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INTERCEDE GROUP plc
('Intercede', 'the Company' or 'the Group')

Preliminary Results for the Year Ended 31 March 2010

Intercede, one of the world's leading developers and suppliers of identity management software, today announces its preliminary results for the year ended 31 March 2010.

SUMMARY

- Sales revenues increased from £5.7m to £6.2m.
- Full year profitability reported for the second consecutive period:
 - * Operating profit before exceptional item of £2.0m (2009: £1.9m)
 - * Profit before tax of £0.5m (2009: £1.4m)
 - * Profit for the year of £0.5m (2009: £1.7m)
- Full and final settlement of US and UK patent litigation; £1.5m exceptional item for legal costs.
- Cash balances of £4.7m at 31 March 2010 (2009: £3.7m).
- All external borrowings eliminated following the decision of the convertible loan note holders to convert their loan notes into ordinary shares.
- Increased investment in international sales and technical capabilities to support growing demand for and use of Intercede's proprietary MyID Identity and Credential Management System.
- National ID schemes powered by MyID go live in two countries.
- Continued expansion of Intercede's customer base in the US.
- Winning new contracts to supply MyID to government ministries, banks and business corporations around the world.
- Intercede overtakes competitors to be No1 in class as measured by the number of contract wins announced during the period.

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

“Intercede continues to prove that it is a world leader in identity and credential management. This is a market that is growing each year and we are right at its heart. In an increasingly virtual and highly mobile world, security of identity affects many areas of peoples' lives in a very real way: accessing facilities in the workplace, buying goods and services, proving entitlement, defeating terrorism and preventing cyber warfare.”

“Our performance this year demonstrates how we have capitalised on this opportunity. We are becoming involved in increasingly long term projects across the world, we are financially strong and the millstone of patent litigation has been removed. We therefore remain optimistic about our future prospects.”

About Intercede

Intercede is the producer of the MyID Identity and Credential Management System (IDCMS). Intercede's MyID is the only IDCMS software product that enables organisations to easily and securely manage the identities of people and their associated identity credentials within a single, integrated, workflow driven platform. This includes enabling and managing: secure registration, biometric capture, application vetting and approval through to smart card personalisation, issuance and management.

Intercede's MyID is being used around the world by large corporations, governments and banks to manage millions of identities for employees, citizens and customers. Notable deployments in the US include 10 Federal Agencies, a program with Lockheed Martin and two major US financial institutions. In Europe and the Middle East, Intercede's MyID is being deployed in support of government identity, health and corporate employee ID security projects.

For more information visit <http://www.intercede.com>

ENQUIRIES

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INTERCEDE GROUP plc
Preliminary Results for the Year Ended 31 March 2010

Chairman's Statement

Intercede is one of the world's leading developers and suppliers of software for identity and credential management. This software is branded as the Intercede MyID Identity and Credential Management System. MyID is used by governments, public authorities and companies around the world to improve the level of identity assurance of their citizens and employees.

Financial and Operational Highlights

During the year significant progress has been made both financially and operationally across many areas. Highlights include:

1. Sales revenues increased from £5.7m to £6.2m.
2. Full year profitability reported for the second consecutive period:
 - o Operating profit before exceptional item of £2.0m (2009: £1.9m)
 - o Profit before tax of £0.5m (2009: £1.4m)
 - o Profit for the year of £0.5m (2009: £1.7m)
3. Full and final settlement of US and UK patent litigation; £1.5m exceptional item for legal costs.
4. £1.0m of cash generated during the period (2009: £2.6m), after payment of legal costs relating to patent litigation.
5. National ID schemes powered by MyID go live in two countries.
6. Lockheed Martin purchased additional MyID licenses for provisioning all permanent staff with PIV-Interoperable smart cards.
7. US Transportation Worker Identity Credential (TWIC) programme has issued more than 1.5 million smart cards to date to US port workers and mariners using MyID.
8. US Federal Aviation Authority significantly increased its investment in MyID infrastructure at airports across the US.
9. The US Social Security Administration has used MyID to issue smartcards to more than 80,000 staff.
10. A new multi year contract has been won with a US partner to supply MyID to a large US based, global management consultancy group for internal security and regulatory compliance.
11. The NHS has purchased a further 200,000 MyID licenses to deliver smart cards to medical professionals in the UK bringing the total purchased to date up to 800,000.

