THE FIRST LINE OF DEFENCE FOR GLOBAL IT ASSURANCE

NCC GROUP PLC
ANNUAL REPORT & ACCOUNTS
For the year ended 31 May 2011

nccgroup
assure • secure • advise

NCC GROUP IS A LEADING GLOBAL PROVIDER OF INDEPENDENT ESCROW AND IT ASSURANCE SERVICES

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HIGHLIGHTS

FINANCIAL

£71.0M

GROUP REVENUE UP 49% TO £71.0M (2010: £47.6M)

13.0P

TOTAL DIVIDEND UP 21% TO 13.0P (2010: 10.75P)

21%

GROUP ADJUSTED PRE-TAX PROFITS* UP 21% TO £17.3M (2010: £14.3M)

133%

CASH CONVERSION RATIO WAS 133% OF OPERATING PROFITS (2010: 141%)

36.7P

ADJUSTED FULLY DILUTED EARNINGS PER SHARE* UP 25% TO 36.7P (2010: 29.4P)

OPERATIONAL

8%

GROUP ESCROW MAINTAINED STRONG REVENUE GROWTH OF 8%

6%

ESCROW UK SAW SOLID ORGANIC REVENUE GROWTH OF 6%

INCREASED US PRESENCE THROUGH ACQUISITION OF COMPLEMENTARY BUSINESS IN ATLANTA

ASSURANCE DIVISION NOW A TRULY MULTINATIONAL LEADING INDEPENDENT INFORMATION SECURITY BUSINESS

- ★ ACQUISITION IN US SIGNIFICANTLY ENHANCED POSITION AND WIDENED GLOBAL CAPABILITIES
- ★ FORENSICS AND OPERATIONAL RESPONSES ARE BECOMING MAJOR AREAS OF OPPORTUNITY

17%

ASSURANCE DIVISION ORGANIC REVENUE GROWTH OF 17%

OUTLOOK FOR 2011/12:

THE GROUP'S GLOBAL REACH AND PRODUCT RANGE PROVIDES A PLATFORM FOR SUSTAINED LONG TERM GROWTH AND VALUE

£22.6M

ASSURANCE TESTING ORDER BOOK AND RENEWALS ARE UP 23% TO £22.6M (2010: £18.3M)

£17.0M

GROUP ESCROW RENEWALS FORECAST TO INCREASE BY 12% TO £17.0M (2010: £15.2M)

£2.1M

GROUP ESCROW VERIFICATION ORDER BOOK £2.1M (2010: £2.2M)

* Operating profit is adjusted for amortisation of acquired intangibles of £3.3m (2010: £1.6m) and exceptional items of £1.1m loss (2010: £0.3m profit). Pre-tax profit is adjusted for this item and the unwinding of the discount on the acquisitions' contingent consideration of £0.07m (2010: £0.1m). The Directors believe the adjusted measures better reflect the on-going performance of the business.

GROUP PROFILE

NCC Group is a leading global provider of independent Escrow and IT Assurance services. As a trusted advisor, we help over 15,000 public, private and not for profit sector organisations in numerous countries, including 94 of the FTSE 100 and many Fortune 100 companies, to make the most efficient use of information and technology and to manage the associated risks.

Our independence from hardware and software providers ensures the advice we offer is unbiased and impartial. We focus on developing intelligent solutions to real business issues and building lasting partnerships through our comprehensive portfolio of IT assurance and information security services.

THE GROUP OPERATES TWO MAIN COMPLEMENTARY DIVISIONS, NCC GROUP ESCROW AND NCC GROUP ASSURANCE.

Escrow trades under three brands, NCC Group Escrow, Escrow Europe and Escrow Associates in the US, whilst NCC Group Assurance trades under the NGS, iSEC Partners, SDLC and Site Confidence brands.

NCC GROUP ESCROW

Ensuring source code, data or other business critical material is protected and accessible should anything happen to a key supplier, and to enable stronger supplier relationships.

Confirming the material held is properly protected by verifying that it can be rebuilt from its source code components.

NCC GROUP ASSURANCE

NGS operates predominantly in Europe and iSEC Partners in North America. Both provide world class penetration and security testing of networks, applications and security policies, covering forensics, vulnerability research and the development of software to aid organisations in their on-going battle with information security breaches. This covers all aspects of ethical security testing from social engineering and forensics, through to the integrity of credit and debit card manufacture.

SDLC provides a complementary range of software testing services, including business analysis, project management, test resourcing, network and application performance analysis, functional and non-functional testing, test automation, software testing and tools training.

Site Confidence tests and monitors relevant aspects of system, network and website performance to ensure the technology used can deliver optimum performance.

NCC Group has offices throughout the UK, continental Europe, the US and Australia. We are listed on the London Stock Exchange.

NCC GROUP HAS OFFICES THROUGHOUT THE UK, CONTINENTAL EUROPE, THE US AND AUSTRALIA.

CHAIRMAN'S STATEMENT

PAUL MITCHELL
Non Executive Chairman

FINANCIAL OVERVIEW

The Group delivered a very strong performance in an economic climate that continued to be difficult. Despite this backdrop, all aspects of the Group have performed well; growing organically, integrating a number of acquisitions and successfully acquiring two complementary US businesses.

Group revenues maintained their momentum, growing by 49% to £71.0m (2010: £47.6m). Excluding the acquisitions of SDLC, iSEC Partners and Escrow Associates, we showed good organic growth of 12%. Group margins remained strong with the adjusted operating profit margin at 25%. This was achieved despite the effects of the acquisition and growth of non escrow businesses which have lower margins than the escrow operations.

Adjusted pre-tax profits and adjusted fully diluted earnings per share were up 21% to £17.3m (2010: £14.3m) and 25% to 36.7p (2010: 29.4p) respectively.

The Group has continued its consistent track record of delivery since coming to the market in July 2004. NCC Group has seen a compound annual growth rate of 33% and 21% for revenues and adjusted operating profits respectively and 32% for dividend, based on the proposed final dividend. This has been delivered by a combination of strong reliable organic growth, carefully acquired and integrated acquisitions and notably strong cash generation.

Reflecting the Board's commitment to the shareholders and following our progressive dividend policy, which is tracking earnings growth, it is proposing a final dividend of 8.85p making a total for the year of 13.0p, up 21%.

THE GROUP CONTINUES TO BE HIGHLY CASH GENERATIVE WITH OPERATING CASH CONVERSION REPRESENTING 133% OF OPERATING PROFITS (2010: 141%).

OPERATIONAL OVERVIEW

Our international escrow businesses have continued to lead the market by offering the best value and strongest protection available. The addition of US based Escrow Associates further confirms our commitment to delivering the best protection for our customer base worldwide.

The UK market has continued to be difficult but due to the strength of our message and the ability of our team, a good performance with both contracts and verifications was achieved. It has been similar across Europe and the US, with both producing double digit growth albeit from a smaller base.

THE ASSURANCE DIVISION SAW STRONG PERFORMANCES WITH ALL ELEMENTS MAKING GOOD PROGRESS.

The management of our key resource, our staff, is vital for the Group's future. We have ensured that our staff retention has continued to improve by actively addressing the work and development aspects of individuals' roles and responsibilities.

GROUP STRATEGY

The Group's strategy continues to be to develop its two Divisions organically, by developing new ideas and by looking for new opportunities in the IT and information security markets both geographically and by acquisition, when appropriate.

ACQUISITIONS

The Group has consistently complemented its organic growth by carefully adding earnings and service delivery enhancing acquisitions. The strategy is to look at the highest quality businesses and pay a full and fair price for them, based on the delivery of future profitability as much as on an historical track record. The Group ordinarily buys small or mid-sized people businesses which are often not in a formal sale process.

In October 2010 and March 2011 the Group acquired iSEC Partners Inc. in California and Escrow Associates LLC in Georgia respectively, to expand further its US presence and capabilities in that market. Both businesses are best in class and fit with the Board's aspiration of becoming the market leader in the niches the Group occupies. Both are extremely complementary to our existing offerings and the integration processes are well underway. I am delighted to welcome them to NCC Group.

NCC Group is always engaged in discussions with complementary and competitor businesses as acquisitions are important to the Group. However, they will only be contemplated if we have the management capacity to handle them as well as the integration team available to ease their successful passage into the Group.

PEOPLE

A business such as NCC Group can only be as successful as the people we employ and the managers and Directors who help to lead and develop them. Currently we have our strongest team ever with the new acquisitions and recent recruits adding to this. I am delighted that we have further enhanced our core capabilities in so many parts of the business.

ON BEHALF OF THE BOARD, I WOULD LIKE TO CONGRATULATE AND THANK EACH AND EVERY EMPLOYEE OF NCC GROUP, ALL OF WHOM HAVE MADE THIS YEAR SUCH A SUCCESS DURING THIS VERY DEMANDING AND UNCERTAIN TIME.

BOARDS

As the Group has grown and developed so the Group’s boards have continued to evolve. In April this year, Atul Patel was appointed to the Board as Finance Director bringing with him a wealth of practical business experience from which we are already seeing a positive contribution.

In April 2011, Jon Leigh retired from the Group after 25 years of loyal service during which he successfully led the Escrow Division through much of its latter day success. The Board wish him well with his future career.

Currently the Group is seeking a third independent Non Executive Director to join the Board with the relevant commercial and up to date experiences to complement the Board’s existing capabilities.

The Operational Board, which runs the day to day affairs of the Group, is made up of Senior Directors from the Group Escrow and Assurance Divisions. A Managing Director is responsible for each Division and each core business unit or country within that Division has an Operational Director or General Manager running it.

CORPORATE GOVERNANCE

NCC Group has always maintained that for a business such as ours, which acts as an independent trusted advisor to its clients, the highest standards of corporate governance and application of the most prudent accounting standards are essential.

NCC Group will continue to take every practical step to adhere to the UK Corporate Governance Code, with which we comply, where practicable, fully and will continue using FTSE 250 companies as our benchmark.

DIVIDENDS

The Board is recommending a final dividend of 8.85p per share which makes a total for the year of 13.0p (2010: 10.75p). If approved at the Annual General Meeting, the dividend will be paid on 30 September 2011 to shareholders on the register at the close of business 2 September 2011. The ex-dividend date will be 31 August 2011.

OUTLOOK

The Group has carefully transformed its scale and international reach during the last eighteen months. Focused on risk mitigation and delivering client peace of mind, our complementary range of services has the width and depth to provide our multinational clients with total solutions to their business issues. In growing markets, this approach will ensure our strong growth rates are maintained.

NCC Group has a very strong market leading position in all of the markets in which it operates and is well positioned for sustainable growth in quickly developing markets. The development of our services and our unparalleled reputation for the highest quality of service delivery has lifted the Group clear of our competitors.

Organisationally the business starts the new financial year with the strongest and most capable senior team, all of whom are focused on taking the Group to the next level of its international development.

The start to the year sees Group Escrow renewals at £17.0m, up from £15.2m, achieved in the financial year to 31 May 2011 and a verification order book of £2.1m, of which £0.4m relates to Escrow Europe and Escrow US.

The Assurance Division’s order books have improved to £17.8m (2010: £14m) and have £4.8m of monitoring renewals forecast for the coming financial year (2010: £4.3m).

THE OUTLOOK FOR NCC GROUP REMAINS VERY GOOD AND THE BOARD REMAINS CONFIDENT IN THE GROUP’S ABILITY TO DELIVER FURTHER SUSTAINABLE GROWTH AND ENHANCE SHAREHOLDER VALUE.

PAUL MITCHELL
Non Executive Chairman
NCC Group plc
7 July 2011

OPERATIONAL & FINANCIAL REVIEW

ROB COTTON
Chief Executive

FINANCIAL REVIEW

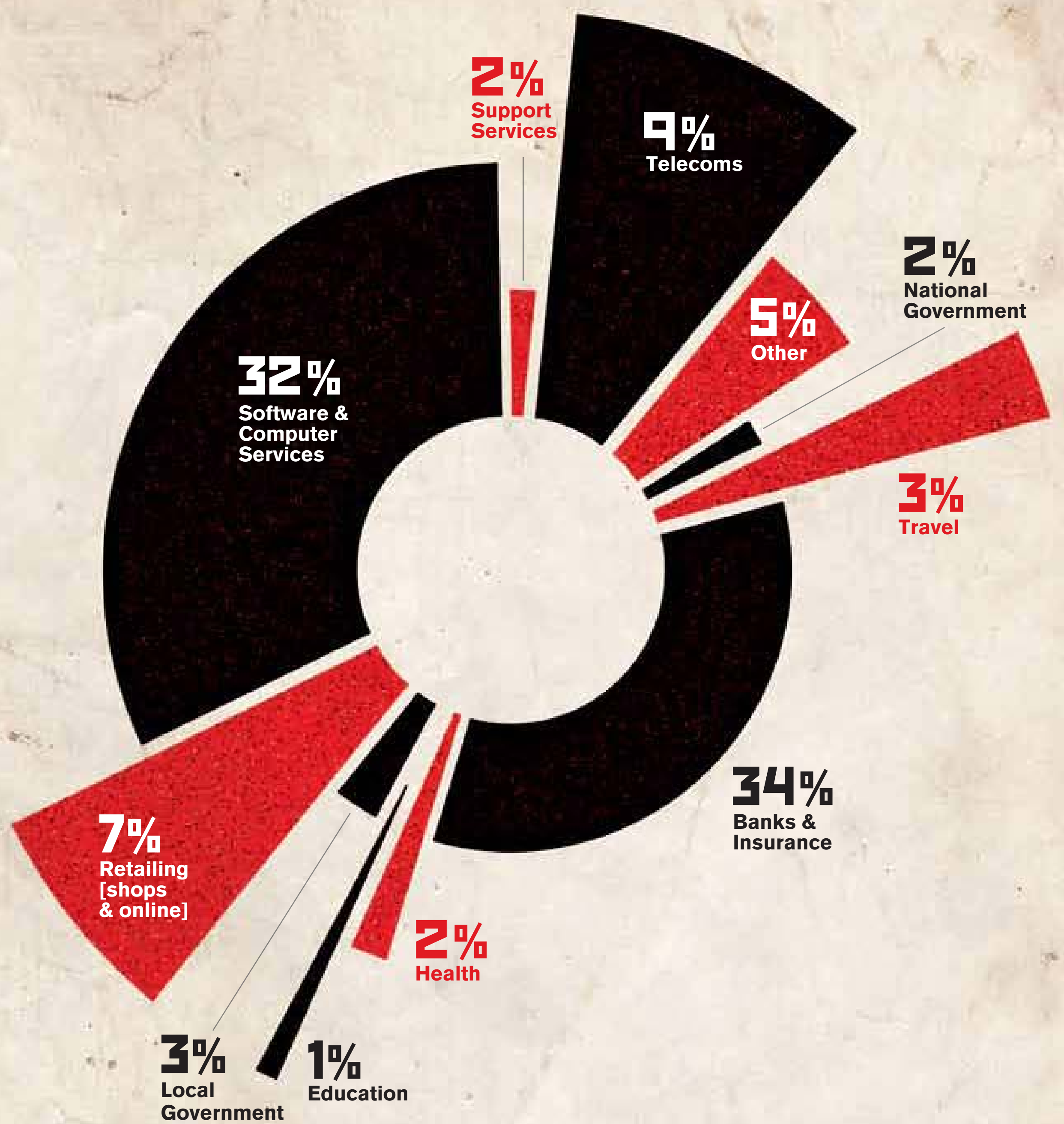
REVENUE

The Group increased revenue by 49% to £71.0m (2010: £47.6m). It continued to be acquisitive, purchasing the US-based iSEC Partners and Escrow Associates in October 2010 and March 2011 respectively. Excluding these acquisitions and the full year effect of SDLC, acquired at the end of the previous financial year, Group revenue grew by 12% to £51.7m.

THE GROUP HALF YEAR SPLIT SAW 46% OF REVENUE DELIVERED IN THE FIRST HALF (2010: 47%) AND 54% IN THE SECOND HALF (2010: 53%).

The majority of revenue, £52.6m (2010: £34.7m) or 74% (2010: 73%) was derived from the UK. The rest of the world revenue increased by 78% to £12.4m (2010: £7m), with Europe contributing £6.0m (2010: £5.9m) of the total, a 2% increase.

The Group's recurring income levels continue to grow throughout the business. In Escrow UK over 88% of all contracts renewed, whilst Assurance, excluding the acquired companies in the year, saw 77% of prior year's revenues renewed (2010: 75%). This represents 49% of all customers (2010: 52%). With this, we have seen renewing customers' expenditure increasing from £22,489 to £29,767 in 2011, with a total average customer spend of £21,066, up from £14,828. In addition, 91% (2010: 89%) of the performance monitoring and load testing revenues were renewed and are recurring.



GROUP REVENUE BY SECTOR

The Group continued to have little reliance on any one customer or sector for its revenue. Within Assurance the largest customer represents 9.9% of Assurance revenue which is 6.4% of Group revenue. The largest customer in Escrow is 1.3% of total Group Escrow revenue.

Top three sectors by Division	Escrow	Assurance
Banks & Insurance	31%	35%
Software & Computer Services	10%	39%
Telecoms	27%	2%

PROFITABILITY AND MARGINS

The Group continued to generate strong margins. Adjusted Group operating profit grew by 23% to £17.9m (2010: £14.6m), excluding the amortisation of acquired intangibles and the exceptional items, but including share based charges of £0.5m (2010: £0.9m), as set out in the table below.

Adjusted operating margins were, as expected, at 25% (2010: 31%), reflecting the increasing percentage of growing revenue from the non-escrow businesses, in particular SDLC. The Assurance Division businesses' margins were 14%, which has risen to 18% excluding SDLC.

Escrow's margin has continued to improve, driven by a combination of effective selling and price increases. Prices are expected to be increased in October 2011 as they were in 2010. The Group continues to monitor pricing and market sentiment, but with CPI and RPI at 4.5% and 5.2% respectively, price inflation is now very much part of the UK economy.

