Equity for the year then ended,
- the Consolidated Cash Flow Statement for the year then ended and
- the Notes to the Consolidated Accounts which include a summary of significant accounting policies and other explanatory information

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

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

What an audit of financial statements involves

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

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

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Other matters on which we are required to report by exception

Adequacy of information and explanations received

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

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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

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

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

Other matter

We have reported separately on the company financial statements of Intercede Group plc for the year ended 31 March 2014

Mark Smith Mark Smith

Mark Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
05 June 2014

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2014

	Notes	2014 £'000	2013 £000
Continuing operations			
Revenue	2	**9,783**	6 727
Cost of sales		**(99)**	(24)
Gross profit		**9,684**	6 703
Operating expenses		**(9,366)**	(7 467)
Operating profit/(loss)	3	**318**	(764)
Finance income	5	**77**	91
Profit/(loss) before tax		**395**	(673)
Taxation	6	**385**	101
Profit/(loss) for the year		**780**	(572)
Total comprehensive income/(expense) attributable to owners of the parent company		**780**	(572)

Earnings/(loss) per share (pence)	7		
- basic		**1 6p**	(1 2p)
- diluted		**1 6p**	(1 2p)

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

The accompanying notes are an integral part of these financial statements

Consolidated Balance Sheet

At 31 March 2014

	Notes	2014 £'000	2013 £'000
Non-current assets			
Property plant and equipment	8	**757**	644
Current assets			
Trade and other receivables	10	**1,785**	991
Cash and cash equivalents		**7,247**	6 770
		9,032	7 761
Total assets		**9,789**	8 405
Equity			
Share capital	11	**487**	487
Share premium account		**232**	232
Other reserves		**1,508**	1 508
Retained earnings		**3,972**	3,530
Total equity attributable to owners of the parent company		**6,199**	5 757
Current liabilities			
Trade and other payables	12	**1,719**	998
Deferred revenue		**1,871**	1 650
		3,590	2,648
Total equity and liabilities		**9,789**	8 405

The financial statements on pages 19 to 31 were authorised for issue by the Board of Directors on 5 June 2014 and were signed on its behalf by

RA Parris Director

AM Walker Director AM Walker

The accompanying notes are an integral part of these financial statements

Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 April 2012	484	110	1 508	3 930	6 037
Issue of shares net of costs	3	122	—	—	125
Employee share option plan charge (note 15)	—	—	—	172	172
Total comprehensive expense	—	—	—	(572)	(572)
At 31 March 2013	487	232	1,508	3 530	5,757
Purchase of own shares	—	—	—	**(475)**	**(475)**
Employee share option plan charge (note 15)	—	—	—	**136**	**136**
Employee share incentive plan charge (note 15)	—	—	—	**1**	**1**
Total comprehensive income	—	—	—	**780**	**780**
At 31 March 2014	**487**	**232**	**1,508**	**3,972**	**6,199**

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

The accompanying notes are an integral part of these financial statements

Consolidated Cash Flow Statement

For the year ended 31 March 2014

	2014 £'000	2013 £'000
Cash flows from operating activities		
Operating profit/(loss)	**318**	(764)
Depreciation	**116**	92
Employee share option plan charge	**136**	172
Employee share incentive plan charge	**1**	—
(Increase)/decrease in trade and other receivables	**(795)**	317
Increase in trade and other payables	**721**	88
Increase in deferred revenue	**221**	130
Interest received	**78**	94
Cash generated from operations	**796**	129
Taxation	**385**	101
Cash generated from operating activities	**1,181**	230
Investing activities		
Purchases of property plant and equipment	**(229)**	(553)
Cash used in investing activities	**(229)**	(553)
Financing activities		
Purchase of own shares	**(475)**	—
Proceeds on issue of shares	**—**	125
Net cash (used)/generated from financing activities	**(475)**	125
Net increase/(decrease) in cash and cash equivalents	**477**	(198)
Cash and cash equivalents at the beginning of the year	**6,770**	6 968
Cash and cash equivalents at the end of the year	**7,247**	6 770