Results

£'000	Year ended 31 March		
	2010	2009	2008
Revenue	6,194	5,701	2,805
Gross profit	6,128	5,660	2,775
Pre-exceptional operating profit/(loss)	2,026	1,858	(102)
Exceptional item	(1,517)	(371)	-
Profit/(loss) before tax	510	1,408	(177)

In the year ended 31 March 2010, revenue increased by 9% from £5,701,000 to £6,194,000 at a gross margin of 99%. While the level of growth is lower than that achieved in the previous period, it belies an underlying strengthening of the business, with no single project representing more than 15% of total revenue (2009: 25%). As a result of the growth delivered from multiple projects, we have a stronger and more diverse customer base from which to generate recurring revenues.

Good progress has been made growing our international sales and technical capabilities through a targeted programme of investment, which has been accelerated to take advantage of the growing market opportunity. This includes the incorporation of Intercede MyID Inc. in the United States and recruiting two additional business development and sales resources in the region. Furthermore, we have also recruited a senior business head in France to spearhead our further growth in continental Europe. In parallel with this investment, though, we have continued to maintain tight control of our cost base.

The pre-exceptional operating profit for the period was £2,026,000 which compares to £1,858,000 in the previous year, the margin on sales remaining at 33% year on year. As a consequence at 31 March 2010, the Group had cash balances of £4,664,000, an increase of £953,000 from 2009. This includes the payment during the year of £1,085,000 of legal costs associated with the conduct and eventual settlement of the patent litigation, described below. With a balance of £747,000 of legal costs remaining to be paid as at 31 March 2010, the Group has effectively entered the new financial year with a net cash balance of £3,917,000.

The US and UK patent litigations involving ActivIdentity were settled on 23 March 2010. The exceptional charge to the current financial year for all of the legal fees and associated costs relating to this case is £1,517,000. There are no other additional costs associated with this suit in the reported period and no further legal costs or exposures are expected to arise in the foreseeable future. Furthermore, the patent licence agreement included within the settlement will have no material impact on Intercede's future earnings. We believe that this was an appropriate use of funds, which removed a major uncertainty from the business and was necessary for the successful protection of long term shareholder value. We also believe it sends a clear message to others in the industry that Intercede is prepared to invest with the world's strongest law firms in order to robustly defend itself in any legal action.

After these exceptional charges are taken into account, Intercede delivered a profit before tax of £510,000. This is the second consecutive full year of profitability and is a tremendous achievement under the circumstances.

Key Revenue Statistics

- 83% of revenue generated by recurring customers.
- 15% of revenue generated by the largest single customer.
- 45% of revenue generated in the US.
- 62% of revenue generated by government customers.
- 33% of revenue generated by software licence sales.
- 43% of revenue generated by professional services and custom MyID software development.
- 24% of revenue generated by support and maintenance.

Product Development

This year has been marked by the continuing adaptation of MyID to service a growing number of major commercial organisations, governments and managed service providers. These funded adaptations significantly enhance the MyID platform and will be made available to all customers in the next major product release, MyID 9 scheduled in Q4 2010.

MyID 9 will enable customers to maximise their return on investment in credential management by:

- Providing a comprehensive infrastructure that reduces the number of 'moving parts' in a credential management system. This reduces both initial deployment and subsequent ongoing operating costs;
- Delivering enhanced levels of business process improvement through Intercede's generic objects technology;
- Allowing Systems Integrators to add value faster by utilising MyID's rich productivity toolkit; and
- Leveraging MyID's vendor independence to protect customers from technology obsolescence.