In Assurance the business is seeing a general improvement in margins as more work comes from premium rate services such as operational response, monitoring and forensics. This is expected to increase over the next 12 months. With the Group's multinational presence, NCC Group is seeing more opportunities to offer comprehensive international solutions to multinational clients.

The Group half year split saw 43% of adjusted operating profits delivered in the first half and 57% in the second half, a very similar split to the previous year.

The Group has an exceptional charge of £1.1m relating to the deal costs associated with the acquisitions of iSEC Partners and Escrow Associates.

Adjusted Group pre-tax profit increased 21% to £17.3m (2010: £14.3m). The Group's reported pre-tax profit was £12.8m (2010: £13.0m), after the inclusion of the unwinding of the discount on the acquisitions' contingent consideration, amortisation of intangible assets and the exceptional items.

Operating profit

	2011	2010
	£000	£000
Reported operating profit	**13,472**	13,322
Amortisation of acquired intangibles	**3,275**	1,557
Exceptional items	**1,144**	(319)
Adjusted operating profit	**17,891**	14,560

Profit before tax

	2011	2010
	£000	£000
Reported profit before tax	**12,768**	12,965
Amortisation of acquired intangibles	**3,275**	1,557
Exceptional items	**1,144**	(319)
Unwind of the discount on contingent consideration	**68**	75
Adjusted profit before tax	**17,255**	14,278

OPERATIONAL & FINANCIAL REVIEW

TAXATION

The Group's effective tax rate is 27% (2010: 28.5%) which is below the average standard UK rate of 27.7%. The decrease in the effective tax rate is largely due to enhanced allowances obtained for research and development expenditure, which more than offset the amount not deducted for tax purposes.

Deferred tax recognised directly in equity was £341,000 (2010: £253,000).

Taxation recognised in the income statement

	2011	2010
	£000	£000
Current tax expense		
Current year	**3,724**	3,980
Adjustment to tax expense in respect of prior periods	**(188)**	(39)
Foreign tax	**648**	(15)
Total current tax	**4,184**	3,926
Deferred tax (note 16)	**(743)**	(234)
Tax in income statement	**3,441**	3,692

Reconciliation of effective tax rate

	2011	2010
	£000	£000
Profit before taxation	**12,768**	12,965
Current tax using the UK corporation tax rate of 27.7% (2010: 28%)	**3,546**	3,628
Effects of:		
Items not deductible for tax purposes	**371**	113
Effect of rate change	**(56)**	-
Adjustment to tax charge in respect of prior periods	**(420)**	(49)
Total current tax	**3,441**	3,692

EARNINGS PER SHARE

The adjusted basic earnings per share from continuing operations increased 24% to 37.8p (2010: 30.4p). The table to the right analyses the effect on the Group's basic earnings per share of the amortisation of acquired intangibles, the unwind of the discount on the contingent consideration for acquisitions and the effect of the exceptional items.

The adjusted fully diluted earnings per share from continuing operations increased 25% to 36.7p (2010: 29.4p) and fully diluted earnings per share was 26.7p (2010: 26.6p).

Fully diluted earnings per share

	2011	2010
	Pence	Pence
Basic EPS as per the income statement	**27.5**	27.5
Amortisation of acquired intangibles	**6.7**	3.4
Exceptional items	**3.4**	(0.7)
Unwind of the discount on the contingent consideration of the acquisitions	**0.2**	0.2
Adjusted basic EPS	**37.8**	30.4

DIVIDENDS

THE BOARD IS RECOMMENDING A FINAL DIVIDEND OF 8.85P PER ORDINARY SHARE, MAKING THE TOTAL FOR THE YEAR OF 13.0P.

This represents cover of 2.9 times (2010: 2.8 times) based on basic adjusted earnings per share from continuing operations. Since the Group's flotation in July 2004, the dividend has increased from 2.5p, a compound annual growth rate of 32%.

Shareholders' funds at the end of the year were £56.1m (2010: £50.3m).

CASH

The Group continues to be highly cash generative with operating cash flow before interest and tax of £17.9m (2010: £18.8m) which is 133% of operating profit before interest and tax (2010: 141%).

After accounting for net cash outflows of £14.4m for acquisitions and contingent acquisition payments made during this year, the Group ended the year with net debt of £20.5m (2010: £11.9m).

Capital expenditure remained tightly controlled at £4.5m (2010: £2.5m) which predominantly relates to the upgrade of the Group's core IT systems to SAP. The project, which has been beset with problems, is now due to go live in November 2011, over a year late. The roll out will complete during 2012, with a further £1.0m capital costs required to complete the project.

In July 2010, the Group entered a new three year banking facility with RBS. The facility provides a £35m revolving credit facility and a £2m overdraft. Interest on the facility is charged at 2% over LIBOR and 2% over base rate on the overdraft.

The facility provides the Group with the necessary capacity to meet its current acquisition objectives, although this is regularly reviewed to ensure that unnecessary fees are not incurred due to non utilisation. At present the Group is utilising 72% of the facility.

OPERATIONAL & FINANCIAL REVIEW

DISCONTINUED ACTIVITIES

As stated in the interim results, NCC Group withdrew from the general IT Consultancy market. This resulted in a one-off exceptional charge of £950,000, of which £450,000 is non cash related. Total post tax losses from discontinued activities were £1.1m (2010: profit £142,000).

BALANCE SHEET

Following the acquisitions of iSEC Partners and Escrow Associates, goodwill increased by 20% to £76.9m (2010: £63.9m) and the cost of intangible assets relating to customer contracts and associated relationships increased by 19% to £11.7m (2010: £9.8m). The value of goodwill has been assessed and no impairment reported. The contracts and customer relationships have been assigned a useful economic life of between three and twenty years and are to be amortised over that period.

GROUP ESCROW

The Escrow businesses have had a solid year with strong performance in nearly all the key performance measures of profitability, renewals, terminations and verification testing.

The Division increased revenue by 8% to £24.9m (2010: £23.0m). Within this, Escrow UK revenue grew by 6%, Escrow Europe by 11% overall and Escrow US by 24%. Excluding the acquisition of Escrow Associates, Escrow US increased its revenue by 13%.

Group Escrow profitability grew 9% to £14.5m (2010: £13.3m) with the UK contributing 81% (2010: 78%). Escrow US and Escrow Europe continued to increase profitability and contributed 10% and 9% of total Escrow operating profits respectively, with all geographies seeing double digit growth.

Group recurring revenues through the renewals process grew by 5% to £15.4m (2010: £14.6m).

VERIFICATIONS GREW THROUGHOUT THE GROUP BY 25%.

The Group's Escrow businesses are, and always will be, the cornerstone of NCC Group's profitability. They produce a substantial margin and very strong cash conversion as well as a high degree of recurring revenue, due to the contracts renewals rate of over 88%.

Escrow accounts for 35% of the total Group's revenue (2010: 48%) as the scale of the Assurance business grew substantially due to recent acquisitions as well as faster organic growth. Overall Group Escrow operating margins stayed solid due to strong cost control. Escrow UK increased its margins to 68% (2010: 64%), before central recharges, helped to a limited extent, by the price increase of 5% in November 2010 for new contracts and January 2011 for renewals.

ESCROW UK

This year saw a consistent and robust performance from the Escrow UK team. Growth levels were sufficient and saw the business improve on the record second half performance achieved in 2010. In the UK there were no real signs of any fundamental improvement in the economy. In the last quarter of the Group's financial year, the software market felt the most vulnerable it has for a while.

Escrow UK revenue was £19.0m (2010: £17.9m) with solid growth throughout the year. This 6% growth in revenue (2010: 8%) was delivered through contract growth and verifications, with only a limited amount coming from the effects of the price increase. Verification revenues grew by 25% in the year to £3.7m (2010: £3.1m) with prices holding firm from last year.

ESCROW EUROPE AND ESCROW US

Escrow US increased its revenue by 24% to £2.7m (2010: £2.2m) and Escrow Europe increased revenues by 11% to £3.2m (2010: £2.9m).

Escrow Europe now has 17 employees and the North American Escrow businesses have 26 employees. All businesses are tasked with strong growth plans in the current financial year through aggressive headcount increases. In Europe the Group is anticipating strong growth in the Netherlands and Switzerland, whilst in California the move to San Francisco should greatly improve its ability to recruit the right calibre of staff.

ESCROW UK RECURRING REVENUES GREW OVER 13% TO £12.2M (2010: £10.8M) AND TERMINATIONS REMAIN BENEATH 12%.

ASSURANCE

The Assurance Division saw strong performances with all elements making good progress. Assurance now accounts for 65% (2010: 52%) of Group revenues with total divisional revenues up 87% to £46.1m (2010: £24.6m). Excluding the acquisitions of SDLC and iSEC Partners, revenue increased 17% to £27.1m, with very strong performances coming from NGS in the second half of the year. Operating profit grew 70% to £6.5m (2010: £3.8m).

Assurance consists of NGS Secure, iSEC Partners, Site Confidence and SDLC. As with Escrow, the major challenge for the Assurance Division is to increase renewal rates and renewal spend levels. This is most imperative in NGS, the ethical security business unit and Site Confidence, the performance and load business.

NGS includes penetration and application testing, operational response, forensics, managed monitoring, as well as social engineering and card and information security standards auditing. As most new customers continue to work with the Group, NCC Group saw 77% of prior year's revenues renewed, up from 75% last year. This represents 49% of all customers (2010: 52%).

iSEC Partners has seen encouraging growth since its acquisition, delivering on its agreed plans. The Group is already seeing a join up within clients. More importantly the Group is benefiting from iSEC's technical knowhow and presence which has further enhanced NCC Group's reputation as one of the world leading experts in security.

Site Confidence had a recurring revenue rate of 91% (2010: 89%) which continues its strong track record of retention. Through the coming year improvements to the service, additional product lines and potential new technologies will see this area continue to perform strongly.

SDLC continued the trend of the first half of the year, achieving all of its revenue targets, but with margins remaining at a lower rate than anticipated. A number of cross selling initiatives are beginning to pay off with the business benefiting from being part of a larger Group and being able to provide clients with a total assurance offering.

The assurance testing teams currently comprise over 180 testers in the UK and US.

THE GROUP ALSO SAW RENEWING CUSTOMERS' EXPENDITURE INCREASING FROM AN AVERAGE £22,489 TO £29,767 IN 2011.

Excluding the recently acquired companies, renewing customers' spending has increased to £21,066 (2010: £14,828).

OPERATIONAL & FINANCIAL REVIEW

MARKETS

ESCROW

NCC Group remains the largest provider of escrow services in the world and has further strengthened its position with the acquisition of Escrow Associates in North America. It is the only provider mandating quality; offering the best value and strongest protection available, ahead of price. The Group does not intend to change that philosophy.

The dynamics of the escrow market have not materially changed since the Group floated in 2004 and the same market assumptions, as detailed by Gartner at the time, remain. The UK escrow market without verification testing is still niche and the Group estimates that the market size is approximately £100m, which still provides NCC Group with considerable headroom for growth.

Both in the public and private sector, corporations and organisations still typically believe that they have several times more cover than they actually have. They remain unaware that they should have considerably more. The estimates of the European market place vary wildly, but the Gartner research suggests the market, in total, may be worth two or three times that of the UK.

ASSURANCE

TRENDS AND COST

Over the last six months in particular, you could be mistaken for believing that hacking has just been invented, as the daily media coverage has highlighted the vulnerability and threats facing all who use the Internet. Hacking has been around since the invention of the computer and whilst the dramatic headlines astonish, in the expert security world none of this is new. The two main trends that have become prevalent over the last nine months are the continued success of state-sponsored targeted attacks and the rise of "hacktivism".

Most coverage focuses on the threat of having an identity or monies stolen through cyber crime. Much has been written about the loss of millions of customer records, but in many cases the data is completely worthless to any third party. The reputational impact on the hacked organisation is often far more significant than any financial loss. Quite often the information stolen about individuals is already in the public domain.

The explosive growth of all types of activity on the internet compounded by the widening use of wireless devices has created an open, unregulated and unmanaged environment ideally suited for information and data misuse. The costs therefore should come as no surprise.

BILLIONS OF POUNDS ARE BEING TAKEN AND THE COST OF HACKING TO THE UK ALONE IS NOW MORE THAN £27BN, ACCORDING TO THE RECENT COST OF CYBER CRIME REPORT PUBLISHED BY THE OFFICE OF CYBER SECURITY ON 11 FEBRUARY 2011.

IP theft and espionage cost £9.2bn and £7.6bn respectively, with online theft a long way behind at only £2.2bn.

HACKTIVISM AND STATE-SPONSORED TARGETS

ONE OF THE MOST WORRYING TRENDS TO EMERGE IS ORGANISED HACKING.

Anarchists and other activists are now using hacking as their anti-government or anti-establishment tool of choice. The "Wikileaks" fiasco was one of the first to very publically highlight the impact that hacktivism can have and the threat that we all face from disruption from rogue political groups or others willing to use hacking as a tool for their own and often political aims.

The growing skill and effectiveness of hacktivists, such as Anonymous and LulzSec is of particular concern. At the core of these groups is a small team of talented hackers who are surrounded by a loosely defined mass of less-skilled aides and fans who significantly increase the group's capability to perform distributed denial-of-service attacks (DDoS). But these groups no longer limit themselves to DDoS, the ability to penetrate professionally-managed networks is well within their capability.

The current statement issued by the now underground members of the hacker team LulzSec, who took down the SOCA and CIA websites amongst others as part of a concerted hack targeted at government and corporate websites, is the first overt declaration of intent as the arms race intensifies. The declaration for an immediate and unremitting challenge to governments and security companies, working in conjunction with Anonymous in an operation called Operation Anti-Security, was aimed at continuing the work of Wikileaks to steal and publish government secrets.

The threat from state-sponsored hackers has been well understood since the Aurora attacks against Google and 35 other American businesses were revealed in January 2009. Since that time, NCC Group has become aware of concerted efforts to steal data from the global oil and gas industry and of attacks on social media sites that do not co-operate with totalitarian regimes.

Most of these attacks can be best described as cyber-espionage, with the goal of obtaining information valuable to the military planners and corporate industrialists of the sponsoring nations.

NCC Group has also helped to protect major software vendors from attempts to gain backdoor entry to their critical products.

During this period of concerted attacks, the world also became aware of an extremely successful automated malware attack against Iran's nuclear development infrastructure. However, the success of Stuxnet demonstrates that effective cyber-espionage and sabotage does not always require guidance by a skilled human attacker, and the Group expects more attacks of this type against corporations in the future.

OPERATIONAL & FINANCIAL REVIEW

CLOUD

Defence against these threats should be a critical goal of global enterprise, but in many ways this is both complicated and confused by the "Cloud". Organisations have been outsourcing for decades and virtualisation has been around since the nineties, Cloud Computing is more about terminology than it is about a real technological shift.

That said, many businesses are now adopting these technologies more fully. The adoption of Cloud Computing presents new security challenges in terms of trusting third parties with sensitive information. Smaller businesses are leading the way, deploying business critical systems in the Cloud largely due to the cost and flexibility benefits that it provides.

Larger organisations are using Cloud technology for non-core IT functions such as HR services, preferring private Clouds for their critical systems.

However, many businesses remain concerned about the security implications of outsourcing and the practicalities of managing their disaster recovery and business continuity plans, and good corporate governance in the Cloud.

Recent attacks have exposed some significant weaknesses in the Cloud infrastructure and with the potential of thousands of companies' data on just one Cloud server, hackers have the opportunity to access multiple sets of information through just one attack. The Cloud is a veritable honeypot that is understandably attracting their attention.

The Cloud though is no different from any other IT environment. Despite its weaknesses, it also offers the opportunity to aggregate and automate cyber defence, shifting much of the burden of security from consumers and businesses to service providers that may be better equipped to meet advanced challenges.

Very worryingly though most Cloud providers do not consider security to be their responsibility. Therefore organisations must not be naïve about the strength of security measures carried out by their suppliers. At the moment it seems to be very much a case of "caveat emptor".

MOBILE DEVICES

Alongside the issues facing the Cloud there are an equal number of new issues facing the security of tablets and smartphones which are increasingly being given access to corporate networks. Most of these technologies have been shown to be flawed, requiring significant improvements to stand up to technical scrutiny. It is still an open question as to whether this technology is mature enough for the corporate environment.

As the world focuses on corporate security there is no single technology that provides all the answers. Rather a multi-layered security approach is required.

EFFECTIVE SECURITY

Effective security needs to cover the network by ensuring only authorised users can access applications and data through such measures as passwords and encryption. It also needs to cover the protection offered by physical access points and procedures.

The cyber world is a hugely dynamic criminal arena. Cyber criminals employ social engineering techniques alongside technical ability, and seek to exploit the human errors that inevitably occur in every organisation.

AN INCREASINGLY COMPLEX CRIMINAL ENVIRONMENT LEADS TO INCREASINGLY COMPLEX COMPLIANCE STANDARDS.

If organisations are to be truly prudent in cyber security protection, information forensics needs to be a top priority.

Organisations and governments are starting to devote significant time and cost to developing robust IT security strategies. However, in the event that security is breached, an instant and effective response can be critical to the protection of the business and its reputation. Too few people know what to do in such instances and as attacks become more prevalent and advanced, this is going to become increasingly important.

Effective incident response is not only about finding out who or what, but should be about securing the IT environment. Providing both investigative services and litigation support, in the aftermath of a data breach, malware attack or payment fraud, forensics services are essential for determining the points at which systems were compromised, information stolen and in suggesting effective reactive measures.

ACQUISITION AND INTEGRATION

The Group has completed 13 acquisitions over the last five years. With the exception of iSEC Partners and Escrow Associates acquired last financial year, all of the businesses acquired are now fully integrated.

The two acquisitions successfully completed during the financial year, iSEC Partners in October 2010 and Escrow Associates in March 2011, are in the US and are part of the Group's strategy to grow and develop a North American business of scale and presence.

iSEC PARTNERS AND ESCROW ASSOCIATES WILL BE THE LEAD BRANDS FOR THE GROUP'S ASSURANCE AND ESCROW BUSINESSES IN THE US RESPECTIVELY.

iSEC Partners is an exceptionally good fit with the Group's NGS testing businesses, bringing with it complementary skills and an unparalleled reputation. Escrow Associates has quickly established a credible and instantly recognisable brand in the US Escrow market place which the Group has long coveted. The Board is delighted with the progress that has already been made in integrating both businesses.

