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26 September 2012

Intercede Group AGM - substantial votes against all the non-executive directors

There were about 10 shareholders turned up today (26/9/2012) for the Intercede AGM in Lutterworth. As readers may know, ShareSoc ran a campaign against the terms of an LTIP introduced in 2011 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.

The 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. On behalf of ShareSoc I objected to this procedure (as I did at another AGM recently) because it stops the members present 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).

He then invited questions.

There is a full, 3-page, report on the AGM covering the detail questions and answers on the ShareSoc Members Network (see <http://sharesoc.ning.com/forum/topics/the-agm-forum?commentId=6389471%3AComment%3A19621>).

Brief notes are:

I 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 I 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.

I asked when the company was going to appoint such a Chairman, and Mr Parris made it clear that they did not intend to do so. 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 I then 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 and also has a personal interest in that and another large holder. One shareholder suggested they did not want to spend money on a separate Chairman, but I pointed out it would be very low cost.

There was some interesting information disclosed in response to other questions on "mobile" developments, on the Microsoft partnership and on sales activities. There was also some debate about the company's "MyID" trademark and the amount spent protecting it.

The Chairman was then about to conduct the poll, but another shareholder questioned the share buy-back resolution, and whether it was needed. The Financial Director said they had no current intention to do any buy-backs but were advised it was worth having it available. I said to the shareholder who raised the question that he should vote against this resolution, as I always do at other companies.

At that point Mr Hoggarth butted in and said it was wrong for me to advise people how to vote in an AGM. He seemed to be suggesting it was technically wrong or even illegal. In essence, in response I said he had no legal grounds to suggest so, and that I also advised shareholders to vote against the directors. See the full report for further comments on this.

I then said to Mr Hoggarth, and to Mr Parris, that I thought this was one of the worst companies I had come across as regards corporate governance. 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.

In summary, a very disappointing AGM. This company is undoubtedly in need of an independent non-executive Chairman and a refreshed slate of non-executive directors.

Postscript: 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. 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.

Roger Lawson
Chairman

More background information about the campaign on Intercede Group is present on this web page where further news will be posted as it becomes available: www.sharesoc.org/campaigns2.html . You can register your support for this campaign on that web page if you have not already done so. If you no longer have an interest in Intercede shares, please let us know.