In the US, the PIV-Interoperable market is proving to be of particular interest. Customers include those organisations that wish to interoperate or emulate the best practice of the US Government's HSPD-12/PIV initiative. Intercede has already delivered a number of customer deployments outside of Federal Government, thereby achieving significant first mover advantage. These include a large aerospace company, a leading strategy and technology consulting firm, the Transportation Workers Identity Credential programme and a US state.

A major European telecommunications provider has also adopted MyID to support a new managed service for the issuance of secure credentials in support of online data services. This is complemented by MyID's service management capability which has been developed over the last year for a UK government customer. This extends the scope of usage of MyID from credential issuance to the larger credential usage market. It enables MyID to be used to provision subscriber access to on-card data services and to support 'Security in the Cloud' managed service deployments.

MyID's identity management capabilities continue to be extended to increase our product reach, both through MyID's own capabilities and through enhanced integration with 3rd party identity provisioning systems. For example, we have enhanced our integration with SUN Identity Manager for our Lockheed Martin and BT customers. We have also enabled integration with Novell Identity Manager for our Middle East Oil Company customer and, in the case of a large government contract, we have integrated with the Thales TAMIS biometric system.

Finally, Intercede continues to invest in its integrators' toolkit; a tool that accelerates Intercede's own project specific customisation activities and provides integrators with a platform for rapid application development.

Strategy

In last year's Chairman's statement, I highlighted that the Group's 2009/10 business plan was to:

- Continue to successfully deliver existing large projects that cross the financial year end;
- Secure new large scale public sector projects from governments worldwide;
- Further expand our market penetration in the US by incorporating a US subsidiary company and appointing a local general manager;
- Capitalise on our new business in the Middle East and Australia to win additional contracts in these regions; and
- Refocus Intercede's supply chain development efforts onto those partners who are prepared to invest in product training and marketing. It is also critical that they have the technical expertise to excel in project delivery and customer care.

After 12 months of further progress, Intercede's success in executing this strategy can be summarised as follows:

- 80% of Intercede's revenues were derived from 16 major projects that span across financial years;
- A new subcontract with Thales UK for a major UK government contract was announced on 1 March 2010. This is in addition to ongoing large and small public sector contracts in Australia, Greece, Hungary, Ireland, Israel, Kuwait, Netherlands, Portugal, Romania, Slovakia and the US;
- Intercede MyID Inc, was incorporated in September 2009 in the State of Delaware and a senior industry professional has been appointed to grow the business;
- Intercede's footprint in the Middle East and Australia has been expanded by the addition of a middle eastern oil company and an Australian bank as new customers; and
- A new sales structure has been put in place lead by Jurek Sikorski, a Non-Executive Director of Intercede. Jurek is a member of the London Business School and is a highly experienced sales professional. Under Jurek's expert leadership, Intercede is investing in supporting and leveraging a selected group of sales partners who are judged to be most likely to maximise our commercial performance in the short to medium term.

The Group's business plan in the coming year is to build on this year's success by executing the following strategy:

- Launch MyID 9 as a major product release, designed to deliver new levels of business productivity and cost improvements to customers;

- Expand the number of large customers who generate long term recurring revenues;
- Further develop an ecosystem of global partners and integrators to deliver complete solutions to customers around the world;
- Increase the service revenues from Intercede expert professional services team at a time when one of the major barriers to market growth is a lack of skilled implementers;
- Drive product innovation in the support of managed service partners including the delivery of 'security in the cloud' and the use of mobile devices as a secure credential; and
- Accelerate growth and compensate for any loss of revenue that may result from cuts in UK public sector spending by investing to drive new sales in international markets, particularly in the US.

Outlook

Intercede's activities are highly relevant to world events; but its products are also helping to build a safer world, as illustrated by a selection of media headlines from earlier this year:

March 3, New York - FAA puts two air traffic control employees on admin leave after teen directs aircraft over JFK.

