nccgroup

TURNING AWARENESS INTO ACTION

NCC Group plc
Annual Report and
Accounts for the year
ended 31 May 2016

CONTENTS

HIGHLIGHTS

Financial

56%

Group revenue grew by 56% to £209.1m (2015: £133.7m) with organic growth of 19%

£38.4m

Group adjusted operating profit** £38.4m (2015: £26.4m)

74%

Assurance revenue grew by 74% to £169m, organic growth 25%

52%

Assurance operating profit up 52% to £25.8m (2015: £17.0m)

10%

Escrow revenue grew organically by 10% to £35.3m

6%

Escrow operating profit up 6% to £20.1m (2015: £18.9m)

£43.7m

Group EBITDA* £43.7m (2015: £29.5m) before an exceptional charge of £18.9m

45%

Group adjusted profit before tax*** increased by 45% (2015: 1%) to £37.0m (2015: £25.5m)

£11.5m

Group reported operating profit £11.5m (2015: £22.6m)

11.2p

Adjusted fully diluted earnings per share 11.2p (2015: 9.4p)

4.65p

Total dividend up 17% to 4.65p (2015: 3.98p)

* Group EBITDA adjusted for exceptional items of £18.9m (2015: £0.6m), share based payment charges of £1.2m (2015: £1.0m), depreciation £3.7m (2015: £2.6m) and amortisation of intangibles £8.4m (2015: £2.7m)

** Group adjusted operating profit is adjusted for amortisation of acquired intangibles of £6.8m (2015: £2.2m), exceptional items of £18.9m (2015: £0.6m) and share based payment charges of £1.2m (2015: £1.0m)

*** Group adjusted pre-tax profit is Group adjusted operating profits excluding the unwinding of the discount on the acquisitions' deferred consideration of £0.6m (2015: £0.3m)

Operational

On Track

Fox-IT integration on track – global roll out of services expected to start during 2016/2017 financial year

Fully Integrated

Accumuli fully integrated - focus on substantial cyber security market opportunities

Strongest Growth

Escrow revenue growth the strongest in 10 years

1,857 employees

Group employee numbers increased by 40% to 1,857 worldwide (2015: 1,388)

Withdrawal from Domain Services but domain security capability retained

- Open Registry to be realised and other assets written down
- Exceptional charge of £13.7m including £0.9m cash cost

Outlook for 2016/2017

£104.6m

Total of Group's forecast contracted recurring revenue and the current order book up 67% to £104.6m (2015: £62.7m)

£48.5m

Group contracted recurring revenues are £48.5m

Group's global reach and product range remains tightly focused on sustained long-term growth

ABOUT NCC GROUP

NCC Group is a FTSE 250 listed, global expert in cyber security and risk mitigation, working with businesses to protect their brand, data including intellectual property, value and reputations against the ever evolving threat landscape.

The Group's independence, knowledge, experience and global footprint, ensures that NCC Group can help businesses identify, assess, mitigate and respond to the risks they face within this fluid and hostile environment.

NCC Group is passionate about changing the shape of the Internet to make it safer and revolutionising the way in which organisations think about cyber security.

NCC Group currently operates two distinct but complementary divisions, Assurance and Escrow. The Group operates from over 30 offices across the UK, continental Europe, North America and Australia. It provides comprehensive end-to-end information assurance for more than 15,000 organisations worldwide.

Assurance Services

Security and Risk Consulting Services. The cyber landscape presents an ever increasing and ever changing threat to security as cyber intruders develop increasingly sophisticated ways to attack corporate networks, thereby gaining access to organisations' sensitive and valuable data.

The Group has a range of complementary services including expert security assurance and penetration testing, cyber defence operations, incident response and forensics, managed security services and security operations centres as well as risk mitigation and governance.

NCC Group has one of the world's largest security consulting teams. It delivers over 112,000 testing days per year to organisations worldwide. The Group's global presence offers clients skilled and experienced expert services, complemented by a world-renowned research team.

The Division also provides 24 hours, 365 days, frontline support to major organisations as well as steering them through the myriad of different security and data products that are available and suitable for their needs.

Software Testing and Website Performance. Essential websites, software and infrastructure that support an organisation do not just need protection from malicious attacks, they also need guaranteed performance levels. Flaws in code can prevent software from operating at optimum level and spikes in online traffic can throw websites offline. Currently NCC Group tests more than six million web pages for clients worldwide annually.

Expert software testing provided on-site or from one of the Group's European facilities complements directly the services offered to key clients by providing critical support through all aspects of a security-led application development lifecycle.

JUST 33% OF BOARDS CLEARLY UNDERSTAND THEIR APPETITE FOR CYBER RISK.

THAT'S A SIGNIFICANT PROBLEM FOR THE OTHER 67%.

Escrow

Organisations rely on third party supplied applications and software packages every day to carry out key business functions and processes. These applications allow them to operate more effectively and efficiently and to produce high quality, innovative products and services. However, if a software or Software as a Service ('SaaS') supplier goes out of business and/or changes hands, the continuing availability of these applications could be in doubt and business continuity is at risk.

NCC Group's escrow and verification services assure the long-term availability of these applications, protecting both end users and software suppliers. Working with all parties involved in the development, supply and use of business critical software applications, NCC Group assures that source code, data and other information is constantly accessible and can be properly rebuilt from its components, if required.

The Group is one of the world's leading and most established software escrow providers, with more than 35 years' experience and protects over 15,000 organisations worldwide with the most comprehensive escrow solutions available. The expertise contained within the Escrow Division, along with its credentials, offerings, global scale and reputation is unparalleled.

CHAIRMAN'S STATEMENT

Results and strategic progress

I am delighted to report that 2016 was yet another year of strong and consistent growth for NCC Group. Notably during the year, the Group joined the FTSE 250 index. This is yet another milestone for the Group, which demonstrates how far the business has grown and developed over the last 12 years.

During the last 12 months Group revenues grew by 56% to £209.1m (2015: £133.7m). Adjusted pre-tax profits and adjusted fully diluted earnings per share were up to £37.0m (2015: £25.5m) and 11.2p (2015: 9.4p) respectively. The Group continues to be highly cash generative with operating cash conversion representing 107% of operating profit (2015: 107%).

We also witnessed a year of tangible progress, strategically, operationally and financially. The Group raised £126.3m by way of a firm placing and a placing and an open offer in November and December 2015, which helped fund the acquisition of Fox-IT, who we welcomed to the Group.

Operationally, we completed the integration of Accumuli plc, which has been rebranded NCC Group Managed Security Services and have commenced the integration process with Fox-IT. Both are performing in accordance with our expectations.

Following a strategic review after the year-end, the Group Board have taken the disappointing decision to divest and reallocate some of the assets in the Domain Services division. The Group continues to believe that safe, controlled open or branded domains will play a major part in the Internet landscape in the years to come, but has recognised that other opportunities will provide a faster return on Group assets and investments.

As a result, certain parts of the Division will be divested in due course, although the capability to provide a secure domain environment will be retained. Further details are in the strategic report and the associated costs are shown in the business and financial review.

As a company, the Group is committed to leading the push to make the Internet a safer place for all and as our markets continue to quickly evolve, we remain active in innovating and creating new services to address the numerous emerging opportunities.

The continued investment means that the Group is well placed to lead the move for changes to make the Boards of all companies truly accountable for the security of their organisations.

Both the Assurance and Escrow divisions have continued to grow strongly. Assurance has yet again shown stellar revenue growth of 74%, of which 25% was organic, while Escrow achieved record organic growth of over 10%, all of which translated into Group adjusted pre-tax profit growth of over 45%.

In line with our acquisition strategy, we added another security technology company to the Group. Fox-IT provides complementary security consulting services in Europe and offers advanced threat analytics, cryptography services and products, which the Group was previously lacking.

This enables us to supply a wider range of security related services to its customers globally and ensures that the Group is a comprehensive one-stop consultancy-led security services company that caters for all of a client's requirements.

Overall, our strategy remains fundamentally unchanged. The Group aims to develop both complementary divisions organically and by acquisition to deliver excellent service and value for money to our customers. This will continue to drive growth across the Group.

The Group will continue to actively seek services-led businesses to acquire in both Europe and North America to complement its geographical and technical presence. In addition, new offices will be opened in Singapore and Dubai, with consideration being given to a significant central London office.

Dividends

Reflecting the Board's commitment to its shareholders and following our progressive dividend policy, which at least tracks earnings growth, a final dividend of 3.15p is being recommended by the Board, making a total for the year of 4.65p, up 17%.

Governance

The Board takes its responsibility to maintain sound governance seriously. It is committed to high standards of corporate governance and supports the principles laid down in The UK Corporate Governance Codes published in September 2014 by the Financial Reporting Council ("Code").

The Corporate Governance Report together with the Audit Committee Report, Nomination Committee Report and the Directors' Remuneration Report on pages 56 to 95 describe how the principles of the Code are applied by the Group and reports on the Group's compliance with the Code's provisions.

CHAIRMAN'S STATEMENT

Board composition and diversity

We have a strong and balanced Board, with a range of complementary skills to support the strategic and operational direction of the Group. As a Group, we recognise the importance of diversity and our Board members have a wide range of skills and experiences from a variety of business backgrounds.

This year we plan to further strengthen the team with an additional independent Non-Executive Director.

Board effectiveness

As Chairman, I am responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its performance. The Board is responsible for the Group's strategic development, monitoring achievement of its business objectives, oversight of risk and maintaining a system of effective corporate governance.

Cyber Security Committee

We have stated on a number of occasions that the responsibility for cyber security rests directly with the Board and should be approached and managed with the same vigour and transparency as audit, remuneration, health and safety and CSR.

To that end, this year the Board will form a Cyber Security Committee, led by the Senior Independent Non-Executive Director and comprising the Non-Executive Directors and the CEO. The CEO will report monthly to the Committee on the performance of the Group's internal security and defences. We believe we are the first listed company to create a Cyber Security Committee at board level.

With the ever increasing threat of cyber-attacks, all listed companies should have a board-led Cyber Security Committee.

Employees

The talent, dedication and experience of the people we employ is vital to our success. The motivation and retention of our staff remains key for the Group's future. We aim to be the employer of choice. We proactively monitor staff retention and manage all aspects of individuals' roles, responsibilities and aspirations.

I would like to record my own and the Board's thanks to all of the Group's employees who have made this another successful year. This year very sadly Alex Lander-Brown who was a long serving security consultant in the Assurance team passed away, he is a great loss and our thoughts are very much with his family.

The Group now employs 1,857 people across the world, including 194 associates.

Details of the Group's diversity policy can be found on page 35.

Outlook

The whole organisation is focused on client risk mitigation and delivering peace of mind, through a complementary range of services offered to an increasing range and number of multinational clients to address their business issues.

NCC Group has established itself as one of the leading pure-play cyber security services businesses with an extremely wide geographical footprint and has the largest number of industry experts.

Across the Group the current financial year has started well and the market for our services remains as strong as ever. It is still too early to assess how the decision made by the United Kingdom to leave the European Union will affect the Group but this is being carefully monitored.

The Group's recurring income is significant and has increased. The start to the year sees Escrow renewals at £20.5m up from £19.3m in the year to 31 May 2016 and Assurance has £28.0m (2015: £6.8m) of managed services, threat intelligence and monitoring renewals forecast for the current financial year.

The Assurance division order books have improved to £53.1m (2015: £32.3m) and Escrow verification orders total £3.1m (2015: £2.4m).

The Group's total renewals and order books now stand at £104.6m (2015: £62.7m).

In summary, the outlook for NCC Group remains very positive. The Group is operating in a number of fast growing international markets with a range of new and innovative products and services as well as the existing extensive capabilities.

As a consequence of all these factors, alongside the integration and roll out of Fox-IT products and services, the Board is confident that the Group can continue to deliver sustainable growth and enhanced shareholder value.

