

8 DECEMBER 2009

**INTERCEDE GROUP plc
(‘Intercede’, ‘the Company’ or ‘the Group’)**

Interim Results for the 6 Months Ended 30 September 2009

Intercede (AIM: IGP.L) is a leading producer of Identity and Credential Management software, called MyID, which manages the secure registration, issuance and life cycle of digital identities for a wide range of uses.

SUMMARY

- 42% increase in sales to £2,811,000 (2008: £1,981,000).
- Operating profit before exceptional items of £674,000 (2008: £268,000).
- Profit before tax of £85,000 (2008: £222,000).
- Cash inflow of £202,000 (2008: £686,000).
- Cash balances of £3,913,000 at 30 September 2009 (30 September 2008: £1,839,000).
- All external borrowings eliminated following the decision of the convertible loan note holders to convert their loan notes into ordinary shares.
- Release of MyID 8 SR1, a major upgrade to the MyID platform.
- Successful deployment of MyID into two National ID schemes that have entered ‘live’ production.
- Continued expansion of Intercede’s customer base in the US in partnership with VeriSign.
- 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:

“Our performance continues to grow in line with our expectations. Intercede has now delivered three consecutive half year periods of profitability as a result of substantial revenue growth. This growth is driven by a combination of recurring sales to existing installations, demand from new customers and an expansion of both our product scope and geographical reach. We remain very excited about the size and scope of contracts we are working on and the potential of our strongest ever sales pipeline.”

ENQUIRIES

Intercede Group plc

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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 organizations 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 personalization, 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 programme 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.

Intercede and MyID are registered trademarks or trademarks in the UK, US and/or other countries.

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

INTERCEDE GROUP plc

Interim Results for the Six Months Ended 30 September 2009

Chairman's Statement

Introduction

I am pleased to be able to report that excellent commercial and technical progress has been made during the first half of the year. Revenues have increased by 42% to £2,811,000 (2008: £1,981,000), resulting in an operating profit before exceptional items of £674,000 compared to £268,000 in the same period last year.

As a result of this improved performance and careful cash management, cash balances at 30 September 2009 totaled £3,913,000, which compares to £3,711,000 at 31 March 2009 and £1,839,000 at 30 September 2008. All external borrowings have also been eliminated during the period following the decision of the convertible loan note holders to convert their loan notes into ordinary shares.

This represents a turning point in the evolution of Intercede's business and is indicative of the strong commercial progress we continue to make.

Commercial Progress

Significant advances during the year to date include:

- Successful commissioning of two National ID schemes powered by MyID; one in Kuwait and the other for an undisclosed government customer.
- Winning new US Federal and State government customers in partnership with VeriSign.
- Securing MyID sales with a Middle Eastern oil company, manufacturing companies in Austria and Switzerland, government ministries in Romania and Slovakia, and banks in Australia, the Czech Republic, Scandinavia and the Ukraine.
- Winning a contract with a major security printing and smart card manufacturer for issuing identity cards to their employees at facilities around the world.
- Selling an additional 100,000 MyID licenses to BT for the NHS Data Spine project which takes the total sold to date up to 700,000.
- Securing additional orders totaling in excess of \$1.0m for MyID software licenses and professional services in support of the internal identity badge of the world's largest defence contractor, Lockheed Martin.
- Supporting Lockheed Martin on the US Transportation Worker Identity Credential (TWIC) program which has to date resulted in the issuance of 1.3 million cards to US dock workers using MyID.
- Worked with a US partner to win a multi-year contract to supply MyID to a large US based, global management consultancy group for internal security and regulatory compliance.
- The addition of the US Social Security Administration (SSA) to Intercede's HSPD-12 customer list.
- The deployment of MyID 8 SR1 to two existing US Air Force base customers.

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.

Financial Results

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

Sales increased by 42% to £2,811,000 (2008: £1,981,000) which resulted in a substantial increase in operating profit before exceptional items from £268,000 to £674,000. Exceptional costs incurred during the period as a result of the ActivIdentity patent infringement lawsuit outlined below totaled £579,000 (2008: £nil).