As part of the US and Group integration strategy, the US support functions will be consolidated in San Francisco around the iSEC Partners business. To this end, the San Jose Escrow operation is relocating to offices in the city. Also a senior member of the UK finance team has relocated there to assume responsibility for all American back office operations and to ensure these businesses gain the benefits of scale from being part of the Group.

Escrow Associates will continue to operate from Atlanta. The Group plans to make this the base for covering the East Coast of the US, whilst benefiting from the scale of the Group and the American head office in San Francisco.

Separately in November 2010 SDLC moved into the Group's main offices in Manchester closing the office in Wilmslow. The offices in Dorking and Sutton were combined into a new facility in Leatherhead in April 2011.

EMPLOYEES, RECRUITMENT AND RETENTION

Ever since the Group came to the market in 2004, employee recruitment and retention has been the most important objective of the Group. The Group has seen an ebb and flow as it endeavoured to get the balance and culture right. It now employs 681 people across the world and is supplemented by over 200 regular associates.

All of the staff are important and the management team endeavour to create a culture where employees feel valued and are developed and grown wherever possible. This approach is rewarded with great loyalty as currently over 20% of the total employee pool has been with the Group for five years or more.

Recently the Board recognised that it had not been good enough at retaining the skilled technical workforce. Following a comprehensive review and restructuring, NCC Group is more able to offer careers and development opportunities that actively encourage them to stay and the current annual retention rate is now 92%.

Organisationally the business starts the new financial year with the strongest and most capable senior team, all of whom are focused on taking the Group to the next level of its international development.

CURRENT TRADING AND OUTLOOK

To be independent, unbiased and trusted in the marketplace today is essential, particularly in such a sensitive area as information security, where integrity and credibility as well as technical capability are vital. The Group has carefully transformed its scale and international reach during the last 18 months. Focused on risk mitigation and delivering client peace of mind, the complementary range of services has the width and depth to provide multinational clients with total solutions to their business issues. In growing markets this approach will ensure the Group's strong growth rates are maintained.

NCC GROUP HAS A VERY STRONG MARKET LEADING POSITION IN ALL OF THE MARKETS IN WHICH IT OPERATES, AND IS WELL POSITIONED FOR SUSTAINABLE GROWTH IN QUICKLY DEVELOPING MARKETS.

The development of its services and unparalleled reputation for the highest quality of service delivery has lifted the Group clear of its competitors.

The start to the year sees Group Escrow renewals at £17.0m up from £15.2m in the year to 31 May 2011 and a verification order book of £2.1m of which £0.4m relates to Escrow Europe and Escrow US.

The Assurance Division order books have improved to £17.8m (2010: £14.0m) and have £4.8m of monitoring renewals forecast for the coming financial year (2010: £4.3m).

The outlook for NCC Group remains very good and the Board remains confident in its ability to deliver further sustainable growth.

ROB COTTON
Chief Executive
NCC Group plc
7 July 2011

THE OUTLOOK FOR NCC GROUP REMAINS VERY GOOD AND THE BOARD REMAINS CONFIDENT IN ITS ABILITY TO DELIVER FURTHER SUSTAINABLE GROWTH.

£22.6M ASSURANCE DIVISION ORDER BOOKS & RENEWALS HAVE IMPROVED TO £22.6M UP FROM £18.3M

£17.0M GROUP ESCROW RENEWALS AT £17.0M UP FROM £15.2M

DIRECTORS AND SENIOR MANAGEMENT

The plc and Executive Board comprises the following Directors:

PAUL MITCHELL

NON EXECUTIVE CHAIRMAN

Paul Mitchell was appointed Non Executive Chairman of NCC Group in 1999. He is Managing Director of Rickitt Mitchell & Partners Limited, a corporate financial advisory firm based in Manchester. He is also a Non Executive Director of Styles & Wood Group plc.

He is a qualified chartered accountant.

ROB COTTON

CHIEF EXECUTIVE

Rob Cotton has been Chief Executive since 2003, having joined the Group as Finance Director and Managing Director of Escrow in 2000.

He steered the Group through its move to the London Stock Exchange's main market in July 2007 following admission to AIM in July 2004, and through a management buy-out in April 2003. As well as delivering consistent organic growth in revenue and profits, he has instigated and overseen a series of strategic expansion plans including the acquisition of complementary businesses worldwide.

A qualified chartered accountant, he previously held a number of director and senior management positions in industry.

ATUL PATEL

GROUP FINANCE DIRECTOR

Atul Patel joined the Group initially on an interim basis on 18 February 2011 before being appointed to the Board on a full time basis on 19 April 2011. He was formerly a Divisional Finance Director within Tribal Group plc being responsible for the Government and Health Division, operating the finance and support functions as well as advising on business transformation and business integration.

A qualified chartered accountant, Atul joined the management consultancy division of PricewaterhouseCoopers after qualifying, where he focused on performance improvement and business transformation within global organisations.

DEBBIE HEWITT MBE

NON EXECUTIVE DIRECTOR

Debbie Hewitt joined NCC Group in September 2008 as a Non Executive Director. She has an MBA and is a Fellow of the Chartered Institute of Personnel Development. She is Non Executive Chairman of Moss Bros plc and Non Executive Director of Mouchel plc, Domestic and General Group plc, Luminar Group Holdings plc, HR Owen plc and Redrow plc.

DAVID MCKEITH

NON EXECUTIVE DIRECTOR

David McKeith joined NCC Group as a Non Executive Director in July 2009. He is a qualified chartered accountant. He is Chairman of the Halle Orchestra and Chairman of Greater Manchester Chamber of Commerce.

The senior management team detailed to the right is responsible for the operation of the Group's two Divisions. The members of the senior management team include:

ROGER RAWLINSON

MANAGING DIRECTOR - ASSURANCE

Roger Rawlinson is responsible for the operational management of the Group's Assurance Division. He has worked for NCC Group for over ten years in a variety of testing and consultancy roles and was appointed a Director in 2004.

BOB DOWSON

OPERATIONAL DIRECTOR - SITE CONFIDENCE

Bob Dowson is responsible for the operational management and development of Site Confidence, the Group's Website Performance and Load Testing business. He joined the Company in 2002 from Forrester Research.

SENIOR MANAGEMENT

PETE STOCK

MANAGING DIRECTOR - ESCROW UK

Pete Stock joined the Group upon the acquisition of SDLC in 2010 and is now responsible for the management, development and continued growth of the UK Escrow Division. Pete was the Managing Director of SDLC from its formation in 2001 through to its successful integration of the company into the Group. Prior to this, Pete's extensive career in IT has included roles of developer, solutions architect and programme manager.

FELICITY BRANDWOOD

GROUP COMPANY SECRETARY AND OPERATIONAL DIRECTOR - ESCROW UK & US

Felicity Brandwood, a qualified solicitor, was appointed a Director of Escrow in 2006 alongside her role as Group Company Secretary, having joined the Group in 1984. Felicity is responsible for operational controls and processes for Group Escrow and for Escrow US.

NIELS HAGELS

OPERATIONAL DIRECTOR - ESCROW EUROPE

Niels Hagels joined NCC Group in 2005 and is responsible for the day to day management of the Escrow Europe group of businesses. Prior to joining the Group, he was Commercial Director of Escrow Europe, having managed a number of IT and Internet companies.

DIRECTORS' REPORT

THE DIRECTORS PRESENT THEIR ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2011.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the Group is the independent provision of IT assurance through Escrow and Assurance Testing to both the public and private sectors worldwide. The performance in the year and the year end financial position were satisfactory and the Directors expect the Group to continue its growth for the foreseeable future.

The Company is required by the Companies Act 2006 to include a business review in the report which sets out a fair review of the business of the Group during the year ended 31 May 2011, its position at that date and the Group's likely future development. The contents of the Directors' Report, together with the Group Profile on page 5, the Chairman's Statement on pages 7 to 10, and the Operational and Financial Review on pages 11 to 23 and the Corporate Social Responsibility report on pages 51 to 52 constitute the business review and are therefore incorporated by reference into this Directors' Report.

Any forward looking statements made in this document represent management's best judgment as to what may occur in the future. However, the Group's actual results for the current and future fiscal periods and corporate developments will depend on a number of economic, competitive and other factors, some of which will be outside the control of the Group. Such factors could cause the Group's actual results for future periods to differ materially from those expressed in any forward looking statements made in this document.

The financial results of the Group are shown in the income statement on page 56.

DIVIDENDS

The Directors propose a final dividend of 8.85p per ordinary share which, together with the interim dividend of 4.15p per ordinary share paid on 25 February 2011, makes a total dividend of 13.0p for the year.

The final dividend will, if approved by shareholders at the Annual General Meeting (AGM), be paid on 30 September 2011 to shareholders on the register at the close of business on 2 September 2011. The ex-dividend date will be 31 August 2011. This represents cover of 2.9 times (2010: 2.8 times) based on basic adjusted earnings per share. The final dividend has not been accrued for in these financial statements.

The Company received dividends of £2.5m (2010: £nil) from subsidiary undertakings during the financial year.

SHAREHOLDERS' FUNDS AT THE END OF THE YEAR WERE £56.1M (2010: £50.3M).

SHARE CAPITAL

At the Company's Annual General Meeting held on 21 September 2010, shareholders renewed the Company's authorities to make market purchases of up to 3,370,726 ordinary shares representing approximately 10% of the issued share capital. This authority was not used during the year or up to the date of this report. At the 2011 Annual General Meeting, shareholders will be asked to give a similar authority. The Company held no treasury shares during the year or up to the date of this report.

The holders of ordinary shares are entitled, amongst other rights, to receive the Company's annual reports and accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights.

All rights and obligations attaching the Company's ordinary shares are set out in the Company's Articles of Association (Articles), copies of which can be obtained from the Companies House website or by writing to the Company Secretary. Unless otherwise provided in the Articles or the terms of issue of any shares, any shareholder may transfer any or all of his shares. The Directors may refuse to register a transfer of shares in certificated form that are not fully paid-up or otherwise in accordance with the Articles.

Details of the movements of the authorised and called up share capital of the Company are set out in note 22 to the financial statements.

DIRECTORS AND THEIR INTERESTS

Details of the Company's current Directors are set out on page 25. Directors' interests in shares and share options in the Company are detailed in the Directors' remuneration report set out on pages 41 to 48.

The Company maintains Directors' and Officers' liability insurance which gives appropriate cover for any legal action brought against its Directors. The Directors also have the benefit of the indemnity provisions contained in the Company's Articles.

PRINCIPAL SHAREHOLDERS

The following have notified the Company as being interested in 3% or more of the Company's issued ordinary share capital as at 01 July 2011:

Fund Manager	Shares at 01/07/11	% at 01/07/11
AXA Investment Managers	3,431,501	10.07
Montanaro Investment Managers	3,436,937	10.09
BlackRock	3,255,593	9.56
Legal & General Investment Management	2,702,580	7.93
Rob Cotton	1,674,289	4.92
SEB Asset Management	1,503,433	4.41
Artemis Investment Management	1,434,837	4.21
Hansa Capital Partners	1,250,000	3.67
Herald Investment Management	1,210,000	3.55
Mawer Investment Management	1,187,235	3.49

CORPORATE SOCIAL RESPONSIBILITY

The Corporate Social Responsibility section on pages 51 to 52 provides an update on the Group's policies and activities in respect of its wider stakeholders, employees, clients, suppliers, charities and the community, environmental, ethical and health and safety issues.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal financial risks and uncertainties the Group faces are described in note 20 to the Annual Report and Accounts.

The Group faces operational risks and uncertainties which the Directors take all reasonable steps possible to mitigate, however the Directors recognise that they can never be eliminated completely.

The principal operational risks and uncertainties the Group faces include those in relation to the recruitment of additional staff to meet the Group's ambitious growth plans, the entry of a significant competitor to threaten the Group's leading position in its domestic Escrow market, the occurrence of unforeseen difficulties in the integration of future acquisitions the Group may enter into, the implementation of SAP, the Group's new worldwide business solution and the dependence on key executives and senior managers.

There are no persons with whom the Company has contractual or other arrangements that are deemed to be essential to the Group.

Risk and uncertainties outside the Group's control include those relating to the implementation of changes in Government policy for the procurement of IT Services and alterations to the legislative and taxation framework in which the Group operates.

DIRECTORS' REPORT

DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who held office at the date of approval of this Directors' report confirm that so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

KPMG Audit plc has expressed its willingness to continue in office. Therefore, in accordance with Section 489 of the Companies Act 2006, a resolution to reappoint KPMG Audit plc as the Group's auditor and authorising the Directors to fix the remuneration of the auditor will be put to the forthcoming Annual General Meeting.

ANNUAL GENERAL MEETING

The notice of the Company's Annual General Meeting to be held at the Manchester Technology Centre is sent to shareholders with this annual report along with details of the business to be proposed and explanatory notes.

By order of the Board.

ROB COTTON
Chief Executive
NCC Group plc
7 July 2011

CORPORATE GOVERNANCE

NCC Group is committed and is accountable to shareholders for high standards of corporate governance. In respect of the year ended 31 May 2011, NCC Group has been in full compliance, other than as disclosed, with the provisions of the June 2008 (revised) Combined Code on Corporate Governance but has also chosen to measure its compliance against the Combined Code UK Corporate Governance Code (June 2010).

This statement describes how principles of corporate governance are applied to the Group.

THE BOARD

The Board currently comprises two Executive and three Non Executive Directors. The Board and Committee responsibilities are set out in the table below:

		Board	Audit Committee	Remuneration Committee	Nomination Committee
Paul Mitchell	Non Executive Chairman	Chairman	-	Member	Chairman
Rob Cotton	Chief Executive	Member	-	-	Member
Atul Patel	Group Finance Director	Member	-	-	-
Debbie Hewitt	Non Executive Director	Member	Member	Chairman	Member
David McKeith	Non Executive Director	Member	Chairman	Member	Member

The Non Executive Chairman, Paul Mitchell, is responsible for the running of the Board and promoting a culture of openness and debate. Executive responsibility for the running of the Group's business rests with the Chief Executive Officer who is supported in this by the Group Finance Director and the Operational Board of NCC Group.

During the year, James Wallace stood down as a Non Executive Director at the AGM on 21 September 2010, with Debbie Hewitt replacing him as the Senior Independent Non Executive Director.

The role of the Senior Independent Director is to provide a sounding board for the Chairman and to serve as an intermediary for other Directors when necessary. Her main responsibility is to be available to the shareholders should they have concerns that they have been unable to resolve through normal channels or when such channels would be inappropriate.

John Gittins joined the Group as Group Finance Director on 20 September 2010 and left the business on 25 February 2011. Atul Patel joined the Group on 18 February 2011 as an Interim Finance Director and was appointed as the Group Finance Director on 19 April 2011. Both received a full and formal induction on joining the Board.

The Board normally meets on a monthly basis. During the year, the Board met on twelve scheduled occasions.

The performance of the Board is a fundamental component of the Company's success. During the year, each of the Board, Audit Committee and Remuneration Committee carried out an internal self-evaluation on their effectiveness and concluded that they continue to be effective and that no significant amendments are required to their operating procedures.

The Non Executive Directors met independently from the Executive Directors to discuss with the Chairman the overall functioning of the Board and his contribution in making it effective.

The Non Executive Directors provide a strong independent element on the Board and are well placed to constructively challenge and help develop proposals on strategy. Between them they bring an extensive and broad range experience to the Group.

The attendance of individual Directors at the scheduled Board meetings is shown in the table below. The Non Executive Directors are contracted to spend a minimum of 18 days per annum on NCC Group affairs.

		Board meetings attended
Paul Mitchell	Non Executive Chairman	12/12
Rob Cotton	Chief Executive	12/12
John Gittins	Group Finance Director 20 September 2010 - 25 February 2011	5/6
Atul Patel	Group Finance Director From 18 February 2011	3/3
James Wallace	Senior Non Executive Director	4/4
Debbie Hewitt	Senior Non Executive Director	10/12
David McKeith	Non Executive Director	11/12

CORPORATE GOVERNANCE

THE BOARD (CONTINUED)

After careful review, the Board has again concluded that Debbie Hewitt and David McKeith are independent. In coming to this assessment the Board considered the character of the individuals concerned and the fact that neither of them:

- has ever been an employee of the Group;
- has ever had a material business relationship with the Group;
- receives any remuneration other than their fees;
- has close family ties with advisors, other Directors or senior management of the Group that could reasonably be expected to cause a conflict;
- has significant links with other Directors through involvement with other companies;
- represents a significant shareholder; or
- has served on the NCC Group Board for more than nine years.

The Board is responsible to shareholders for the proper management of the Group, for its system of corporate governance and for the long term success of the Company. It receives information on (at least) a monthly basis to enable it to review trading performance, forecasts and strategy and it has a schedule of matters specifically reserved for its decision. The most significant of these are:

- changes to the structure, size and composition of the Board;
- consideration of the independence of Non Executive Directors;
- consideration of the balance of interests between shareholders, employees, customers, the community and the environment;
- review of management structure and senior management responsibilities;
- with the assistance of the Remuneration Committee, approval of remuneration policies across the Group;
- approval of strategic plans, annual operating plans and budgets and any material changes to them;
- oversight of the Group's operations ensuring competent and prudent management, sound planning, an adequate system of internal control and adequate accounting and other records;
- reviewing the Group's risk review and control process;
- health and safety matters;
- approval of corporate policies such as the code of ethics and open door policy;
- approval of the Group's professional advisors;
- final approval of annual accounts and accounting policies;
- approval of treasury and banking policies;
- approval of the dividend policy;
- changes to the Group's capital structure;
- major changes to the Group's corporate structure or any change to its status as a public company;
- approval of the acquisition or disposal of subsidiaries and major investments and capital projects;
- delegation of the Board's powers and authorities, including the division of responsibilities between the Chairman, the Chief Executive and other Executive Directors; and
- receiving reports on the views of the Company's shareholders and approval of all documents put to shareholders at a general meeting or circulated to shareholders.

