

THE NCC GROUP

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THE  GROUP



ANNUAL REPORT AND ACCOUNTS

THE  GROUP

Year ended 31st May 2001

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THE COMPANY INFORMATION

DIRECTORS	P Mitchell (Non-executive Chairman) C.R Pearse R.F.C Cotton P.W Bird C.A Sadler M Gough (Non-Executive) S Pollard (Non-Executive)
SECRETARY	F.M Brandwood
REGISTERED OFFICE	Manchester Technology Centre Oxford Road Manchester M1 7ED
REGISTERED NUMBER	3742757

AUDITORS	KPMG St James' Square Manchester M2 6DS
BANKERS	National Westminster Bank Plc Manchester Corporate Business Centre 100 Barbirolli Square Manchester M60 3BA
CORPORATE FINANCE ADVISORS	Rickitt Mitchell & Partners Limited Clarence House Clarence Street Manchester M2 4DW
SOLICITORS	Chaffe Street Brook House 70 Spring Gardens Manchester M2 2BQ

THE WORDS

CHAIRMAN'S STATEMENT

I am pleased to report a good year of progress within The NCC Group. In one of the most turbulent years ever seen in the technology sector, we have managed to increase both our turnover to £9.8m and our profit before tax to £1.1m.

Our strategy for growth is based on our unique position as the world-leading provider of high quality Escrow Solutions. Many thousands of companies trust us to hold one of their most valued assets – the sourcecode that drives their businesses. This relationship of mutual trust and understanding ensures we stay very close to our clients' needs. Our technical skills, depth of knowledge and complete independence from any hardware or software vendor together with our history of reliability means that our customers trust us to deliver appropriate technical solutions.

Whatever we achieve is primarily due to the quality and attitude of our people. I am pleased to welcome the many new colleagues who have joined our business this year and I'd like to thank all our staff for their hard work and professionalism over the last twelve months.

We have had a very successful year in our core business and the outlook for The NCC Group remains very strong as more companies appreciate the technical risks they have to manage and seek to bring increased security to their use of information technology in a changing and uncertain world.



Paul Mitchell
Chairman




INDEPENDENT



VISION



EXPERTISE



The NCC Group provides a range of IT services designed to help our clients gain assurance in their use of technology. We do this primarily through our Escrow Solutions business which is the largest 'software bank' in Europe providing a very technical and specialised type of insurance. We hold many thousands of software applications and enable users to gain access to this vital information should the software owner go into receivership or fail to maintain the application.

Our Telecom Testing business has seen very hard trading conditions for the last twelve months. Nearly every company involved in the Telecom sector has had a very tough year and we are no exception. Most of our customers have posted large reductions in their profit figures and many of them have produced losses for the first time in their history. This market background has made the selling of our tools and services a significant challenge for our business. Another factor that has had a significant impact on our performance in this sector has been the slow uptake of WAP in the marketplace. Mobile-based applications are undoubtedly going to increase in number and importance, but even though our product offering is ahead of the market we are finding it very difficult to win business in this area. However we expect to see an upturn in business when normal trading conditions return to this sector.

In the year ending May 2001 we consolidated our Consultancy business around our e-business team and focused our sales and marketing activity on a smaller target market. Local Government and the 'not for profit' organisations have always been good markets for us; now they are our main target markets. The above factors resulted in us performing better as the year progressed. Our Local Government offering is now very strong indeed with an excellent sales and delivery team that has lifted our Consultancy practice to be the 9th largest provider of Local Government Consultancy services in the UK.

We are currently helping many local authorities meet the challenges of gaining 'best-value' from their IT spend. The new year is continuing to follow the pleasing pattern established through the year end.

We have had a very successful year in our Escrow Solutions business achieving over 50% growth. Our strategy is to concentrate on developing our dominant position in the UK market by providing our clients with a wider and deeper range of services. In the year under review our service offering has expanded into web-based applications and a significantly increased software testing facility. We have seen a large increase in the level of software testing work for our clients as more and more companies understand the importance of an Escrow Solution within an effective risk management strategy.

