

NCC Group plc

Year end profits up 18% and dividend up 16%

Six year earnings CAGR 21.9% and dividend 33.9%

5 July 2010. NCC Group plc (LSE: NCC, "NCC Group" or "the Group"), the international, independent provider of Escrow and Assurance, has reported its final results for the year to 31 May 2010.

Financial highlights

- Group revenue up by 15% to £53.7m (2009: £46.8m)
- Group adjusted operating profits* up by 16% to £14.8m (2009: £12.7m)
- Group adjusted pre-tax profits* up by 18% to £14.5m (2009: £12.3m)
- Adjusted fully diluted earnings per share* up 14% to 29.7p (2009: 26.1p)
- Total dividend up 16% to 10.75p (2009: 9.25p)
- Cash conversion ratio was 139% of operating profits (2009: 140%)

Operational highlights

- Group Escrow maintained strong revenue growth of 9%
 - Escrow UK saw strong organic revenue growth of 8%
- Assurance strengthened position as UK's largest independent information security business
 - Two acquisitions completed to enhance position and widen capabilities

Outlook for 2010/2011:

- Group Escrow renewals forecast to be £15.2m (2009: £14.9m)
- Group Escrow verification order book £2.2m (2009: £2.0m)
- Assurance order book, including the acquisitions, £14.0m (2009: £9.4m)
- Site Confidence monitoring renewals forecast to be £4.3m (2009: £4.1m)

* Operating profit is adjusted for amortisation of acquired intangibles of £1.6m and exceptional profit of £0.3m. Pre-tax profit is adjusted for these items and the unwinding of the discount on the acquisitions contingent consideration of £0.1m.

Rob Cotton, Group Chief Executive, commented:

"We have delivered a strong performance, despite the backdrop of global recession and continuing considerable uncertainty which has persisted for most of the last financial year.

"Over the last six years since listing, we have consistently delivered a combination of strong organic growth and cash generation. We have also acquired and integrated a

number of businesses, which have considerably widened our capabilities, both in the UK and internationally.

“Overall this has resulted in the Group’s six year compound annual growth rate (CAGR) of 20.6% for operating profit and 21.9% for earnings. Dividends have grown from 2.5p to 10.75p, a 330% increase or a CAGR of 33.9%.

“We have a very sound business model that will continue to evolve and develop. With high revenue visibility and over £35m of orders and renewals forecast for the current financial year, we are confident that our prospects continue to be very bright.”

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Overview

Group revenues maintained their momentum, growing by 15% to £53.7m (2009: £46.8m); and excluding the acquisitions of Meridian and SDLC, by a very strong 11% despite the economic conditions.

Group margins remained strong with adjusted operating profit margin maintained at 28%. This was achieved despite the addition to the Group of a number of businesses whose margins are typically lower than the Escrow businesses.

Adjusted pre-tax profits and adjusted earnings per share showed good growth up 18% to £14.5m (2009: £12.3m) and 14% to 29.7p (2009: 26.1p) respectively.

The Group continues to be highly cash generative and after meeting the initial payments on two acquisitions and completing the cash payments of two earn outs has only £11.9m net debt at the year end. Operating cash conversion remained strong at 139% of operating profits (2009: 140%).

Financial review

Revenue

The Group increased revenue by 15% to £53.7m (2009: £46.8m). Growth was partly assisted by the acquisition of the UK-based Meridian and SDLC in March 2010 and April 2010 respectively. Excluding these acquisitions Group revenue grew by 11% to £52.1m.

The Group half year split saw 47% of revenue delivered in the first half (2009: 44%) and 53% in the second half (2009: 56%).

The majority of revenue £40.8m, (2009: £36.6m) or 76% (2009: 78%), is derived from the UK. The rest of the world revenue increased by 25% to £7.0m (2009: £5.6m), with Europe contributing £5.9m (2009: £4.6m) of the total, a 28% increase.

More importantly, NCC Group saw its recurring income levels continue to consolidate throughout the business. In Escrow UK over 88% of all contracts renewed, whilst in Assurance, 75% of prior year NGS Secure revenue was retained, with those customers spending on average 3% more with NCC Group at nearly £22,489 per renewal. In addition, 89% (2009: 90%) of the performance and load testing revenues were renewed and are recurring.

Revenue by sector

The Group continued to have no reliance on one customer or sector for its revenue. The analysis is as follows and shows a consistent trend.

Top three sectors by Division	Escrow (%)	Assurance (%)
Banks & Insurance	25	15
Software Computer Services	11	24
Telecoms	17	-
Retail	-	-
Housing	-	-
Local Government	-	-
Central Government	-	12

Sector	Group Revenue (%)
Banks & Insurance	19
Fixed & Mobile Telecommunications	9
Software & Computer Services	18
Central Government	8
Local Government	7
Education	3
Housing	2
Support Services	3
General Retailers	9
Healthcare Equipment & Services	3
Travel & Leisure	4
Other	14

Profitability and margins

The Group continued to generate strong margins. Adjusted Group operating profit, excluding the amortisation of acquired intangibles and the exceptional profit but including share based charges, as set out in the table below, grew by 16% to £14.8m (2009: £12.7m).

Adjusted operating margins were, as expected, 28% (2009: 27%) despite the effect of the greater percentage of revenue coming from the non-escrow businesses, as a result of organic growth and acquisitions. These operations have margins closer to 15%.

Escrow's margin has continued to improve despite there being no price increases during the year. However, prices are expected to be increased in October 2010.

In Assurance as the Group moves further away from day rate based proposals, the business is seeing a general improvement in margins which is expected to continue over the next 12 months.

The adjusted operating profit includes £0.9m (2009: £1.0m) of share based charges and related costs. Excluding the share based charges, adjusted operating profits grew by 18%.