March 25, Leeds – NHS Choose and Book programme [a national electronic referral service] announces that it has reached a key milestone of 20 million patient referrals having been booked using the system.

April 13, Washington – In full accord on a global threat, world leaders endorse President Barack Obama's call for securing all nuclear materials around the globe within four years to keep them out of the grasp of terrorists.

April 15, Washington – 1,421,756 TWIC cards issued to port workers at 159 TWIC Enrollment Centers across the US, American Samoa and Guam.

Behind each of these headlines is a story about how Intercede's people and technology are enabling these and similar programmes to enhance security and deliver trust. For example, the FAA is using MyID to provision strong identity cards to air traffic controllers across the US to enable better access security to sensitive facilities and the NHS has issued nearly 800,000 smart cards using MyID to medical professionals across the UK to enable secure access to the NHS Choose and Book system. In the US, MyID is being used in a programme to control the movement of radioactive materials and all of the TWIC cards for US port workers are produced using MyID. These are just a few topical examples of the ongoing growth of identity projects and there is clear evidence of an acceleration in the number of similar opportunities that are emerging around the world.

We believe the importance of being able to establish trust between individuals and organisations in an increasingly virtual and highly mobile world will be critical to many areas of day to day business and personal life, such as accessing facilities in the workplace, buying goods and services, proving entitlement, defeating terrorism and preventing cyber warfare. This need is a subset of the wider Identity and Access Management market which is forecast to grow globally from \$3.15bn in 2007 to \$5.3bn in 2012. 75% of this total market is driven by compliance and regulatory demand, notably in the US which accounts for around 40% of the whole (Source:IDC).

Intercede's MyID technology and our expert team of engineers are ideally placed to deliver world-class solutions to these difficult and complex requirements. For a company with modest current revenues, the potential upside from our continuing success is very high and we remain optimistic about our future prospects.

We look forward with confidence to reporting on our progress during the current year and beyond.

Richard Parris
Chairman & Chief Executive

Business and Finance Review

Introduction

Intercede has delivered an improved trading performance in the current financial year despite difficult economic conditions. This further growth reflects the continued momentum from the Group's involvement in an increasing number of projects around the world with a consequential increase in revenues from software licence sales, associated support & maintenance and the delivery of ongoing professional services assistance.

Business Development

In last year's Business and Finance Review, I stated that the momentum is clearly building, which has been further demonstrated by these results. Existing projects have gone to plan and new projects have continued to be won. Moreover, the Directors are increasingly confident that this will be reflected in the Group's future financial performance as more and more projects move beyond the initial proof of concept and pilot phases.

It is also worthy of note that the nature of these projects, which are infrastructure related, means that they can realistically be expected to deliver revenues over many years offering increasing levels of visibility. Intercede's MyID software manages the secure enrolment, verification, issuance and lifecycle of digital identities for a wide range of uses. This requires the integration of multiple technologies and products from many different vendors, including smart cards, biometrics, digital certificates, Open Platform applets and physical access control systems. Requests for professional services assistance are an ongoing feature of major projects, in addition to revenues from further licence sales and support & maintenance renewals.

Following the successful launch of MyID 8 in June 2008, which repositioned MyID from being a smart card management system to a fully featured Identity and Credential Management System, MyID 8 SR1 was released on 26 October 2009. This updated version includes support for a wide range of third party systems and devices and enables partners and systems integrators to add value faster using Intercede's revolutionary Project Designer suite of Application Programming Interfaces (APIs) and customisation tools.

The combined effect of project wins and product strengthening continues to be reflected in a growing level of interest in MyID from existing and potential new industry partners. The nature and extent of project wins over the past 2-3 years has established MyID as a market leader in its own right and an increasing proportion of Intercede's industry partners are marketing and selling the Group's technology under the MyID name. The consequential benefit from Intercede receiving a greater share of the contract value has also contributed to the Group's improved financial performance.