Staff costs continue to represent the main area of expense representing approximately 80% of the total operating costs excluding exceptional items. The average number of employees increased from 44 to 54 year on year.

A profit for the period of £85,000 (2008: £283,000) resulted in a basic earnings per share of 0.2p (2008: 0.8p) and a fully diluted earnings per share of 0.2p (2008: 0.6p). Adjusting for the exceptional costs results in a fully diluted pre exceptional earnings per share of 1.4p (2008: 0.6p).

Cash balances at 30 September 2009 totaled £3,913,000 (2008: £1,839,000) and were therefore more than double that of a year ago, notwithstanding the exceptional legal costs incurred to date as a result of the ActivIdentity patent infringement lawsuit. During the period, the Group's financial position has also been substantially strengthened following the decision of all of the convertible loan note holders to convert their loan notes into ordinary shares.

Intellectual Property

The reported period includes exceptional costs for defending a previously reported patent infringement case which was filed in the US by ActivIdentity Corporation on 1 October 2008. Intercede's answer and counterclaims deny that its products infringe ActivIdentity's patent and allege further that this patent is invalid and unenforceable. In addition, Intercede has filed counterclaims against ActivIdentity alleging violations of US antitrust law. Intercede intends to pursue its defence and its counterclaims vigorously.

Outlook

The first half of the year has been profitable and cash generative. As in previous years, the full year outcome will be dependent upon the timing of receipt of orders and our subsequent ability to deliver and recognise revenues in accordance with the Group's accounting policy. Nevertheless, the level and pace of customer and partner activity is greater than in previous periods and the sales pipeline is stronger than ever. I therefore remain confident that our operating performance will continue to meet expectations.

Richard Parris

Chairman & Chief Executive
8 December 2009

Intercede Group plc
Consolidated Statement of Comprehensive Income

	6 months ended 30 September 2009 £'000	6 months ended 30 September 2008 £'000	Year ended 31 March 2009 £'000
Continuing operations			
Revenue	2,811	1,981	5,701
Cost of sales	(73)	(25)	(41)
Gross profit	2,738	1,956	5,660
Administrative expenses	(2,643)	(1,688)	(4,173)
Operating profit	95	268	1,487
Operating profit before exceptional item	674	268	1,858
Exceptional item	(579)	-	(371)
Operating profit	95	268	1,487
Finance income	16	28	68
Finance costs	(26)	(74)	(147)
Profit before tax	85	222	1,408
Tax	-	61	341
Profit for the period	85	283	1,749
Total comprehensive income attributable to owners of the company	85	283	1,749
Earnings per share (pence)			
- basic	0.2p	0.8p	4.7p
- diluted	0.2p	0.6p	3.6p

Intercede Group plc
Consolidated Balance Sheet

	As at 30 September 2009 £'000	As at 30 September 2008 £'000	As at 31 March 2009 £'000
Non-current assets			
Property, plant and equipment	70	57	67
Deferred tax	280	-	280
	350	57	347
Current assets			
Trade and other receivables	687	866	902
Cash and cash equivalents	3,913	1,839	3,711
	4,600	2,705	4,613
Total assets	4,950	2,762	4,960
Equity			
Called up share capital	4,413	4,302	4,305
Share premium account	4,718	2,834	2,875
Other reserves	1,508	1,508	1,508
Equity reserve	-	109	109
Retained earnings	(7,908)	(9,568)	(8,102)
Total equity	2,731	(815)	695
Current liabilities			
Trade and other payables	1,025	493	1,156
Deferred revenue	1,194	1,177	1,173
Convertible loan notes	-	1,907	1,936
	2,219	3,577	4,265
Total equity and liabilities	4,950	2,762	4,960