The Group half year split saw 43% of adjusted operating profits delivered in the first half and 57% in the second half, the same split as in the previous year.

The Group has two non-recurring exceptional items. Currency fluctuations resulted in a non cash £0.6m gain as a consequence of recapitalising the US Escrow business whilst the rationalisation of two southern offices incurred a charge of £0.3m.

	Operating profit	
	2010	2009
	£000	£000
Reported operating profit	13,522	11,486
Amortisation of acquired intangibles	1,557	1,237
Exceptional items	(319)	-
Adjusted operating profit	14,760	12,723

Profit before tax

	2010	2009
	£000	£000
Reported profit before tax	13,165	10,867
Amortisation of acquired intangibles	1,557	1,237
Exceptional items	(319)	-
Unwind of the discount on contingent consideration	75	177
Adjusted profit before tax	14,478	12,281

Adjusted pre-tax profit increased 18% to £14.5m (2009: £12.3m). The Group's reported pre-tax profit was up 21% to £13.2m (2009: £10.9m) after the inclusion of the unwinding of the discount on the acquisitions' contingent consideration, amortisation of intangible assets and the exceptional items.

Taxation

The Group's effective tax rate is 28.5% (2009: 29.2%). The decrease in the effective tax rate is largely due to enhanced allowances obtained for research and development expenditure.

The effective tax rate is above the standard UK rate of 28% largely due to the impact of items not deductible for tax purposes.

Earnings per share

The adjusted fully diluted earnings per share increased 14% to 29.7p (2009: 26.1p). The basic earnings per share increased 22% to 27.9p (2009: 22.9p), whilst fully diluted earnings per share increased 22% to 27.0p (2009: 22.1p).

The table below analyses the effect on the Group's fully diluted earnings per share of the amortisation of acquired intangibles, unwind of the discount on the contingent consideration for acquisitions and the effect of the exceptional items.

	2010 Pence	2009 Pence
Diluted EPS as per the income statement	27.0	22.1
Amortisation of acquired intangibles	3.2	3.5
Exceptional items	(0.7)	-
Unwind of the discount on the contingent consideration of the acquisitions	0.2	0.5
Adjusted diluted EPS	29.7	26.1

Dividends

In line with a continuing progressive dividend policy, the Board is recommending a final dividend of 7.25p per ordinary share, making the total 10.75p for the year. This represents cover of 2.6 times (2009: 2.5 times) based on basic earnings per share. Since the Group's flotation in July 2004, the dividend has increased each year from 2.5p, a total increase of 330%

If approved at the Annual General Meeting, the dividend will be paid on 1 October 2010 to shareholders on the register at 3 September 2010. The ex-dividend date will be 1 September 2010.

Shareholders' funds at the end of the year were £50.3m (2009: £44.8m).

Cash

The Group continues to be highly cash generative with operating cash flow before interest and tax of £18.8m (2009: £16.1m), which is 139% of operating profit before interest and tax (2009: 140%).

After accounting for net cash outflows of £13.7m for acquisitions and contingent acquisition payments made during this year, the Group ended the year with net debt of £11.9m (2009: £5.6m).

Capital expenditure remained tightly controlled at £1.0m (2009: £1.4m) which predominately relates to the upgrade of the Group's core IT systems to SAP which is due to go live in November 2010. The roll out will complete in January 2011 and remains both on time and budget; a further £0.7m capital costs will be required to complete the project.

In April, the Group negotiated a new banking facility with RBS who have become the Group's bankers. This new facility will be for three years from July 2010 and provides a £25m revolving credit facility and a £2m overdraft. It ensures the Group has the necessary capacity to meet its current acquisition objectives. At present the Group is using its existing £18m multi option facility term loan and £2m overdraft which at the year- end was 83% utilised at £16.5m.

Balance sheet

Following the acquisitions of Meridian and SDLC, goodwill increased by 22% to £63.9m (2009: £52.2m) and the cost of intangible assets relating to customer contracts and associated relationships increased by 35% to £13.6m (2009: £10.1m).

The value of goodwill has been assessed and no impairment has been evidenced. 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.

Operational Review

Escrow

Group

Trading conditions over the last two years have made it difficult for all businesses, but Group Escrow has continued to perform very strongly with all key performance measures of profitability, renewals, terminations and verification testing improving.

The Division increased revenue by 9% to £23.0m (2009: £21.0m). Within this, Escrow UK revenue grew by 8%, Escrow Europe by 19% overall and Escrow US by 8%.

Group Escrow profitability grew 14% to £13.3m (2009: £11.7m), on revenue of £23.0m (2009: £21.0m), with the UK contributing 78% (2009: 79%). Group recurring revenues through the renewals process grew by 7% to £14.6m (2009: £13.6m). Verifications grew throughout the Group by 7%.

The Group Escrow businesses are the cornerstone of NCC Group's profitability and they produce a substantial margin and very strong cash conversion as well as a high degree of recurring revenue due to the contracts renewal rates of over 88%.

Escrow accounts for 43% of the total Group's revenue (2009: 45%). Escrow operating margins strengthened as a consequence of focused cost control, control over contract terminations and new business wins to 58% (2009: 55%).

Group Escrow operating profit increased 14% to £13.3m (2009: £11.7m) with Escrow UK contributing 86%. Escrow US and Escrow Europe continued to increase profitability and

contributed 5% and 9% of total Escrow operating profits respectively, with all geographies seeing double digit growth.

Escrow UK

This year saw a very consistent and robust performance from the Escrow UK team which was rewarded with good growth. In the UK there were no real signs of any fundamental change to the economy and as the election got closer, real doubt over public expenditure increased.