The new year has started very strongly for us with growth rates continuing at a level above last year. The prospects for future growth are looking better than ever as companies realise that they still have a large number of software applications that are not protected by an Escrow solution. Another factor driving our growth is the obligation on companies to effectively manage risk if they are going to comply with the 'Turnbull Report' and avoid

the risk of any non-compliance being highlighted. Companies will be very keen to establish that all their vital software applications will operate through the coming year and that they have managed the risk effectively by ensuring all the vital software applications are covered by an Escrow Solution with The NCC Group.



Chris Pearce
Managing Director



The directors present their annual report and the audited consolidated financial statements for the year ended 31 May 2001.

PRINCIPAL ACTIVITY

The group's principal activity is the provision of Escrow Solutions, IT Consultancy and Telecom Testing Services.

BUSINESS REVIEW

The level of business and the year end financial position remains satisfactory and the directors expect the group to continue its growth in the foreseeable future. Further information on the review of the business is given in the Chairman's statement and Managing Director's review.

RESULTS AND DIVIDEND

The profit retained in the group for the year ended 31 May 2001, as set out in the financial statements on pages 12 to 33 is £503,000.

Preference dividends of £159,745 were paid in the year, which together with an accrued balance of £32,055 makes a total preference dividend of £191,800 for the year. Of this total preference dividend, £75,000 was payable to the A preference shareholders (6p per share) and £116,800 was payable to the B preference shareholders (8p per share).

The directors do not recommend payment of a dividend to the ordinary or preferred ordinary shareholders.

DIRECTORS AND DIRECTORS' INTERESTS

The current directors of the company are set out on page 2. The changes in directors in the period are set out below.

J Perkins M Gough	Non-Executive Non-Executive	Resigned 29 November 2000 Appointed 29 November 2000
Interest at beginning and end of year £1 ordinary		
P Mitchell		7,500
C.R Pearse		39,000
P.W Bird		26,000
C.A Sadler		26,000

P Mitchell is a director of Rickitt Mitchell & Partners Limited which holds 3,000 £1 Ordinary shares.

S Pollard is nominee director representing the company's shareholder ECI Ventures Nominees Limited which holds 90,000 preferred Ordinary shares and 1,460,000 10p Preference shares.

M Gough is nominee director representing the company's shareholder The National Computing Centre Limited, which holds 60,000 £1 Ordinary shares, 1,250,000 £1 Preference shares and £675,000 loan notes.

At the date of this report P Mitchell, C.R Pearse, R.F.C Cotton and S Pollard have a non-beneficial interest in a further 26,000 £1 Ordinary shares in their capacity as directors of The NCC Group Employees' Share Trust.

R.F.C Cotton has the option to subscribe to 10,500 £1 ordinary shares in his capacity as a director of the company.



DIRECTORS' REPORT (continued)

According to the register of directors' interests, no right to subscribe for shares in or debentures of Group Companies were granted to any of the director's or their immediate families, or exercised by them, during the financial year, other than as referred to overleaf.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

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.

POLITICAL AND CHARITABLE CONTRIBUTIONS

No political or charitable contributions were made during the year.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss for that period. In preparing those 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 applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

AUDITORS

During the year KPMG were appointed to fill a casual vacancy. In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



R.F.C Cotton
Director

Report of the auditors to the members of The NCC Group Limited

We have audited the financial statements on pages 12 to 33.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the directors' report and as described on page 10 the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements.



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United Kingdom

It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 May 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants & Registered Auditors
9 October 2001

THE NUMBERS

Consolidated profit and loss account for the year ended 31 May 2001

	Note	2001 £000	2000 £000
Turnover			
Continuing operations	2	9,629	-
Acquisitions	2	-	9,733
Discontinued operations	2	149	-
		9,778	9,733
Cost of sales		(6,254)	(5,909)
Gross Profit		3,524	3,824
Administrative expenses		(2,274)	(2,582)
Operating Profit			
Continuing operations		1,213	-
Acquisitions		-	1,242
Discontinued operations		37	-
Operating profit		1,250	1,242
Net interest payable	6	(106)	(168)
Profit on ordinary activities before taxation		1,144	1,074
Tax on profit on ordinary activities	7	(447)	(417)
Profit on ordinary activities after taxation		697	657
Minority interests	19	(2)	15
Dividends	8	(192)	(192)
Retained profit for the financial year	18	503	480

The profit and loss account for the year ended 31 May 2000 has been restated to reflect a more appropriate analysis of cost of sales, administrative expenses and turnover.