Operational management of the Group is delegated to the Operational Board of NCC Group.

Procedures exist to allow the Directors to seek independent legal and professional advice in respect of their duties at the Company's expense where the circumstances are appropriate. In November 2010, the Directors were updated by a partner from Eversheds, the Group's legal advisors, on the new UK Corporate Governance Code which came into force in June 2011 and on the new Bribery Act. In addition, all Directors have access to the Company Secretary or our external legal advisors for advice.

All Directors will submit themselves for re-election at the AGM every year.

The following formally constituted committees deal with specific aspects of the Group's affairs in accordance with their written terms of reference, which are reviewed regularly and are available on the Group's website www.nccgroup.com.

AUDIT COMMITTEE

The Audit Committee, which is chaired by David McKeith, the former North West Senior Partner of PricewaterhouseCoopers, comprises the two independent Non Executive Directors and meets at least three times a year. The Chairman, Chief Executive, Finance Director and external auditors attend these meetings as required by the Committee.

The purpose of the Committee is to assist the Board in the discharge of its responsibilities for financial reporting and corporate control and to provide a forum for reporting by the external auditors. The responsibilities of the Committee include:

- to consider liquidity risk and the going concern of the Group;
- to monitor the integrity of the financial statements and review significant financial reporting judgements contained in them;
- to review the Company's internal financial control system and risk management systems;
- to make recommendations to the Board in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditors;
- to oversee the relationship with the external auditors including, but not limited to, independence, objectivity and effectiveness;
- to develop and implement policy on the engagement of the external auditors to supply non-audit services;
- to monitor the Company's whistle-blowing procedures;
- to review the Company's procedures for detecting fraud and the systems of control for the prevention and detection of bribery; and
- to review regularly the need for an internal audit function.

CORPORATE GOVERNANCE

AUDIT COMMITTEE (CONTINUED)

The attendance of individual Committee members at Audit Committee meetings is shown in the table below:

	Meetings attended
James Wallace	1/1
Debbie Hewitt	3/3
David McKeith	3/3

During the year, the Audit Committee considered the following issues:

- tax planning issues;
- the areas of judgement in the financial statements including the valuation of intangible assets and goodwill impairment;
- the requirement for a formal internal audit function;
- review of the financial procedures manual and the open door policy;
- the independence and level of fees to Rickitt Mitchell as corporate finance advisors;
- the level of fees payable to KPMG Audit plc in respect of non-audit work;
- the separation of the audit, non audit and tax work and appointment of the appropriate advisors; and
- corporate governance issues including a review of terms of reference.

The Group again formally considered the need for an Internal Audit function, but was satisfied that the acquisition integration team could conduct this role on an ad-hoc basis if the need arose. Further, the internal controls and the Quality and Security procedures that are in place to support the regular internal and external audits that are conducted under the Group's ISO 9001 accredited quality assurance process, provides a good degree of comfort. These current arrangements are deemed sufficient given the structure of the Group's accounting function and the size of the Group, but it will be reviewed each year.

REMUNERATION COMMITTEE

The Remuneration Committee, which is chaired by Debbie Hewitt and comprises the Non Executive Directors, meets at least three times a year and additionally as required. It is responsible for reviewing remuneration arrangements for members of the Board and other senior employees of the Group and for providing general guidance on aspects of remuneration policy throughout the Group.

The attendance of individual Committee members at Remuneration Committee meetings is shown in the table below:

	Meetings attended
Paul Mitchell	6/6
James Wallace	2/2
Debbie Hewitt	5/6
David McKeith	6/6

The Directors' Remuneration Report is set out on pages 41 to 48.

NOMINATION COMMITTEE

The Nomination Committee is chaired by Paul Mitchell and comprises the Chairman, the Chief Executive and the Non Executive Directors. The Committee is responsible for proposing candidates to the Board, having regard to the balance and structure of the Board. The Committee met once to discuss and approve the appointment of the new Finance Director and to update the Board on the progress with the recruitment of new Non Executive Directors.

The Group recognises that the Non Executive Chairman is not independent and that the committee contains the Chief Executive who is an Executive Director, but in the event of an even number of votes being cast the Senior Independent Non Executive Director has the casting vote.

The Board's process for appointment of a new Non Executive is led by the Non Executive Chairman and for executive positions by the Chief Executive. Candidates are recommended by third party advisors and where appropriate through assessment of internal candidates. The Committee recognises the benefits of having a balance of skills, experience, independence and knowledge, and recognises the benefits of diversity.

Recommendations are then formally considered by the Nomination Committee.

	Meetings attended
Paul Mitchell	1/1
Rob Cotton	1/1
Debbie Hewitt	1/1
David McKeith	1/1

INTERNAL CONTROL

The Board is responsible for establishing and maintaining the Group's system of internal control. Internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed. By their nature however, internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Key elements of the internal control system are described below. These have all been in place throughout the year and up to the date of this report and are reviewed regularly by the Board:

- clearly defined management structure and delegation of authority to Committees of the Board, subsidiary boards and associated business units;
- clearly documented internal procedures set out in the Group's ISO 9001:2008 accredited quality manual;
- high recruitment standards and formal career development and training to ensure the integrity and competence of staff;
- regular and comprehensive information provided to management, covering financial performance and key performance indicators, including non-financial measures;
- a detailed budgeting process where business units prepare plans for the coming years and rolling three-year strategic plans, which are approved by the Board;
- procedures for the approval of capital expenditure and investments and acquisitions;
- monthly monitoring and re-forecasting of results against the annual operating plan, with major variances followed up and management action taken where appropriate;
- regular internal audits of key processes and procedures under the Group's ISO 9001 accredited quality assurance process;
- on-going procedures to identify, evaluate and manage significant risks faced by the business and procedures to monitor the control systems in place to reduce these risks to an acceptable level; and
- formal consideration of progress made against significant business risks at monthly operational board meetings.

AUDITOR INDEPENDENCE

The Company operates a rigorous policy designed to ensure that the auditors' independence is not compromised by their undertaking inappropriate non-audit work and the Audit Committees approval is needed for any fees paid to the Auditors for non audit work in excess of £25,000 in any twelve month period.

The choice of external auditor will be reviewed every five years or sooner if the Board considers it appropriate.

All significant pieces of non audit work are put to informal tender to suitable parties, this includes if appropriate the auditors. Upon review as to suitability and price, the work will then be placed to the provider recommended after approval by the Audit Committee. The Audit Committee has delegated the placing of financial non audit work under £25,000 to the discretion of the Executive Directors, which the Executives as a matter of course review on a case by case basis and award to the most suitable provider.

During the year the Audit Committee approved fees payable to Ernst & Young as the Group's tax advisors, fees payable to Deloitte in respect of transaction and international tax services and corporate finance fees to Rickitt Mitchell.

As reported to the Audit Committee £nil non-audit work was undertaken by the external auditors in 2011 (2010: £nil) thereby satisfying the Committee that there is no effect on the auditors independence.

GOING CONCERN

The Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. For this reason, they continue to adopt the going concern basis in preparing the financial statements. See page 65 for the note on the Basis of Preparation.

CORPORATE GOVERNANCE

COMMUNICATION WITH SHAREHOLDERS

The Company values the views of shareholders and recognises their interests in the Group's strategy and performance. It holds briefings with institutional fund managers, analysts and other investors, including staff shareholders, primarily following the announcement of interim and preliminary results, as well as at other times during the year as may be appropriate.

The Company's programme of investor relations activities is designed to ensure that the investing community receives a balanced and consistent view of the Group's performance. All shareholders are welcomed to the Annual General Meeting, at which the Board of Directors are available to answer questions from shareholders.

Communication is also provided through the Annual Report, the Interim Report and the Investor Relations area on the Company's website, www.nccgroup.com on which financial and other information is available and regularly updated.

The Board receives reports from the Group's broker twice a year that communicate feedback from institutional shareholders, reviews analyst coverage of the Group every month and receives reports twice a year from its financial public relations advisors regarding the views of analysts.

During the year Debbie Hewitt met or teleconferenced with the Group's five largest shareholders following her appointment as the Senior Independent Non Executive in September 2010 and the Non Executive Chairman, Paul Mitchell had teleconferences with a number of the investors regarding the departure of the then Finance Director in February 2011.

By order of the Board.

ROB COTTON
Chief Executive
NCC Group plc
7 July 2011

DIRECTORS' REMUNERATION REPORT

DEBBIE HEWITT MBE
Chairman, Remuneration Committee

REMUNERATION COMMITTEE

The Remuneration Committee advises the Board and makes recommendations to it about all elements of the remuneration packages of the Executive Directors. The members of the Remuneration Committee during the year were Debbie Hewitt who chairs the Committee, Paul Mitchell, David McKeith and James Wallace up until his resignation on 21 September 2010. The Chief Executive attends the Remuneration Committee by invitation and assists the Committee with its considerations. No Director is involved in setting their own remuneration plan.

REMUNERATION POLICY

The Committee and the Board believe that in order to attract and maintain a senior management team of the right calibre it is necessary to provide competitive market-based packages which reward Group and individual performance and motivate senior executives to achieve stated business objectives and deliver outstanding shareholder returns. In addition, the Committee also considers the changes in size and complexity of the Group.

Remuneration packages comprise:
- basic salary
- annual performance related bonus
- other benefits
- participation in the share incentive plans.

The Group introduced a number of share incentive schemes on flotation, of which all members of staff, including the Executive Directors are potential beneficiaries. These include a Long Term Incentive Plan (LTIP), a Save As You Earn (SAYE) scheme and a Company Share Option Plan (CSOP).

The remuneration policy is replicated throughout the Group and aims to attract and retain the best relevant staff and to focus their remuneration on the delivery of long term sustainable growth by using a mix of salary, benefits, bonus and longer term incentives.

BASIC SALARY

Salaries are normally reviewed annually and any changes are effective from 1 June in each year. Pay reviews take into account Group and personal performance and externally benchmarked market data for comparable companies operating in IT services, management consulting and relevant high-tech sectors.

The salaries of Rob Cotton, for the last two financial years, as well as John Gittins, the former Finance Director of the Group, and Atul Patel, the current Group Finance Director are set out in the table on page 45.

A formal benchmarking exercise was undertaken in April 2009, using Deloitte, to provide the Remuneration Committee with relevant comparable data. The Remuneration Committee did not see the need to repeat the exercise but has taken note of and reviewed the freely available market information and a comprehensive review reported to the Remuneration Committee on Executive pay.

The Committee also considered the excellent performance of the Group over the last seven years, its increasing size and complexity and viewed this in light of the economic backdrop and remuneration levels being set in the rest of the business.

With effect from 1 June 2011, Rob Cotton's salary increases by 8% to £405,000 and Atul Patel's salary will be £175,000.

PERFORMANCE RELATED BONUSES

The performance related pay scheme for Executive Directors is largely the same as that of the Operational Directors and Senior Managers within the business.

Payments under the scheme are based upon the achievement of profit targets set by the Remuneration Committee. The profit target is based on delivery of the Group's own internal plans overlaid on to the financial forecasts and expectations in the investor community. The internal plans are detailed and focus on the delivery of long term profit growth and are compared to the market expectations of the Group.

The Group does not include personal or other financial objectives in the remuneration plan as this could result in payments being made where the Group's performance is unacceptable and measures such as cash targets or personal performance are not regarded as sufficiently tangible to directly enhance the value of the Group. The Remuneration Committee however can, if exceptional circumstances occur that are beyond the Executive's control, use its discretion to pay Executives an appropriate bonus.

The bonus scheme does not start to reward until 90% (2010: 80%) of the stringent, internal target set is achieved, but are capped at 110% (2010: 120%). The maximum bonus payable to Rob Cotton under the scheme is £240,000 (2010: £225,000) and for 100% achievement of the performance criteria, £200,000. For Atul Patel the same criteria apply, with £75,000 being paid for 100% achievement of performance. At 90% £26,250 is payable and the scheme is capped at £105,000 for achieving 110%.

The Remuneration Committee believes that this simple and transparent scheme prevents short term decisions being made and ensures that the Senior Management is purely focused on the delivery of business performance to significantly enhance shareholder value.

For 2010/2011 against the criteria set, the bonus paid out at 103% of the targets set resulting in a bonus payment of £160,067 paid to Rob Cotton and £20,000 to Atul Patel.

PENSIONS

Executive Directors are entitled to a company pension contribution of 10% of basic salary, providing they make a contribution of not less than 5%, which is paid into the Group defined contribution personal pension scheme, which is also open to all permanent employees.

BENEFITS

Benefits in kind include the provision of a car or car allowance, payment of private fuel, car insurances, private medical insurance, life assurance and permanent health insurance.

SHARE INCENTIVES

The Group's policy is to award share incentives to Executive Directors in order to align their interests with those of the Company's shareholders. Rob Cotton is precluded from joining the CSOP, but has participated in the LTIP scheme during the financial year.

The Remuneration Committee agreed, in 2005, to extend participation in the LTIP to other Senior Executives within the Group. The maximum award is equal to the Director's or Senior Executive's annual basic salary in the year of award.

The Group's LTIP schemes are based on the earnings per share (EPS) performance of the Group over a performance period of three years. The Committee is satisfied that using a single criteria works to motivate and encourage long term growth and enhance shareholder value as it is setting demanding objectives on the Executives who receive the awards.

The Committee has rejected the use of Total Shareholder Returns as a measure as there are no similar comparable organisations to compare the Group against and comparing the share performance against such a diverse sector as the Software and Services sector is far outside the sphere of influence of the Executives. If this criterion had been included, the rewards for the participating Executives and Senior Managers would be considerably higher. The Committee also dismissed the option of making part of any award against personal or internal objectives as they are not outwardly clear to the investor community and are unlikely to directly deliver increased shareholder value.

Should a change in control of the Group occur, crystallisation of any LTIP awards are within the discretion of the Remuneration Committee.

Rob Cotton joined the SAYE Scheme at the time of flotation and has continued to subscribe to the scheme.

DIRECTORS' REMUNERATION REPORT

SERVICE CONTRACTS

The service contracts and letters of appointment of the Directors include the following terms:

	Date of contract	Notice period
Executive		
Rob Cotton	8 July 2004	1 year
Atul Patel	19 April 2011	6 months
Non Executive		
Paul Mitchell	26 June 2007	3 months
Debbie Hewitt	18 September 2008	3 months
David McKeith	29 July 2009	3 months

The Executive Directors are subject to rolling contracts and offer themselves, like the Non Executive Directors, for re-election every year. These contracts may be terminated by either the Company or the relevant Executive Director giving the appropriate notice.

Payments on termination for Executive Directors are restricted to the value of salary and contractual benefits for the notice period. There are no predetermined special provisions for Executive Directors with regard to compensation in the event of loss of office.

DIRECTORS' INTEREST IN SHARES

Directors had the following beneficial interest in the issued share capital of the Company.

	Ordinary Shares of 1p each 2011	Ordinary Shares of 1p each 2010
Executive		
Rob Cotton	**1,674,289**	1,642,856
Non Executive		
Paul Mitchell	**196,600**	196,600
James Wallace	**-**	14,705
Debbie Hewitt	**5,665**	5,665
David McKeith	**5,000**	5,000

DIRECTORS' REMUNERATION REPORT

The auditors have audited the information in the following tables:

REMUNERATION

The remuneration of the Directors for the year ended 31 May 2011 was as follows:

Year ended 31 May 2011	Salary £000	Bonus £000	Pension £000	Benefits £000	Fees £000	Total £000
Executive						
Rob Cotton	375	160	38	32	-	**605**
John Gittins - Note 1	216	-	20	20	-	**256**
Atul Patel	33	20	-	5	-	**58**
Non Executive						
Paul Mitchell	-	-	-	-	65	**65**
James Wallace - Note 2	19	-	-	-	-	**19**
Debbie Hewitt - Note 3	-	-	-	-	47	**47**
David McKeith	38	-	-	-	-	**38**
	681	**180**	**58**	**57**	**112**	**1,088**

Note 1 John Gittins left the Group on 25 February 2011 with immediate effect. Under the terms of his Service Agreement he was entitled to six months' notice but the company chose to waive the requirement for him to work this period.

No compensation or termination payments were due under his agreement, but his notice period and payments in lieu of all contractual obligations were paid in full and are included in the table as salary. Under the terms of his Service Agreement he was excluded from the bonus scheme and no bonus was paid in respect of that bonus year. He was also excluded from any invitations to the LTIP.

Note 2 James Wallace stepped down as a Non Executive Director from the Board on 21 September 2010 at the Annual General Meeting. No compensation or termination payments were due or paid.

Note 3 Debbie Hewitt was paid £3,750 for Chairing the Remuneration Committee for the period from September 2009 to 31 May 2010.

The remuneration of the Directors for the year ended 31 May 2010 was as follows:

Year ended 31 May 2010	Salary £000	Bonus £000	Pension £000	Benefits £000	Fees £000	Total £000
Executive						
Rob Cotton	360	160	36	29	-	**585**
Paul Edwards - Note 1	209	-	-	-	-	**209**
Non Executive						
Paul Mitchell	-	-	-	-	60	**60**
James Wallace	45	-	-	-	-	**45**
Debbie Hewitt	-	-	-	-	38	**38**
Eurfyl ap Gwilym - Note 2	11	-	-	-	-	**11**
David McKeith	19	-	-	-	-	**19**
	644	**160**	**36**	**29**	**98**	**1,006**

Note 1 Paul Edwards resigned and left the Group in January 2010. Under the terms of his Service Agreement he was required to give six months' notice, but the company chose to waive this requirement.

No compensation or termination payments were due under his agreement, but his notice period and payments in lieu of all contractual obligations were paid in full and are included in the table as salary. Under the terms of his Service Agreement he was excluded from the bonus scheme and no bonus was paid in respect of that bonus year. He was also excluded from any invitations to the LTIP.

Note 2 Eurfyl Ap Gwilym stepped down as a Non Executive Director from the Board at 16 September 2009 at the Annual General Meeting. No compensation or termination payments were due or paid.