The Group enters 2010/11 with a larger pipeline than ever before, both in terms of the number and value of individual opportunities. The current pipeline contains a high level of forecast revenue from projects we have already won (i.e. additional revenues from existing projects), quite apart from other projects that we are still bidding for.

Whilst experience tells us that project delays can and will happen for a variety of reasons, we remain focused on the action we can take to ensure that we are best placed to deal with any changes to project timings.

Financial Results

The financial results outlined below reflect the continued momentum from the Group's involvement in an increasing number of projects around the world.

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000	Change %
Revenue	6,194	5,701	8.6
Gross profit (%)	6,128 (99%)	5,660 (99%)	8.3
Pre-exceptional operating costs	(4,102)	(3,802)	(7.9)
Pre-exceptional operating profit (%)	2,026 (33%)	1,858 (33%)	9.0
Exceptional item	(1,517)	(371)	
Profit before tax	510	1,408	(63.8)
Basic earnings per share	1.1p	4.7p	(76.6)
Adjusted earnings per share	4.2p	3.7p	13.5

Sales revenues have grown by a further 9% following last year's doubling, with no one project representing more than 15% of total revenue (2009: 25%). With gross profit margins remaining constant at 99%, and the increase in costs being restricted to 8%, the Group has delivered a 33% pre-exceptional operating margin for the second year in succession.

Staff costs continue to represent the main area of expense representing 84% of the total pre-exceptional operating costs (2009: 84%). The average number of employees increased from 47 to 54 year on year.

The exceptional item represents the costs associated with defending a patent infringement lawsuit which was filed by ActivIdentity in the United States District Court for the Northern District of California on 1 October 2008. No further legal costs are expected to arise following the settlement of this claim on 23 March 2010.

The net finance income for the year was £1,000 (2009: £79,000 net finance cost) which reflects the benefit of the May 2009 convertible loan note conversion. Having regard for the enhanced tax relief available in respect of research and development expenditure, £3,574,000 of prior year tax losses remain available for utilisation against future year's profits (2009: £3,506,000). Given the increase in tax losses carried forward, no change has been made to the deferred tax asset recognised in respect of prior year losses (2009: £280,000 credit).

A profit for the year of £496,000 (2009: £1,749,000) resulted in a basic earnings per share of 1.1p (2009: 4.7p) and a fully diluted earnings per share of 1.0p (2009: 3.6p). The adjusted fully diluted earnings per share, based upon profit prior to tax and exceptional item of £2,027,000 (2009: £1,779,000), is 4.2p (2009: 3.7p).

Funding

As at 31 March 2010, the Group had cash balances totaling £4,664,000 (2009: £3,711,000). The increase in cash balances principally reflects a £2,085,000 inflow from pre-exceptional operating activities (2009: £2,445,000 inflow) and £1,085,000 of exceptional payments relating to the ActivIdentity patent litigation (2009: £56,000). Following the settlement of this litigation on 23 March 2010, all outstanding legal costs have now been paid. This resulted in a further £747,000 being paid out during April and May 2010 to the Group's legal advisers, as a result of which the Group has effectively entered the new financial year with a net cash balance of £3,917,000.

The Group has no debt (2009: £1,936,000). As outlined in note 7, all of the convertible loan note holders elected to convert their loan notes into ordinary shares during the period. The conversion significantly strengthens the Company's Balance Sheet and leaves the Group with a substantial cash balance to meet its future needs.

The Board proposes to reduce the Company's share capital by cancelling the Share Premium Account and cancelling and extinguishing the Deferred Shares. A circular will be sent to shareholders seeking approval for the Proposals at a General Meeting of the Company which is scheduled to follow this year's AGM on 24 September 2010. The effect of the Capital Reduction would be to eliminate the deficit showing as profit and loss account reserves, thereby facilitating the payment of a dividend as and when the Board considers this to be appropriate.

Summary

The Group has delivered another strong trading and financial performance. It is pleasing to enter the new financial year with a much stronger Balance Sheet and having resolved the patent litigation.