Paul Mitchell
Non-Executive Chairman
6 July 2016

Our strategy - delivering sustained growth based on innovation, expertise & independence

NCC Group is a global expert in cyber security and risk mitigation providing organisations worldwide with market leading escrow and verification, security consulting and web performance solutions.

The Group set about building its future around the software escrow business while looking for new areas of growth in the then uncharted territory of information and cyber security. Since then, through carefully constructed, controlled and sustainable organic growth along with a carefully planned and well-executed strategic acquisitions programme, the Group has developed into a leading multinational provider in both areas.

The Group now operates in two distinct but complementary divisions, Assurance and Escrow, having taken the decision to withdraw from providing Domain Services following this year end.

The two Divisions do not actively cross-sell. However, they do share information, intelligence and relationships to ensure that the appropriate products across our portfolio are made available to all our clients.

Both divisions are tasked with and measured on providing the best client service, allied to offering appropriate services to help mitigate risk. The Group is cautiously and diligently looking for acquisition opportunities of complementary businesses that either further strengthen our market position, geographic presence or appropriately extend the service offering.

Each division has a common objective, to innovate and develop further its product sets, to ensure that it remains at the forefront of thought leadership and delivery, as well as to expand geographically where appropriate.

Markets and positioning

Our markets continue to evolve quickly and we remain active in innovating and creating new services to address the numerous emerging opportunities. Innovation, creation and research and development are the key touchstones of the Group's development and growth. Never has this been more important as the world finally wakes up to the cyber threat that is now an everyday occurrence for businesses and individuals alike.

The Group is committed to making the Internet a safer place for all. NCC Group's continued investment in people and research led initiatives means that it is well placed to call for changes to make Boards truly accountable for the security of their organisations.

Online security continues to fail to keep up with the numerous types of individual and indeed organisations that transgress the Internet. The threat of being hacked or having valuable data stolen continues to evolve rapidly and it is growing at a seemingly unstoppable pace. Phishing, fake payment requests and ransomware attacks are every day events and have increased massively, which provide lucrative rewards to the miscreants who perpetrate these attacks.

The world in which we live cannot be made completely safe from cyber crime. As the number and range of threats proliferate, being innovative and using our experience and skills to protect against attacks becomes more important than ever. NCC Group is doing this by providing the best security consultants to world leading clients as well as conducting world-renowned security research.

Assurance Division

Information security & security consulting

The strategic direction and cultural philosophy of the Assurance Division is about constant evolution and therefore research is key to being successful in the market place. Information security and cyber security continue to change at a rapid pace with new areas of concern or vulnerabilities frequently and regularly discovered. To stay ahead in the cyber-arms race, our global corporate culture is aligned with this rapid and constant change. We have created boutique ways of working with cultural values that encourage individuals to fulfil their full creative potential.

Apart from determining security weaknesses, the Group is also committed to making the Internet a safer place for the world to interact, communicate and transact. While combatting the threat of cyber crime is a clearly stated objective, so is finding a safe way for the world to navigate, communicate and transact on the Internet.

Today, cyber crime is the single biggest threat to businesses and individuals around the world. To put this into perspective, a recent Kaspersky survey stated that the damage from cyber-attacks costs UK business more than £27 billion each year. The average cost to recover from a DDoS attack is £275,000 and more than 90% of businesses have experienced some form of cyber security threat. On average, it takes almost 120 days for an organisation to find out that it has been compromised.

In the UK, the public is still largely in the dark about what data of theirs has been compromised or how poor companies are at safeguarding their data. Individuals should have the right to expect their data to be protected to the highest standards and if it is not, they should be made aware of what has happened to it.

Furthermore, from our own research into the safety of the Internet, almost two-thirds of consumers believe an online data breach will compromise their financial information within the next year. The fact that some 60% of consumers are more worried than ever before about protecting their personal and financial information online should certainly confirm the threat as the greatest to face business today.

Board responsibility

Cyber security and the associated risk mitigation should be the Board's responsibility and in particular that of the CEO. All Directors must be fully accountable and a lack of understanding or knowledge is not an acceptable excuse.

A recent government cyber survey of FTSE 350 companies indicated that only 33% of boards understood their appetite for cyber risk, so 67% do not. The Group is committed to putting cyber security onto companies' main board agenda.

Currently companies do not have any responsibility to report on cyber breaches or the costs spent mitigating or remediating after a breach has occurred. Boards fully discuss and become expert on accounting policies, health & safety, CSR and executive remuneration and report on them in detail in their Annual Report and Accounts. This is not the case with a company's most valuable assets, its data and information.

While the measure and assessment of cyber risk can be contracted out to third parties, the determination and judgement of what is an acceptable level of risk and what appropriate mitigations can be used to reduce or minimise that risk, cannot be outsourced.

It is no longer acceptable for cyber security to be passed down to an IT director or risk manager.

It is the responsibility of the CEO and the main board as it is the most significant issue facing businesses today.

No FTSE 350 company currently has a separate Cyber Security Committee that reports to the Board monthly. Most, incorrectly, believe that this responsibility is that of the Audit Committee which usually meet at most, on a quarterly basis.

Audit committees do not always have the necessary skill, gravitas, capability or mandate to deal with what is a daily threat. It is also unclear what expertise and know-how a non-executive accountant would bring. Nor is it clear why cyber risk would be managed in a domain where the CEO is not the key member of a committee since it is the biggest risk on his watch.

A cultural change is needed as the majority of boards do not have executives with the necessary IT skills, let alone an understanding of cyber security. Most board directors who have extensive operational and financial expertise in their industries and the corporate world, have minimal, if any, formal education in IT.

As directors undergo training for anti-bribery or health and safety, they should also undertake training for cyber security, as without it they will not be able to judge or score the threat on the corporate risk register.

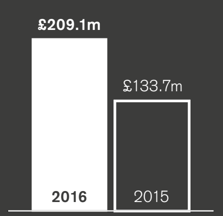
Business performance measures

The Group manages the business using the Key Performance Indicators shown on the following pages. Reporting is daily, weekly and monthly and has different levels of granularity according to each manager's responsibility.

The provision of accurate and quickly produced management information has always been integral to the Group.

Group Revenue

+56%

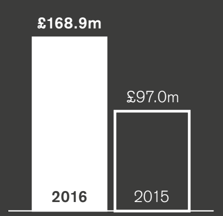


Group Escrow Revenue

+10%

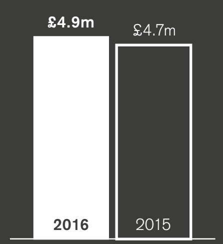
Group Assurance Revenue

+74%



Group Domain Services Revenue

+5%

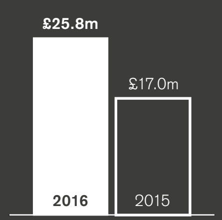


Escrow operating profits

+6%

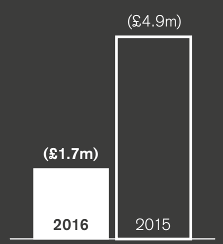
Assurance operating profits

+52%



Domain Services operating losses

65%



Division’s strategy and positioning

The Division’s strategy is to constantly demand the generation of new ideas and initiatives. Not all ideas make it to product development or design but each is critically, technically and commercially appraised before any financial commitment is made.

In conjunction with this creativity, the organisation is committed to remaining independent and listening to its clients’ requirements as well as looking to supply complementary Group capabilities and services that are currently not supplied to them.

To that end, new product or service lines are reviewed from a make or buy standpoint. Acquisitions are carefully analysed and decisions to acquire Assurance businesses are based upon culture, fit and service but never on the basis of profit enhancement by cost reduction or the ability to turn around an ailing business.

Threat intelligence and cryptology is the most recent example of this, where the Group acquired a business, Fox-IT, to directly fill a product and service need and will be rolling its services out to multinational customers during 2016/2017. Threat intelligence is one of the most important tools in an organisation’s armoury to help prevent and mitigate cyber-attack.

The Group has been product agnostic and avoided being a reseller of third parties’ products, software or services, but this can in certain situations compromise the Group’s ability to effectively deliver client solutions. The acquisitions of Accumuli and Fox-IT required the Group to ensure that these businesses’ channel and product models did not blur the Group’s product independence positioning, nor its independent service capabilities.

Following a detailed due diligence process, the Group is satisfied that its clients are being supplied the right set of products from a controlled process of recommendation even if the product is not sold by the Group.

As one of the world’s largest service led security consultancies, the Group is capable of leading all bids rather than having to look for support from larger third parties. NCC Group does not provide white label solutions for third parties to resell, nor does it enter into any strategic alliances that compromise the Group’s objectivity or independence.

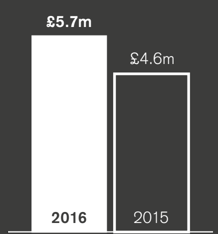
Integrity and credibility, alongside technical capability, are the leading cultural values of the Group and the fundamental underpinning of its strategy to innovate, create and make safe.

This will ensure the Group remains an independent, unbiased organisation and maintains its place as the trusted provider of choice in the security services marketplace.

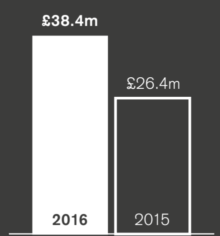
Since much of the work carried out by the Group is research based, in order to maintain its equitable and ethical disclosure policies, research paid for by third parties and customers is not disclosed, unless requested by the paying organisation.

Self-funded research by the Group will always be provided to the organisation that it affects in full, free of charge and without disclosure, until such time as the vulnerability has been resolved in a reasonable timeframe. This does not preclude the Group making a full public disclosure if there is a threat to life or to the general public’s online security, and the third party is unwilling to remediate the issue.

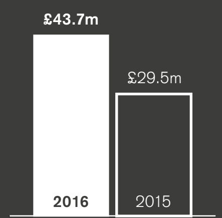
Corporate overheads
+24%



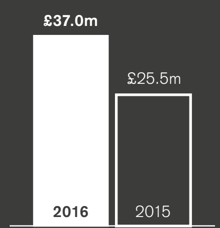
Adjusted operating profits
+46%



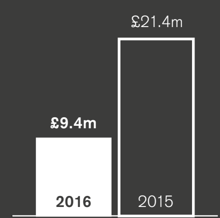
Group EDITDA
+48%



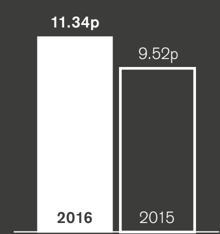
Adjusted profit before tax
+45%



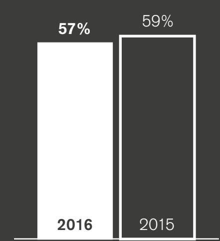
Reported profit before tax
(56%)



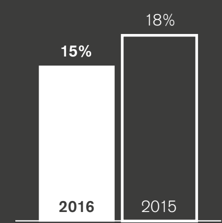
Adjusted basic earnings per share
19%



Group Escrow margins
(4%)



Group Assurance margins
(13%)



Escrow

The Escrow Division remains the foundation of the Group and is the platform upon which the organisation has been built. The fundamentals of the Group are fully encapsulated in this division, which is based around the very highest standards of customer care and equitable treatment to both customers in the contractual relationship.

Escrow offers a high value product for a low, in comparison, investment. Due to its importance to clients, it provides the Group with excellent recurring revenues along with good margins and cash generation. Escrow can be provided both in the traditional software market as well as in all iterations of the outsourced model, as the basic underpinnings are the same, protection from an event that disrupts the relationship between the owner and licensee of a software product.

Escrow is also a requirement for all registrars and registries of domains. The Group provides registry data escrow services, where the IP address of each domain registered within a TLD is safely secured along with Registrar Data Escrow particularly to support European customers.

The Escrow business has continued to develop its SaaS service and although not yet a major contributor to profitability, it is a very important tool in providing a complete service for clients as they seek to mitigate risk.