DIRECTORS' SHARE OPTIONS

The Group has a number of share option schemes whereby Directors and staff are able to subscribe for ordinary shares in the Company.

As at 31 May 2011 Rob Cotton held options over ordinary shares as follows. There have been no changes between the end of the financial year and the date of this report.

Director	Date of grant	Market value at date of grant	Maximum Options held at 1 June 2010	Exercise price	Performance conditions	Earliest exercise date	Expiry date
Rob Cotton	18/07/08	£3.56	98,315	nil*	1	01/06/11	18/06/12
Rob Cotton	07/07/09	£3.30	109,256	nil*	1	01/06/12	07/07/13
Rob Cotton	23/07/10	£4.20	89,115	nil*	1	01/06/13	23/07/14
Rob Cotton	02/08/10	£3.38	2,662	£3.38	2	01/10/13	31/03/14

*£exercise price of £1 on each occasion

On 2 September 2010 Rob Cotton exercised options granted to him under the NCC Group LTIP scheme over 80,645 shares, 22,259 shares were forfeited as the Group achieved 72.4% of the performance criteria set. The market price of the Company's shares on this date was £4.30.

On 6 October 2010 Rob Cotton exercised options granted to him under the NCC Group plc Sharesave Scheme over 2,914 shares. The exercise price of the Company's shares at this date was £3.24.

PERFORMANCE CONDITIONS AND NOTES

1. If EPS growth is equal to 25% or more per annum then 100% of the award will vest. If, however, growth is less than 10% per annum, none of the award governed by the EPS condition will vest. Performance between the two points of measure will be determined on a straight line basis.

   The Remuneration Committee recommends the granting of additional share options to the value of Executive Director's annual salary under the same performance criteria as under the current LTIP.

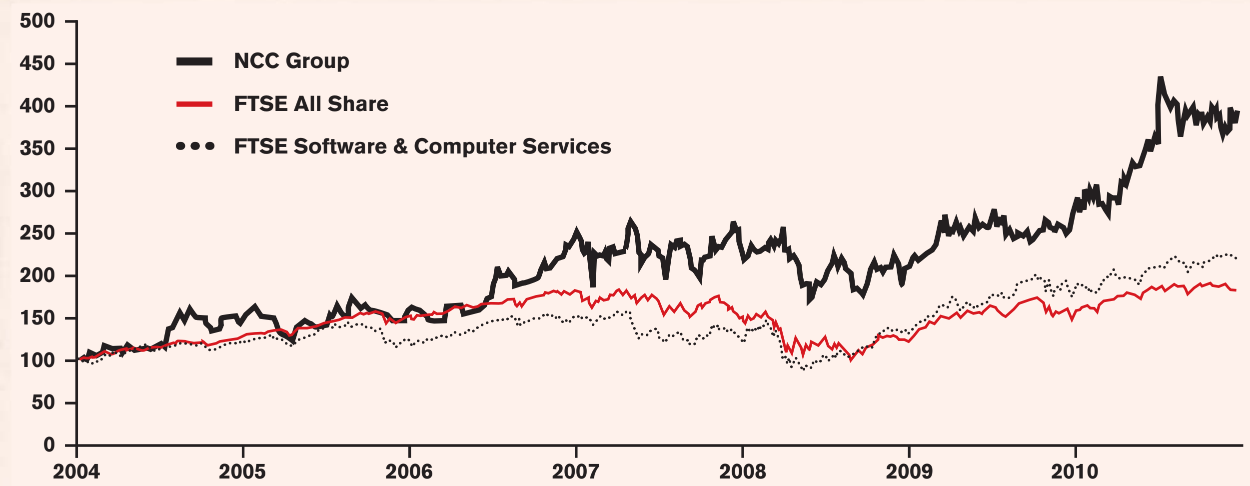
2. SAYE 2010 Scheme. The SAYE scheme is subject to a three year savings contract. If this is completed a maximum of 2,662 shares will be granted.

PERFORMANCE GRAPH

The following graph shows the total shareholder return, with dividends reinvested, from 12 July 2004, the date of the Company's flotation on the London Stock Exchange (AIM) against the corresponding changes in hypothetical holding in shares in both the FTSE All Share Index and the FTSE Software and Computer Services Index.

The FTSE All Share and FTSE Software and Computer Services indices both represent broad equity indices' in which the company is a constituent member. Inclusion of the FTSE All Share Index gives a market capitalisation-based perspective, whilst the FTSE Software and Computer Services Index gives an industry sector perspective.

During the year the Company's share price varied between £3.72 and £6.52 and ended the year at £5.48.



Approved by the Board and signed on its behalf:

DEBBIE HEWITT MBE
Chairman, Remuneration Committee
NCC Group plc
7 July 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

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 parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

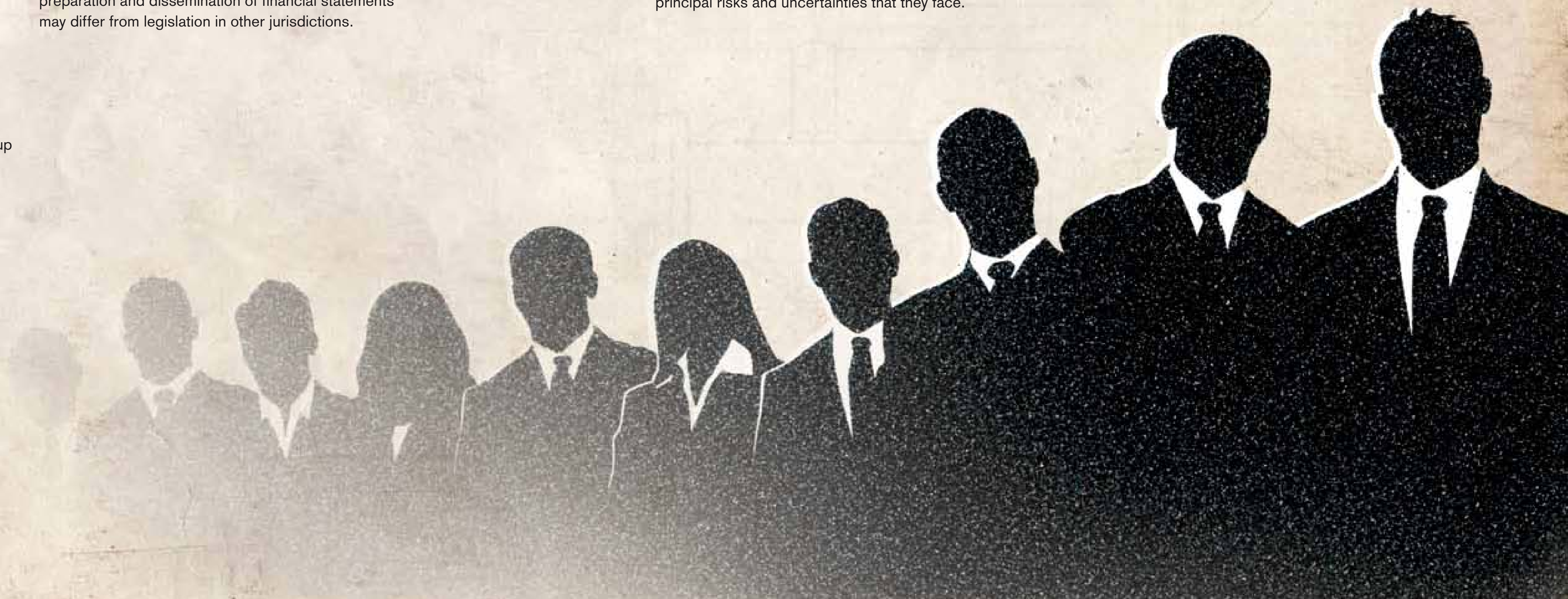
STATEMENT OF DIRECTORS' RESPONSIBILITIES PURSUANT TO DISCLOSURE AND TRANSPARENCY RULES 4.1.12

Each of the Directors whose names and functions are set out on pages 33 to 40, confirm that, to the best of their knowledge:

- The Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- The business review includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board.

ROB COTTON
Chief Executive
NCC Group plc
7 July 2011



CORPORATE SOCIAL RESPONSIBILITY REPORT

NCC GROUP TAKES ITS CORPORATE SOCIAL RESPONSIBILITIES VERY SERIOUSLY AND RECOGNISES THE IMPORTANT CONTRIBUTIONS TO THE BUSINESS MADE BY THE WIDER COMMUNITY OF STAKEHOLDERS, IN PARTICULAR EMPLOYEES, CLIENTS, SUPPLIERS AND THE LOCAL COMMUNITIES IN WHICH WE OPERATE.

The Board takes into account social, environmental and ethical issues in its discussions and decision making and makes the health and safety of employees a priority.

Careful consideration of the introduction of metrics has been considered, but for a business such as this it is not seen as being applicable or in certain instances measurable or beneficial, but clearly with each major decision made we consider any relevant environmental, social or governance issues that may apply.

STAKEHOLDERS

EMPLOYEES

People are at the heart of the Group's business and the support and involvement of the talented individuals who form our team is vital to the continued success of the Group overall. The Group has a policy of keeping employees informed of, and engaged in, its business strategy through the Intranet, regular employee briefings and divisional meetings.

Comments and suggestions from employees on the Group's performance and management are actively encouraged and a free flow of information between the Directors, managers and employees ensures that everyone has an opportunity to contribute.

CLIENTS

NCC Group values each and every client and is proud of the long standing nature of its client relationships. Continuing client satisfaction is central to our ongoing success and is regularly measured and monitored through the ISO 9001 certified quality programme. This includes written and telephone satisfaction surveys each month.

Rare instances of negative feedback are treated with the utmost seriousness and dealt with swiftly by management through to resolution. Each Operational Director takes direct responsibility for customer satisfaction, with the CEO investigating directly where Divisional performances fail to meet the 80% threshold.

THE COMMUNITY

We are committed to ensuring that as well as delivering consistently strong results as a business, we give something back to the local community. We continue to support charitable organisations and actively encourage the involvement of our employees in fundraising by covering expenses and awarding additional days' holiday.

For the last twelve months the Group very actively supported Breast Cancer and Prostate Cancer Charities bringing the two together under the "In It Together" campaign to raise funds for both, raising in excess of £50,000.

As the Group has evolved, the decision has been made to support more local less obvious charities that can deliver directly into the community. In the US it is common to commit employee time to good causes and this will be incorporated in the Group's next set of charity objectives.

SUPPLIERS

The Group's policy is to pay suppliers in accordance with terms and conditions agreed when orders are placed. Although the Group does not follow any code or standard on payment policy, where terms have not been specifically agreed, invoices dated in one calendar month are paid close to the end of the following month.

At 31 May 2011, the Group had an average of 40 days purchases outstanding in trade creditors (2010: 46 days).

THE ENVIRONMENT

Although the impact of the Group's operations on the environment is limited compared with other industries, we recognise our responsibility to respect and limit damage to the environment.

In 2006, the Group first introduced an environmental policy outlining the responsibilities of the Group and each employee to act in an environmentally responsible manner, in particular through efficient route planning, recycling and sustainable procurement.

The Group also actively encourages employees to think about the environmental impact of journeys they take, encouraging the use of public transport as well as actively promoting the cycle to work scheme which has been taken up by a large number of Group employees.

We promote recycling in all offices as well as sourcing from sustainable resources and any office refurbishments takes advantage of all of the energy saving technologies that are available and appropriate at the time.

Moving in to the new financial year, we intend to take an even more proactive view on the green opportunities available to the Group and we are now constructing and implementing a full environmental policy, under the guidance of the Group Finance Director. This will cover the expectation that our suppliers will be required to be similarly minded.

KEY POLICIES

ETHICS POLICY

The Group recognises and understands that our relationships with those who we deal with are the key to our success and, as such, we take our obligations and commitments to those people and organisations very seriously. Our independence, reputation as a supplier of quality services and the trust of our clients are all key assets that we aim to protect at all times. We aim to engender in our employees principles of honesty and integrity and the desire to work to the best of their ability.

All of these values and principles are founded on an ethics policy which permeates everything that we do.

EQUAL OPPORTUNITIES AND EMPLOYMENT POLICY

The Group is committed to offering equal opportunities to all; no employee or potential employee receives more or less favourable treatment due to their gender, age, race, national or ethnic origin, religion or belief, disability, sexual orientation, or marital status. The Group is committed to the training and development of all employees and to providing a productive working environment.

Should an existing employee's circumstances change, it is the Group's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever possible.

HEALTH AND SAFETY POLICY

The Group is committed to the good health and wellbeing of its employees and strives to provide and maintain a safe and pleasant environment for all employees, clients and visitors to its premises and to comply with the relevant health and safety legislation. Continued investment is planned in the coming financial year to enhance the working environments of employees in our offices. No Health and Safety incidents arose in the year (2010: nil).

By order of the Board.

ROB COTTON
Chief Executive
NCC Group plc
7 July 2011

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF NCC GROUP PLC

We have audited the financial statements of NCC Group plc for the year ended 31 May 2011 set out on pages 55 to 103. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 49, 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 May 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- information given in the Corporate Governance Statement set out on pages 33 to 40 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 49, in relation to going concern;
- the part of the Corporate Governance Statement on pages 33 to 40 relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Nick Plumb

NICK PLUMB
(Senior Statutory Auditor)
for and on behalf of

KPMG

KPMG AUDIT PLC,
Statutory Auditor Chartered Accountants
15 Canada Square
London
E14 5GL

FINANCIALS

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY 2011

	Notes	2011	2010 (restated)
		£000	£000
Revenue	2	**70,995**	47,575
Cost of sales		**(45,389)**	(26,015)
Gross profit		**25,606**	21,560
Administrative expenses before amortisation of intangible assets and exceptional items		**(7,715)**	(7,000)
Operating profit before amortisation and exceptional items		**17,891**	14,560
Amortisation of intangible assets		**(3,275)**	(1,557)
Exceptional items	3	**(1,144)**	319
Total administrative expenses		**(12,134)**	(8,238)
Operating profit	2	**13,472**	13,322
Financial income	6	**8**	6
Finance expense excluding unwinding of discount		**(644)**	(288)
Net financing costs excluding unwinding of discount		**(636)**	(282)
Unwinding of discount effect relating to contingent consideration on business combinations		**(68)**	(75)
Financial expenses	6	**(712)**	(363)
Net financing costs		**(704)**	(357)
Profit before taxation	4	**12,768**	12,965
Taxation	7	**(3,441)**	(3,692)
Profit for the year		**9,327**	9,273
Discontinued operations			
(Loss)/Profit for the period from discontinued operations		**(1,098)**	142
Profit for the year		**8,229**	9,415
Attributable to equity holders of the parent company		**8,229**	9,415
Earnings per share from continuing operations	10		
Basic earnings per share		**27.5p**	27.5p
Diluted earnings per share		**26.7p**	26.6p
Earnings per share from continuing and discontinued operations			
Basic earnings per share		**24.3p**	27.9p
Diluted earnings per share		**23.5p**	27.0p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR YEAR ENDED 31 MAY 2011

	Notes	2011	2010
		£000	£000
Profit for the year		**8,229**	9,415
Other comprehensive income			
Foreign exchange translation differences		**418**	(630)
Total comprehensive income for the period		**8,647**	8,785
Attributable to:			
Equity holders of the parent		**8,647**	8,785

The prior year has been restated to reflect the withdrawal from the general IT Consultancy market in October 2010 and as reflected as Discontinued operations in the Consolidated Income Statement.