Consolidated statement of total recognised gains and losses for the year ended 31 May 2001

	2001 £000	2000 £000
Retained profit for the financial year	503	480
Currency translation loss	(54)	(61)
Total recognised gains for the year	449	419

Consolidated balance sheet at 31 May 2001

	Note	2001		2000	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	9	4,190		4,423	
Tangible assets	10	697		780	
		4,887		5,203	
Current Assets					
Debtors	12	3,054		3,321	
Cash at bank and in hand		1,546		383	
		4,600		3,704	
Creditors:					
amounts falling due within one year	13	(4,304)		(3,791)	
Net current assets/(liabilities)		296		(87)	
Total assets less current liabilities		5,183		5,116	
Creditors:					
amounts falling due after more than one year	14	(1,353)		(1,737)	
Net assets		3,830		3,379	
Capital and Reserves					
Called up share capital	17	1,671		1,671	
Share premium account	18	1,314		1,314	
Profit and loss account	18	868		419	
Shareholders' funds		3,853		3,404	
Minority interest	19	(23)		(25)	
Capital employed		3,830		3,379	
Shareholders' funds analysed as:					
Equity		1,053		551	
Non-equity		2,800		2,853	
		3,853		3,404	

These financial statements were approved by the board of directors on 9 October 2001 and were signed on its behalf by:

C.R Pearce
Director



R.F.C Cotton
Director



Company balance sheet at 31 May 2001

	Note	2001		2000	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	9	2,054		2,168	
Investments	11	1,426		1,310	
		3,480		3,478	
Current assets					
Debtors	12	1,356		1,553	
Creditors:					
amounts falling due within one year	13	(456)		(378)	
Net current assets		900		1,175	
Total assets less current liabilities		4,380		4,653	
Creditors:					
amounts falling due after more than one year	14	(1,346)		(1,651)	
Net assets		3,034		3,002	
Capital and reserves					
Called up share capital	17	1,671		1,671	
Share premium account	18	1,314		1,314	
Profit and loss account	18	49		17	
Capital employed		3,034		3,002	
Shareholders' funds analysed as:					
Equity		234		170	
Non-equity		2,800		2,832	
		3,034		3,002	

These financial statements were approved by the board of directors on 9 October 2001 and were signed on its behalf by:

C.R Pearce
Director



R.F.C Cotton
Director



**Reconciliations of movements in shareholders' funds
for the year ended 31 May 2001**

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Profit for the financial year	695	672	224	209
Dividends	(192)	(192)	(192)	(192)
	503	480	32	17
New share capital subscribed (net of issue costs)	-	2,985	-	2,985
Currency translation	(54)	(61)		
Net addition to shareholders' funds	449	3,404	32	3,002
Opening shareholders' funds	3,404	-	3,002	-
Closing shareholders' funds	3,853	3,404	3,034	3,002

**Consolidated cash flow statement
for the year ended 31 May 2001**

	Note	2001 £000	2000 £000
Cash inflow from operating activities	a	2,574	1,811
Returns on investments and servicing of finance	b	(298)	(217)
Taxation		(569)	(5)
Capital expenditure and financial investment	b	(274)	(307)
Acquisitions and disposals	b	-	(1,536)
Cash inflow/(outflow) before financing		1,433	(254)
Financing	b	(270)	637
Increase in cash in the year		1,163	383

**Reconciliation of net cash flow to movement in net debt
for the year ended 31 May 2001**

	Note	2001 £000	2000 £000
Increase in cash in the year		1,163	383
Cash outflow from decrease in loans and loan notes		221	1,288
Cash outflow from decrease in finance leases and hire purchase contracts		49	50
New loans		-	(1,500)
New finance lease and hire purchase amounts		-	(58)
Finance lease and hire purchase indebtedness acquired		-	(101)
Loan notes issued		-	(1,675)
Interest charged to bank loan		-	(78)
Movement in net debt in the year	c	1,433	(1,691)
Net debt at beginning of year	c	(1,691)	-
Net debt at end of year	c	(258)	(1,691)