The accompanying notes are an integral part of these financial statements

Notes to the Consolidated Accounts

For the year ended 31 March 2014

1 Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below These policies have been consistently applied to all of the years presented unless otherwise stated

General information

Intercede Group plc (the Company') and its subsidiaries (together the Group) is a leading independent developer and supplier of identity and credential management software The Company is a public limited company which is listed on the AIM section of the London Stock Exchange and is incorporated and domiciled in the UK The address of its registered office is Lutterworth Hall, St Mary's Road, Lutterworth, Leicestershire LE17 4PS The registered number of the company is 4101977

Basis of preparation

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

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

The Company has elected to prepare its entity accounts in accordance with UK GAAP and these are separately presented on pages 33 to 36

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 Groups 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 Groups revenue recognition polices are detailed below

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

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

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

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

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

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

Segmental reporting

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

All of the Groups sales, operating profits and net assets originate from operations in the UK The Directors consider that the activities of the Group across all areas of revenue constitute a single business segment This conclusion is consistent with the nature of information that is presented to the Board of Directors of the parent 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

Notes to the Consolidated Accounts continued

For the year ended 31 March 2014

provide enhancement, it is probable that future economic benefits associated from the item will flow to the Group and the cost of the enhancement can be measured reliably All other repair and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred

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

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

Leased assets

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

Trade and other receivables

Trade receivables are 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 comprise cash at bank and in hand and short-term deposits with an original maturity of up to twelve months

Finance income

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

Pension costs

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

Holiday entitlements

In accordance with IAS 19 "Employee Benefits" accruals are made in respect of holiday entitlements that have accrued to employees but had not been taken at the balance sheet date

Share-based payments

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

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

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

Taxation

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

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

Adoption of new accounting standards

Since the Group s previous annual financial report for the year ended 31 March 2013 the following pronouncements are now effective and have been adopted by the Group

Amendment to IAS 1 Presentation of financial statements

IFRS 13 'Fair value measurement'

Annual improvements 2011

There has been no material effect on the Group's financial statements following the introduction of the above

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and are not considered to be relevant to the Group None of these is expected to have a significant effect on the consolidated financial statements of the Group

In addition, a number of exposure drafts of new or amended standards and interpretations have been announced by the International Accounting Standards Board (IASB) These include exposure drafts on revenue recognition and leases The Group is not able to evaluate the potential impact of these pronouncements until final details of these and other exposure drafts have been concluded by the IASB

2 Revenue

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

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

	2014 £'000	2013 £000
UK	**928**	806
Rest of Europe	**2,195**	651
North America	**5,990**	4,823
Rest of World	**670**	447
	9,783	6727

Revenue of £ 2,695,000 (2013 £nil) and £1 017,000 (2013 £nil) is derived from two end customers These revenues are from the only end customers which individually represent over 10% of the Group's revenues

3 Operating profit/(loss)

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

	2014 £'000	2013 £000
Staff costs (note 4)	**7,074**	5 518
Foreign exchange loss/(gain)	**140**	(33)
Depreciation of property plant and equipment (note 8)	**116**	92
Operating lease rentals	**244**	210
Other expenses	**1,891**	1 704
	9,465	7 491

Included in the costs above is research and development expenditure totalling £2,876,000 (2013 £2,328,000)

The analysis of auditors' remuneration is as follows

	2014 £'000	2013 £'000
Fees payable for the audit of the parent company and consolidated financial statements	**34**	33
Fees payable for the audit of the Companys subsidiaries, pursuant to legislation	**2**	2
Services related to remuneration	**23**	9
	59	44

Notes to the Consolidated Accounts continued

For the year ended 31 March 2014

4 Staff costs

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

	2014 Number	2013 Number
Technical	**69**	61
Sales and marketing	**13**	9
Administration	**8**	7
	90	77

Their aggregate remuneration comprised

	2014 £'000	2013 £ 000
Wages and salaries	**6,042**	4,675
Social security costs	**717**	520
Pension costs	**178**	151
Employee share option plan charge (note 15)	**136**	172
Employees share incentive plan charge (note 15)	**1**	—
	7,074	5 518