This year has been very successful as the team has worked hard to consolidate the positive performances of previous years in both Europe and the US. The performance is underpinned by a stable management team that has driven success from the UK to the rest of the world.

The cash flow and profitability of Escrow are reinvested to produce not only better Escrow products and services but also other areas of complementary services across the Group to help clients mitigate their information and cyber security risks.

Domain Services

Following a strategic review, the Group has decided to withdraw from the Domain Service marketplace and reinvest some of the assets and resources in areas that will provide a more suitable return in the near term.

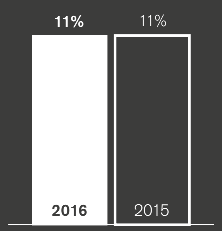
While this will involve the diminution and realisation of assets, the Group is still committed to the concept behind domain services and has retained the ability to provide a secure, managed environment when the market place changes, with the objective being to create a safer Internet for all who traverse and use it. The Internet will only survive as a usable vehicle for commerce and industry if there are radical changes to operators' and users' behaviours.

It is clear that the open generic domains and city codes have not been taken up by businesses and consumers as well as expected with all of these falling well short of their initial registration targets. Coupled with the fact that the branded domains are still either undelegated or those that are, are unused, it is clear that the market is not ready for the very necessary changes that need to happen to strengthen security on the Internet. As it appears that the process for new applications is unlikely to happen in the near term, so actual use of those newly applied for domains is still years away, the Group has decided to cut its losses at this stage.

The Group will maintain and continue to publish the *.trust* security standards since these are fundamental to a safer Internet regardless and will continue to use *.trust* as the Group's domain.

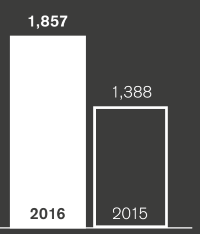
Escrow termination rates

0%



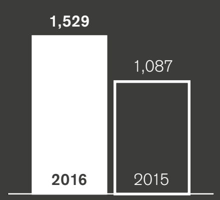
Group headcount including associates

34%



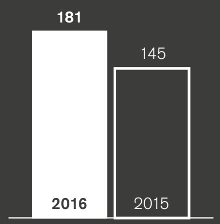
Assurance headcount including associates

41%



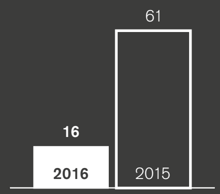
Escrow headcount

+25%



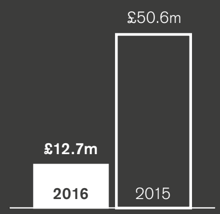
Domain Services headcount

(74%)



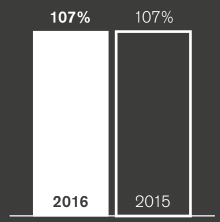
Net debt

(75%)



Cash conversion ratio

-%



Revenue

For the financial year ended 31 May 2016, the Group increased revenue by 56% to £209.1m (2015: £133.7m) with the revenue split being H1 45%: H2 55% (2015: H1 47%: H2 53%) between the first and second halves of the year. Organic revenue growth was 19% (2015: 18%).

On a constant currency basis, the Group revenue growth would have been 54% (2015: 19%) as both the dollar and euro exchange rates against the pound varied considerably during the year. Due to the natural hedging through the intercompany loans, the impact on the Group's operating profits was minimal. The Group does not hedge against currency fluctuations.

In the year, 58% (2015: 54%) of revenue, £122.0m (2015: £72.1m) was derived from the UK. Continental Europe contributed £34.2m (2015: £13.5m) or 16% of Group revenue, with the Rest of the World revenue increasing to £52.9m (2015: £48.1m), some 25% of Group revenue.

Assurance accounted for 81% of the Group's revenue (2015: 73%) as it continues to see faster organic growth as well as benefiting from six month's revenue from the newly acquired Fox-IT.

Domain Services saw revenues reach £4.9m (2015: £4.7m). The Group expects to withdraw from the sector by the end of the financial year 2017.

The Group's recurring income is significant and has increased. Assurance, benefiting from the acquisition of Fox-IT, saw 94% of its revenues renewed (2015: 83%), representing 61% of all customers (2015: 52%). In addition, 90% (2015: 91%) of the performance monitoring revenues renewed and are recurring.

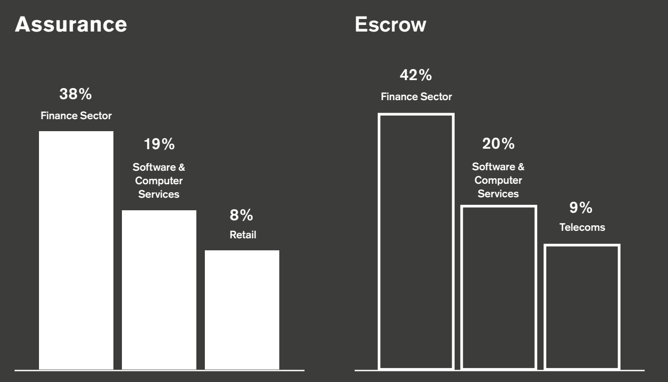
The increasing number of customers that are renewing in Assurance has resulted in renewing Assurance customers' annual expenditure increasing from £73.7k to £83.2k with total average customer spend moving to £51.9k from £53.7k.

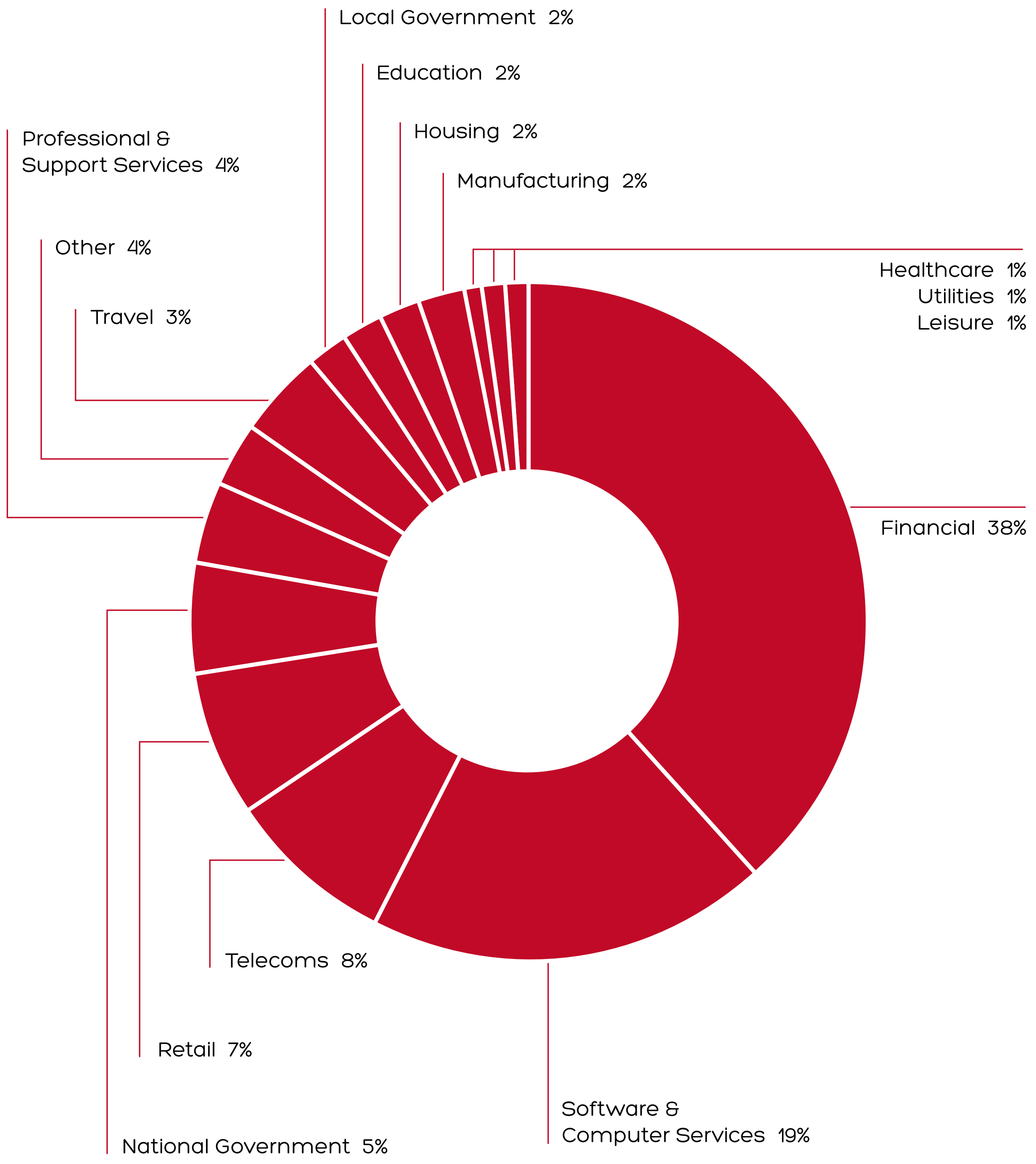
In Escrow UK nearly 90% of all contracts renewed (2015: 89%).

The Group continued to have minimal reliance on any one customer or sector. Within Assurance the largest customer represents 4% of Assurance revenue which is 3% of Group revenue. The largest customer in Escrow is 1% of total Escrow revenue.

The majority of revenue for Domain Services came from the withdrawal of the application for *.secure* and so has not been included in the sector analysis.

Top three sectors by Division





THE STRATEGIC REPORT

Assurance Division

Assurance now accounts for 81% (2015: 73%) of Group revenues with total divisional revenues increasing by 74%, 25% organically, to £168.9m (2015: £97.0m).

Security consulting revenues grew 87% to £138.9m (2015: £74.4m). Included within this was £14.0m of revenue from Fox-IT for the period December 2015 to the year end.

Software Testing and Web Performance revenues grew by 33% to £30.0m (2015: £22.6m) with a recurring revenue of £7.0m within Web Performance which is of 90% (2015: 91%) of customers, which continues its strong track record of client retention.

The Assurance division primarily provides expert security assurance and penetration testing, cyber defence operations, incident response and forensics, managed security services and security operations centres as well as risk management and governance. Fox-IT complements these services and provides a number of them as well as providing threat intelligence services and cryptography based products to clients.

Following the integration of Accumuli the Group's Managed Scanning Service (MSS) offerings have been consolidated so that there is a single client solution. Accumuli has been rebranded NCC Group and the majority of services offered are either security consulting or MSS, although the Group also sells a limited number of security and big data related third party products.

Software Testing delivers secure UK based testing to clients. Web performance testing involves continuously monitoring the performance and load capability of organisations' websites. This is a SaaS-based service that relies heavily on a world-class product with the highest levels of customer support.

The business unit employs 1,323 employees globally (2015: 929) and uses 206 associates (2015: 158).

Escrow Division

The Group's Escrow business, the cornerstone of NCC Group, produced another very solid year's performance with a substantial margin and very strong cash conversion, as well as a high degree of recurring revenue, due to the consistent contract renewal rate of almost 90%.

The Escrow division increased revenue by 10% to £35.3m (2015: £32.0m).

Group Escrow recurring revenue renewals, grew to £20.0m (2015: £18.5m). Group Verification revenues grew by 20% in the year to £10.0m (2015: £8.3m).

Escrow UK
Escrow UK revenue was £25.7m (2015: £23.7m). This 8% growth in revenue (2015: 5%) was delivered through contract growth and verifications, with only a limited amount coming from the effects of the price increase introduced during the year.

Escrow UK recurring revenues increased to £13.7m (2015: £13.2m) and terminations remain below 11%.

Escrow Europe and Escrow US
Escrow US revenues grew by 20% to £6.2m (2015: £5.2m) and Escrow Europe revenues grew by 9% to £3.4m (2015: £3.2m).