Escrow UK revenue was £17.9m (2009: £16.6m) with solid growth throughout the year. This 8% growth in revenue (2009: 6%) was delivered through contract growth and verifications, without the aid of a price increase. Verification revenues grew by 8% in the year to £3.1m (2009: £2.9m).

Escrow UK increased its margins to 64% (2009: 62%) despite there being no price increase in the year.

Escrow UK recurring revenues grew 4% to £11.3m (2009: £10.9m) and terminations stayed around 12%, a level that they have been at for the last two years, despite the odd change both up and down within any one quarter. The Board expects terminations to remain at this level going forward.

Escrow Europe and Escrow USA

Escrow US increased its revenue by 8% to £2.2m (2009: £2.0m) and Escrow Europe increased revenues by 19% to £2.9m (2009: £2.4m) of which £0.6m (2009: £0.6m) was derived from Escrow Germany.

Escrow Europe now has 24 employees and Escrow US has 16 employees. Both businesses are tasked with strong growth plans in the current financial year through more aggressive headcount increases.

Assurance

Assurance now accounts for 57% (2009: 55%) of Group revenues with total divisional revenues up 19% to £30.8m (2009: £25.6m). Excluding the acquisitions of Meridian and SDLC, divisional revenue increased 13% to £29.1m.

Operating profit grew 13% to £4.0m (2009: £3.6m). It is expected that both revenues and operating profits will increase further in the current financial year as the demand for all of the services continues to grow.

Assurance consists of four components: NGS Secure, SDLC, acquired on 23 April 2010, Site Confidence and Information Security and Advisory. Meridian, acquired on 19 March 2010, has become part of Information Security and Advisory.

As with Group Escrow, the major challenge for the Assurance Division is to increase renewal rates and renewal spend levels. Within the Division the two areas which are seen as critical to this are the ethical security business, NGS Secure, and the performance and load business, Site Confidence.

NGS Secure, incorporating the original NCC Group Secure Test and NGS, saw 75% of prior year's revenues renewed (2009: 79%). This represents 52% of all customers (2009: 51%). With this, the Group is seeing renewing customers' expenditure increasing from £21,732 to £22,489 in 2010, with new customers spending £14,828 marginally down from £15,525.

The NGS Secure team of 97 testers operated at almost full capacity for most of the year. In addition, the Group gained valuable new clients from the acquisition of NGS at the end of 2008, all of which continue to use the best security testers in the market regardless of the economic situation.

Site Confidence had a recurring revenue rate of 89% (2009: 90%). The small decrease is largely as a consequence of the loss of a major customer who was acquired by a competitor who then disbanded the web site.

Information Security and Advisory now accounts for less than 11% of Group revenue (2009: 14%) excluding Meridian. As expected revenues have continued to fall, reflecting the Group's planned move away from the general IT advisory market. The Information Security element revenues growth was a very satisfactory 29% with the Advisory revenues falling by 34%.

Group Strategy

Market and positioning

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

The slow, stuttering recovery is clearly not good news, but NCC Group is far more able than many to cope with it and from any further downturn. The Group is positioned to avoid the worst effects of the domestic and Eurozone economies as its products and services, wherever possible, fall into the non-discretionary expenditure category.

NCC Group's product sets are compelling and are expanding to fit customers' needs, with additions designed to provide services that are critical to business. For example,

- organisations who need protection for their business critical applications as corporate failures and product withdrawals increase, are offered through Software Escrow where the Group's new developments cover data and application used for SaaS and Cloud customers;
- systems, networks and data security have not kept pace with the growth of data and of identity theft and hacking globally, which continue to reach new levels on an almost daily basis. As stated before this is '*an arms race*' which is not getting any slower nor is there any end in sight; and more and more the use of forensic offerings are providing incident response as well as analysis of how and where;
- the acquisition of SDLC considerably widens the Group's assurance capabilities by providing 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 essential for businesses to be able to realise benefits through process improvement; and
- the acquisition of Meridian brings a broader range of services, extensive expertise and credentials which complement and strengthen the existing offerings for Information Security, Auditing and Compliance - an area where the Group has seen significant growth and where it is targeting to become a market leader.

NCC Group remains the largest provider of Escrow services in the world. Furthermore, it is the only provider mandating quality ahead of price and does not intend to change

that philosophy. Having deferred the price increase in 2009, the Group is confident of increasing prices this coming October at least in line with inflation.

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 very niche and the Group estimates that the market size is approximately £100m, which still provides NCC Group with considerable headroom for growth.

Both the public and private sector still typically believe that they have several times more cover than they actually do have. They are still unaware that they should have considerably more. The estimates of the European marketplace vary wildly, but the Gartner research carried out in 2006 suggests the market may be worth two or three times that of the UK.

Within Assurance, the market for ethical security testing and forensics service providers continues to see strong growth. Media headlines continue to highlight embarrassing and avoidable examples of poor security that have resulted in real data and financial loss.

The IT software and services market is under attack from cost cutters, both informed and uninformed, and this will remain to be the case for the foreseeable future. However, growing revenue is still very much possible, providing it is in the right area and with the right products.

Budgetary pressures in Government and the private sector will drive process transformation and increased efficiency. This will require the delivery of better cost, more efficient IT solutions as well as the protection of them. Implementations will aim to increase efficiency, and with it much needed staff reduction and redeployment. This bodes well for NCC Group as its products and services are non-discretionary and essential to these projects.

Equally as important in the market today is the considerable industry interest around Cloud and Software as a Service (SaaS) models. The different iterations of Cloud and of SaaS offer the promise of untethered access, utility charging methods and scalability thus ensuring that IT is no longer a distraction to business. In essence, the model for both is simple, better levels of service at a better price, a model familiar to the outsourcing conundrums that organisations face.