Pension contributions totalling £30,000 (2013 £53,000) are included within year end trade and other payables

Directors' remuneration

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

	2014 £'000	2013 £ 000
Emoluments	**834**	455
Company contributions to money purchase pension scheme	**27**	26
	861	481

Emoluments exclude fees paid to third parties

Directors' emoluments

	Salary and fees 2014 £'000	Bonus 2014 £'000	Benefits in kind 2014 £'000	Total 2014 £'000	Total 2013 £ 000	Pension contributions 2014 £'000	Pension contributions 2013 £ 000
Executive Directors							
RA Parris	**216**	**183**	**1**	**400**	181	**14**	14
AM Walker	**147**	**116**	**1**	**264**	143	**7**	7
Non-Executive Directors							
I Drew	**16**	—	—	**16**	—	—	—
R Hoggarth	**16**	—	—	**16**	12	—	—
JS Sikorski	**16**	—	—	**16**	15	—	—
	411	**299**	**2**	**712**	351	**21**	21
Fees paid to third parties	**12**	—	—	**12**	12	—	—

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

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

5 Finance income

	2014 £'000	2013 £000
Interest income on short term bank deposits	**77**	91

6 Taxation

The tax credit comprises

	2014 £'000	2013 £000
Current year – UK corporation tax	**—**	—
Current year – US corporation tax	**(26)**	(13)
Prior year – US corporation tax	**—**	6
Research and development tax credits relating to prior years	**411**	108
Taxation	**385**	101

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

	2014 £'000	2013 £000
Profit/(loss) before tax	**395**	(673)
(Profit)/loss before tax at UK corporation tax rate of 23% (2013 24%)	**(91)**	162
Research and development claim	**862**	771
Research and development tax credits relating to prior years	**411**	108
Capital allowances in excess of/(lower than) depreciation	**22**	(8)
Expenses not deductible for tax purposes	**(1)**	(1)
Other temporary differences	**(6)**	(3)
Losses carried forward	**(820)**	(913)
Employee share option plan	**(31)**	(26)
Employee share incentive plan	**50**	—
Prior year – US corporation tax	**—**	6
Current year – US corporation tax	**(11)**	5
Tax credit/(charge) for the year	**385**	101

The Group has unused tax losses of £6,606,000 (2013 £6,843,000) and unrecognised deferred tax assets of £1,321,000 calculated at the UK corporation tax rate of 20% that came into effect from 1 April 2014 (2013 £1,574,000 calculated at the previous UK corporation tax rate of 23%)

Notes to the Consolidated Accounts continued

For the year ended 31 March 2014

7 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

		2014 £'000	2013 £000
Profit/(loss) for the year		**780**	(572)
		Number	Number
Weighted average number of shares	– basic	**48,661,716**	48 615,263
	– diluted	**50,228,664**	50 228 664
		Pence	Pence
Earnings/(loss) per share	– basic	**1 6p**	(1 2p)
	– diluted	**1 6p**	(1 2p)

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

	2014 Number	2013 Number
Issued ordinary shares at start of year	**48,735,005**	48 428 005
Effect of exercise of share options	**—**	245,233
Effect of purchase of own shares	**(73,289)**	(57 975)
Weighted average number of shares – basic	**48,661,716**	48 615 263
Add back effect of purchase of own shares	**73,289**	57,975
Effect of share options in issue	**1,493,659**	1 555 426
Weighted average number of shares – diluted	**50,228,664**	50 228 664