Escrow UK now has 107 employees (2015: 99), Escrow Europe has 15 employees (2015: 14) and the North American Escrow businesses have 59 employees (2015: 32).

Domain Services

The Division was established in May 2012, in California, but has now been wound down due to the slow take up of the new domains and the lack of awareness of customers and businesses about the changes in the domain world. The division was set up to develop the critical infrastructure and know-how to create a universal environment for end users to operate and navigate the Internet with complete safety and security. In January 2015 the Group acquired Open Registry to provide the technical know-how and software to operate as a secure registry and registrar in order to offer a complete end to end service for all of a client's ICANN related and domain requirements.

Domain Services accounted for less than 2% (2015: 3%) of Group revenues.

The domain, *.trust*, and associated capital assets valued at £4.2m continue to be used elsewhere in the Group and have not been written down in value. Impairment and other charges for the remainder of the Division are shown in the Exceptional items section on page 25.

Profitability and margins

	2016	2015
	£000	£000
Reported profit before tax	**9,428**	21,421
Amortisation of acquired intangible assets	**6,833**	2,207
Share-based payments	**1,191**	991
Exceptional items	**18,945**	588
Unwinding of discount on contingent consideration	**621**	262
Adjusted profit before tax	**37,018**	25,469
Net financing costs	**1,407**	929
Adjusted operating profit	**38,425**	26,398
Depreciation	**3,682**	2,623
Amortisation	**1,578**	515
Group EBITDA	**43,685**	29,536
Reported operating profit	**11,456**	22,609

As product development, intellectual property and tool development are now such integral parts of the Group, especially following the acquisition of Fox-IT, the impact of amortisation and depreciation has a material effect on NCC Group's financial statements.

Accordingly, in line with many of its peers in the UK and the US, the Board has decided to publish the Group EBITDA (earnings before interest, tax, depreciation, amortisation and exceptional charges.)

Group EBITDA is £43.7m (2015: £29.5m).

NCC Group continues to generate strong margins despite the increased percentage of revenue from the non-escrow businesses and the effects of the Domain Services operational loss, overall adjusted operating margins remained strong at 18% (2015: 20%). Excluding Domain Services operating margins would have been 19%.

Assurance's profitability grew by 52% to £25.8m (2015: £17.0m) and Escrow's by 6% to £20.1m (2015: £18.9m).

The Assurance division's margin was 15% (2015: 18%) due to the effects of a full year of NCC Group MSS product sales. This is over 1% better than at the half year. The underlying margin will continue to improve, ultimately achieving the division's medium term objective of 20%.

The Escrow division's operating margins remained strong at 57% (2015: 59%), almost 1% better than in the first half of the year.

Adjusted Group operating profit grew to £38.4m (2015: £26.4m), including a net operational loss of £1.7m (2015: loss £4.9m) in Domain Services and excluding the amortisation of acquired intangibles, exceptional charges and share-based charges £27.0m (2015: £3.8m).

Adjusted Group pre-tax profit improved to £37.0m (2015: £25.5m) after an interest charge of £1.4m.

The Group's reported pre-tax profit was £9.4m (2015: £21.4m), after the inclusion of the unwinding of the discount on the acquisitions' deferred consideration, amortisation of acquired intangible assets, share based payment charges and the exceptional items.

Exceptional items

As a result of the acquisition of Accumuli in April 2015 the Group, as previously reported became responsible for paying retention bonuses to a large number of employees and former employees of Accumuli as well as the costs of a fundamental restructure and reorganisation of the company. This resulted in an exceptional charge of £1.7m.

In November and December 2015, the Group raised £126.3m through a firm placing and a placing and open offer and simultaneously acquired Fox-IT on 27 November 2015 for €133.25m (£93.5m). The costs associated with the fund raising and acquisition were £3.5m, which is comprised of fees of £2.3m and related foreign exchange exposure of £1.2m on the deferred consideration.

Following a strategic review, the Group decided in June 2016 to withdraw from the Domain Services marketplace, the Group has taken a number of one off charges, totalling net £13.7m, of which £0.9m is a cash cost relating to Domain Services that will be paid in the financial year ending 31 May 2017. These include:

- The impairment of capitalised assets, the critical infrastructure and know-how to create a universal environment for end users to operate and navigate the Internet with complete safety and security is £6.9m.
- The net impairment in the goodwill in Open Registry is £5.9m. This includes the £5.9m of deferred consideration that will not be paid as the earnings targets have not been achieved.
- A further £0.9m for headcount and associated restructuring costs related to winding down the Division.

Total Group exceptional charges were £18.9m (2015: £0.6m.)

Taxation

The Group's effective tax rate is 22% (2015: 22%), which is marginally above the average standard UK rate of 20% (2015: 21%). The higher effective rate reflects the higher tax rates incurred in the overseas businesses.

Earnings per share

The adjusted basic earnings per share from operations was 11.3p (2015: 9.5p).

The table shows the effect on the Group's basic earnings per share of the amortisation of acquired intangibles, share based payment charges, unwinding of the discount on the contingent consideration for acquisitions and the effect of the exceptional items.

	2016	2015
	Pence	Pence
Basic EPS as per the income statement	**2.5**	8.0
Amortisation of acquired intangibles	**2.1**	0.8
Exceptional items	**6.1**	0.2
Unwinding of the discount on the contingent consideration of the acquisitions	**0.2**	0.1
Share-based payments	**0.4**	0.4
Adjusted basic EPS	**11.3**	9.5

The adjusted fully diluted earnings per share from continuing operations was 11.2p (2015: 9.4p) while reported fully diluted earnings per share was 3.2p (2015: 7.8p).

Dividends

The Board is recommending a final dividend of 3.15p per ordinary share, making a total for the year of 4.65p. This represents cover of 2.4 times (2015: 2.4 times) based on basic adjusted earnings per share from continuing operations.

Since the Group's flotation in July 2004, the dividend has increased from 0.42p to 4.65p, a compound annual growth rate of 25%.

Cash

The Group continues to be highly cash generative with an operating cash flow before interest and tax of £23.1m (2015: £24.3m), which gives a normalised cash conversion ratio of 107% of operating profit before interest and tax (2015: 107%) after adjusting for exceptional Accumuli working capital movements associated with acquisition related payments and the non-cash exceptional items in the cashflow.

It is expected as the mix of business continues to change due to the increase in Assurance revenues, the percentage will be closer, normally, to 100%.

After accounting for net cash inflows of £123.8m from the fund raisings and after the outflows for the acquisitions and deferred acquisition payments, the Group ended the year, as expected, with net debt of £12.7m (2015: £50.6m).

In November 2015, the Group increased its banking facilities to £110m (May 2015: £78m) with a new five year multi bank facility, comprising a £80m (May 2015: £78m) revolving credit facility and a £30m (May 2015: nil) five-year term loan and completed a firm placing for £63.1m. In December 2015 a placing and open offer for a further £63.2m was completed.

In November 2015, the Group completed the acquisition of Fox-IT for £93.5m (€133.25m) of which £76.6m (€108.3m) was paid on completion.

At the year end contingent payments relate to Fort Consult of £1.8m, which was paid in full in June 2016 and ArmstrongAdams of £1.7m due in August 2016. A non-contingent amount of £18.5m is due to be paid to Fox IT comprising of €10m in cash and €2.5m shares in November 2016 and November 2017.

The deferred payments of £5.9m to Open Registry are now no longer due as the profit targets cannot be achieved.

In the financial year to May 2016, due to the refurbishment and opening of new offices, the development of new security products and tools as well as the roll-out of the new IT solution, the Group spent as planned £13.5m (2015: £12.9m) on capital expenditure.

In the financial year to May 2017, the investment programme capital expenditure is expected to increase to about £18.0m representing the development of the Group's new head office in Manchester and other facilities around the world. Particular consideration is being given to a significant central London facility.

Principal risks and uncertainties

The Group faces operational risks and uncertainties, which the Directors take all reasonable steps to mitigate, however, the Directors recognise that they can never be eliminated completely. Managing risk sensibly is key to the success of any Company.

A robust review of those risks which could seriously affect the Group's performance, future prospects and reputation has been performed.

A Group Risk Register is maintained which is reviewed in depth by the Operational Board on a bi-annual basis. The Risk Register is then reviewed by the Audit Committee for an independent and objective assessment before being circulated to the Board. Day-to-day risks faced by the Group are mitigated by management processes and procedures embedded in the Group's Quality system. The Board and senior management also encourage a culture of transparency and openness to ensure that issues are escalated promptly to them when required.

The following table sets out the principal operational risks and uncertainties facing the business, in no order of priority, their potential impact and the principal mitigating factors.

Risk Areas	Potential Impact	Mitigation
Information Technology	The Group is heavily reliant on continued and uninterrupted access to its IT systems. If such systems failed, this could affect the Group's ability to provide services, result in the loss of sensitive data and compromise the Group's reputation. Failing to successfully implement new IT systems could similarly cause business disruption.	The Group has made significant investment in its IT infrastructure to ensure it continues to support the growth of the organisation. NCC Group has appropriate controls in place in order to mitigate the risk of systems failure and data loss, including systems back-up procedures and disaster recovery plans and also has appropriate malware protection, network security controls and encryption of mobile devices. NCC Group has learnt valuable lessons from previous system implementations. New IT solutions are carefully scoped and implementation is closely managed.
Loss of Key Management	Loss of key managers could result in a lack of necessary expertise or continuity to execute the Group's strategy	Existing key management, new hires or management teams that are recruited through acquisitions are tied in through rewarding career structures and attractive salary packages, which include participation in share schemes. In addition, succession plans have been developed or are being developed for key members of the management team, including through acquisitions, which are regularly reviewed.
Recruitment & Retention	An inability to attract and retain sufficient high-calibre employees could become a barrier to the continued success and growth of NCC Group.	This is mitigated with a clear human resources (HR) strategy, which is aligned to the business strategy and focused on attracting, developing and retaining the best people for NCC Group. Consistent, continuous assessment and management of employees underpin it and excellent opportunities for further career training and development. In addition, there is a continual review of compensation and benefits to ensure sector and geographic competitiveness.
Conduct risk	Conduct risk can arise from a number of areas such as failing to maintain discipline and meet customer expectations on project delivery, testing assignments or source code handling or from rogue employees who could maliciously disrupt the business and steal customer information. All such instances could result in damage to reputation, loss of repeat business and potentially lead to litigation and/or claims against NCC Group.	NCC Group operates a system of policies and procedures which are regularly audited as part of the quality system. These, combined with comprehensive management oversight, the risk management process, project reviews and customer feedback, mitigate the risk to successful service and project delivery. All staff are trained regularly and backups are taken wherever possible before testing assignments begin. Employees are vetted before joining and robust controls and processes are in place to manage employees such as accounting controls, IT monitoring large downloads of data and controls on client site operations.
Cyber risk	As a provider of security services, the Group is a high profile target and could therefore be targeted by attacks specifically designed to disrupt the Group's business and harm the Group's reputation. If such an attack was successful, it could adversely affect the market's perception of the Group as well as causing business disruption.	The Board has constituted a Cyber Security Committee chaired by the the Senior Non-Executive Director to whom the CEO reports monthly the risks, threats and issues facing the Group. Security testing is regularly carried out on the Group's infrastructure and there are extensive measures in place to assist in identifying and dealing with security incidents. The Group has a dedicated Information Security Management Forum which meet regularly to discuss security risks to the Group. Staff also have regular security training.