Consolidated cash flow notes

a) Reconciliation of operating profit to operating cash flows for the year ended 31 May 2001

	2001 £000	2000 £000
Operating profit	1,250	1,242
Depreciation charge	364	304
Amortisation of goodwill	233	232
Profit on sale of fixed assets	(2)	-
Decrease/(increase) in debtors	267	(463)
Increase in creditors	516	553
Exchange rate adjustment	(54)	(57)
Cash inflow from operating activities	2,574	1,811

b) Analysis of cash flows

	2001 £000	2000 £000
Returns on investment and servicing of finance		
Interest received	31	31
Interest paid	(129)	(75)
Preference dividend paid	(192)	(160)
Interest element of finance lease rental payments	(8)	(13)
	(298)	(217)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(353)	(347)
Sale of tangible fixed assets	79	40
	(274)	(307)
Acquisitions and disposals		
Purchase of subsidiary undertaking	-	(1,763)
Cash acquired with subsidiary	-	227
	-	(1,536)
Financing		
Issue of loan notes	-	1,675
Loan note repayments	-	(1,000)
Receipt of bank loan	-	1,500
Repayment of bank loan	(221)	(288)
Capital element of finance lease and hire purchase payment	(49)	(50)
Repayment of capital	-	(1,200)
	(270)	637

Consolidated cash flow notes (continued)

c) Analysis of net debt

	At beginning of year £000	Cash flow £000	At end of year £000
Cash in hand, at bank	383	1,163	1,546
Bank loan and loan notes	(1,965)	220	(1,745)
	(1,582)	1,383	(199)
Finance leases and hire purchase contracts	(109)	50	(59)
Total	(1,691)	1,433	(258)

Notes

1 Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 May 2001. Unless otherwise stated the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230 of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Goodwill

In accordance with FRS 10, goodwill has been capitalised and is to be amortised over its useful economic life. Goodwill capitalised to date is to be amortised over a 20 year period, being the directors' assessment of its useful economic life.

Related party transactions

The company has taken advantage of the exemption contained in FRS 8 and has not disclosed transactions with subsidiary undertakings where the group has more than 90% control. Details of other related party transactions are set out in note 24 to these financial statements.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Computer equipment	-	20% to 35%
Plant and equipment	-	20%
Fixtures and fittings	-	20%
Motor vehicles	-	25%

Turnover

Turnover represents the invoiced value of goods and services provided during the period, excluding VAT.

Revenue recognition

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

Revenue on the sale of software licences is recognised on customer acceptance. Maintenance and Escrow solution agreement revenue is recognised on a straight-line basis over the life of the related agreement.

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 profit and loss account.

Notes (continued)

The assets and liabilities and profit and loss account of overseas subsidiary undertakings are translated at the closing exchange rates. Gains and losses arising on these transactions are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

Post retirement benefits

The group operates a defined contribution pension scheme. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Research and development

Research and development in continuing operations amounted to £600k and was incurred on new product development in emerging technologies. All research and development expenditure is written off as incurred.

2 Analysis of turnover for continuing and discontinued operations

	2001 £000	2000 £000
UK	6,658	6,958
Other	1,718	1,522
Rest of Europe	1,402	1,253
	9,778	9,733

	Continuing £000	2001 Acquisitions £000	Dis-continued £000	Total £000	2000 Acquisitions £000	Total £000
Group turnover	9,629	-	149	9,778	9,733	9,733
Cost of sales	(6,225)	-	(29)	(6,254)	(5,909)	(5,909)
Gross profit	3,404	-	120	3,524	3,824	3,824
Administrative expenses	(2,191)	-	(83)	(2,274)	(2,582)	(2,582)
Group operating profit	1,213	-	37	1,250	1,242	1,242

Notes (continued)