Without doubt the model does have a place in the SME markets, but as competition is stepped up, price will become the only dependent constituent of the equation. What this will lead to is a loss or at best a reduction of service as providers' margins become more squeezed. This has been seen before in outsourcing and as the market has witnessed outsourced deals are often reversed. In addition at a certain scale SaaS can be more expensive to an organisation and it will struggle to offer the flexibility once promised.

Therefore with both scenarios, there is the difficult consideration of what happens when, and if, it goes wrong? This can fall in to two categories, supplier failure and relationship failure. Both need a plan as the business's lifeblood, its information, is in control of a third party. For informed organisations this should not be an issue as integral to SaaS and Cloud decision making is recognition that the security of the information held is still the obligation of the user company.

Security considerations are essential and companies must think about control over their data. Data Escrow is essential to this as well as total assurance over the provider's security precautions. Under SaaS and Cloud scenarios the level of control over data

and applications enjoyed by the service recipient is reduced significantly and will disappear altogether unless they are firm about their requirements. Basic corporate governance requires organisations to have plans in place to safeguard their applications and data because the risk of catastrophic business failure is compounded by having a total reliance on service providers for the most basic business operations.

Service providers must recognise the recipient's concerns and should be thinking how they can be alleviated. One solution is to package a ready-made software and data Escrow facility into their offering as well as instituting the highest levels of security testing.

Clearly Cloud infrastructure can offer the promise of real cost savings and the concept of handing over the management to a third party is compelling, but the realities of business dictate that the owner of information remains responsible for it. It is therefore essential that the providers offer themselves up for the most rigorous frequent security testing to provide some comfort over security as they will become prime targets.

Where the Cloud debate leads remains to be seen, it is not a valid solution for many and when the hype surrounding it falls away, it may well be that it is seen more as an outsourcing decision which needs more concerted protection in place to allow an exit for the organisation. Data Escrow allows the security and reinstatement of client applications and more importantly its data and this should be integral in this thinking. A major security failure or data loss would be catastrophic for a service provider and NCC Group is exceptionally well placed to mitigate all of these risks.

Integration and branding

The businesses acquired come with good reputations and loyalty as well as strong historical track records of delivery.

After a period of co-existence with both teams often delivering combined services, the Group has now fully integrated the NGS and Secure Test units under one brand NGS Secure.

Having co-existed as trading styles for a long period of time, their inclusion into NCC Group has allowed the cross fertilisation of ideas, approaches and people. It is not uncommon for projects to be delivered by either team or a combination of both as the Group ensures the project is delivered by the most appropriate resource.

In addition, clients have knowingly played the two parts of the organisation off against each other and so the Group has taken the decision to formally amalgamate the two business identities into NGS Secure. Accordingly, NCC Group now has NGS Secure operating out of Manchester, Sutton and Thame and soon, Cheltenham.

The integration of SDLC into the Group is progressing well. It widens the Group's assurance capabilities by providing 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.

Importantly it provides career opportunities for testing and delivery staff across SDLC and NCC Group, as well as the opportunity to introduce a wide range of assurance services to SDLC clients.

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 fair price for them, based on the delivery of future profitability as much as on a historic track record.

The Group typically buys small or mid-size people businesses. To date the Group has completed 10 acquisitions and during the year the final payment for NGS was completed. These 10 acquisitions have cost £42m to date and have added not only to the global reach, as they have been in the USA and Europe as well as the UK, but have added 250 employees in seven locations.

The Group successfully completed two acquisitions in the financial year, Meridian and SDLC. The Board is delighted with the progress that has been made in integrating them into the Group. Both businesses are currently working with the integration team and have earn-out payments to come based on their delivery of profit over the next financial years. Whilst it is still early, the Group remains confident that these, in line with the other acquisitions made, will be paid close to or at their maximum level.

The Assurance Division currently has a very strong presence in the UK and continental Europe, but has limited reach in the USA. The Group is looking to enhance its US offerings and develop the small testing team so as to move closer to its ambition of becoming a leading global player in the market.

The 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 the Group has the management capacity as well as the integration team available to help ease their successful passage in to the NCC Group.

Employees, recruitment and retention

Recruitment and retention is the biggest challenge to the Group's growth and the management teams in each Division have made good progress since the half year. The Group now has over 500 employees and has access to a regular associate pool of a further 200 individuals.

To ensure that the Group is equipped to meet the challenges of growth it is pleased to welcome an experienced Managing Director to run the Group Escrow Division. Within Assurance the Group has recruited senior directors to support the research and development initiatives, as well as the forensics team and information security business. Whilst growing delivery capability is important, so is expanding the management capacity to benefit fully from the growth in the team's capacity and capability.

Capitalising on the Group's market leading position, during the last six months NCC Group has successfully recruited more Security Testers. NCC Group now has the only qualified and accredited testing team of over 100 staff in Europe. In addition there are over 100 Escrow Account managers worldwide.

The Group is committed to employing the best people in the market and will continue to be a top quartile remunerator for the right people. It will continue to grow and develop its employees through the various training and skill development programmes that exist within the Group. This now covers graduate schemes as well as for staff who possess complementary skills from different disciplines.

The Group's acquisition strategy also helps overcome some of the recruitment challenges that it faces as these offer complementary career opportunities to both existing NCC Group employees and to the employees who joined with both Meridian and SDLC. It is a Group objective to create a career for all NCC Group employees rather than just a job.

Outlook

NCC Group has a very strong market leading position in all of the niches in which it operates. The Group has continued to evolve and develop its offerings to ensure that it maintains its position and that the services and advice provided are away from areas of discretionary expenditure.