8 Property, plant and equipment

	Land and buildings £000	Leasehold improvements £000	Fixtures and fittings £000	Computer and office equipment £000	Total £000
Cost					
At 1 April 2012	—	—	61	420	481
Additions	422	—	25	106	553
Disposals	—	—	(5)	(74)	(79)
At 1 April 2013	422	—	81	452	955
Additions	**—**	**58**	**2**	**169**	**229**
Disposals	**—**	**—**	**—**	**(10)**	**(10)**
At 31 March 2014	**422**	**58**	**83**	**611**	**1,174**
Accumulated depreciation					
At 1 April 2012	—	—	33	265	298
Charge for the year	8	—	9	75	92
On disposals	—	—	(5)	(74)	(79)
At 1 April 2013	8	—	37	266	311
Charge for the year	**8**	**—**	**9**	**99**	**116**
On disposals	**—**	**—**	**—**	**(10)**	**(10)**
At 31 March 2014	**16**	**—**	**46**	**355**	**417**
Net Book Amount					
At 31 March 2014	**406**	**58**	**37**	**256**	**757**
At 31 March 2013	414	—	44	186	644

9 Subsidiaries

The Company s subsidiaries, all of which have been consolidated in the Group s financial statements at 31 March 2014 are as follows

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

10 Trade and other receivables

	2014 £'000	2013 £ 000
Trade receivables	**1,473**	843
Prepayments and accrued income	**232**	139
Other debtors	**80**	9
	1,785	991

As outlined in note 13, the Group s main credit risk relates to its trade receivables The carrying amount of trade and other receivables approximates to their fair value, which has been calculated based on expectations of debt recovery from historic performances Trade receivables are stated net of a provision for estimated irrecoverable amounts of £nil (2013 £nil) The level of trade receivables over 60 days old which have been provided for is £nil (2013 £nil) The amount written off as irrecoverable during the year was £nil (2013 £28,000)

Included within trade receivables are receivables with a carrying amount of £69,000 (2013 £86,000) 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 £23 000 (2013 £26,000) The average age of the Group s trade receivables is 39 days (2013 34 days)

11 Share capital

	2014 £'000	2013 £ 000
Authorised		
481 861 616 ordinary shares of 1p each (2013 481 861 616)	**4,819**	4 819
Issued and fully paid		
48 735 005 ordinary shares of 1p each (2013 48,735,005)	**487**	487

As at 31 March 2014 the Company had 164,000 ordinary shares held in treasury (2013 57,975) During the year the Company purchased 250 000 ordinary shares (2013 nil) for a consideration of £475 000 and transferred 143,975 ordinary shares from treasury to Capita IRG Trustee Limited as trustees of the new employee share incentive plan (see note 15)

12 Trade and other payables

	2014 £'000	2013 £ 000
Trade payables	**431**	247
Taxation and social security	**142**	123
Accruals	**1,146**	628
	1,719	998

Notes to the Consolidated Accounts continued

For the year ended 31 March 2014

13 Financial instruments

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

The Group's objectives when managing capital are to safeguard the Groups 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 Groups policy that no trading in financial instruments shall be undertaken The Group has no derivative financial instruments

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

Interest rate risk

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

Liquidity risk

The Group has cash balances and no external borrowings

Credit risk

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

Foreign currency risk

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

Interest rate profile

The Group has cash deposits of £7 247 000 (2013 £6 770 000) at the year end This includes US dollar deposits of £272 000 (2013 £206 000) and euro deposits of £85,000 (2013 £127,000) Interest rates on cash deposits are based on LIBOR

Maturity of financial liabilities

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

Borrowing facilities

The Group has no undrawn committed borrowing facilities (2013 £nil)

Currency exposures

The table below shows the Groups 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 2014	**1,484**	**278**	**1,762**
At 31 March 2013	814	161	975

14 Financial commitments

a) *Capital commitments*

The Group had capital commitments totalling £33,000 at the year end (2013 £nil)

b) *Operating leases*

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

	2014 **£'000**	2013 £000
Expiry date		
– within one year	**136**	110
– between two and five years	**256**	283

15 Share based payments

The Company introduced a new Share Option Plan for senior executives on 22 July 2011 and options were granted later that year The contractual life of an option is 10 years and exercise of an option is subject to achievement of performance targets, a three year vesting period and continued employment