3 Profit on ordinary activities before taxation

	2001 £000	2000 £000
Profit on ordinary activities before taxation is stated as follows:		
Auditors Remuneration:		
Audit	17	11
Non audit	4	76
Depreciation and other amounts written off tangible fixed assets		
Owned	346	247
Leased	18	57
Amortisation of goodwill	233	232
Operating lease rentals		
Plant and equipment	131	179
Land and building	217	253
Profit on disposal of fixed assets	(2)	(14)

4 Remuneration of directors

	2001 £000	2000 £000
Directors' emoluments	455	400
Pension contributions to defined contribution pension schemes	21	13
Compensation for loss of office	-	89
Amounts paid to third parties in respect of directors' services	32	30
	508	532

The emoluments of the highest paid director were:

	2001 £000	2000 £000
Salary and bonus	110	107
Benefits in kind	20	14
Pension contributions to defined contribution scheme	6	7
	136	128

	Number of directors	
	2001	2000

Retirement benefits are accruing to the following number of directors under:

Defined contribution scheme	4	4
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Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the group including directors during the year, analysed by category, was as follows:

	Number of employees	
	2001	2000
Operational	80	79
Administration, sales & marketing	50	34
	130	113

The aggregate payroll costs of these persons were as follows:

	2001 £000	2000 £000
Wages and salaries	4,261	3,684
Social security costs	415	321
Other pension costs	161	138
Compensation for loss of office	-	117
	4,837	4,260

6 Net interest payable

	2001 £000	2000 £000
Interest receivable	31	30
Interest payable		
On bank loans	(87)	(102)
On other loans	(41)	(83)
Finance charges payable in respect of finance leases and hire purchase contracts	(7)	(13)
Other interest payable	(2)	-
Net interest payable	(106)	(168)

Notes (continued)

7 Taxation

	2001 £000	2000 £000
UK corporation tax at 30% (2000: 30%)	415	417
Adjustments in respect of prior periods	32	-
	447	417

8 Dividends

	2001 £000	2000 £000
Paid		
£1 A preference shares	62,465	62,465
10p B preference shares	97,280	97,280
	159,745	159,745
Accrued		
£1 A preference shares	12,535	12,535
10p B preference shares	19,520	19,520
	32,055	32,055
	191,800	191,800

9 Intangible fixed assets

	Group £000	Company £000
Goodwill		
Cost		
At beginning and end of year	4,655	2,282
Amortisation		
At beginning of year	232	114
Charged in year	233	114
	465	228
Net book value		
At 31 May 2001	4,190	2,054
At 31 May 2000	4,423	2,168

Notes (continued)

10 Tangible fixed assets

	Computer equipment £000	Plant and equipment £000	Fixtures, fittings and motor vehicles £000	Total £000
Group				
Cost				
At beginning of year	572	70	595	1,237
Additions	174	6	176	356
Disposals	(9)	-	(127)	(136)
Exchange differences	2	-	1	3
At end of year	739	76	645	1,460
Depreciation				
At beginning of year	243	36	178	457
Charge for year	198	12	154	364
On disposals	(4)	-	(56)	(60)
Exchange differences	2	-	-	2
At end of year	439	48	276	763
Net book value				
At 31 May 2001	300	28	369	697
At 31 May 2000	329	34	417	780

Included in the total net book value of motor vehicles, fixtures and fittings is £54,000 (2000:£107,000) in respect of assets held under finance lease and similar hire purchase contracts. Depreciation for the year on these assets was £18,000 (2000: £57,000).

Company

The company does not have any tangible fixed assets.

Notes (continued)

11 Fixed Asset Investments

	Shares in group Undertakings £000
Company	
Cost and net book value	
At beginning of year	1,310
Additions	116
At end of year	1,426

The cost represents the cost of acquiring the whole of the issued share capital of the company's subsidiary undertakings. Fixed asset investments are recognised at cost.

Listed below are the subsidiary undertakings of NCC Group limited at 31 May 2001.