FINANCIALS

GROUP BALANCE SHEET

AT 31 MAY 2011

	Notes	2011		2010	
		£000	£000	£000	£000
Non-current assets					
Intangible assets	12	**93,759**		75,254	
Plant and equipment	13	**2,755**		2,050	
Deferred tax assets	16	**1,150**		867	
Total non-current assets		**97,664**		78,171	
Current assets					
Trade and other receivables	14	**18,389**		16,967	
Cash and cash equivalents		**4,701**		4,631	
Total current assets		**23,090**		21,598	
Total assets			**120,754**		99,769
Equity					
Issued capital	22	**341**		337	
Share premium		**22,830**		21,707	
Retained earnings		**33,230**		28,963	
Currency translation reserve		**(316)**		(734)	
Total equity attributable to equity holders of the parent			**56,085**		50,273
Non-current liabilities					
Other financial liabilities	19	**206**		61	
Deferred tax liability	16	**1,518**		2,319	
Contingent consideration on acquisitions	19	**4,536**		6,484	
Interest bearing loans	19,20	**25,182**		-	
Total non-current liabilities			**31,442**		8,864
Current liabilities					
Interest bearing loans	20	**-**		16,505	
Trade and other payables	17	**16,166**		8,597	
Deferred revenue	18	**15,023**		12,886	
Current tax payable		**2,038**		2,644	
Total current liabilities			**33,227**		40,632
Total liabilities			**64,669**		49,496
Total liabilities and equity			**120,754**		99,769

These financial statements were approved by the Board of Directors on 7 July 2011 and were signed on its behalf by:

ROB COTTON
Chief Executive
NCC Group plc
4627044

COMPANY BALANCE SHEET
AT 31 MAY 2011

	Notes	2011		2010	
		£000	£000	£000	£000
Non-current assets					
Investments	27	**31,529**		31,319	
Deferred tax assets	16	**168**		130	
Total non-current assets			**31,697**		31,449
Current assets					
Cash and cash equivalents		**1,096**		13	
Total current assets		**1,096**		13	
Total assets			**32,793**		31,462
Equity					
Issued capital	22	**341**		337	
Share premium		**22,831**		21,707	
Retained earnings		**3,234**		4,608	
Total equity			**26,406**		26,652
Current liabilities					
Trade and other payables	17	**6,387**		4,870	
Current tax payable		**-**		(60)	
Total current liabilities			**6,387**		4,810
Total liabilities			**6,387**		4,810
Total liabilities and equity			**32,793**		31,462

These financial statements were approved by the Board of Directors on 7 July 2011 and were signed on its behalf by:

ROB COTTON
Chief Executive
NCC Group plc
4627044

FINANCIALS

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MAY 2011

	Notes	2011	2010
		£000	£000
Cash inflow from operating activities			
Profit for the year		**8,229**	9,415
Adjustments for:			
Depreciation charge	13	**1,190**	1,182
Share based charges		**408**	796
Amortisation of intangible assets		**3,275**	1,557
Net financing costs		**704**	357
Profit on sale of plant and equipment		**(18)**	(32)
Income tax expense		**3,014**	3,750
Profit for the year before changes in working capital		**16,802**	17,025
(Increase)/Decrease in receivables		**(373)**	2,188
Increase/(Decrease) in payables		**1,463**	(401)
Cash generated from operating activities before interest and tax		**17,892**	18,812
Interest paid		**(663)**	(297)
Income taxes paid		**(4,178)**	(3,882)
Net cash generated from operating activities		**13,051**	14,633
Cash flows from investing activities			
Interest received		**8**	6
Acquisition of plant and equipment		**(1,815)**	(1,021)
Acquisition of intangible assets	12	**(2,675)**	(1,563)
Acquisition of business net of cash acquired	15	**(14,432)**	(13,387)
Net cash used in investing activities		**(18,914)**	(15,965)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital		**1,127**	78
Draw down of borrowings		**9,099**	7,551
Purchase of own shares		**(856)**	(1,108)
Payment of bank loans		**-**	-
Equity dividends paid		**(3,855)**	(3,284)
Net cash from financing activities		**5,515**	3,237
Net increase in cash and cash equivalents	23	**(348)**	1,905
Cash and cash equivalents at beginning of year		**4,631**	3,356
Effect of foreign currency		**418**	(630)
Cash and cash equivalents at end of year		**4,701**	4,631

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY 2011

	2011	2010
	£000	£000
Cash inflow from operating activities		
Profit for the year	**363**	3,287
Adjustments for:		
Share based charges	**197**	134
Income tax expense	**91**	(12)
Profit for the year before changes in working capital	**651**	3,409
Increase in payables	**1,517**	928
Profit for the year before interest and tax	**2,168**	4,337
Interest paid	**-**	(12)
Net cash generated from operating activities	**2,168**	4,325
Cash flows from financing activities		
Proceeds from the issue of ordinary share capital	**1,127**	78
Purchase of own shares	**(856)**	(1,108)
Equity dividends paid	**(3,855)**	(3,284)
Equity dividends received	**2,500**	-
Net cash from financing activities	**(1,084)**	(4,314)
Net increase/(decrease) in cash and cash equivalents	**1,084**	11
Cash and cash equivalents at beginning of year	**12**	1
Cash and cash equivalents at end of year	**1,096**	12

STATEMENTS OF CHANGES OF EQUITY

FOR THE YEAR ENDED 31 MAY 2011

GROUP

	Share capital	Share premium	Translation reserve	Retained earnings	Total
	£000	£000	£000	£000	**£000**
Balance at 1 June 2009	337	21,630	(104)	22,891	**44,754**
Profit for the period	-	-	-	9,415	**9,415**
Foreign currency translation differences	-	-	(630)	-	**(630)**
Total comprehensive income for the period	-	-	(630)	9,415	**8,785**
Transactions with owners recorded directly in equity					
Dividends to equity shareholders	-	-	-	(3,284)	**(3,284)**
Purchase of own shares	-	-	-	(1,108)	**(1,108)**
Share based payment transactions	-	-	-	796	**796**
Deferred tax on share based payments	-	-	-	253	**253**
Shares issued	-	77	-	-	**77**
Total contributions by and distributions to owners	-	77	-	(3,343)	**(3,266)**
Balance at 31 May 2010	337	21,707	(734)	28,963	**50,273**
Balance at 1 June 2010	337	21,707	(734)	28,963	**50,273**
Profit for the period	-	-	-	8,229	**8,229**
Foreign currency translation differences	-	-	418	-	**418**
Total comprehensive income for the period	-	-	418	8,229	**8,647**
Transactions with owners recorded directly in equity	-	-	-	-	**-**
Dividends to equity shareholders	-	-	-	(3,855)	**(3,855)**
Purchase of own shares	-	-	-	(856)	**(856)**
Share based payment transactions	-	-	-	408	**408**
Deferred tax on share based payments	-	-	-	341	**341**
Shares issued	4	1,123	-	-	**1,127**
Total contributions by and distributions to owners	4	1,123	-	(3,962)	**(2,835)**
Balance at 31 May 2011	341	22,830	(316)	33,230	**56,085**

FINANCIALS

STATEMENTS OF CHANGES OF EQUITY

FOR THE YEAR ENDED 31 MAY 2011

COMPANY

	Share capital	Share premium	Retained earnings	Total
	£000	£000	£000	**£000**
Balance at 1 June 2009	337	21,630	4,931	**26,898**
Profit for the period	-	-	3,289	**3,289**
Foreign currency translation differences	-	-	-	**-**
Total comprehensive income for the period	-	-	3,289	**3,289**
Transactions with owners recorded directly in equity				
Dividends to equity shareholders	-	-	(3,284)	**(3,284)**
Share based payment transactions	-	-	134	**134**
Increase in subsidiary investment for share based charges	-	-	646	**646**
Share issued	-	77	-	**77**
Purchase of own shares	-	-	(1,108)	**(1,108)**
Total contributions by and distributions to owners	-	77	(3,612)	**(3,535)**
Balance at 31 May 2010	337	21,707	4,608	**26,652**
Balance at 1 June 2010	337	21,707	4,608	**26,652**
Profit for the period	-	-	2,862	**2,862**
Foreign currency translation differences	-	-	-	**-**
Total comprehensive income for the period	-	-	2,862	**2,862**
Transactions with owners recorded directly in equity				
Dividends to equity shareholders	-	-	(3,855)	**(3,855)**
Share based payment transactions	-	-	197	**197**
Increase in subsidiary investment for share based charges	-	-	210	**210**
Shares issued	4	1,123	-	**1,127**
Deferred Tax on share based payments	-	-	69	**69**
Purchase of own shares	-	-	(856)	**(856)**
Total contributions by and distributions to owners	4	1,123	(4,235)	**(3,108)**
Balance at 31 May 2011	341	22,830	3,235	**26,406**

NOTES

NOTES
(FORMING PART OF THE FINANCIAL STATEMENTS)

1 ACCOUNTING POLICIES

BASIS OF PREPARATION
NCC Group plc ("the Company") is a company incorporated in the UK.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its Group.

Both the parent and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"). On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

IFRS 3 'Business Combinations' (revised 2008) and IAS 27 'Consolidated and Separate Financial Statements' (revised 2008). The adoption of these standards has not had a material effect on the financial statements of the Group except for on the treatment of business combinations.

The most significant changes to the Group's previous accounting policies for business combinations are as follows:

- Acquisition transaction costs which would previously have been included in the cost of a business combination are expensed to the income statement as they are incurred; and
- Any changes to the cost of an acquisition, including contingent consideration, resulting from events after the date of acquisition are recognised in the income statement. Previously such changes resulted in an adjustment to goodwill.

The revised standards have been applied prospectively to the 2010 acquisitions in note 15.

FRS 2 Group Cash-settled Share-based Payment Transactions. The amendments clarify the scope of IFRS 2, as well as the accounting for Group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

Improvements to IFRS's. In April 2009 the International Accounting Standards Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The adoption of these amendments, which are effective for accounting periods beginning on or after 1 January 2010, did not have any impact on the reporting of the financial position or performance of the Group.

ACCOUNTING STANDARDS NOT YET EFFECTIVE
A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 May 2011 and have not been applied in preparing these consolidated financial statements. None of these will have an effect on the consolidated financial statements of the Group.

The key changes are as follows:

- IFRS 9 - Financial Instruments. Effective for annual periods commencing on or after 1 January 2013.
- IFRS 10 - Consolidated financial instruments. Effective for annual periods commencing on or after 1 January 2013.
- IFRS 11 - Joint arrangements. Effective for annual periods commencing on or after 1 January 2013.
- IAS 24 (revised in 2009) - Related Party Disclosures. Effective for annual periods beginning on or after 1 January 2011.
- Improvements to IFRSs (issued May 2010). Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011.
- Amendments to IFRS 7 - Financial Instruments: Disclosures. Effective for annual periods commencing on or after 1 July 2011.
- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments. Effective for annual periods beginning on or after 1 July 2010.

BUSINESS COMBINATIONS
From 1 June 2010 the Group has applied IFRS 3 'Business combinations' (2008). The change in accounting policy has been applied prospectively. All business combinations are accounted for by applying the acquisition method. Business combinations are accounted as at the acquisition date, which is the date on which control is transferred to the Group.

ACQUISITIONS ON OR AFTER 1 JUNE 2010
For acquisitions on or after 1 June 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date.

1 ACCOUNTING POLICIES (CONTINUED)

ACQUISITIONS BEFORE 1 JUNE 2010

For acquisitions before 1 June 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

Contingent consideration on business combinations was recognised only to the extent that it can be reliably estimated and it is probable that the consideration will be paid. Any subsequent chances to the carrying value of the contingent consideration were recognised as adjustments to goodwill.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operational and Financial Review on pages 11 to 23. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 11 to 18. In addition, note 20 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The Group's forecast and projections taking into account reasonably possible changes in trading performance show that the Group is able to operate within the level of its current facility.

As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the Directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

BASIS OF CONSOLIDATION

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

INTANGIBLE ASSETS AND GOODWILL

Goodwill represents amounts arising on acquisition of subsidiaries. In respect of business acquisitions that have occurred since 1 June 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired including identifiable intangible assets. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units where the expected cash flows are largely independent of other assets and is not amortised but is tested annually for impairment.

In respect of acquisitions prior to 1 June 2004, goodwill is included at its deemed cost, which represents the amount recorded under UK GAAP at 31 May 2004 which was broadly comparable, save that only separable intangibles were recognised and goodwill was amortised.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill is tested for impairment at each balance sheet date or whenever there is an indication of impairment. Other intangibles are amortised from the date they are available for use. Acquired customer contracts and relationships are amortised over their estimated useful economic life of between 3 and 20 years.

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in note 26 to these financial statements.

PLANT AND EQUIPMENT

Property, plant and equipment assets are carried at cost less accumulated depreciation and any recognised impairment in value. To the extent that borrowing costs relate to the acquisition, construction or production of a qualifying asset, borrowing costs are capitalised as part of the cost of that asset. Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of an item of plant and equipment. The rates applied are as follows:

Computer equipment	- 20% to 33%
Plant and equipment	- 20%
Fixtures and fittings	- 10-20%
Motor vehicles	- 25%

Plant and equipment is also tested for impairment whenever there is an indication of potential impairment.

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are carried at cost less impairment.

REVENUE RECOGNITION

Revenue represents the value of services provided during the period, excluding VAT.

NOTES

1 ACCOUNTING POLICIES (CONTINUED)

ASSURANCE TESTING
The results of partially completed contracts whether fixed price or on a time and materials basis are dealt with on a percentage completion basis according to the number of days worked by including the profit or loss earned on work completed to the balance sheet date. Provisions are made for any losses on uncompleted contracts expected to be incurred after the balance sheet date.

ESCROW AND WEBSITE MONITORING
Other than fees attributable to initial setup on the signing of a new contract, which is recognised when the contract is signed, maintenance and escrow agreement revenue is deferred and released to the income statement on a straight-line basis over the life of the related agreement, on the basis that the performance is deemed to fall evenly over the contract period.

DETERMINATION AND PRESENTATION OF OPERATING SEGMENTS
The Group determines and presents operating segments based on the information that is provided to the CEO, who is the Group's chief operating decision maker, in order to assess performance and to allocate resources.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and to assess its performance.

For the year ended 31 May 2011, the Group has two reportable segments, Group Escrow and Assurance Testing. Group Escrow and Assurance Testing are the Group's strategic business units offering different services and they are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the CEO reviews internal management reports on at least a quarterly basis.

FOREIGN CURRENCIES
Transactions in foreign currencies 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 income statement.

The assets and liabilities of overseas subsidiaries denominated in foreign currencies are translated at the closing rate and income statements of overseas subsidiary undertakings are translated at the average exchange rates. Gains and losses arising on these transactions are taken to the currency translation reserve. They are released to the income statement upon disposal.

OPERATING LEASES PAYMENTS
Operating lease rentals are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

EMPLOYEE BENEFITS - DEFINED CONTRIBUTION PLANS
The Group operates a defined contribution pension scheme. The assets of the scheme are kept separately from those of the Group in an independently administered fund. The amount charged as expense in the income statement represents the contributions payable to the scheme in respect of the accounting period.

SHARE-BASED PAYMENT TRANSACTIONS
The share option programme allows Group employees to acquire shares of the parent company; these awards are granted by the parent. 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 the options granted is measured using an option valuation 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. In the Company's accounts, the fair value of share options granted to employees of subsidiary companies is included in investments with a corresponding increase in equity.

INTEREST BEARING BORROWINGS
Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

NET FINANCING COSTS
Net financing costs comprise interest payable and interest receivable on funds invested.

Interest income and interest payable is recognised in the income statement as they accrue and capitalised when interest charges are incurred in relation to the purchase of capitalised assets. To the extent that borrowing costs relate to the acquisition, construction or production of a qualifying asset, borrowing costs are capitalised as part of the cost of that asset.

Dividend income is recognised in the income statement on the date the entity's right to receive the payments is established and pre acquisition dividends are deducted from the cost of investment.

TAXATION
Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

1 ACCOUNTING POLICIES (CONTINUED)

INTRA-GROUP FINANCIAL INSTRUMENTS

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated at their nominal amount less impairment losses.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of cash in hand and deposits repayable on demand. Bank overdrafts that are repayable on demand form part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

BASIS OF MEASUREMENT

The financial statements are prepared on the historical cost basis except for share based payment transactions and assets and liabilities acquired in a business combination which are measured at fair value.

USE OF ESTIMATES AND JUDGEMENTS

The most significant area of estimates and judgements is in assessing goodwill for impairment. Goodwill is the Group's largest asset (see note 12) and in assessing impairment estimates are required of the future cash flows arising from the acquired business and judgement is required over an appropriate discount rate. The key assumptions used are described in note 12 together with the results of management's sensitivity analysis.

2 SEGMENTAL INFORMATION

The Group is organised into two operating segments, Group Escrow and Assurance Testing, each of which is separately reported. Whilst revenue and profitability are monitored by individual business units within these operational segments it is only at the operating level that resource allocation decisions are made. Performance is measured based on segment profit which comprises segment operating profit excluding amortisation of intangible assets, share based payment charges and exceptional items. Interest and tax are not allocated to business segments and there are no intra segment sales.

	2011	2010 (restated)
	£000	£000
Revenue by business segment		
Escrow UK	**18,968**	17,918
Escrow Europe	**3,180**	2,862
Escrow US	**2,707**	2,180
Total Group Escrow	**24,855**	22,960
Assurance Delivery	**39,111**	18,282
Monitoring Performance	**7,029**	6,333
Total Assurance Testing	**46,140**	24,615
Total revenue	**70,995**	47,575
Operating profit by business segment		
Group Escrow	**14,488**	13,313
Assurance Testing	**6,507**	3,818
Segment operating profit	**20,995**	17,131
Head office costs	**(3,104)**	(2,571)
Operating profit before amortisation and exceptional items	**17,891**	14,560
Amortisation of intangible assets Group Escrow	**(423)**	(567)
Amortisation of intangible assets Assurance Testing	**(2,852)**	(990)
Operating profit before exceptional items	**14,616**	13,003
Exceptional items	**(1,144)**	319
Operating profit	**13,472**	13,322

There are no customer contracts which account for more than 10% of segment revenue.

NOTES

2 SEGMENTAL INFORMATION (CONTINUED)

	Assets 2011	Liabilities 2011	Assets 2010	Liabilities 2010
	£000	£000	£000	£000
Assets/(liabilities) by business segment				
Group Escrow	**13,242**	**(14,587)**	13,739	(13,045)
Assurance Testing	**16,338**	**(10,091)**	16,063	(9,289)
Unallocated net assets	**91,174**	**(39,991)**	69,967	(27,162)
Total assets / (liabilities)	**120,754**	**(64,669)**	99,769	(49,496)

Unallocated net assets consist of goodwill arising on consolidation, cash, tax payable and other centrally held assets and liabilities.

	Depreciation	Capital expenditure	Total costs incurred to acquire segmental assets
	£000	£000	£000
2011			
Group Escrow	**132**	**103**	**4,825**
Assurance Testing	**560**	**546**	**9,758**
Unallocated	**498**	**1,317**	**-**
Total	**1,190**	**1,966**	**14,583**
2010			
Group Escrow	754	788	-
Assurance Testing	428	525	13,677
Total	**1,182**	**1,313**	**13,677**

The table below provides an analysis of the Group's revenue by geographical market where the customer is based.

	2011	2010 (restated)
	£000	£000
Revenue by geographical origin and destination		
UK	**52,565**	34,683
Rest of Europe	**6,018**	5,909
Rest of the World	**12,412**	6,983
Total revenue	**70,995**	47,575

The table below provides an analysis of the Group's assets/(liabilities) by geographical market where the assets/(liabilities) are based.

	Assets 2011	Liabilities 2011	Assets 2010	Liabilities 2010
	£000	£000	£000	£000
Assets/(liabilities) by geographical segment				
UK	**86,508**	**(40,306)**	89,522	(45,464)
Rest of Europe	**5,615**	**(2,722)**	5,379	(2,484)
Rest of the World	**28,631**	**(21,641)**	4,868	(1,548)
Total assets/(liabilities)	**120,754**	**(64,669)**	99,769	(49,496)

3 EXCEPTIONAL ITEMS

The Group identifies separately items as "exceptional". These are items which in the management's judgement, need to be disclosed by virtue of their size or incidence in order for the user to obtain a proper understanding of the financial information.

	2011	2010 (restated)
	£000	£000
Exceptional items and acquisition related costs		
Acquisition related costs	**1,144**	-
Exceptional items	**-**	319
Total	**1,144**	319

Exceptional cost in the year ended 31 May 2011 were £1,144,000 principally consisting of professional fees incurred in relation to the acquisition of iSEC Partners Inc in October 2010 and Escrow Associates LLC in March 2011.