Risk Areas	Potential Impact	Mitigation
Acquisitions	A failure to execute, complete and successfully integrate targeted, value-enhancing acquisitions represents a risk to the Group's growth.	The Board remains committed to making value-enhancing acquisitions. The process adopted by the Board in identifying and completing such acquisitions is well established and includes a robust due diligence and integration planning process.
Competitive environment and failure to respond to market trends	New lower priced competitors could enter the marketplace. Competitors could also respond faster to market trends. A failure to keep pace with changes in the cyber security industry could compromise the Group's brand and lead to a loss of business.	Emphasis is put on providing a high quality, efficient service. All directors regularly review services offered by competitors and report to the Board accordingly. Discussion groups are held regularly to ensure new opportunities to improve or extend the Group's existing product and service offerings are taken.
Investing in new areas	A new product or service area could require significant investment and take time to deliver a return or deliver disappointing returns.	Major new services are only introduced after extensive review and consideration. All new significant investments require Board approval.
Ethical and legal breaches	A substantive ethical breach and/or non-compliance with laws or regulations could potentially lead to damage to NCC Group's reputation, fines, litigation and claims for compensation.	NCC Group has various policies and operational controls in in place across the Group to mitigate this risk. There is continued investment in people, processes and training to assist the Group in meeting its legal and regulatory requirements.
Failure to protect intellectual property	There are a number of intellectual property rights that are relevant to the Group's services such as trademarks, patents and valuable know-know. If such rights are not sufficiently protected, it could result in a loss of competitive advantage.	Patents are applied for where appropriate and intellectual property is only disclosed under a licence agreement or confidentiality agreement.

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

The principal financial risks faced by the Group are:

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

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

Currency Risk.
The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. The Group's management review the size and probable timing of settlement of all financial assets and liabilities denominated in foreign currencies.

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

On behalf of the Board

Rob Cotton
Chief Executive
6 July 2016

CORPORATE SOCIAL RESPONSIBILITY

ON AVERAGE, IT TAKES ALMOST 120 DAYS FOR AN ORGANISATION TO FIND OUT THAT IT HAS BEEN COMPROMISED.

NCC Group takes its corporate social responsibilities very seriously and recognises the important contributions to the business made by the wider community of stakeholders, in particular investors, employees, clients, suppliers and the local communities in which it operates. It recognises that by acting responsibly it can deliver a sustainable business, while contributing to the community and preserving the environment.

The Group supports the UN Declaration of Human Rights and this underpins its policies and actions.

The Board takes into account social, environmental, human rights and ethical issues in its discussions and decision-making, as well as the health and safety of employees.

CORPORATE SOCIAL RESPONSIBILITY

Stakeholders

Investors.
The investors in the Group need to be comfortable that their capital is being responsibly used to provide them with sustainable returns. The Group communicates regularly with the investors in meetings and road shows to keep them up to date with both the opportunities and challenges faced by the Company.

Employees.
People are at the heart of the Group's business and the support and involvement of the talented individuals who form its team is vital to the continued success of the Group overall. The Head of HR reports directly to the CEO, Rob Cotton, to ensure high level visibility and control of all employment related issues.

The Group aims to attract and retain the brightest and best people in its industry and to make sure they are given the opportunity to develop their talents. The Group is committed to providing a productive working environment and recognises the importance of training and career development.

Each employee has a training record and is positively encouraged to up-skill. All roles where an additional professional qualification can be achieved are actively supported and rewarded. The Group employs a training manager who ensures all relevant staff have the necessary training plans in place.

On a daily basis the Group provides relevant technical, administrative and sales training. Most of the training is provided in-house although external courses and trainers are used where it is appropriate so to do.

A considerable amount of training support is through on the job side-by-side coaching, internal workshops or as part of a research team. It is not possible to directly quantify the total amount spent on training within the Group, as this is part of the normal working week.

The Group has a policy of keeping employees informed of, and engaged in, its business strategy through the Intranet, regular employee briefings and divisional meetings. Information is cascaded from the Board downward to ensure that relevant Group targets are communicated, as well as ensuring that cultural values are aligned.

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

Stakeholders

Modern Slavery.
The Group recognises that modern slavery is a crime and a violation of fundamental human rights. The term modern slavery includes not only slavery but also servitude, forced and compulsory labour and human trafficking, all of which have in common the deprivation of a person's liberty by another in order to exploit them for personal or commercial gain.

The Company has a zero-tolerance approach to modern slavery and is committed to acting ethically and with integrity in all of its business dealings and relationships and to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in its business or in any of its supply chains. The Company communicates its zero tolerance approach to all its suppliers, contractors and business partners at the outset of the relationship and regularly thereafter. It expects high standards from all of its contractors, suppliers and other business partners, and also expects that its suppliers will hold their own suppliers to the same standards.

Diversity.
The Group is committed to diversity and offers equal opportunities to all. No employee or potential employee receives more or less favourable treatment due to his or her gender, age, race, national or ethnic origin, religion or belief, disability, sexual orientation, or marital status. As part of this we work to ensure that all employees, whatever their personal circumstances receive the same opportunities for training, career development and promotion.

Approximately 81% of our employees are male and 19% female. In our senior leadership team, approximately 89% of the team are male and 11% female while on our plc Board, 71% are male and 29% female.

The Board recognises the need to positively support gender diversity in a technology business, which has traditionally and historically attracted more men. While this is desirable, the root cause stems from the teaching of IT and Technology in our schools and colleges where it is historically seen as an all-male preserve. The Group is endeavouring to engage with local schools and universities to help educate and instil the benefits and opportunities of careers in IT and cyber security for all genders.

The Group is committed to its employees and actively attempts to improve their health and wellbeing and morale by encouraging fitness based activities and taking part in charitable events.

The Group has its own football and netball teams that play weekly and organises cycling sportives encouraging mass employee and business participation. NCC Group also has a very active track cycling club, cricket team, running club and triathlon club.

The Group takes Health and Safety in the work place seriously and complies with all relevant legislation and best practice. There have been no work place fatalities since the Group was formed and no reported workplace accidents in the year.

CORPORATE SOCIAL RESPONSIBILITY

Stakeholders

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

Rare instances of negative feedback are treated with the utmost seriousness and dealt with swiftly by management through to resolution. Each Operational Director takes direct responsibility for customer satisfaction, with the CEO investigating directly if a Division's performance fails to meet the 75% threshold. No investigations were required in the year reported on.

The Group recognises and understands that its relationships with those with whom it deals are the key to its success and, as such, takes its obligations and commitments to those people and organisations very seriously. The Group's independence, reputation as a supplier of quality services and the trust of its clients are all key assets that it aims to protect at all times. It aims to engender in its employees principles of honesty and integrity and the desire to work to the best of their ability. To ensure best service for the Group's clients all employees are required both to comply with the Company's Code of Ethics and to undergo annual anti-bribery and equality and diversity refresher training.

The Community.
NCC Group believes in supporting good causes and encourages its staff to get involved too with considerable success to date.

The Group has donated £200,000 to good causes this year, with a number of local and national charities benefiting. The Group's main charity remains Macmillan Cancer Support. Additionally, the Group provided security consulting services on pro bono basis to Comic Relief and has supported a number of employee related smaller charity initiatives. A similar policy has been introduced in North America where the Group is looking to donate up to $100,000 to charitable causes.

The Group believes in community and as importantly likes to encourage its staff to do the same. Again this year the Group has continued to sponsor local junior football teams by buying their football kit and trophies to encourage children to take an interest in sport and keeping fit. The Group also has co-sponsored cycle team BikeHaus NCC Group who are based in Manchester and race throughout the UK and Europe.

Every year NCC Group staff members have participated in and organised football tournaments, silent auctions, raffles, bake days and sport days and many more fund raising activities.

NCC Group is supporting GCHQ's CyberFirst Girls Competition in a bid to encourage young women to consider cyber as a career. The competition, aimed at 14 and 15 year olds girls is part of the National Cyber Security Programme and is designed to inspire a new generation of females. A team of female security consultants from the Group have been working on the initiative, producing videos with tips on how to avoid becoming a victim of a cyber attack and also speaking at roadshows in Universities up and down the country.

The Group is apolitical and does not support any political party in any jurisdiction nor has it ever made a political donation.

Suppliers.
The Group's policy is to pay suppliers in accordance with terms and conditions agreed when orders are placed. Although the Group does not follow any code or standard on payment policy, where terms have not been specifically agreed, invoices dated in one calendar month are paid close to the end of the following month. At 31 May 2016, the Group had an average of 42 days purchases outstanding in trade creditors (2015: 52 days).

An Ethical Supplier's Policy has been adopted to ensure that all suppliers to the Group comply with Health and Safety law, have an environmental policy, an anti-bribery policy and behave ethically towards their employees.

CORPORATE SOCIAL RESPONSIBILITY

Environment and sustainability

As a service provider with no manufacturing facilities the impact of the Group's operations on the environment is limited compared with other industries, however it recognises its responsibility to respect and limit damage to the environment in every way it can.

The Group sought third party advice for initiatives that could be implemented and followed as well as for staff education to ensure that they are thinking about the environment both in work and at home. In the coming year the Group is planning to make the selection of a hybrid or electric vehicles considerably more attractive to all company car drivers.

Presently due to the size of the Group, external audit is not practical but once the organisation's size becomes such that a significant impact can be made, it will be introduced to verify achievements made.

Accordingly, the Group's Environmental Policy aims to reduce the energy our business uses by:

- Conserving energy and other natural resources and improving efficient use of those resources;
- Improving the efficiency of materials used;
- Reducing waste and increasing reuse and recycling wherever possible;
- Encouraging the use of alternative means of transport, for example, via the Cycle to Work scheme and car sharing; and
- Providing all staff with relevant environmental guidance.

Initiatives that have been put in place

- Energy efficient lighting in the newly refurbished areas and lighting which switches off automatically;
- Expanding the use of recycling in all offices - there are paper recycling bins throughout the offices and bottles, cans and plastics recycling bins in the kitchens;
- On demand boiling water and cold water taps have been introduced into the kitchens to reduce wastage of water and power;
- Dual flush cisterns have been installed in the WCs as part of the refurbishment to reduce excess water usage;
- Cycle to work scheme;
- Re-cycling of printer cartridges in all offices;
- Printer replacements featuring double sided printing as standard;
- Re-cycling of redundant IT equipment;
- Addition of low emission car options into the company car scheme;
- Video conferencing facilities available in main offices. This reduces the need for travelling so helping the environment and improving productivity;
- Teleconferencing facilities available for all staff;
- Printer review to enable more double sided printing; and
- Increase staff awareness of environmental issues.

CORPORATE SOCIAL RESPONSIBILITY

Greenhouse Gas Emissions

This section includes our mandatory reporting of greenhouse gas emissions pursuant to the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2014 ("The Regulations").

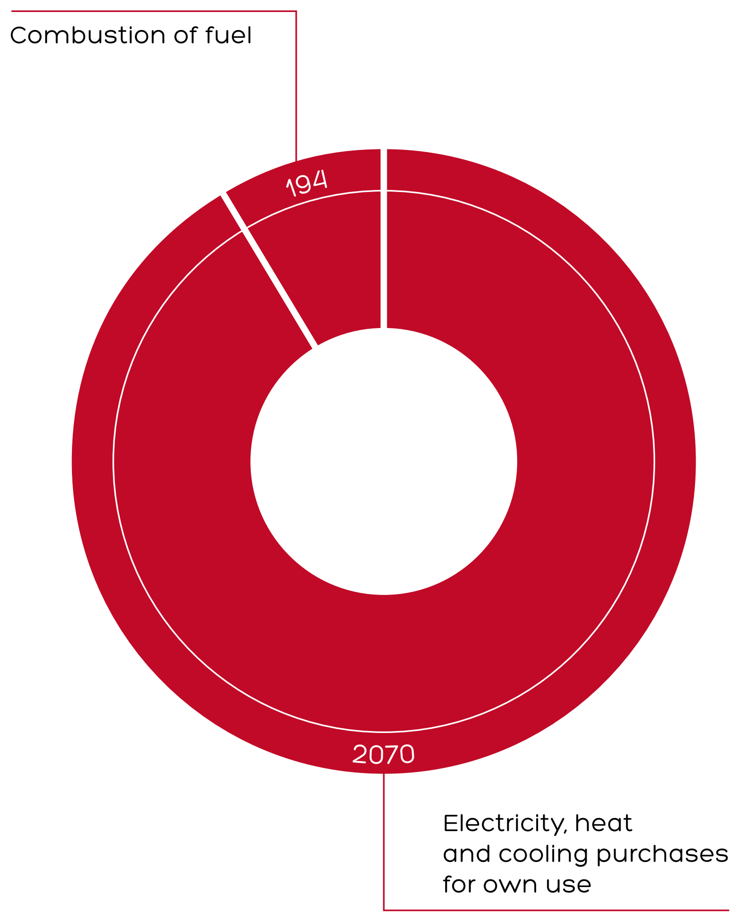
The greenhouse gas report period is aligned with our financial reporting year and so runs from 1 June to 31 May for each reported year.