The start to the year sees Group Escrow renewals at £15.2m, up from £14.5m achieved in the financial year to 31 May 2009 and a verification order book of £2.2m, of which £0.5m relates to Escrow Europe and Escrow US.

The Assurance Divisions' order books have improved to £14.0m (2009: £9.4m) and have £4.3m of performance and load testing renewals forecast for the coming financial year (2009: £4.1m).

The outlook for NCC Group is very positive and the Board remains confident in the Group's ability to deliver further sustainable growth and enhance shareholder value.

Consolidated income statement
For the year ended 31 May 2010

	Notes	2010 £000	2009 £000
Revenue	2	53,716	46,836
Cost of sales		(31,122)	(26,275)
Gross profit		22,594	20,561
Administrative expenses before amortisation of intangible assets and exceptional items		(7,834)	(7,838)
Operating profit before amortisation and exceptional items		14,760	12,723
Amortisation of intangible assets		(1,557)	(1,237)
Exceptional items	3	319	-
Total administrative expenses		(9,072)	(9,075)
Operating profit	2	13,522	11,486
Financial income	6	6	24
Finance expense excluding unwinding of discount		(288)	(466)
Net financing costs excluding unwinding of discount		(282)	(442)
Unwinding of discount effect relating to contingent consideration on business combinations		(75)	(177)
Financial expenses	6	(363)	(643)
Net financing costs		(357)	(619)
Profit before taxation	4	13,165	10,867
Taxation	7	(3,750)	(3,170)
Profit for the year		9,415	7,697
Attributable to equity holders of the parent company		9,415	7,697
Profit for the year		9,415	7,697
Earnings per share	9		
Basic earnings per share		27.9p	22.9p
Diluted earnings per share		27.0p	22.1p

Group balance sheet
at 31 May 2010

	Notes	2010 £000	2009 £000
Non current assets			
Intangible assets	11	75,254	60,009
Plant and equipment	12	2,050	2,131
Deferred tax assets	15	867	787
Total non-current assets		78,171	62,927
Current assets			
Trade and other receivables	13	16,967	14,785

Cash and cash equivalents		4,631	3,356
Total current assets		21,598	18,141
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Total assets		99,769	81,068
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Equity			
Issued capital	19	337	337
Share premium		21,707	21,630
Retained earnings		28,963	22,891
Currency translation reserve		(734)	(104)
Total equity attributable to equity holders of the parent		50,273	44,754
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Non current liabilities			
Other financial liabilities	18	61	76
Deferred tax liability	15	2,319	1,588
Contingent consideration on acquisitions	on18	6,484	-
Interest bearing loans	18	-	8,932
Total non current liabilities		8,864	10,596
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Current liabilities			
Interest bearing loans		16,505	-
Trade and other payables	16	8,597	11,317
Deferred revenue	17	12,886	12,406
Current tax payable		2,644	1,995
Total current liabilities		40,632	25,718
Total liabilities		49,496	36,314
Total liabilities and equity		99,769	81,068

These financial statements were approved by the Board of Directors on 2 July 2010 and were signed on its behalf by:

Rob Cotton
Chief Executive
NCC Group plc
4627044

Group cash flow statement for the year ended 31 May 2010

	Notes	2010 £000	2009 £000
Cash inflow from operating activities			
Profit for the year		9,415	7,697
Adjustments for:			
Depreciation charge		1,182	1,283
Share based charges		796	1,031
Amortisation of intangible assets		1,557	1,237
Net financing costs		357	619
Profit on sale of plant and equipment		(32)	(1)

Income tax expense		3,750	3,170
Profit for the year before changes in working capital		17,025	15,036
Increase in receivables		2,188	(866)
Increase in payables		(401)	1,955
Cash generated from operating activities before interest and tax		18,812	16,125
Interest paid		(297)	(468)
Income taxes paid		(3,882)	(1,772)
Net cash generated from operating activities		14,633	13,885
Cash flows from investing activities			
Interest received		6	25
Acquisition of plant and equipment		(1,021)	(1,409)
Acquisition of Intangible assets		(1,563)	-
Acquisition of business net of cash acquired	14	(13,387)	(11,358)
Net cash used in investing activities		(15,965)	(12,742)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital		78	94
Draw down of borrowings		7,551	4,412
Purchase of own shares		(1,108)	(656)
Payment of bank loans		-	(56)
Equity dividends paid		(3,284)	(2,607)
Net cash from financing activities		3,237	1,187
Net increase in cash and cash equivalents			
		1,905	2,330
Cash and cash equivalents at beginning of year			
		3,356	1,142
Effect of foreign currency		(630)	(116)
Cash and cash equivalents at end of year		4,631	3,356

Statements of changes of equity for the year ended 31 May 2010

Group

	Share capital £000	Share premium £000	Translation reserve £000	Retained earnings £000	Total £000
Balance at 1 June 2008	336	21,537	12	17,569	39,454
Profit for the period	-	-	-	7,697	7,697
Foreign currency translation differences	-	-	(116)	-	(116)
Total comprehensive income for the period	-	-	(116)	7,697	7,581
Transactions with owners recorded directly in equity					
Dividends to equity shareholders	-	-	-	(2,607)	(2,607)
Purchase of own shares	-	-	-	(656)	(656)
Share based payment transactions	-	-	-	1,031	1,031
Deferred tax on share based payments	-	-	-	(143)	(143)
Shares issued	1	93	-	-	94
Total contributions by and distributions to owners	1	93	-	(2,375)	(2,281)
Balance at 31 May 2009	337	21,630	(104)	22,891	44,754
	Share capital £000	Share premium £000	Translation reserve £000	Retained earnings £000	Total £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

Notes

1 Accounting policies

Basis of preparation

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

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 May 2010 or 2009 but is derived from those accounts. Statutory accounts for 2009 have been delivered to the registrar of companies, and those for 2010 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. 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.