Exceptional items in the year ended 31 May 2010 were £319,000, this consisted of a foreign currency gain on revaluation of a loan which has been repaid of £571,000 and a charge of £252,000 in relation to the exit costs associated with property leases.

4 EXPENSES AND AUDITORS' REMUNERATION

	2011	2010
	£000	£000
Profit before taxation is stated after charging/(crediting):		
Amounts receivable by auditors and their associates in respect of:		
Audit of these financial statements	**36**	33
Audit of financial statements of subsidiaries pursuant to legislation	**46**	40
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or Group	**-**	-
Depreciation and other amounts written off tangible and intangible fixed assets:		
Owned	**1,190**	1,182
Amortisation of intangible assets	**3,275**	1,557
Exchange losses/(profits)	**17**	(43)
Operating lease rentals charged:		
Hire of property, plant and equipment	**1,304**	936
Other operating leases	**665**	560
Profit on disposal of fixed assets	**(18)**	(32)

5 STAFF NUMBERS AND COSTS

Directors' emoluments are disclosed in the Directors' Remuneration Report on pages 41 to 48.

GROUP

The average number of persons employed by the Group during the year, including Directors is analysed by category as follows:

	Number of employees	
	2011	2010
Operational	**140**	114
Administration, sales and marketing	**389**	316
	529	430

The aggregate payroll costs of these persons were as follows:

	2011	2010
	£000	£000
Wages and salaries	**27,676**	23,070
Share based payments (note 21)	**408**	796
Social security costs	**2,900**	2,691
Other pension costs (note 25)	**568**	478
	31,552	27,035

NOTES

6 NET FINANCING COSTS

	2011	2010
	£000	£000
Financial income		
Interest on short term deposits	**8**	6
	8	6
Financial expenses		
Interest payable on bank loans and overdrafts	**(629)**	(281)
Interest capitalised within the construction intangible assets	**64**	18
Amortisation of deal fees on term loans	**(79)**	(25)
Contingent consideration finance expense (see below)	**(68)**	(75)
	(712)	(363)

Interest has been capitalised at the rate applying to the specific funds borrowed in respect of capital projects. Where specific funds are not borrowed to finance capital projects, a capitalisation rate, based on a weighted average of borrowings outstanding during the period, is applied to the expenditure on the asset. The rate applied during the current financial year is 2.2% (2010: 2.2%).

The contingent consideration finance expense of £68,000 (2010: £75,000) relates to the acquisition of SDLC Solutions Limited, NGS Meridian Limited, iSEC Partners Inc and Escrow Associates LLC.

Contingent consideration related to the acquisition of subsidiary undertakings has been discounted to present values. The unwinding of the discount on contingent consideration has been treated as a finance expense and is analysed in the table below:

Contingent consideration finance expense	2011	2010
	£000	£000
Next Generation Security Software Limited	**-**	42
SDLC	**(9)**	9
Meridian	**(24)**	24
iSEC Partners Inc	**97**	-
Escrow Associates LLC	**4**	-
	68	75

The discount rate used was 3% (2010: 4%).

The total net present value of the contingent consideration as at 31 May is shown in the following table:

Non-current liabilities - contingent consideration (note 19)	2011	2010
	£000	£000
NGS Meridian Limited	-	1,076
SDLC Solutions Limited	1,000	5,408
iSEC Partners Inc	3,536	-
	4,536	6,484

Current liabilities includes £5,840,000 (2010 £nil) contingent consideration payable in relation to the acquisition of iSEC Partners Inc and Escrow Associates LLC (note 17).

7 TAXATION

Recognised in the income statement	2011	2010
	£000	£000
Current tax expense		
Current year	**3,724**	3,980
Adjustment to tax expense in respect of prior periods	**(188)**	(39)
Foreign tax	**648**	(15)
Total current tax	**4,184**	3,926
Deferred tax (note 16)	**(743)**	(234)
Tax in income statement	**3,441**	3,692

Reconciliation of effective tax rate	2011	2010
	£000	£000
Profit before taxation	**12,768**	12,965
Current tax using the UK corporation tax rate of 27% (2010: 28%)	**3,546**	3,628
Effects of:		
Items not (taxable)/deductible for tax purposes	**371**	113
Adjustment to tax charge in respect of prior periods	**(420)**	(49)
Effect of rate change	**(56)**	-
Total current tax	**3,441**	3,692

Deferred tax recognised directly in equity was £341,000 (2010: £253,000).

8 DIVIDENDS

	2011	2010
	£000	£000
Dividends paid and recognised in the year	**3,855**	3,284
Dividends proposed but not recognised in the year	**3,015**	2,443
Dividends per share paid and recognised in the year	**11.4p**	9.75p
Dividends per share proposed but not recognised in the year	**8.85p**	7.25p

9 DISCONTINUED OPERATIONS

In October 2010 the Group withdrew from the General IT Consultancy market in order to focus on growing the Group Escrow and Assurance Divisions, organically and by acquisition. Relevant information security services will be retained and operated from other appropriate parts of the Assurance Division.

The Division was not classified as held for sale or a discontinued operation at 31 May 2010 and the comparative consolidated income statement has been re-presented to show the discontinued operation separately from continuing operations.

Expenses in the year ended 31 May 2011 include a charge of £950,000 in respect of the withdrawal from the advisory business.

£000	2011	2010 (restated)
	£000	£000
Results of discontinued operation		
Revenue	**1,719**	6,141
Expenses	**(3,244)**	(5,941)
Results from operating activities	**(1,525)**	200
Income Tax	**427**	(58)
Profit/(Loss) for the period	**(1,098)**	142
Earnings per share from discontinued activities (pence)		
Basic earnings per share	**(3.2)**	0.4
Diluted earnings per share	**(3.2)**	0.4

NOTES

10 EARNINGS PER SHARE

The calculation of earnings per share is based on the following:

	2011	2010
	£000	£000
Profit for the year from continuing operations used for earnings per share	9,327	9,273
Exceptional items	1,144	(230)
Unwinding of discount	68	75
Adjusted profit from continuing operations used for adjusted earnings per share	12,804	10,238

	Number of shares	Number of shares
	000s	000s
Basic weighted average number of shares in issue	33,922	33,686
Dilutive effect of share options	1,048	1,181
Diluted weighted average shares in issue	34,970	34,867

11 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit for the year dealt with in the accounts of the parent company was £2,862,000 (2010: £3,289,000).

12 INTANGIBLE ASSETS - GROUP

	Software	Customer contracts and relationships	Goodwill	Total
	£000	£000	£000	£000
Cost				
At 1 June 2009	-	10,100	52,163	62,263
Additions	1,379	3,529	11,710	16,618
Reclassification from Plant and Equipment	184	-	-	184
At 31 May 2010	1,563	13,629	63,873	79,065
Additions	2,675	5,031	14,074	21,780
At 31 May 2011	4,238	18,660	77,947	100,845
Amortisation				
At 1 June 2009	-	2,254	-	2,254
Charge for year	9	1,548	-	1,557
At 31 May 2010	9	3,802	-	3,811
Charge for year	145	3,130	-	3,275
At 31 May 2011	154	6,932	-	7,086
Net book value				
At 31 May 2011	4,084	11,728	77,947	93,759
Net book value				
At 31 May 2010	1,554	9,827	63,873	75,254

NOTES

12 INTANGIBLE ASSETS - GROUP (CONTINUED)

The Group has made two acquisitions in the year, details of which are included in note 15.
The Company has no intangible assets.

Goodwill considered significant in comparison to the Group's total carrying amount of such assets have been allocated to cash generating units for the purposes of impairment testing as follows:

	Goodwill	
	2011	2010
	£000	£000
Cash generating units		
Escrow	**22,871**	22,871
Escrow Europe	**6,487**	6,487
NCC Group Inc.	**6,315**	1,303
Escrow	**35,673**	30,661
Assurance Testing	**4,530**	4,530
Site Confidence Limited	**6,396**	6,396
Secure Test Limited	**11,074**	11,844
SDLC Solutions Limited	**8,953**	10,442
iSEC Partners Inc.	**11,321**	-
Assurance	**42,274**	33,212
Total	**77,947**	63,873

The cash generating units' recoverable amounts are based on value in use calculations using projections of the Group's future performance reflecting the Directors' best estimates of the cash flows.

Key assumptions for the value in use calculations are discount factors and growth rates. Growth rates are based on historical trends and risk adjusted discount factors of 10% (2010: 10%) have been applied to the projections. The discount rate has been based on management's calculation of the weighted average cost of capital using the capital asset pricing model to calculate the cost of equity. A range of alpha factors were used to reflect the risk of the cash generating units. The Directors do not believe that a reasonably possible change of assumptions would cause the recoverable amounts to fall below book value for any of the cash generating units.

As detailed in note 6, additions during the year ended 31 May 2011 include £64,000 of capitalised borrowing costs (2010: £18,000).

13 PLANT AND EQUIPMENT - GROUP

	Computer equipment	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At 1 June 2009	5,250	405	1,539	358	7,552
Additions	1,037	-	150	136	1,323
Acquisition of Group Companies	130	5	16	-	151
Reclassification of assets to intangibles	(184)	-	-	-	(184)
Disposals	(2)	-	-	(227)	(229)
At 31 May 2010	**6,231**	**410**	**1,705**	**267**	**8,613**
Additions	685	-	1,117	164	1,966
Acquisition of Group Companies	125	-	39	61	225
Disposals	-	-	-	(201)	(201)
At 31 May 2011	**7,041**	**410**	**2,861**	**291**	**10,603**
Depreciation					
At 1 June 2009	4,060	381	835	145	5,421
Charge for year	895	11	214	62	1,182
Acquisition of Group companies	90	3	10	-	103
Disposals	(1)	-	-	(142)	(143)
At 31 May 2010	**5,044**	**395**	**1,059**	**65**	**6,563**
Charge for year	896	7	234	53	1,190
Acquisition of Group Companies	64	-	38	61	163
Disposals	-	-	-	(68)	(68)
At 31 May 2011	**6,004**	**402**	**1,331**	**111**	**7,848**
Net book value					
At 31 May 2011	**1,037**	**8**	**1,530**	**180**	**2,755**
Net book value					
At 31 May 2010	1,187	15	646	202	2,050

The company has no plant and equipment.

14 TRADE AND OTHER RECEIVABLES

	Group 2011	Group 2010	Company 2011	Company 2010
	£000	£000	£000	£000
Trade receivables	**12,753**	12,297	**-**	-
Prepayments and accrued income	**5,636**	4,670	**-**	-
	18,389	16,967	**-**	-

15 ACQUISITIONS

A. On 14 October 2010 the Group acquired 100% of the share capital of iSEC Partners Inc. for a maximum consideration of £15.3m, of which up to £6.3m has been withheld subject to the achievement of performance criteria specified in the purchase agreement. The fair value of the contingent consideration expected to be paid on 14 October 2010 was £6,025,000. The performance conditions are required to be satisfied by December 2012.

The acquisition had the following effect on the Group's assets and liabilities:

	Acquiree's book values	Fair value adjustments	Acquisition amounts
	£000	£000	£000
Acquiree's identifiable net assets at the acquisition date:			
Plant and equipment	60	-	60
Trade and other receivables	892	-	892
Cash	44	-	44
Creditors and accruals	(684)	-	(684)
Intangible assets purchased	-	3,456	3,456
Net identifiable assets	312	3,456	3,768
Goodwill on acquisition	-	-	11,321
Expected consideration to be paid	-	-	15,089
Less purchase consideration withheld	-	-	(6,025)
Net cash outflow	-	-	9,064
Cash acquired	-	-	(44)
Net cash outflow excluding cash acquired	-	-	9,020

NOTES

Goodwill has arisen on the acquisition because the purchase price exceeds the fair value of the separately identifiable net assets, liabilities and contingent liabilities acquired. Goodwill represents synergies, business processes and the assembled value of the work force including industry specific knowledge and technical skills. The amount recognised as contingent consideration reflects the amount which is considered to be fair value and is based on profit growth forecasts and market multiples.

B. On 29 March 2011 the Group acquired 100% of the membership units of Escrow Associates LLC for a maximum consideration of £5.9m, of which up to £0.9m has been withheld subject to the achievement of performance criteria specified in the purchase agreement. The fair value of the contingent consideration expected to be paid on 29 March 2011 was £830,000. The performance conditions are required to be satisfied by May 2012.

The acquisition had the following effect on the Group's assets and liabilities:

	Acquiree's book values	Fair value adjustments	Acquisition amounts
	£000	£000	£000
Acquiree's identifiable net assets at the acquisition date:			
Purchased Goodwill	939	-	939
Plant and equipment	2	-	2
Trade and other receivables	161	-	161
Cash	107	-	107
Creditors and accruals	(1,209)	-	(1,209)
Intangible assets purchased	-	1,574	1,574
Net identifiable assets	-	1,574	1,574
Goodwill on acquisition	-	-	4,073
Expected consideration to be paid	-	-	5,647
Less purchase consideration withheld	-	-	(822)
Net cash outflow	-	-	4,825
Cash acquired	-	-	(107)
Net cash outflow excluding cash acquired	-	-	4,718

Goodwill has arisen on the acquisition because the purchase price exceeds the fair value of the separately identifiable net assets, liabilities and contingent liabilities acquired. Goodwill represents synergies, business processes and the assembled value of the work force including industry specific knowledge and technical skills. The amount recognised as contingent consideration reflects the amount which is considered to be fair value and is based on profit growth forecasts and market multiples.

C. During the period, £694,000 was paid in relation to the settlement of deferred consideration on the acquisition of NGS Meridian Limited and SDLC Solutions Limited.

D. It is not practical to disclose what the contribution to Group revenue and profits would have been had the acquisition of iSEC and Escrow Associates been completed on the first day of the current period, as consolidated financial information was not prepared on an IFRS basis prior to 31 October 2010 and 31 March 2011 respectively.

16 DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities.

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011	2010	**2011**	2010	**2011**	2010
	£000	£000	**£000**	£000	**£000**	£000
Plant and equipment	**335**	280	**-**	(5)	**335**	275
Short term temporary differences	**35**	20	**-**	-	**35**	20
Intangible assets	**231**	-	**(1,414)**	(2,314)	**(1,183)**	(2,314)
Share based payments	**549**	567	**-**	-	**549**	567
Tax deductible goodwill	**-**	-	**(104)**	-	**(104)**	-
Deferred tax assets/(liabilities)	**1,150**	867	**(1,518)**	(2,319)	**(368)**	(1,452)

Movement in deferred tax during the year:

	1 June 2010	Recognised in income	Recognised in equity	31 May 2011
	£000	£000	£000	**£000**
Plant and equipment	275	60	-	**335**
Short term temporary differences	20	15	-	**35**
Intangible assets	(2,314)	1,131	-	**(1,183)**
Share based payments	567	(359)	341	**549**
Tax deductible goodwill	-	(104)	-	**(104)**
	(1,452)	743	341	**(368)**

Movement in deferred tax during the prior year:

	1 June 2009	Recognised in income	Recognised in equity	Arising on acquisition	31 May 2010
	£000	£000	£000	£000	£000
Plant and equipment	234	41	-	-	275
Short term temporary differences	26	(6)	-	-	20
Intangible assets	(1,576)	399	-	(1,137)	(2,314)
Share based payments	515	(200)	252	-	567
	(801)	234	252	(1,137)	(1,452)

The Company has deferred tax assets related to share based payments of £168,000 (2010: £130,000).

17 TRADE AND OTHER PAYABLES

	Group 2011	Group 2010	**Company 2011**	Company 2010
	£000	£000	**£000**	£000
Trade payables	**2,305**	2,221	**-**	-
Amounts owed to Group undertakings	**-**	-	**6,188**	4,869
Contingent consideration on acquisitions	**5,840**	-	**-**	-
Non trade payables	**2,949**	2,520	**1**	-
Accruals	**5,072**	3,856	**198**	1
	16,166	8,597	**6,387**	4,870

18 DEFERRED REVENUE

	Group 2011	Group 2010	**Company 2011**	Company 2010
	£000	£000	**£000**	£000
Deferred revenue	**15,023**	12,886	**-**	-
	15,023	12,886	**-**	-

Deferred revenue of £11,358,000 (2010: £10,417,000) mainly consists of Escrow agreement revenue that has been deferred to be released to the income statement over the contract term in accordance with the Group's accounting policy.

Deferred revenue of £3,665,000 (2010: £2,469,000) consists of website monitoring and load testing agreement revenue that has been deferred to be released to the income statement over the contract term in accordance with the Group's accounting policy.

NOTES

19 NON-CURRENT LIABILITIES

	Group 2011	Group 2010	Company 2011	Company 2010
	£000	£000	£000	£000
Secured bank loan	**25,367**	-	**-**	-
Issue costs	**(265)**	-	**-**	-
Amortisation of issue costs	**80**	-	**-**	-
Interest bearing loans	**25,182**	-	**-**	-
Deferred tax (note 16)	**1,518**	2,319	**-**	-
Contingent consideration on acquisitions (note 6)	**4,536**	6,484	**-**	-
Other financial liabilities	**206**	61	**-**	-
Total non-current liabilities	**31,442**	8,864	**-**	-

Other financial liabilities of £206,000 relate to the balance of a rent free period (2010: £61,000) which is released to the income statement over the term of the lease.

20 FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Currency risk
- Interest rate risk

The Board has overall responsibility for establishing appropriate management of exposure to risk. The Audit Committee oversees how management identify and address risks to the Group.

CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest bearing loans as shown in the consolidated balance sheet, less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

As at 31 May 2011 the Group's gearing ratio was 27% (2010: 19%).

FINANCIAL INSTRUMENTS POLICY

All instruments utilised by the Company and Group are for financing purposes. The day-to-day financial management and treasury are controlled centrally for all operations.

FAIR VALUE OF FINANCIAL INSTRUMENTS

As at 31 May 2011 the Group and Company had no other financial instruments than those disclosed below.
The carrying value of all financial instruments in these financial statements represents their estimated fair value.

CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

20 FINANCIAL INSTRUMENTS (CONTINUED)

EXPOSURE TO CREDIT RISK

The carrying value of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group 2011	Group 2010	Company 2011	Company 2010
	£000	£000	£000	£000
Trade receivables	**12,753**	12,297	**-**	-
Cash and cash equivalents	**4,701**	4,631	**1,096**	12
	17,454	16,928	**1,096**	12

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

Debtors by geographical segment	Group 2011	Group 2010	Company 2011	Company 2010
	£000	£000	£000	£000
UK	**10,999**	10,430	**-**	-
Rest of Europe	**435**	929	**-**	-
Rest of the World	**1,319**	938	**-**	-
	12,753	12,297	**-**	-

The maximum exposure to credit risk at the reporting date by business segment was:

Debtors by business segment	Group 2011	Group 2010	Company 2011	Company 2010
	£000	£000	£000	£000
Group Escrow	**5,108**	4,572	**-**	-
Assurance Testing	**7,645**	7,725	**-**	-
	12,753	12,297	**-**	-

The trade receivables of the Group typically comprise amounts due from a large number of small customers. The Group's customer base, whilst concentrated largely in the UK, represents a spread of industry sectors. The largest amount due from a single customer at the reporting date represented 5% of total Group receivables (2010: 14%). All of the Group's cash is held with financial institutions of high credit rating.

IMPAIRMENT LOSSES

The ageing of trade receivables at the reporting date was:

	Group 2011	Group 2010	Company 2011	Company 2010
	£000	£000	£000	£000
Not past due	**8,013**	6,434	**-**	-
Past due 0-30 days	**3,020**	3,548	**-**	-
Past due 31-90 days	**1,370**	1,964	**-**	-
Past due more than 90 days	**995**	675	**-**	-
	13,398	12,621	**-**	-

The movement in the allowance in respect of trade receivables during the year was as follows:

	Group 2011	Group 2010
	£000	£000
Balance at 1st June	**324**	627
Impairment (gain)/loss recognised	**321**	(303)
Balance at 31 May	**645**	324

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of specific trade receivables.

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amounts owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly. The Group reviews all debt more than 90 days past due and provides for impairment losses, net of any revenue which has been deferred, based on trading experience with that customer. The allowance is all for debts older than 90 days (2010: older than 90 days). The ageing of Group debt and associated impairment loss is reported to the Board on a monthly basis.

20 FINANCIAL INSTRUMENTS (CONTINUED)

LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risks by regular reviews of forecast cash flows in line with contractual maturities of financial liabilities and the Revolving Credit Facility available. Forecast cash flows are reported to the Board on a monthly basis.

The following are the contractual maturities of financial liabilities, including interest payments of the Group:

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-3 years
	£000	£000	£000	£000	£000	£000
At 31 May 2011						
Secured bank borrowings	**25,367**	**(25,367)**	**-**	**-**	**-**	**25,367**
Trade and other payables	**20,701**	**(20,701)**	**(12,971)**	**(3,194)**	**(4,536)**	**-**
At 31 May 2010						
Unsecured bank borrowings	16,500	(16,500)	(16,500)	-	-	-
Trade and other payables	15,081	(15,081)	(8,597)	-	(3,406)	(3,078)

The financial liabilities of the Company all have contractual maturities within 6 months (2010: within 6 months).

CURRENCY RISK

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. The Group's management review the size and probable timing of settlement of all financial assets and liabilities denominated in foreign currencies. Where there is substantial exposure to currency risk, hedging arrangements are put in place. The Group's exposure to currency risk is as follows:

	2011				2010			
	Sterling	Euros	USD	AUD	Sterling	Euros	USD	AUD
	£000	£000	£000	£000	£000	£000	£000	£000
Loans and receivables	**10,999**	**435**	**1,280**	**39**	10,430	929	938	-
Cash and cash equivalents	**412**	**2,180**	**2,058**	**51**	2,862	1,151	618	-
Bank borrowings	**14,500**	**-**	**10,682**	**-**	16,505	-	-	-
Trade and other payables	**12,637**	**307**	**7,723**	**34**	14,607	169	305	-

A change of 100 basis points in exchange rates would not have a significant impact on these financial statements.

INTEREST RATE RISK

The Group and Company finances its operations through a mixture of retained profits and bank borrowings. The Group borrows and invests surplus cash at floating rates of interest based upon bank base rate.

The financial assets of the Group at the end of the financial year were as follows:

	2011	2010
	£000	£000
Sterling denominated financial assets	**412**	2,715
Euro denominated financial assets	**2,180**	1,024
US dollar denominated financial assets	**2,058**	892
AU dollar denominated financial assets	**51**	-
Current trade and other receivables	**18,389**	16,967
	23,090	21,598

The financial assets of the Company at the end of the financial year were as follows:

	2011	2010
	£000	£000
Sterling denominated financial assets	**1,096**	13
	1,096	13

A change of 100 basis points in interest rates would not have a significant impact on these financial statements.

The financial liabilities of the Group and their maturity profile are as follows:

	2011	2010
	£000	£000
Maturity		
Less than 1 year	**-**	16,505
1 to 2 years	**-**	-
Sterling denominated 2 to 3 years	**14,500**	-
US dollar denominated 2 to 3 years	**10,682**	-
3 to 4 years	**-**	-
Current trade and other payables	**16,166**	8,597
	41,348	25,102

20 FINANCIAL INSTRUMENTS (CONTINUED)

The financial liabilities of the Company and their maturity profile are as follows:

	2011	2010
	£000	£000
Maturity		
Less than 1 year	-	-
1 to 2 years	-	-
2 to 3 years	-	-
3 to 4 years	-	-
Current trade and other payables	**6,387**	4,870
Sterling denominated financial liabilities	**6,387**	4,870

As at 31 May 2011 the Group had a multi-currency revolving credit facility of £35 million (2010: £20 million). The interest payable on drawn down funds is 2% above LIBOR (2010: 1.6%).

The revolving credit facility is available until July 2013.

21 SHARE BASED PAYMENTS

The Company has a number of share option schemes under which options to subscribe for the Company's shares have been granted to Directors and staff, details of which are illustrated in the tables below. Expected term of options represents the period over which the fair value calculations are based.

APPROVED EMI SCHEME

Under the Approved EMI Scheme, options granted will be subject to performance criteria. Options will vest if the average EPS growth for the 3 years following their grant is greater than 3% above RPI per annum. The options are to be settled in equity.

Date of grant	Expected term of options	Exercisable between	Exercise Price	2011 Number Outstanding
July 2004	6 years	July 2007 - July 2014	£1.70	61,605
August 2007	6 years	July 2010 - July 2017	£3.85	69,314
February 2008	6 years	Feb 2011 - Feb 2018	£3.89	28,521

CSOP SCHEME

Under the CSOP Scheme, options granted will be subject to performance criteria. Options will vest if the average EPS growth for the 3 years following their grant is greater than 10% per annum. The options are to be settled in equity.

Date of grant	Expected term of options	Exercisable between	Exercise Price	2011 Number Outstanding
July 2009	6 years	July 2012 - July 2019	£3.30	36,360
July 2010	6 years	July 2013 - July 2020	£4.27	4,682

LTIP SCHEMES

The vesting condition for the award of the LTIP schemes relates to growth in the Group's EPS over the performance period. If growth is equal to 25% or more per annum then 100% of the award will vest. If, however, growth is less than 10% per annum, none of the award will vest. Between these two points, vesting is determined on a straight line basis. The options are to be settled in equity.

Date of grant	Expected term of options	Exercisable between	Exercise Price	2011 Number Outstanding
Oct 2008	3 years	June 2011 - June 2012	Nil*	207,865
Jul 2009	3 years	June 2012 - June 2013	Nil*	236,113
Jul 2010	3 years	June 2013 - June 2014	Nil*	195,577

*The option exercise price is nil however £1 is payable on each occasion of exercise.

21 SHARE BASED PAYMENTS (CONTINUED)

SHARESAVE SCHEME

The Company operates a Sharesave scheme, which is available to all UK based employees and full time Executive Directors of the Company and its subsidiaries who have worked for a qualifying period. All options are to be settled by equity.

Under the scheme the following options have been granted and are outstanding at year end.

Date of grant	Expected term of options	Exercisable between	Exercise Price	2011 Number Outstanding
August 2008	3.25 years	September 2011 - February 2012	£2.86	55,591
August 2009	3.25 years	September 2012 - February 2013	£2.69	56,661
August 2010	3.25 years	September 2013 - February 2014	£3.38	140,356

The following tables illustrate the number of share options for the schemes.

Scheme	Number of instruments as at 1 June 2009	Instruments granted during the year	Options exercised in the year	Forfeitures in the year	Number of instruments as at 31 May 2010
Approved EMI scheme	156,553	-	(3,227)	-	153,326
Approved EMI scheme	5,847	-	(1,949)	-	3,898
Approved EMI scheme	9,259	-	(9,259)	-	-
Approved EMI scheme	287,259	-	-	(59,443)	227,816
Approved EMI scheme	45,351	-	-	(1,830)	43,521
CSOP scheme	-	45,450	-	-	45,450
Sharesave scheme	16,181	-	(16,181)	-	-
Sharesave scheme	157,331	-	(2,210)	(24,011)	131,110
Sharesave scheme	140,119	-	-	(61,921)	78,198
Sharesave scheme	-	113,055	-	(31,241)	81,814
LTIP	245,368	-	(242,764)	(2,604)	-
LTIP	53,180	-	(52,616)	(564)	-
LTIP	316,662	-	-	(41,666)	274,996
LTIP	363,062	-	-	(87,079)	275,983
LTIP	-	413,653	-	(97,116)	316,537

The weighted average share price at the time the share options were exercised in the year was £3.70.
The weighted average share price at the time the share options were forfeited in the year was £3.75.

Scheme	Number of instruments as at 1 June 2010	Instruments granted during the year	Options exercised in the year	Forfeitures in the year	Number of instruments as at 31 May 2011
Approved EMI scheme	153,326	-	(91,721)	-	61,605
Approved EMI scheme	3,898	-	(3,898)	-	-
Approved EMI scheme	227,816	-	(133,363)	(25,139)	69,314
Approved EMI scheme	43,521	-	(545)	(14,455)	28,521
CSOP scheme	45,450	-	-	(9,090)	36,360
CSOP scheme	-	4,682	-	-	4,682
Sharesave scheme	131,110	-	(130,162)	(948)	-
Sharesave scheme	78,198	-	(5,535)	(17,072)	55,591
Sharesave scheme	81,814	-	(1,992)	(23,161)	56,661
Sharesave scheme	-	189,071	(709)	(48,006)	140,356
LTIP	274,996	-	(199,091)	(75,905)	-
LTIP	275,983	-	-	(68,118)	207,865
LTIP	316,537	-	-	(80,424)	236,113
LTIP	-	321,600	-	(126,023)	195,577

The weighted average share price at the time the share options were exercised in the year was £4.30.
The weighted average share price at the time the share options were forfeited in the year was £4.30.

The fair value of services received in return for share options is calculated with reference to the fair value of the award on the date of grant. The fair value is spread over the period during which the employee becomes unconditionally entitled to the award, adjusted to reflect actual and expected levels of vesting. Black-Scholes and Binomial models have been used to calculate the fair values of options on their grant date for all options issued after 7 November 2002 which had not vested by 1 January 2005.

NOTES

21 SHARE BASED PAYMENTS (CONTINUED)

The assumptions used in the model are illustrated in the table below:

	Grant Date	Fair value at measurement date	Exercise price	Expected volatility	Option expected term	Risk-free interest rate
EMI	Jul-04	£0.66	£1.70	44%	6 Years	5.09%
EMI	Jul-05	£1.07	£2.57	40%	6 Years	5.09%
EMI	Jul-06	£0.78	£2.70	25%	6 Years	4.75%
EMI	Aug-07	£1.19	£3.85	25%	6 Years	6.00%
EMI	Feb-08	£1.27	£3.89	25%	6 Years	6.00%
CSOP	Aug-10	£0.82	£3.30	25%	6 Years	4.00%
CSOP	Aug-10	£1.17	£4.27	30%	6 Years	4.00%
SAYE	Sept-07	£1.13	£3.24	25%	3.25 Years	6.00%
SAYE	Sept-08	£1.20	£2.86	25%	3.25 Years	6.00%
SAYE	Aug-09	£1.10	£2.69	25%	3.25 Years	4.00%
SAYE	Aug-10	£1.29	£3.38	30%	3.25 Years	4.00%
LTIP	Oct-07	£3.58	£nil*	25%	3 Years	6.00%
LTIP	Oct-08	£3.41	£nil*	25%	3 Years	6.00%
LTIP	Jul-09	£3.08	£nil*	25%	3 Years	4.00%
LTIP	Jul-10	£3.92	£nil*	30%	3 Years	4.00%

* The option exercise price is nil however £1 is payable on each occasion of exercise.

The expected volatility is based on the historical volatility, adjusted for any expected changes to future volatility due to publicly available information. For the options granted in the year ending 31 May 2011, dividend yield assumed at the time of option grant is 2.5% (2010: 2%).

A charge of £516,000 (2010: £925,000) has been made to cost of sales in the Group income statement in respect of share based payment transactions, including £108,000 of provision for National Insurance contributions (2010: £129,000). A charge of £197,000 (2010: £134,000) has been made to cost of sales in the Company income statement in respect of share based payment transactions.

22 CALLED UP SHARE CAPITAL

	Number of shares	2011	2010
		£000	£000
Authorised			
Ordinary shares of 1p each	50,000,000	**500**	500
		500	500
Allotted, called up and fully paid			
Ordinary shares of 1p each at the beginning of the year	33,697,327	**337**	337
Ordinary shares of 1p each issued in the year	367,925	**4**	-
Ordinary shares of 1p each at the end of the year	34,065,252	**341**	337

During the year shares were issued in relation to the exercise of employee share options for a total consideration of £1,127,000 settled in cash.

23 CASH AND CASH EQUIVALENTS

	At beginning of year	Cash flow	Non cash items	At end of year
	£000	£000	£000	**£000**
Cash and cash equivalents per balance sheet	4,631	(348)	418	**4,701**
Cash and cash equivalents per cash flow statement	4,631	(348)	418	**4,701**

24 OTHER FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

A. Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	2011	2010
	£000	£000
Contracted	197	225

B. Non-cancellable operating lease rentals are payable as follows:

	2011		2010	
	Land and Buildings	Other	Land and Buildings	Other
	£000	£000	£000	£000
Within 1 year	201	125	80	88
In second to fifth year inclusive	1,322	215	821	278
	1,523	340	901	366

There are no contingent liabilities not provided for at the end of the financial year.

25 PENSION SCHEME

The Group operates a defined contribution pension scheme that is open to all eligible employees. The pension cost charge for the year represents contributions payable by the Group to the fund and amounted to £568,000 (2010: £478,000). The outstanding contributions at the year end were £77,572 (2010: £62,819).

For the Company, the pension cost charge for the year represents contributions payable by the Company to the fund and amounted to £59,000 (2010: £55,000).

NOTES

26 RELATED PARTY TRANSACTIONS

The Group and Company's transactions with Directors are disclosed in the Directors' Remuneration Report.

NCC Group's Non Executive Chairman Paul Mitchell is a Director of Rickitt Mitchell and Partners Limited and the Group conducted business to the value of £399,500 (2010: £360,000) with Rickitt Mitchell and Partners Limited. Included within the charge is £334,500 relating to advice received in connection with acquisitions made during the year ended 31 May 2011. The remaining £65,000 relates to the services of the Non Executive Chairman. Rickitt Mitchell and Partners Limited also held 7,000 1.0p ordinary shares (2010: 7,000).

27 FIXED ASSET INVESTMENTS

	Shares in Group undertakings
	£000
Company	
At 1 June 2009	30,673
Increase in subsidiary investment for share based charges	646
At 31 May 2010	31,319
At 1 June 2010	31,319
Increase in subsidiary investment for share based charges	210
At 31 May 2011	**31,529**

27 FIXED ASSET INVESTMENTS (CONTINUED)

The cost represents the cost of acquiring the whole of the issued share capital of NCC Group (Solutions) Limited and its subsidiary undertakings. Fixed asset investments are recognised at cost. The principal undertakings in which the Company's interest at the year end is 100% are as follows:

Subsidiary undertakings	Country of incorporation	Principal Activity
NCC Group (Solutions) Limited	England and Wales	Escrow & Assurance services
NCC Services Limited	England and Wales	Escrow & Assurance services
NCC Escrow International Limited	England and Wales	Dormant
NCC Group Inc	USA	Escrow
NCC Group Employee's Trustees Limited	England and Wales	Employee Benefit Trust
NCC Group GmbH	Germany	Escrow
Escrow 4 Software Limited	England and Wales	Dormant
Site Confidence Limited	England and Wales	Website monitoring & load testing
NGS Secure Limited	England and Wales	Ethical Security Testing
Escrow Europe BV	Netherlands	Escrow
Escrow Europe (Switzerland) AG	Switzerland	Escrow
Next Generation Security Software Limited	England and Wales	Ethical Security Testing
Next Generation Security Software LLC	USA	Ethical Security Testing
NCC Group Pty Limited	Australia	Ethical Security Testing
NGS Meridian Limited	England and Wales	Credit Card compliance auditor
SDLC Solutions Limited	England and Wales	Software Testing
iSEC Partners Inc	USA	Ethical Security Testing
Escrow Associates LLC	USA	Escrow

The principal undertakings in which the Company's interest at the year end is less than 100% are as follows:

	Interest	Country of Incorporation	Principal Activity
Escrow Europe (Israel) Limited	25%	Israel	Escrow
Deposit AB	25%	Sweden	Escrow
Escrow Europe NV	25%	Belgium	Escrow

COMPANY INFORMATION

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PAUL MITCHELL
Non Executive Chairman

ROB COTTON
Chief Executive

ATUL PATEL
Group Finance Director

DEBBIE HEWITT MBE
Senior Independent
Non Executive Director

DAVID MCKEITH
Non Executive Director

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