The method we have used to calculate GHG emissions is the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), together with the latest emission factors from recognised public sources including, but not limited to, Defra, the International Energy Agency, the US Energy Information Administration, the US Environmental Protection Agency and the Intergovernmental panel on Climate Change.

Our emissions cover scope 1 and scope 2 and we have used revenue as the intensity ratio as it best reflects the size and scale of the business. Our aim is to reduce the overall carbon intensity for the group by at least 10% over the next three years.

Global Greenhouse gas emissions data	2016	2015	2014
Absolute carbon emissions (tCO2e)	2264	1449	1194
Group Revenue (£m)	209.1	129.8	110.7
Carbon intensity for whole Group	10.8	11.2	10.8
Year on year carbon intensity change	(0.4)	0.4	(3.0)
Cumulative % change	(22)%	(18)%	(22)%

Total tCO2e by emission type



On behalf of the Board

Rob Cotton
Chief Executive
6 July 2016

Board of Directors

The plc and Executive Board comprises the following Directors.

Paul Mitchell
Non-Executive Chairman
Chairman of Nomination Committee

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

He is a qualified chartered accountant.

Rob Cotton
Chief Executive
Member of Nomination Committee

Rob was appointed Chief Executive in 2003, having joined the Group as Finance Director and Managing Director of Escrow in 2000.

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

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

Atul Patel
Group Finance Director

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

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

Debbie Hewitt MBE
Senior Independent Non-Executive Director
Chair of Remuneration Committee, Member of Audit and Nomination Committees

Debbie joined NCC Group in September 2008 as a Non-Executive Director. She has an MBA, is a Fellow of the Chartered Institute of Personnel Development and was awarded an MBE for services to Business and the Public Sector in 2011. She is Non-Executive Chairman of Moss Bros plc and The Restaurant Group plc and Non-Executive Director of White Stuff Ltd, Visa UK Limited, BGL Group Limited, Domestic and General Group Ltd and Redrow plc.

Thomas Chambers
Non Executive Director
Chair of Audit Committee, Member of Remuneration and Nomination Committees

Thomas joined NCC Group in September 2012. Thomas was CFO of smartphone operating systems developer Symbian Limited from 2001 until its sale to Nokia Oyj in 2009. Prior to that he was CFO of First Telecom. He is a chartered accountant and has held roles with Kleinwort Benson, the European Bank for Reconstruction and Development and Price Waterhouse. He is also Non-Executive Chairman at recruitment company Propel Ltd and a Non-Executive Director of Kings Arms Yard VCT plc and Niu Solutions Ltd.

Chris Batterham
Non Executive Director
Member of Audit, Remuneration and Nomination Committees

Chris is a qualified chartered accountant and was Finance Director of Unipalm plc, before becoming CFO of Searchspace Limited until 2005. He is currently Non-Executive Chairman of Eckoh plc and a non-executive director of SDL plc, Iomart Group plc, Blue Prism Group plc and Toumaz Group Ltd.

GOVERNANCE STATEMENTS

Senior management

The senior management team detailed below is responsible for the operation of the Group's divisions. The members of the senior management team include:

Roger Rawlinson
Group Managing Director, Assurance

Roger is responsible for the operational management of the Group's Assurance Division. He has worked for NCC Group for over 20 years in a variety of testing and consultancy roles and was appointed a Director in 2004.

Rob Horton
European Managing Director, Assurance

Rob is the Managing Director of NCC Group's European Security Consulting division. He joined the Group in 2008 and has managed and grown Security Consulting services in the Assurance Division, as well as overseeing the integration of a number of the acquired security consulting companies in to the Group.

Rob was a director of NGS Software, a security consulting company he co-founded from its formation in 2001 through to its acquisition by and successful integration into the Group.

Daniel Liptrott
Group Managing Director, Escrow

Daniel is responsible for the management and strategic development of the Escrow Division globally. Daniel joined the Group in November 2014 from private practice where he had been a corporate partner at a number of international law firms. From 2006 until 2011 he had been the Group's outside counsel at Eversheds LLP and advised on a range of issues including its move to the Main Market of the London Stock Exchange in 2007 and each of the Group's subsequent acquisitions until 2011.

Helen Nisbet
Group Company Secretary, Corporate

Helen is a qualified solicitor and was appointed Company Secretary in 2015.

This senior management team is part of an operational board, which meets monthly. Senior members of the executive team are invited to make presentations on specific topics or to discuss particular operational issues. The meetings are chaired by the Chief Executive and attended by the Chairman.

The Directors present their report and the Group and Company Financial Statements of NCC Group plc (the 'Company') and its subsidiaries (together the 'Group') for the financial year ended 31 May 2016.

Principal activities

The Company is a public limited company incorporated in England, registered number 4627044, with its registered office at Manchester Technology Centre, Oxford Road, Manchester M1 7EF.

The principal activity of the Group is the provision of independent advice and services to customers by way of the provision of escrow and assurance services. The principal activity of the Company is that of a holding company.

Strategic report

Pursuant to sections 414A-D Companies Act 2006, the business review has been replaced with a strategic report, which can be found on pages 13 to 31. This report sets out the development and performance of the Group's business during the financial year, the position of the Group at the end of the year and a description of the principal risks and uncertainties facing the Group.

UK Corporate Governance Code

The Company's statement on corporate governance can be found in the Corporate Governance Report, the Audit Committee Report, the Nomination Committee Report and the Directors' Remuneration Report on pages 56 to 95. The Corporate Governance Report, the Audit Committee Report, the Nomination Committee Report and the Directors' Remuneration Report form part of this Directors' Report and are incorporated into it by reference.

Results and dividends

The Group's and Company's audited Financial Statements for the financial year ended 31 May 2016 are set out on pages 96 to 154.
The Directors propose a final dividend of 3.15p per ordinary share, which together with the interim dividend of 1.5p per ordinary share paid on 26 February 2016 makes a total dividend of 4.65p for the year.

The final dividend will, if approved by shareholders at the Annual General Meeting (AGM), be paid on 30 September 2016 to shareholders on the register at the close of business on 2 September 2016. The ex-dividend date will be 1 September 2016.

Going concern

In adopting the going concern basis for preparing the financial statements, the Directors have considered amongst other matters, the Group's principal risks and uncertainties as set out on pages 28 to 31. Based on the Group's cash flow forecasts and financial projections, the Board is satisfied that the Group will be able to operate within the level of its facilities for the foreseeable future. For this reason and as detailed in note 1 to the Financial Statements (Basis of preparation), the Directors consider it appropriate to continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Viability statement

The Directors have assessed the viability of the Group over a three year period, in accordance with provision C2.2 of the UK Corporate Governance Code 2014, taking into account the Group's current position and the potential impact of the principal risks documented on page 28 to 31 of the Annual Report.

Based on this assessment, the directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to May 2019.

The Directors determined that a three-year period to 31 May 2019 is an appropriate period over which to provide its viability statement taking account the nature of the business and a reasonable foreseeable planning horizon.

In making their assessment, the Directors have considered the Group's current strong financial position and undertaken a sensitivity analysis over the key trading assumptions combined with the potential impact of one or more of the principle risks on the business materialising within the three year period.

Based on the results of the analysis outlined above, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

The process of identifying, assessing and managing the principal risks are as described in the Audit Committee Report on pages 62 to 69.

DIRECTORS' REPORT

Post balance sheet events

Other than completing the strategic review of Domain Services Division there have been no balance sheet events that either require adjustment to the Financial Statements or are important in the understanding of the Company's current position.

Major shareholders

As at the date of this report, the Company had been notified of the following significant holdings of voting rights in its ordinary shares in accordance with the Financial Conduct Authority's Disclosure and Transparency Rules:

Shareholder	Number of ordinary shares notified	Percentage of ordinary share capital notified as at 31 May 2016
Mawer Investment Management	28,524,156	10.34%
Montanaro Asset Management	21,464,591	7.78%
Aviva Investors	16,920,658	6.13%
Capital Research Global Investors	13,890,000	5.04%
Liontrust Asset Management	13,766,509	4.09%

There were no notifications received under DTR 5 between the information in this table and 6 July 2016 when the accounts were signed.

Share capital and control

At the Company's Annual General Meeting held on 15 September 2015, the directors were granted authority to allot up to 76,399,866 ordinary shares representing approximately a third of the Company's issued share capital. In addition, the directors were granted authority to allot a further 76,399,866 ordinary shares, again representing approximately a third of the Company's issued share capital, solely to be used in connection with a pre-emptive rights issue.

In November and December 2015, the Group raised £126.3m through a firm placing and a placing and open offer. At a general meeting on 16 December 2015, the directors were granted authority to allot (a) up to 22,986,307 shares in connection with the placing and open offer (b) such amount of shares required to satisfy the deferred consideration payable under the acquisition agreement in relation to Fox-IT and (c) up to a nominal amount of £919,331 representing approximately one third of the enlarged share capital following the firm placing and placing and open offer and a further third solely to be used in connection with a pre-emptive rights issue. 45,936,293 new shares were issued in relation to the firm placing and the placing and open offer.

As at 31 May 2016, the Company's issued ordinary share capital comprised of 275,939,764 ordinary shares with a nominal value of 1 penny each, of which 116,714 ordinary shares are held in treasury.

During the year ended 31 May 2016, 687,158 shares in the Company were issued further to the exercise of options pursuant to the Company's share option schemes. 121,472 shares were transferred out of treasury in order to satisfy options exercised under the Company's Long Term Incentive Plan for Executive directors and senior management.

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

Details of the movements of the called up share capital of the Company are set out in note 23 to the financial statements.

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

DIRECTORS' REPORT

Authority to purchase own shares

At the Company's Annual General Meeting held on 15 September 2015, shareholders authorised the Company to make market purchases of up to 22,919,959 ordinary shares representing approximately 10% of the issued share capital. This authority was not used during the financial year ended 31 May 2016. At the 2016 Annual General Meeting, shareholders will be asked to give a similar authority.

The Company currently holds 116,714 ordinary shares in treasury which will be used to satisfy LTIP liabilities that will fall due to the Executive Directors and Senior Management in July 2016.

Directors

Details of the Company's current Directors, together with brief biographical details are set out on pages 42 to 45.

Subject to law and the Company's Articles of Association, the Directors may exercise all of the powers of the Company and may delegate their power and discretion to committees.

The Company's Articles of Association give the Directors power to appoint and replace Directors. Under the terms of reference of the Nomination Committee, any appointment to the Board of the Company must be recommended by the Nomination Committee for approval by the Board. The Articles of Association also require two Directors to retire by rotation each year end and each Director must offer himself for re-election at least every three years. However, in accordance with previous years and in accordance with best practice all Directors will submit themselves for re-election each year.

Directors' remuneration

The Remuneration Committee, on behalf of the Board, has adopted a policy that aims to attract and retain the Directors needed to run the Group successfully. Details of the Directors' remuneration are set out in the Remuneration Report on pages 72 to 95.

Directors' interests

Directors' interests in shares and share options in the Company are detailed in the Directors' Remuneration Report set out on pages 72 to 95.