There are two new standards that have had a material impact on disclosure in this year's financial statements: IFRS 8 Operating Segments and Amendments to IAS 1 Presentation of Financial Statements. IFRS 8 is discussed further below under 'Determination and presentation of operating segments'. The amendments to IAS 1 requires a Statement of Comprehensive Income as a primary statement in addition to Statements of changes in equity.

During the year, the Group has also adopted the following new standards, amendments to standards and interpretations issued under IFRS which are mandatory for accounting periods beginning on or after 1 January 2009, but which have no material effect on the Group's results or equity:

Amendments to:

IFRS 2 'Share based payment: Vesting conditions and cancellations'

IFRS 7 'Improving Disclosures about Financial Instruments'

IAS 32 'Financial Instruments: Presentation'

IAS 36 'Impairment of Assets'

IAS 38 'Intangible Assets'

Revenue recognition

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

Assurance

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.

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.

Accounting standards issued but not adopted

The International Accounting Standards Board (IASB) and International Financial Reporting Committee (IFRIC) have also issued standards and interpretations which have been endorsed by the EU at 31 May 2010 with an effective date of implementation after the date of these financial statements.

The Directors do not anticipate that the adoption of these standards and interpretations will have a material effect on the Group's financial statements in the period of initial application.

No significant impact is expected from other standards and interpretations that are endorsed but not yet effective.

2 Segmental information

The Group is organised into two operating segments Group Escrow and Assurance each of which is separately reported. 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.

	2010	2009
	£000	£000
Revenue by business segment		
Escrow UK	17,918	16,611
Escrow Europe	2,862	2,415

Escrow US	2,180	2,022
Total Group Escrow	22,960	21,048
Assurance delivery	24,423	20,206
Performance and load testing	6,333	5,582
Total Assurance	30,756	25,788
Total revenue	53,716	46,836

Operating profit by business segment

Group Escrow	13,313	11,652
Assurance	4,018	3,558
Segment operating profit	17,331	15,210
Head office costs	(2,571)	(2,487)
Operating profit before amortisation and exceptional items	14,760	12,723
Amortisation of intangible assets Group Escrow	(567)	(543)
Amortisation of intangible assets Assurance	(990)	(694)
Operating profit before exceptional items	13,203	11,486
Exceptional items	319	-
Operating profit	13,522	11,486

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

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

	2010 £000	2009 £000
Revenue by geographical origin and destination		
UK	40,824	36,648
Rest of Europe	5,909	4,604
Rest of the World	6,983	5,584
Total revenue	53,716	46,836

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.

Exceptional items in the year ended 31 May 2010 were £319,000 (2009: £nil), consisting 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

	2010 £000	2009 £000
Profit before taxation is stated after charging/(crediting):		
<i>Amounts receivable by auditors and their associates in respect of:</i>		
Audit of these financial statements	33	33
Audit of financial statements of subsidiaries pursuant to legislation	40	23
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	1,182	1,283
Amortisation of intangible assets	1,557	1,237

Exchange (profits) / losses	(43)	(28)
Operating lease rentals charged:		
Hire of property, plant and equipment	936	832
Other operating leases	560	470
Profit on disposal of fixed assets	(32)	(1)

5 Staff numbers and costs

Group

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

	Number of employees	
	2010	2009
Operational	114	93
Administration, sales and marketing	316	259
	430	352

The aggregate payroll costs of these persons were as follows:

	2010	2009
	£000	£000
Wages and salaries	23,070	19,625
Share based payments (note 20)	796	1,031
Social security costs	2,691	2,140
Other pension costs (note 24)	478	429
	27,035	23,225

6 Net financing costs

	2010	2009
	£000	£000
Financial income		
Interest on short term deposits	6	24
	6	24
Financial expenses		
Interest payable on bank loans and overdrafts	(281)	(466)
Interest capitalised within the construction cost of plant and equipment	18	-
Amortisation of deal fees on term loans	(25)	(20)
Contingent consideration finance expense (see below)	(75)	(157)
	(363)	(643)

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% (2009: nil)

The contingent consideration finance expense of £75,000 (2009: £157,000) relates to the acquisition of Next Generation Security Software, SDLC Solutions Limited and Meridian Services International Limited.

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

Contingent consideration finance expense	2010	2009
	£000	£000
Next Generation Security Software Limited	42	138
Secure Test Limited	-	16
Escrow Europe Holdings B.V.	-	3
SDLC	9	-
Meridian	24	-
	75	157

The discount rate used was 4.0% (2009: 6.5%).

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

Current liabilities – contingent consideration (note 16)	2010	2009
	£000	£000
Site Confidence Limited	-	55
Secure Test Limited	-	-
Escrow Europe Holdings B.V.	-	158
Escrow Europe Switzerland A.G.	-	63
Meridian Services International Limited	1,076	-
SDLC Solutions Limited	5,408	-
Next Generation Security Software Limited	-	4,263
	6,484	4,539

7 Taxation

Recognised in the income statement

	2010	2009
	£000	£000
<i>Current tax expense</i>		
Current year	4,038	2,911
Adjustment to tax expense in respect of prior periods	(39)	35
Foreign tax	(15)	320
Total current tax	3,984	3,266
Deferred tax (note 15)	(234)	(96)
Tax in income statement	3,750	3,170

Reconciliation of effective tax rate

	2010	2009
	£000	£000
Profit before taxation	13,165	10,867
Current tax using the UK corporation tax rate of 28% (2008: 30%)	3,686	3,043
Effects of:		
Items not (taxable)/ deductible for tax purposes	113	52
Foreign tax	-	50
Adjustment to tax charge in respect of prior periods	(49)	25
Total current tax	3,750	3,170

Deferred tax recognised directly in equity was £253,000 (2009: £143,000).