Subsidiary undertakings	Country of Incorporation	Principal activity	Shareholding
NCC Services Limited	England and Wales	Escrow Solutions IT Consultancy, and Telecom Testing	100% Ordinary shares
NCC Escrow International Limited	England and Wales	Dormant	100% Ordinary shares
NCC Escrow International GmbH	Germany	Escrow Solutions	80% Ordinary Shares
NCC Services Inc.	USA	IT Consultancy and Telecom Testing	100% Ordinary Shares
NCC Services (Africa) (Pty) Limited	Botswana	Dormant	100% Ordinary shares

Notes (continued)

12 Debtors: amounts falling due within one year

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Trade debtors	2,261	2,290	-	-
Amounts owed by group undertakings	-	-	1,291	1,553
Other debtors	1	8	-	-
Prepayments and accrued income	792	1,023	65	-
	3,054	3,321	1,356	1,553

13 Creditors: amounts falling due within one year

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Loan notes	84	-	84	-
Bank loans and overdrafts (see note 14)	314	314	314	314
Obligations under finance leases and hire purchase contracts (see note 15)	53	23	-	-
Trade creditors	289	348	-	-
Taxation and social security	699	676	-	-
Other creditors	17	21	-	-
Accruals and deferred income	2,816	2,377	58	64
Dividend	32	32	-	-
	4,304	3,791	456	378

Notes (continued)

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Loan notes	591	675	591	675
Bank loans and overdrafts	755	976	755	976
Obligations under finance leases and hire purchase contracts	7	86	-	-
	1,353	1,737	1,346	1,651

Analysis of debt:

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Debt can be analysed as falling due:				
Between one and two years	490	441	483	398
Between two and five years	863	1,212	863	1,169
In five years or more	-	84	-	84
	1,353	1,737	1,346	1,651

Loan notes are redeemable in 8 equal 6 monthly instalments commencing in May 2002. Interest is charged at between 6% and 8% as per an agreed schedule. The bank loan is secured by a fixed and floating charge over the assets of the group and over the life policies of three directors. It is being repaid by regular monthly instalments, which finish in 2004. Interest is charged at 1.625% above the Bank's base rate.

15 Financial Commitments

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Within one year	53	23	-	-
In the second to fifth years	7	86	-	-
	60	109	-	-

Notes (continued)

16 Provisions for liabilities and charges

The amount provided for deferred tax and the amounts not provided are set out below:

Group	2001		2000	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and capital allowances	-	(50)	-	-
Other timing differences	-	(126)	-	-
	-	(176)	-	-

Company

There are no deferred tax balances.

17 Called up share capital

	Number of Shares	2001	2000
		£	£
Authorised			
Ordinary shares of £1 each	210,000	210,000	210,000
Preferred ordinary shares £1	90,000	90,000	90,000
A preference shares £1	1,250,000	1,250,000	1,250,000
B preference shares 10p	1,460,000	146,000	146,000
		1,696,000	1,696,000
Allotted, called up and fully paid			
Ordinary shares of £1 each	184,500	184,500	184,500
Preferred ordinary shares £1	90,000	90,000	90,000
A preference shares £1	1,250,000	1,250,000	1,250,000
B preference shares 10p	1,460,000	146,000	146,000
		1,670,500	1,670,500

Notes (continued)

17 Called up share capital (continued)

Voting rights

Preferred ordinary shares and Ordinary shares carry voting rights at one vote per share. The A and B Preference shares do not carry any voting rights unless The NCC Group Limited breaches specified provisions within the Articles of Association.

Dividend rights

The Preferred ordinary shares have the right to a cumulative preferential participating cash dividend of an amount equal to the following percentages of consolidated net profit before taxation, exceptional items and goodwill write off:

- 10% in respect of the accounting period ended 31 March 2003
- 15% in respect of the accounting period ended 31 March 2004
- 20% in respect of all accounting periods subsequent to and including that ended 31 March 2005

Such dividends are payable within 30 days after the date of the annual general meeting of The NCC Group Limited at which the financial statements are presented.

Preference shares have the right to a fixed cumulative preferential cash dividend at the rate of 6% per annum in respect of A Preference shares and 8% per annum in respect of B Preference shares on the amount credited as paid including any premium thereon.

Such dividends accrue on a daily basis to be paid by two equal instalments on 31 March and 30 September in respect of the six months periods ending on those dates. A Preference share dividends are payable before any other dividends.