Directors' and officers' insurance and indemnities

The Company maintains Directors' and Officers' liability insurance, which provides appropriate cover for any legal action brought against its Directors. The Directors of the Company have also entered into individual deeds of indemnity with the Company which constitute as qualifying third party indemnity provisions for the purposes of section 234 of the Companies Act 2006.

The deeds were in effect during the course of the financial year ended 31 May 2016 for the benefit of the Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

Corporate social responsibility

The Corporate Social Responsibility Report on pages 32 to 41 provides an update on the Group's policies and activities in respect of its wider stakeholders, employees, clients, suppliers, charities and the community, environmental, ethical and health and safety issues and modern slavery.

During the year the Company made no political donations (2014: £Nil).

Greenhouse Gas Emissions

The Board is committed to maintaining the environment and limiting wherever possible its greenhouse gas emissions, this is covered on pages 40 to 41 in the Corporate Social Responsibility Report.

Change of control

The Group and each lender shall enter into negotiation for a period to determine how the facility may continue and if after that there is no agreement the lender has the right to cancel the commitment.

There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

Disclosure of information to auditors

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

A resolution to re-appoint KPMG LLP as auditors will be put to the members at the Annual General Meeting.

DIRECTORS' REPORT

Annual General Meeting

The notice of the Company's Annual General Meeting to be held at the Manchester Technology Centre, along with details of the business to be proposed and explanatory notes, will be available on the Group's website together with the annual report. All shareholders will be notified by post or email, at their request, when the documents have been made available.

Information to be disclosed under LR 9.8.4R

Listing Rule	Detail	Page Ref
LR 9.8.4 (1)	Capitalised interest	52
LR 9.8.4 (2)	Publication of unaudited information	53-55
LR 9.8.4 (4)	Long term incentive schemes	73-94
LR 9.8.4 (7)	Allotment of equity securities for cash	53
LR 9.8.4 (10)	Contracts of significance which a director is interested in	153
LR 9.8.4 (5–6) (8-9) & (11-14) (A)(B)	Not applicable	N/A

Capitalised interest

During the period, £105,000 of interest was capitalised by the Group, the tax benefit on this amount is £23,000.

Allotment of equity securities for cash

In connection with its acquisition of Fox-IT Holding B.V, on 24 November 2015 the Company undertook a firm placing pursuant to which it issued an aggregate 22,949,986 new ordinary shares of £0.01 each to certain institutional and qualified professional investors at an issue price of 275 pence per ordinary share. The aggregate nominal value of ordinary shares issued pursuant to the firm placing was £229,499.86.
The aggregate gross consideration received by the company in respect of the Firm Placing was £63,112,561.50. The closing price of an ordinary share on 23 November 2015 (being the business day that the date that the Issue Price was fixed) was 286.25 pence.

In accordance with the Pre-Emption Group's Statement of Principles (2015), the directors confirm that the actual level of discount achieved in respect of the firm placing was 3.9%.
The net proceeds raised were £62,416,000 and all proceeds were used to satisfy the consideration payable in relation to the acquisition of Fox-IT Holding B.V. No shares were issued for cash in the three year period preceding the firm placing (other than in respect of shares issued pursuant to the Company's employee share schemes).

Publication of unaudited financial information

On 24 November 2016, the company published a prospectus in connection with the acquisition of Fox-IT (Prospectus). A copy of the Prospectus is available for inspection at www.morningstar.co.uk/uk/NSM

In accordance with LR 9.2.18R, if the company has published unaudited financial information in a prospectus, the company must reproduce that information in its annual report and accounts and also disclose the actual figures for the same period.

Accordingly, set out below is the unaudited information extracted from the Prospectus. For the purposes of LR 9.2.18R (2), the figures below as published in the Prospectus are the actual figures for the same period.

Liquidity and capital resources

The capitalisation and indebtedness, distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness, of the Group are set out below. These figures are as of 31 August 2015, and have been extracted from the Group's unaudited management accounts. There has been no significant change to the liquidity and capital resources of the Group since 31 August 2015.

Indebtedness

	31 August 2015
	(£m)
Total current debt	
Guaranteed	–
Secured	–
Unguaranteed/Unsecured	–
	–
Total Non-Current Debt (excluding current portion of long-term debt)	
Guaranteed	–
Secured	69.0
Unguaranteed/Unsecured	–
Total indebtedness as at 31 August 2015	**69.0**

Capitalisation

This information is as at 31 August 2015 and has been extracted from the Group's unaudited management accounts. There has been no material change to the capitalisation of the Group since 31 August 2015.

Shareholders' Equity

	31 August 2015
	(£m)
Share Capital	2.3
Share Premium	24.0
Merger Reserve	42.3
Other Reserves	(1.0)
Total Shareholders' Equity	**67.6**

Capital and reserves do not include the retained earnings reserve.

Net indebtedness of NCC Group in the short and medium term

The following table shows the net indebtedness of NCC Group as at 31 August 2015.

	31 August 2015
	(£m)
Cash	7.5
Liquidity	**7.5**
Current financial debt	**–**
Net current financial liquidity	**7.5**
Non-current bank loans	(69.0)
Non-current financial indebtedness	**(69.0)**
Net funds	**(61.5)**

The Group has a strong capital structure as at 23 November 2015 (being the latest practical date prior to the date of this document), the total amount outstanding under Royal Bank of Scotland facilities was £76.4m and cash was £13.3m.

On behalf of the Board

Rob Cotton
Chief Executive
6 July 2016

CORPORATE GOVERNANCE REPORT

The Board is committed to good corporate governance principles and practices. In respect of the year ended 31 May 2016, NCC Group has been in full compliance with the provisions of the Corporate Governance Code published by the Financial Reporting Council in September 2014 (see www.frc.org.uk) except as stated in the below.

Provision A.3.1.
The Company did not comply with the requirement that the Chairman meets the independence criteria set out below (note 27 to the financial statements and the section entitled independence of the Chairman and the Non-Executive Directors on page 60).

The Board strongly believes that good corporate governance is more than just adherence to a set of rules. It is about ensuring that the Company is run efficiently and effectively within a defined framework of systems and controls with clearly defined authority and accountability. There is a clear division between the running of the Board and the running of the Company's business, however the Board is very conscious of its responsibility to review the strategy of the Company and to challenge, where appropriate, decisions made by the executive team in a frank, open and constructive manner.

The Board also reviews the Company's appetite for risk and understands the processes for reviewing risks and the judgments made as a result. Its review ensures that the Company is identifying the correct risks on which to focus and taking any appropriate actions to mitigate those risks.

The effectiveness of the Board is measured by individual director assessments and a rigorous annual board evaluation exercise. This year the matters considered as part of the board evaluation were the composition of the board including its range of knowledge and skills, the independence of its members, its diversity policy, its contribution to Company strategy, the effectiveness of its Committees, its ability to communicate, its attitude to risk and its overall efficiency.

The board review was positive, with useful ideas being generated, which will be acted upon in the forthcoming year. It is recognised that the Board needs constantly to develop its knowledge and skills so that it can respond to evolving market conditions and new business challenges and opportunities.

The different parts of the Company's governance framework are listed below and how it operates in practice.

Responsibilities

The Board.
The Board provides leadership and is responsible for the overall management of NCC Group, its strategy and long term objectives. It ensures the right company structure is in place to deliver long term value to shareholders and other stakeholders.

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

The Audit Committee.
The Audit Committee's primary function is to assist the Board in fulfilling its financial and risk responsibilities. It also reviews financial reporting, risk management, the internal controls in place and the external audit process.

The Nomination Committee.
The Nomination Committee is responsible for considering the Board's structure, size, composition and for succession planning.

The Remuneration Committee.
The Remuneration Committee is responsible for determining the remuneration of the executive directors and approving the remuneration of senior managers.

Cyber Security Committee.
The Cyber Security Committee is responsible for assessing the current threats and incidents, the mitigations in place and to report monthly on the performance of the Group's internal security and defences.

Operational Board.
The Operational Board is responsible for assisting the Chief Executive in the performance of his duties including:

- developing the annual operating plan;
- monitoring the performance of the different divisions of the company against the plan;
- carrying out a formal risk review process;
- reviewing the Company's policies and procedures;
- prioritisation and allocation of resources; and
- overseeing the day-to-day running of the Company.

CORPORATE GOVERNANCE REPORT

Operation of Governance Framework

Role of the Board
The Board is responsible to shareholders for the proper management of the Company, for its system of corporate governance and for the long-term success of the Company. Its role is to provide entrepreneurial leadership within a framework of prudent and effective controls. It is responsible for determining the nature and extent of risks it is willing to take to achieve the Group's strategic objectives. It receives information on, at least a monthly basis to enable it to review trading performance, forecasts and strategy and it has a schedule of matters specifically reserved for its decision. The most significant of these are:

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

Operational management of the Group is delegated to the Operational Board of NCC Group. The Board also delegates other matters to Board committees and management as appropriate.

Procedures exist to allow Directors to seek independent legal and professional advice in respect of their duties at the Company's expense where the circumstances are appropriate.

The Board normally meets on a monthly basis. During the year, the Board met on twelve scheduled occasions, with three additional Board meetings being convened in relation to the acquisition of Fox-IT and the placing and open offer.
The attendance of individual Directors at the scheduled Board meetings is shown in the table opposite. The Non-Executive Directors are contracted to spend a minimum of 24 days per annum on NCC Group affairs and on average spent 30 days on Company business during the year.

		Board meetings attended
Paul Mitchell	Non-Executive Chairman	12/12
Rob Cotton	Chief Executive	12/12
Atul Patel	Group Finance Director	12/12
Debbie Hewitt	Senior Non-Executive Director	12/12
Thomas Chambers	Non-Executive Director	12/12
Chris Batterham	Non-Executive Director	10/12

During the year there were three telephone Board meetings associated with the acquisition of Fox-IT.

The Chief Executive in conjunction with the Chairman and other Board members plan the agendas, which are issued with the supporting board papers during the week before the meeting. These supporting papers provide appropriate information to enable the Board to discharge its duties.

Composition of the Board

The Board currently comprises two Executive Directors and four Non-Executive Directors. The proportion of women Directors and Officers of the Board currently stands at 29% and women in senior management positions across the Group account for 11% as a whole. The Company's policy is to find, develop and keep a diverse workforce at all levels and it is committed to developing a culture where women can retain senior positions.

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

The Chairman.
Role profiles are in place for the Chairman and Chief Executive Officer, which clearly set out the duties of each role. The Non-Executive Chairman, Paul Mitchell, is responsible for the running of the Board and promoting a culture of openness and debate.

Executive responsibility for the running of the Group's business rests with the Chief Executive Officer who is supported in this by the Group Finance Director and the Operational Board of NCC Group.

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

Company Secretary.
The role of the Company Secretary is to ensure good information flows within the Board and its Committees and between senior management and Non-Executive Directors. The Company Secretary is responsible for facilitating the induction of new directors and assisting with their professional development as required. All directors have access to the advice and services of the Company Secretary to enable them to discharge their duties as directors.

The Company Secretary is responsible for ensuring that Board procedures are complied with and for advising the Board through the Chairman on governance matters. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Independence of the Chairman and the Non-Executive Directors

After careful review, the Board has concluded that Debbie Hewitt, Thomas Chambers and Chris Batterham are independent. In coming to this assessment the Board considered the character of the individuals concerned and the fact that none of them:

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

The Board recognises that the Chairman does not comply with this assessment as he has served as Chairman for 16 years and so does not meet the requirements for the Chairman to be independent. The Board has considered this and has put safeguards in place where this could impact his role. For areas where independence is deemed to be key to any decision making, the Senior Independent Non-Executive Director is able to assume that position of responsibility where necessary and has the casting vote.

Terms and conditions of appointment of Non-Executive Directors are available for inspection at the Company's registered office during normal business hours.

