

19 October 2010

NCC Group

Interim Management Statement

NCC Group plc (LSE: NCC or "the Group"), the international, independent provider of Escrow and Assurance Testing, is today publishing its Interim Management Statement, covering the period from 1 June to 18 October 2010.

NCC Group's trading performance is in line with delivering the Board's anticipated levels of growth and profitability.

Group revenues in the first four months of the year, including acquisitions, are 33% ahead of the same period last year, despite the lack of a material pick up in the UK economy and the uncertainty caused by the government spending review.

Group Escrow

Group Escrow has seen an encouraging performance resulting in an overall revenue growth of 9%. Escrow UK, the cornerstone of the NCC Group, has seen 8% revenue growth (October 2009: 7%).

From November the Group is planning to increase prices for new Escrow contracts and from January for contract renewals.

Group renewals are now forecast to be £15.2m for the year to 31 May 2011 compared to £14.6m in the year ended 31 May 2010.

Verification Testing revenue continues to perform well and shows good growth. The order book continues to increase and is now £2.5m (May 2010: £2.2m.)

Group termination levels have remained unchanged at about 12%.

Assurance

The Assurance division has maintained its growth momentum with revenue up 51%, including acquisitions, during the first four months of the year.

NGS Secure, the Group's ethical security testing business, has grown its order book by 14% to £9.0m (May 2010: £7.9m.) The market for high quality ethical security testing continues to be buoyant. Although this business performance remains satisfactory, recruitment of the highest quality testers is slowing the rate of growth.

The Group has continued to strengthen its management team in this division and its commitment to research. As a result, staff recruitment and retention

has improved but there still remains a shortage of high quality, accredited testers in the market. The Group continues to provide the most competitive packages and to aid recruitment an office has just been opened in Cheltenham in order to capitalise on the strong local market there.

The acquisition of iSEC Partners on 14 October 2010 is a notable strategic development. It is the Group's long term aim to become a leading provider in the international security testing and assurance market as this sector continues to grow and consolidate rapidly. The order book that comes with the business is currently at £2.0m from a wealth of blue chip clients.

The integration of SDLC continues. To date the business has been very successful at winning new contracts and the growth of revenue is on course. However, margins have been held back as a result of both the competitive nature of this market and the price of resources. Given the structure of the deal this will have an impact on the ultimate price paid for the business. However, as the integration process continues, the Group will, in the second half of the financial year, focus on leveraging more from its strategic sizable accounts, which are expected to take additional higher margin assurance services.

The Group's load and performance testing unit, Site Confidence, continues to achieve monitoring renewal rates of over 90% (May 2010: 89%), which indicates a renewals value of £4.6m for the year ended 31 May 2011 (May 2010: £4.1m.)

Over the last five years NCC Group has been steadily de-emphasising the Advisory business and focussing on the two growing Escrow and Assurance Divisions with their strong recurring revenues and forward visibility. Following the three recent acquisitions in the Assurance division, the Advisory business has now become subscale and insufficiently profitable. Therefore, the Board has decided to withdraw from this area, although relevant information security services will be retained and operated from other appropriate parts of the Division.

In the last financial year the Advisory business area contributed profits in the order of £0.2 million on revenues of £6m. The Group expects to retain £2m of these revenues on which we will break even during this financial year. The costs involved will be one-off exceptional charges of around £950,000, of which approximately half is cash.

Although the summer is always the slowest period of the financial year and despite the economic uncertainty in the market, the Assurance order books are robust and growing, and total £17.7m (May 2010: £14.0m.)

Balance sheet

The Group net debt stands at £22.2m following the acquisition of iSEC Partners against its recently revised revolving credit facility of £35m and an additional £2m overdraft facility if required. Interest charged on this enlarged facility has increased from 1.6% to 2.0% over LIBOR.

Outlook

Overall, NCC Group is on course to show good revenue growth and profitability for the full year remains in line with the Board's expectations.

The Group expects to report its interim figures for the six months to 30 November 2010 on Thursday 20 January 2011.

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