8 Dividends

	2010	2009
	£000	£000
Dividends paid and recognised in the year	3,284	2,607
Dividends proposed but not recognised in the year	2,443	2,104
Dividends per share paid and recognised in the year	9.75p	7.75p
Dividends per share proposed but not recognised in the year	7.25p	6.25p

9 Earnings per share

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

	2010	2009
	£000	£000
Profit for the year	9,415	7,697
	Number of	Number of
	Shares	Shares
	000's	000's
Basic weighted average number of shares in issue	33,686	33,653
Dilutive effect of share options	1,181	1,211
Diluted weighted average shares in issue	34,867	34,864

10 Profit attributable to members of the parent company

The profit for the year dealt with in the accounts of the parent company was £3,289,000 (2009: £2,189,000).

11 Intangible assets - Group

	Software £000	Customer contracts and relationships £000	Goodwill £000	Total £000
Cost				
At 1 June 2008	-	8,729	44,121	52,850
Additions	-	1,371	8,042	9,413
At 31 May 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
Amortisation				
At 1 June 2008	-	1,017	-	1,017
Charge for year	-	1,237	-	1,237
At 31 May 2009	-	2,254	-	2,254
Charge for year	9	1,548	-	1,557
At 31 May 2010	9	3,802	-	3,811
Net book value				
At 31 May 2010	1,554	9,827	63,873	75,254
Net book value At 31 May 2009	-	7,846	52,163	60,009

The Group has made two acquisitions in the year, details of which are included in note 14. 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	
	2010	2009
	£000	£000
<i>Cash generating units</i>		
Escrow	22,871	22,871
Escrow Europe	6,487	6,459
NCC Group Inc	1,303	1,218
Escrow	30,661	30,548
Assurance	4,530	4,530
Site Confidence Limited	6,396	6,396
Secure Test Limited	3,352	3,351
Next Generation Security Software Limited	6,699	7,338
Meridian Services International Limited	1,793	-
SDLC Solutions Limited	10,442	-
Assurance	33,212	21,615
Total	63,873	52,163

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 historic trends and risk adjusted discount factors of 10% (2009: 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 2010 include £18,000 of capitalised borrowing costs (2009: nil)

12 Plant and equipment – Group

	Computer equipment	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At 1 June 2008	4,046	405	1,169	281	5,901
Additions	947	-	363	115	1,425
Acquisition of group companies	259	-	7	-	266
Disposals	(2)	-	-	(38)	(40)
At 31 May 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
Depreciation					
At 31 May 2008	2,970	323	573	96	3,962
Charge for year	893	58	259	73	1,283
Acquisition of group companies	197	-	3	-	200

companies					
Disposals	-	-	-	(24)	(24)
At 31 May 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
Net book value					
At 31 May 2010	1,187	15	646	202	2,050
Net book value					
At 31 May 2009	1,190	24	704	213	2,131

The company has no plant and equipment

13 Trade and other receivables

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Trade receivables	12,297	11,193	-	-
Prepayments and accrued income	4,670	3,592	-	-
	16,967	14,785	-	-

14 Acquisitions

A. On 19 March 2010 the Group acquired 100% of the share capital of Meridian Services International Limited for a maximum consideration of £3,000,000 of which up to £1,900,000 has been withheld subject to the achievement of performance criteria specified in the purchase agreement. The present value of the contingent consideration expected to be paid on 19 March 2010 was £1,067,000. The performance conditions are required to be satisfied by September 2012.

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

	<i>Acquiree's book values £000</i>	<i>Fair value adjustments £000</i>	<i>Acquisition amounts £000</i>
<i>Acquiree's identifiable net assets at the acquisition date:</i>			
<i>Plant and equipment</i>	10	-	10
<i>Trade and other receivables</i>	116	-	116
<i>Deferred tax liability</i>	(3)	(122)	(125)
<i>Cash</i>	270	-	270
<i>Creditors & accruals</i>	(83)	-	(83)
<i>Intangible assets purchased</i>	-	353	353
<i>Net identifiable (liabilities) / assets</i>	310	231	541
<i>Goodwill on acquisition</i>			1,793
<i>Expected consideration to be paid including expenses</i>			2,334
<i>Less purchase consideration withheld</i>			(1,067)
<i>Net cash outflow</i>			1,267
<i>Cash acquired</i>			(270)
<i>Net cash outflow excluding cash acquired</i>			997

Goodwill has arisen on the acquisition because the purchase price exceeds the fair value of the separately identifiable net assets acquired including £353,000 assigned to customer relationships, contracts, non-compete agreements and software. 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 probable to be paid and is based on profit forecasts. There are inherent uncertainties in deriving forecasts and the level of contingent consideration will be reassessed at each reporting date to reflect revisions to forecasts or differences between forecast and actual performance.

From the date of acquisition Meridian Services International Limited contributed an operating profit before amortisation of intangible assets of £10,000 and revenue of £162,000 to the Group consolidated income statement for the year ended 31 May 2010. After amortisation of intangible assets, operating profits were £nil.

B. On 22 April 2010 the Group acquired 100% of SDLC Solutions Limited for a maximum consideration of £15,000,000 of which £7,250,000 was withheld subject to the achievement of performance criteria specified in the purchase agreement. The present value of the contingent consideration expected to be paid on 22 April 2010 was £5,352,000. The performance conditions are required to be satisfied by September 2012.