No new options have been granted during the year ended 31 March 2014 (2013 nil) but as noted in the Report of the Remuneration Committee on page 17, certain changes have been made to the performance conditions associated with options that were granted in 2011 These changes did not alter the fair values that were calculated using the Black-Scholes option pricing model

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

Grant date	26 July 2011	16 August 2011	20 December 2011
Share price at grant date	69 0p	57 0p	64 0p
Exercise price	1 0p	1 0p	1 0p
Number of employees	4	3	1
Shares under option	200 000	1 243 659	50,000
Vesting period (years)	3	3	3
Expected option life (years)	7	7	7
Expected volatility	57 53%	58 21%	42 54%
Risk free rate	2 29%	1 65%	1 24%
Expected dividends expressed as a dividend yield	2 90%	3 51%	3 13%
Fair value per option	55 0p	44 0p	50 0p

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

The total charge for the year relating to employee share options was £136 000 (2013 £172 000) This charge reflects the impact of the change in performance conditions referred to above The fair value of options granted on 16 August 2011 is now being recognised over six years (previously three years)

Share options outstanding at the year end have a weighted average contractual life of 7 4 years (2013 8 4 years)

In February 2014, HM Revenue & Customs approved a Share Incentive Plan (SIP) for all UK employees including the Executive Directors

The Board has agreed to make awards to all UK employees on the following basis

- A Free Share award of £3,000 per employee was made on 26 March 2014 which, based upon the previous day's closing middle market price of 198 5p resulted in 1,511 shares being issued to each of the 73 employees who were eligible and had applied for the award
- Partnership Shares can be subscribed for by employees via salary deductions during the year ending 31 March 2015, either on a monthly or lump sum basis to a cumulative value of up to £1 800 As at 31 March 2014 54 employees representing 74% of the eligible employees, had made binding commitments to subscribe for Partnership Shares during the year ending 31 March 2015
- Matching Shares will be given to employees on the basis of two Matching Shares for each Partnership Share

The initial Free Share award was met by the transfer of ordinary shares from treasury (as a result of 57,975 ordinary shares previously purchased and held in treasury plus the completion of a share buyback programme involving the purchase of 250,000 ordinary shares during the quarter ended 31 March 2014) It is intended that future Free Share and Matching Share awards will be met by the transfer of ordinary shares currently held in treasury and from continued on market purchases either by the Company or Capita IRG Trustees Limited as Trustee of the SIP To the extent that ordinary shares are not available in treasury or in the volume required through the market, it is the Company's intention to issue new ordinary shares to meet these awards

The total charge for the year relating to the employee share incentive plan was £1 000 (2013 £nil) This charge reflects the cost of the 26 March 2014 Free Share award having regard for the estimated number of employees who will depart the Company prior to the end of a three year forfeiture period

16 Related party transactions

During the year ended 31 March 2014, J Tredoux served as a Non-Executive Director J Tredoux is also a director of Tredoux Capital Limited, the Groups 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

	2014 £'000	2013 £'000
Consultancy fees charged	**21**	21
Balance outstanding at the year end	**5**	5

Independent Auditors' Report to the Members of Intercede Group plc

Report on the company financial statements

Our opinion

In our opinion the financial statements, defined below

- give a true and fair view of the state of the company's affairs as at 31 March 2014,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

This opinion is to be read in the context of what we say in the remainder of this report

What we have audited

The company financial statements (the "financial statements"), which are prepared by Intercede Group plc, comprise

- the Company Balance Sheet as at 31 March 2014, and
- the Notes to the Company Accounts, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

What an audit of financial statements involves

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

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

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

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

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

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

Other matter

We have reported separately on the group financial statements of Intercede Group plc for the year ended 31 March 2014