Rights on winding up

The ranking of shares in the instance of the winding up of The NCC Group Limited is as follows:

- A Preference shares
- B Preference shares
- Preferred ordinary shares
- Ordinary shares

Higher-ranking shares are entitled to receive amounts paid up together with arrears or accruals of dividend and interest thereon before the payment of any amounts in respect of lower ranking shares.

Conversion and redemption

The holders of the Preferred ordinary shares may at any time convert the whole of their shares into a like number of Ordinary shares. The NCC Group Limited will redeem Preference shares for cash at a redemption rate of £1 per share on the following dates:

Notes (continued)

Called up share capital (continued)

Redemption date	Number of A preference shares to be redeemed	Number of B preference shares to be redeemed
31 May 2002	156,250	-
31 November 2002	156,250	-
31 March 2003	-	365,000
31 May 2003	156,250	-
30 November 2003	156,250	-
31 March 2004	-	365,000
31 May 2004	156,250	-
30 November 2004	156,250	-
31 March 2005	-	365,000
31 May 2005	156,250	-
30 November 2005	156,250	-
31 March 2006	-	365,000

18 Share premium and reserves

	Share premium account £000	Profit and loss account £000
Group		
At beginning of year	1,314	419
Retained profit for the year	-	503
Exchange adjustment	-	(54)
At end of year	1,314	868
Company		
At beginning of year	1,314	17
Retained profit for the year	-	32
At end of year	1,314	49

The cumulative amount of positive goodwill resulting from acquisitions in earlier financial years which has been written off is £465,000 (2000:£232,000), including £141,000 (2000:£70,000) in relation to subsidiary undertakings. The company's profit for the financial year after tax was £32,000 but before dividends was £224,000.

Notes (continued)

19 Minority interests

	Group	
	2001 £000	2000 £000
At beginning of year	(25)	(10)
Retained profit/(loss) for the year	2	(15)
At end of year	(23)	(25)
Equity	(3)	(4)
Non-equity	(20)	(21)
	(23)	(25)

20 Contingent liabilities

Various group companies have in the normal course of business given indemnities as to performance bonds and guarantees to the value of £69,000 (2000: £69,000).

Each group company is party to a group banking facility under which it has guaranteed the bank borrowings, performance bonds and guarantees of its fellow group companies. There were no group drawings under the facility at 31 May 2001 (2000:£nil).

21 Other financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	2001		2000	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Group				
Operating leases which expire:				
Within one year	-	15	52	45
In the second to fifth years inclusive	135	39	145	28
	135	54	197	73

22 Pension scheme

The group operates a defined contribution pension scheme that is open to all eligible employees. The pension cost charge for the period represents contributions payable by the group to the fund and amounted to £161,000 (2000 :£138,000).

Notes (continued)

23 Sale of business assets

On 27 May 2001 the assets of NCC Services (Africa) (Pty) Limited were sold to Delta Technologies (Pty) Limited for a consideration of 70,555 Botswana Pula (£8,819).

24 Related party transactions

Under FRS 8 the company is exempt from the requirement to disclose details of transactions with its subsidiary companies. Other than as shown below no director had a material interest in any contract of significance in relation to the business of the Group.

The Group conducted business to the value of £10,000 (2000: £10,000) at arms length with ECI Ventures Limited. ECI Ventures Nominees Limited is a shareholder of The NCC Group Limited who supplied the services of a non-executive director. At the year end the Group owed £nil (2000: £3,000) to ECI Ventures Limited for the services provided.

During the period the Group conducted business to the value of £146,000 (2000: £461,000) at arms length with The National Computing Centre Limited, a shareholder of The NCC Group Limited who provided related services. At the year end the Group owed £1,000 (2000: £47,000) to The National Computing Centre Limited for the services provided.

25 The NCC Group Employees' Share Trust

On 26 May 2000 NCC Group Limited established The NCC Employees' Share Trust to encourage and facilitate the acquisition and holdings of shares in the company by and for the benefit of employees of the Group. The trustee of the Trust is NCC Group Employees' Trustees Limited, a wholly owned subsidiary of the company. Contributions to the Trust have been included in the financial statements.