



28 September 2012

Press Release

Intercede Group – an example of poor corporate governance and bad AGM procedures.

ShareSoc ran a campaign against the terms of an LTIP introduced in 2011 at Intercede Group, and on other aspects of this company. The LTIP was revised recently and we welcomed the change in a press release. But there are still many concerns about the corporate governance in this company as you will see from the following report.

At the AGM on Wednesday Executive Chairman, Richard Parris, opened the meeting by declaring that all resolutions would be taken on a poll (as opposed to the usual "show of hands" vote). This meant that the results of shareholder voting would not be known until much later. ShareSoc has consistently objected to this approach as it stops shareholders from knowing how other shareholders feel. It undermines the function of an AGM which is to have open debate, and a poll alone does of course avoid any possible embarrassment for the directors which might well have been why Mr Parris chose to do it this way (as you can see later).

ShareSoc's Chairman, Roger Lawson, pointed out that the whole affair concerning the LTIP could surely have been avoided if the company had an independent Chairman. An experienced public company Chairman would surely be preferable. In addition he pointed out that although there are no legal obligations in AIM companies to adhere to the UK Corporate Governance Code, the Quoted Companies Alliance (QCA) do lay down some guidelines for AIM companies and one of them says "the roles of the Chairman and Chief Executive should not be exercised by the same individual". Mr Parris obviously contradicts that guidance.

Mr Parris made it clear that they did not intend to appoint an independent Chairman. He also said that the company adhered to its legal obligations and that the "independent non-executives" and major shareholders were happy with the arrangement.

But it was pointed out that none of the non-executive directors were actually "independent" according to normal corporate governance rules; i.e. there are no independent non-executive directors at this company. Mr Hoggarth and Mr Sikorski have been there more than ten years (which means they would not be considered independent under the UK Corporate Governance Code), and Mr Tredoux represents the Azalia Trust who are the largest shareholder.

Subsequently one of the directors even suggested that Mr Lawson should not be advising shareholders present how to vote. He seemed to be arguing it was technically wrong or even illegal. This is surely nonsense and he got an appropriate response therefore.

Comment: anyone who has invested for long in AIM companies knows that one is taking a big risk in such companies. There is also published academic research that shows that good corporate governance is correlated with good company performance. This company is undoubtedly in need of an independent non-executive Chairman and a refreshed slate of non-executive directors.

The company did publish the poll results late on the same day in an RNS announcement. There were about 9% of votes (1.7m) against resolutions 2, 3 and 4 (to re-elect the three non-execs, Mr Parris not being up for re-election at this AGM). It is clear therefore that a considerable number of shareholders did follow our recommendations to vote against the directors. It is of course unusual for any directors to get significant numbers of votes against their re-election, so let us hope they take notice.

See www.sharesoc.org/campaigns2.html for details of our campaign on Intercede Group.

For further information, please contact:

Roger W. Lawson,
Chairman, ShareSoc
Telephone: 020-8467-2686
Email: info@sharesoc.org

Or Stan Grierson, ShareSoc, on
Telephone 01628-522514

About the UK Individual Shareholders Society (ShareSoc)

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