Mark Smith Mark Smith

Mark Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
05 June 2014

Company Balance Sheet

At 31 March 2014

	Notes	2014 £'000	2013 £'000
Fixed assets			
Investments	3	**3,425**	3 288
Current assets			
Debtors	4	**919**	1 459
Total assets		**4,344**	4 747
Capital and reserves			
Called up share capital	5	**487**	487
Share premium account	6	**232**	232
Profit and loss account	6	**3,625**	4 028
Total shareholders' funds		**4,344**	4 747

The accompanying notes are an integral part of these financial statements

Signed on behalf of the Board

RA Parris Director

AM Walker Director AM Walker

5 June 2014

Intercede Group plc Registered No 4101977

Notes to the Company Accounts

For the year ended 31 March 2014

1 Accounting policies

The Company is a holding company which was set up to facilitate the admission of the Group onto the AIM section of the London Stock Exchange It does not trade and it has no employees The financial statements have been prepared on the going concern basis in accordance with applicable UK accounting standards 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 amount of loss dealt with in the Company financial statements was £65,000 (2013 £61,000 loss)

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

Basis of accounting

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

Cash flow statement

The Company has taken advantage of the exemption available under FRS 1 (Revised 1996) "Cash Flow Statements" which provides that a cash flow statement does not have to be prepared where a company is a member of a group and a consolidated Cash Flow Statement is published

Related party transactions

In accordance with the exemption permitted by FRS 8 "Related Party Disclosures", related party transactions between members of the Group, headed by Intercede Group plc, are not disclosed as 100% of the Companys voting rights are controlled within the Group and the consolidated financial statements, which incorporate the results of the Company, are publicly available

Fixed asset investments

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

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences are differences between the Companys taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable tax profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a non-discounted basis

Share-based payment transactions

The equity-settled share option programme allows employees to acquire shares of the ultimate Parent Company, these awards are granted by the ultimate Parent Company The fair value of options granted is recognised as an employee expense with a corresponding increase in equity The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options The fair value of all the options granted are measured using the Black–Scholes option pricing model, taking into account the terms and conditions upon which the options were granted 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 Companys investment in subsidiary undertaking based on an estimate of the number of shares that will eventually vest

2 Auditors' remuneration

Fees payable to the Company's auditors for the audit of the parent company are £2,000 (2013 £2,000)

3 Investments

	2014 £'000	2013 £000
At 1 Apnl	**3,288**	3,116
Additions	**137**	172
At 31 March	**3,425**	3 288

Additions in the year of £137,000 (2013 £172 000) reflect the employee share option and incentive plan charges relating to employees of the Company's subsidiaries

The Company's subsidiaries at 31 March 2014 were

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

4 Debtors

	2014 £'000	2013 £'000
Amounts owed by subsidiary undertakings	**917**	1 458
Prepayments and accrued income	**2**	1
	919	1,459

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

Notes to the Company Accounts continued

For the year ended 31 March 2014

5 Called up share capital

	2014 £'000	2013 £ 000
Authorised		
481 861,616 ordinary shares of 1p each (2013 481 861 616)	**4,819**	4,819
Allotted and fully paid		
48 735 005 ordinary shares of 1p each (2013 48 735 005)	**487**	487

As at 31 March 2014 the Company had 164,000 ordinary shares held in treasury (2013 57,975) During the year the Company purchased 250,000 ordinary shares (2013 nil) for a consideration of £475,000 and transferred 143,975 ordinary shares from treasury to Capita IRG Trustee Limited as trustees of the new employee share incentive plan

6 Reserves

	Share premium account £ 000	Profit and loss account £ 000	Total £ 000
At the beginning of the year	232	4 028	4 260
Purchase of own shares (note 5)	—	**(475)**	**(475)**
Employee share option and incentive plan charges (note 3)	—	**137**	**137**
Loss for the year	—	**(65)**	**(65)**
At the end of the year	**232**	**3,625**	**3,857**

7 Financial commitments

a) Capital commitments

The Company had no capital commitments at the year end (2013 £nil)

b) Operating leases

The Company had no annual commitments under non-cancellable operating leases at the year end (2013 £nil)