Intercede Group plc
Consolidated Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Other reserves £'000	Equity reserve £'000	Retained earnings £'000	Total £'000
At 31 March 2009	4,305	2,875	1,508	109	(8,102)	695
Issue of shares, net of costs	108	1,843	-	-	-	1,951
Loan note conversion – reversal of FRS25 equity component	-	-	-	(109)	109	-
Total comprehensive income	-	-	-	-	85	85
At 30 September 2009	4,413	4,718	1,508	-	(7,908)	2,731
At 31 March 2008	4,292	2,764	1,508	109	(9,851)	(1,178)
Issue of shares, net of costs	10	70	-	-	-	80
Total comprehensive income	-	-	-	-	283	283
At 30 September 2008	4,302	2,834	1,508	109	(9,568)	(815)
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

Intercede Group plc
Consolidated Cash Flow Statement

	6 months ended 30 September 2009 £'000	6 months ended 30 September 2008 £'000	Year ended 31 March 2008 £'000
Cash flows from operating activities			
Operating profit	95	268	1,487
Depreciation	15	12	25
Decrease/(increase) in trade and other receivables	214	(441)	(483)
(Decrease)/increase in trade and other payables	(111)	701	(1360)
	<hr/>	<hr/>	<hr/>
Cash generated from operations	213	540	2,389
Taxation received	-	61	61
	<hr/>	<hr/>	<hr/>
Net cash from operating activities	213	601	2,450
	<hr/>	<hr/>	<hr/>
Investing activities			
Interest received	18	22	68
Purchases of property, plant and equipment	(19)	(17)	(40)
	<hr/>	<hr/>	<hr/>
Net cash from investing activities	(1)	5	28
	<hr/>	<hr/>	<hr/>
Financing activities			
(Cost)/proceeds on issue of shares	(10)	80	80
	<hr/>	<hr/>	<hr/>
Net increase in cash and cash equivalents	202	686	2,558
Cash and cash equivalents at the start of the period	3,711	1,153	1,153
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	3,913	1,839	3,711
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Intercede Group plc
Notes to the Accounts

1. Preparation of the interim financial statements

These interim financial statements have been prepared under IFRS as adopted by the European Union and on the basis of the accounting policies set out in the Group's Annual Report for the year ended 31 March 2009.

The Group is not required to apply IAS 34 Interim Financial Reporting at this time.

These interim financial statements have not been audited and do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2009 have been delivered to the Registrar of Companies. The Auditors' Report on those accounts was unqualified and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

The Interim Report will be mailed to shareholders prior to the end of December 2009 and copies will be available on the website (www.intercede.com) and at the registered office: Intercede Group plc, 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:

	6 months ended 30 September 2009 £'000	6 months ended 30 September 2008 £'000	Year ended 31 March 2009 £'000
United Kingdom	795	882	2,488
Rest of Europe	806	380	846
USA	1,085	704	2,104
Rest of World	125	15	263
	2,811	1,981	5,701

3. Exceptional item

The exceptional item, which is included within administrative expenses, 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 provision has been made as at 30 September 2009 in respect of the original ActivIdentity lawsuit or contingent asset disclosed in respect of Intercede's counterclaims.

4. Tax

There is no charge for corporation tax due to the availability of losses brought forward from prior years.

5. Earnings per share

The calculation of earnings per ordinary share is based on the profit and the weighted average number of ordinary shares in issue during each period i.e. September 2009: 44,704,340; September 2008: 36,871,850 and March 2009: 37,011,460. The diluted earnings per share is based on a weighted average of 48,735,005 ordinary shares (September 2008 and March 2009: 48,785,009) which reflects the potential exercise of all existing share options.

6. Dividend

The Directors do not recommend the payment of a dividend.

7. Analysis and reconciliation of net debt

	6 months ended 30 September 2009 £'000	6 months ended 30 September 2008 £'000	Year ended 31 March 2009 £'000
Cash and cash equivalents	3,913	1,839	3,711
Convertible loan notes	-	(1,907)	(1,936)
Net cash/(debt)	3,913	(68)	1,775

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. Following the conversion, the total issued share capital of the Company is 48,178,005 ordinary shares of 1p each.