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

	<i>Acquiree's book values</i>	<i>Fair value adjustments</i>	<i>Acquisition amounts</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Acquiree's identifiable net assets at the acquisition date:</i>			
<i>Plant and equipment</i>	38	-	38
<i>Trade and other receivables</i>	4,256	-	4,256
<i>Deferred tax liability</i>	(3)	(1,015)	(1,018)
<i>Cash</i>	20	-	20
<i>Creditors and accruals</i>	(3,112)	-	(3,112)
<i>Intangible assets purchased</i>	-	3,047	3,047
<i>Net identifiable (liabilities) /assets</i>	1,199	2,032	3,231
<i>Goodwill on acquisition</i>			10,442
<i>Expected consideration to be paid including expenses</i>			13,673
<i>Less purchase consideration withheld</i>			(5,352)
<i>Net cash outflow</i>			8,321
<i>Cash acquired</i>			(20)
<i>Net cash outflow excluding cash acquired</i>			8,301

Goodwill has arisen on the acquisition because the purchase price exceeds the fair value of the separately identifiable net assets acquired including £3,047,000 assigned to customer relationships and contracts. Goodwill represents synergies and business processes. The amount recognised as contingent consideration reflects the amount which is considered probable to be paid and is based on profit forecasts. There are inherent uncertainties in deriving forecasts and the level of contingent consideration will be reassessed at each reporting date to reflect revisions to forecasts or differences between forecast and actual performance.

From the date of acquisition SDLC Solutions Limited contributed an operating profit before amortisation of intangible assets of £123,000 and revenue of £1,459,000 to the Group consolidated income statement for the year ended 31 May 2010. After amortisation of intangible assets, operating profits were £55,000.

C. During the year ended 31 May 2010, payments were made in relation to the settlement of contingent consideration arising on acquisitions completed in prior years. The amounts paid were; £3,810,000 in relation to the acquisition of Next Generation Security Software Limited, £56,000 in relation to the acquisition of Site Confidence Limited, £66,000 in relation to Escrow Europe Switzerland A.G. and £157,000 in relation to Escrow Europe Holdings B.V.. As a result of these payments a reduction in the value of goodwill of £525,000 has been made.

D. If all of the acquisitions had occurred at the beginning of the financial year it is estimated that the consolidated revenue and operating profit for the year ended 31 May 2010 would have been approximately £66.8m and £14.3m respectively.

15 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
	£000	£000	£000	£000	£000	£000
<i>Plant and equipment</i>	280	246	(5)	(12)	275	234
<i>Short term temporary differences</i>	20	26	-	-	20	26
<i>Intangible assets</i>	-	-	(2,314)	(1,576)	(2,314)	(1,576)
<i>Share based payments</i>	567	515	-	-	567	515
<i>Deferred tax assets / (liabilities)</i>	867	787	(2,319)	(1,588)	(1,452)	(801)

Movement in deferred tax during the year

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

Movement in deferred tax during the prior year

	<i>1 June</i>	<i>Recognised</i>	<i>Recognised</i>	<i>Arising on</i>	<i>31 May</i>
	<i>2008</i>	<i>in income</i>	<i>In equity</i>	<i>acquisition</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Plant and equipment</i>	180	70	-	(16)	234
<i>Short term temporary differences</i>	13	13	-	-	26
<i>Trade losses</i>	390	(390)	-	-	-
<i>Intangible assets</i>	(1,498)	306	-	(384)	(1,576)
<i>Share based payments</i>	561	97	(143)	-	515
	(354)	96	(143)	(400)	(801)

The Company has deferred tax assets related to share based payments of £130,000 (2009: £178,000)

16 Trade and other payables

	Group	Group	Company	Company
	2010	2009	2010	2009
	£000	£000	£000	£000
Trade payables	2,221	1,217	-	-
Amounts owed to Group undertakings	-	-	4,869	3,714
Interest payable	-	3	-	-
Non trade payables	2,520	1,807	-	-
Contingent consideration on acquisition of subsidiary (note 6)	-	4,539	-	-
Accruals	3,856	3,751	1	226
	8,597	11,317	4,870	3,940

17 Deferred revenue

Group	Group	Company	Company
2010	2009	2010	2009

	£000	£000	£000	£000
Deferred revenue	12,886	12,406	-	-
	12,886	12,406	-	-

Deferred revenue of £10,417,000 (2009: £10,246,000) 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 £2,469,000 (2009: £2,160,000) consists of internet 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.

18 Non-current liabilities

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Unsecured bank loan	-	9,000	-	-
Issue costs	-	(88)	-	-
Amortisation of issue costs	-	20	-	-
Interest bearing loans	-	8,932	-	-
Deferred tax (note 15)	2,319	1,588	-	-
Contingent consideration on acquisitions (note 6)	6,484	-	-	-
Other financial liabilities	61	76	-	-
Total non current liabilities	8,864	10,596	-	-

Other financial liabilities of £61,000 relates to the balance of a rent free period (2009: £76,000) which is released to the income statement over the term of the lease.

19 Called up share capital

	Number of shares	2010 £000	2009 £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	33,664,497	337	336
Ordinary shares of 1p each issued in the year	32,830	-	1
Ordinary shares of 1p each at the end of the year	33,697,327	337	337

During the year 32,830 shares were issued in relation to the exercise of employee share options for a total consideration of £78,000 settled in cash.

20 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:

	2010 £000	2009 £000
Contracted	225	-

b) Non-cancellable operating lease rentals are payable as follows:

	Land and Buildings	Other	Land and Buildings	Other
	£000	£000	£000	£000
Within 1 year	80	88	124	76
In second to fifth year inclusive	821	278	769	223
	901	366	893	299

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

21 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 £478,000 (2009: £429,000). The outstanding contributions at the year end were £62,819 (2009: £73,187).

For the Company, the pension cost charge for the year represents contributions payable by the Company to the fund and amounted to £55,000 (2009: £52,000).