Andrew Walker
Finance Director

INTERCEDE GROUP plc

Consolidated Income Statement for the year ended 31 March 2010

	Notes	2010 £'000	2009 £'000
Continuing operations			
Revenue	2	6,194	5,701
Cost of sales		(66)	(41)
Gross profit		6,128	5,660
Administrative expenses		(5,619)	(4,173)
Operating profit		509	1,487
Operating profit before exceptional item			
Operating profit before exceptional item			
Exceptional item	3	(1,517)	(371)
Operating profit		509	1,487
Finance income		27	68
Finance costs		(26)	(147)
Profit before tax		510	1,408
Taxation	4	(14)	341
Profit for the year		496	1,749
Total comprehensive income attributable to owners of the company		496	1,749
Earnings per share (pence)			
	5		
- basic		1.1p	4.7p
- diluted		1.0p	3.6p

There are no recognised gains or losses in either year other than the profit for the year.

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

INTERCEDE GROUP plc

Consolidated Balance Sheet at 31 March 2010

	Notes	2010 £'000	2009 £'000
Non-current assets			
Property, plant and equipment		84	67
Deferred tax		280	280
		364	347
Current assets			
Trade and other receivables		954	902
Cash and cash equivalents	8	4,664	3,711
		5,618	4,613
Total assets		5,982	4,960
Equity			
Called up share capital	7	4,413	4,305
Share premium account		4,718	2,875
Other reserves		1,508	1,508
Equity reserve		-	109
Retained earnings		(7,497)	(8,102)
Total equity		3,142	695
Current liabilities			
Trade and other payables		1,385	1,156
Deferred revenue		1,455	1,173
Convertible loan notes	8	-	1,936
		2,840	4,265
Total equity and liabilities		5,982	4,960

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

INTERCEDE GROUP plc

Consolidated Statement of Changes in Equity for the year ended 31 March 2010

	Share capital	Share premium account	Other reserves	Equity reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2008	4,292	2,764	1,508	109	(9,851)	(1,178)
Issue of shares, net of costs	13	111	-	-	-	124
Total comprehensive income	-	-	-	-	1,749	1,749
At 31 March 2009	4,305	2,875	1,508	109	(8,102)	695
Issue of shares, net of costs (see note 7)	108	1,843	-	(109)	109	1,951
Total comprehensive income	-	-	-	-	496	496
At 31 March 2010	<u>4,413</u>	<u>4,718</u>	<u>1,508</u>	<u>-</u>	<u>(7,497)</u>	<u>3,142</u>

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

INTERCEDE GROUP plc

Consolidated Cash Flow Statement for the year ended 31 March 2010

	Notes	2010 £'000	2009 £'000
Cash flows from operating activities			
Operating profit		509	1,487
Exceptional item		1,517	371
		2,026	1,858
Operating profit before exceptional item		2,026	1,858
Depreciation		31	25
Increase in trade and other receivables		(60)	(473)
Increase in trade and other payables		88	1,035
		2,085	2,445
Cash generated from operations before exceptional item		2,085	2,445
Exceptional item		(1,085)	(56)
Taxation (paid)/received		(14)	61
		986	2,450
Net cash generated from operating activities		986	2,450
Investing activities			
Interest received		25	68
Purchases of property, plant and equipment		(48)	(40)
		(23)	28
Net cash from investing activities		(23)	28
Financing activities			
(Costs)/proceeds on issue of shares		(10)	80
		953	2,558
Net increase in cash and cash equivalents	8	953	2,558
Cash and cash equivalents at the beginning of the year	8	3,711	1,153
		4,664	3,711
Cash and cash equivalents at the end of the year	8	4,664	3,711

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

INTERCEDE GROUP plc

Preliminary Results for the Year Ended 31 March 2010

NOTES

1. The financial information set out in this announcement does not constitute the Group's Statutory Accounts for the years ended 31 March 2009 or 2010, but is derived from those accounts. Statutory Accounts for 2009 have been delivered to the Registrar of Companies and those for 2010, 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 of the Company will be held at 11.00 am on Friday 24 September 2010 at Lutterworth Hall. Copies of the full Statutory Accounts 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:

	2010	2009
	£'000	£'000
United Kingdom	1,601	2,488
Rest of Europe	1,389	846
USA	2,795	2,104
Rest of World	409	263
	6,194	5,701

3. EXCEPTIONAL ITEM

The exceptional item represents the costs associated with defending a patent infringement lawsuit which was filed by ActivIdentity in the United States District Court for the Northern District of California on 1 October 2008. No further legal costs are expected to arise following the settlement of this claim on 23 March 2010.

4. TAXATION

The tax (charge)/credit comprises:

	2010	2009
	£'000	£'000
Current year – UK corporation tax	-	-
Prior year – UK corporation tax	(14)	-
Research and development tax credits relating to prior periods	-	61
Recognition of deferred tax asset arising from prior period losses	-	280
	(14)	341

The Group has unrecognised deferred tax assets of £721,000 (2009: £702,000) and unused tax losses of £3,574,000 (2009: £3,506,000).

5. EARNINGS PER ORDINARY SHARE

The calculations of earnings per ordinary share are based on the profit for the financial year and the weighted average number of ordinary shares in issue during each year.

	2010	2009
	£'000	£'000
Profit for the year	496	1,749
Adjusted profit before tax and exceptional item	2,027	1,779
	Number	Number
Weighted average number of shares - basic	46,304,420	37,011,460
- diluted	48,735,005	48,735,009
	Pence	Pence
Earnings per share - basic	1.1	4.7
- diluted	1.0	3.6
- adjusted*	4.2	3.7

* Adjusted fully diluted earnings per share based on profit before tax and exceptional item

6. DIVIDEND

The Directors do not recommend the payment of a dividend.

7. CALLED UP SHARE CAPITAL

	2010	2009
	£'000	£'000
<i>Authorised</i>		
481,861,616 (2009: 481,861,616) ordinary shares of 1p each	4,819	4,819
393,138,384 (2009: 393,138,384) deferred shares of 1p each	3,931	3,931
	8,750	8,750
<i>Issued and fully paid</i>		
48,178,005 (2009: 37,403,756) ordinary shares of 1p each	482	374
393,138,384 (2009: 393,138,384) deferred shares of 1p each	3,931	3,931
	4,413	4,305

The increase in issued and fully paid ordinary shares of 1p each reflects the exercise of warrants and convertible loan stock during the year.

On 13 May 2008, Credo Corporate Finance exercised the warrants which were granted in connection with the July 2003 placing. This resulted in the issue of 1,017,100 ordinary shares at the July 2003 placing price of 7.8p per ordinary share.

On 10 March 2009, 292,915 ordinary shares were issued at a price of 15p per ordinary share following notification from Champel Inc. that they had agreed to convert their loan note together with associated interest for the period to 31 May 2009.

On 29 May 2009, notification was received from the remaining holders of the convertible loan notes issued by the Company on 31 March 2000 and 6 December 2001 that they had elected to convert their loan notes together with associated interest for the period to 31 May 2009 into ordinary shares of 1p each in the Company. This resulted in the issue of 3,877,166 ordinary shares at a price of 15p per share and 6,897,083 ordinary shares at a price of 20p per share.

The deferred shares which were created as a result of the July 2003 placing have minimal rights attaching to them and are effectively worthless.

8. ANALYSIS OF NET CASH

	2009 £'000	Cash flow £'000	Non-cash movement £'000	2010 £'000
Cash at bank and in hand	3,711	953	-	4,664
Debt due within one year	(1,936)	-	1,936	-
Net cash	<u>1,775</u>	<u>953</u>	<u>1,936</u>	<u>4,664</u>

On 29 May 2009, as outlined in note 7, the debt due within one year disappeared since the remaining convertible loan note holders elected to convert their loan notes into ordinary shares rather than to request repayment.