Conflicts of Interest

The Companies Act 2006 requires directors to avoid situations where they have, or could have, a direct or indirect interest that conflicts or potentially conflicts with the interests of the Company. The Company's Articles of Association require any director with a conflict or potential conflict to declare this to the Board. That director will not then be involved in the discussions relating to the proposal, transaction, contract or arrangement in which they have an interest, unless agreed otherwise by the Directors of the Company in the limited circumstance specified in the Articles of Association, nor will they be counted in the quorum or be permitted to vote on any issue in which they have an interest.

This approach has been followed throughout the year and the Board considers it to have operated effectively.

Board Effectiveness

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

A detailed questionnaire on the performance of the Board was also circulated to all members of the Board for completion. A summary of the results and the resulting recommendations were then prepared and circulated to the Board. The main outcome of the evaluation was to put focus on the Board's main objectives for the coming year in particular the Group's succession planning in general, greater exposure of the Non-Executives to the Operational Board and focusing on monitoring and mitigating risks. Areas of strength included the performance of the Committees, the open and inclusive culture and the quality of information circulated to the Board.

During the financial year, the Group joined the FTSE 250 index. Therefore the Board will ensure that an externally facilitated performance evaluation is conducted at least every three years.

The Senior Independent Non-Executive Director evaluated the performance of the Chairman and the Chairman evaluated the performance of each director. In addition, the Non-Executive Directors met independently from the Executive Directors to discuss with the Chairman the overall functioning of the Board and his contribution in making it effective.

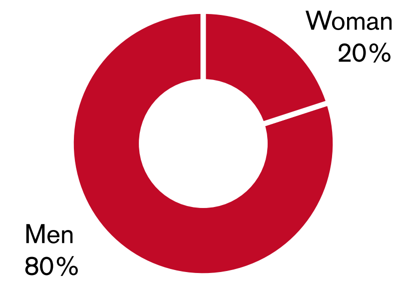
The Non-Executive Directors provide a strong independent element on the Board and are well placed to constructively challenge and help develop proposals on strategy and succession planning. Between them they bring an extensive and broad range of experience to the Group.

Diversity

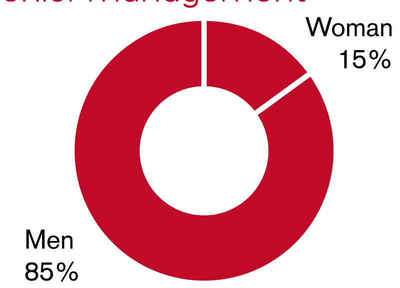
The Board values the aims and objectives of the Davies report on women on boards. When considering appointments to the Board and other senior executive positions a thorough review of the skills, experience and knowledge of the candidates is carried out and appointment made on merit and appropriateness.

At present 17% of the directors on the Board are women. Given the relatively small size of the board it would not seem appropriate to impose specific formulaic targets but it is the Company's intention to increase the gender and ethnic diversity of the board and senior management team as opportunities arise.

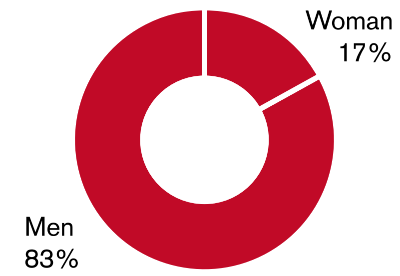
Total



Senior management



Board



AUDIT COMMITTEE REPORT

Composition

The Audit Committee is chaired by Thomas Chambers, a Chartered Accountant, who has previously worked as the CFO of two telecommunications companies and held roles with Kleinwort Benson and Price Waterhouse. He is therefore considered by the Board to have the recent and relevant experience required by the UK Corporate Governance Code 2014.

The other members of the Committee are the senior independent Non–Executive Director, Debbie Hewitt, who has a wide range of relevant business experience and Chris Batterham, a Chartered Accountant who has previously worked as a Finance Director. The Committee is comprised of three independent Non-Executive Directors.

Summary biographies of each member of the Committee are included on pages 42 to 43. Each Committee member has significant experience of financial matters through their past and present business activities.

Meeting Frequency and Attendance

The Committee is required by its Terms of Reference to meet at least three times per year. During this financial year the Committee met four times. As well as the members of the Committee, the meetings are usually attended by the Chairman, Chief Executive and Finance Director. The external auditors also attend each meeting. During the year the Committee also meets with the external auditors without the executives present.

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

	Meetings attended
Thomas Chambers	4/4
Debbie Hewitt	4/4
Chris Batterham	3/4

The Audit Committee's Objectives and Responsibilities

The purpose of the Committee is to assist the Board in the discharge of its responsibilities for financial reporting and corporate control, including risk and to provide a forum for reporting by the external auditors. The Committee's Terms of Reference can be found in the Group's Investors' section of the Company's website www.nccgroup.trust/uk/about-us/investorrelations.

The Terms of Reference are reviewed annually and have been updated to reflect the changes to the UK Corporate Governance Code 2014, requiring a determination of whether the Annual Report and Accounts, taken as a whole, is fair balanced and understandable.

The Committee's main responsibilities can be summarised as follows:

- to monitor the integrity of the financial statements and any formal announcements relating to the Group's financial performance, reviewing the material information and significant financial reporting judgements contained in them;
- to review the Group's internal financial control system and risk management systems;
- to review the nature and extent of significant financial and business risks to NCC Group and the mitigation of these risks;
- to make recommendations to the Board in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditors;
- to oversee the relationship with the external auditors including, but not limited to, independence, objectivity and effectiveness;
- to develop and implement policy on the engagement of the external auditors to supply non-audit services and to approve any fees for non-audit work paid to the auditors in excess of £10,000 (ten thousand pounds) in any 12 month period;
- to monitor the Company's whistle-blowing procedures;
- to review the Company's procedures for detecting fraud and the systems of control for the prevention and detection of bribery;
- to review regularly the need for an internal audit function;
- to review the audit findings with the external auditor including discussing any major issues which arise during an audit, the accounting and audit judgments made, the level of errors identified during the audit and the effectiveness of the audit; and
- to give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules as appropriate.

AUDIT COMMITTEE REPORT

Significant issues considered during the year in relation to the Financial Statements

During the year, the Committee reviewed and considered the following areas in respect of financial reporting and the preparation of the interim and annual financial statements:

- the appropriateness of the accounting policies used;
- the significant areas of judgment in the financial statements;
- compliance with external and internal financial reporting standards and policies;
- disclosures and presentations;
- the requirement for a formal internal audit function; and
- whether the Annual Report and Accounts taken as a whole are fair balanced and understandable and provide the information necessary to assess the Company's position and performance, business model and strategy.

In carrying out this review the Committee considered the advice of the Group's finance team and the external auditors' reports setting out their views on the accounting treatments and judgments included in the financial statements.

The significant accounting areas and judgments considered by the Committee were:

Software and development costs

The Group is undertaking a number of development projects aimed at producing new products and services while there is also the on-going investment in the Group's finance systems. As a result, total costs of £6.0m (excluding domain services) have been capitalised in the year.

Given the significant value of the assets, there is an element of judgment in respect of the recoverability of the asset values and also in the classification of the expenditure as to whether it is capital rather than on going operational in nature.

A key part of this investment has been the continued development of the Fox-IT and NCC Group technologies to create the High Assurance products and to operate the threat intelligence and managed services platforms.

Until this year the continued development of the products and tools to administer and manage both branded and .trust domains had been capitalised however following a strategic review, £6.9m of costs that had been treated as capitalised development spend in accordance with IAS38 have now been written off. The total value of assets that were created and are to be reused and remain capitalised as at 31 May 2016 is £4.2m of which £2.3m relates directly to the ownership the TLD .trust.

The Committee has addressed this issue through examining the reports received from management outlining the future plans for the business and its approach to classifying costs as capital in nature.

The Committee receives regular updates from the Board regarding project progress and costs incurred. The Committee gains additional comfort that the business plans have received Board approval.

This is an area of significant risk for the external auditors who have also obtained and challenged the latest business plans and the treatment of a sample of costs to ensure that only development costs have been capitalised.

Accounting for Business Combinations

The Group completed the acquisition of Fox-IT in November 2015. Management completed the exercise to determine the fair value of intangible assets and other net assets acquired in accordance with IFRS3.

The Committee has reviewed a summary of the key assumptions adopted, compared these assumptions to other recent company acquisitions and discussed with our external auditors, KPMG, the accounting for acquisitions and the completeness of related disclosures to ensure that they are complete, accurate, understandable and compliant with IFRS3.

Goodwill and intangible assets

The Group has and will continue to develop both the Esrow and Assurance divisions organically and by the acquisition of complementary businesses. As a result of this the Group has Goodwill of £224m and carrying value of acquired intangible assets of £51.1m.

In accordance with IAS36, management have determined appropriate cash generating units on which to base the annual impairment review for goodwill and indefinite lived intangible assets by comparing the recoverable amount to the carrying value.

The Committee have reviewed the rationale used to determine the cash generating units and assumptions used in future cash flows which underpin the valuation of goodwill other intangible assets.

The conclusion of this year's review was to impair the goodwill of Open Registry by £11.9m.

Revenue Recognition

Revenue recognition, which was identified by the auditors as a significant risk last year, is now no longer deemed a significant risk by the auditors.

Internal Audit

The Group again formally considered the need for its own Internal Audit function and while it was satisfied it was not necessary, the Group contracted an independent third party firm of Chartered Accountants to complete a full Internal Audit of the North American finance function and control environment. It is planned that going forward an Internal Audit programme will be developed and delivered by a third party independent qualified auditor.

The CFO in the US, who had held a senior position in finance in the UK has reported to the Board on his observations on the internal controls in the US and regular visits are made to the US offices by members of the senior management team including the Group Finance Director.

Additional comfort is drawn from the internal controls and the Quality and Security procedures that are in place to support the regular internal and external audits that are conducted under the Group's ISO 9001 accredited quality assurance process. Further as the Group has expanded through organic growth and acquisitions, the external auditors KPMG, have extended their audit scope to ensure consistent audit coverage. All acquisitions are independently audited before their acquisition and undergo a comprehensive due diligence process.

These current arrangements are deemed sufficient given the structure of the Group's accounting function and the size of the Group, but it will continue to be reviewed each year.

Internal controls and Risk Management

The Board is responsible for establishing, maintaining and monitoring the Group's system of internal control and reviewing its effectiveness. Internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed. By their nature however, internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. Key elements of the internal control system are described below. These have all been in place throughout the year and up to the date of this report and are reviewed regularly by the Board:

- clearly defined management structure and delegation of authority to Committees of the Board, subsidiary boards and associated business units;
- clearly documented internal procedures set out in the Group's ISO 9001:2008 accredited quality manual;
- high recruitment standards and formal career development and training to ensure the integrity and competence of staff;
- regular anti-bribery, security and compliance training;
- regular and comprehensive information provided to management, covering financial performance and key performance indicators, including non-financial measures;
- a detailed budgeting process where business units prepare plans for the coming year;
- procedures for the approval of capital expenditure and investments and acquisitions;
- monthly operational reviews to monitor and re-forecast results against the annual operating plan, with major variances followed up and management action taken where appropriate;
- regular internal audits of key processes and procedures under the Group's ISO 9001 and ISO 27001 accredited quality assurance process;
- on-going procedures to identify, evaluate and manage principal risks faced by the business and procedures to monitor the control systems in place to reduce these risks to an acceptable level;
- a bi-annual detailed Group wide risk review supplemented by formal consideration of progress made against significant business risks at monthly operational board meetings; and
- monitoring of any whistle blowing or fraud reports.

The external auditors provide independent advice on those areas of internal control which they assess during the course of their work for the Group and whose findings are regularly reported to the Board and the Audit Committee.

The Board through the Audit Committee monitors the on-going process by which critical risks to the business are identified, evaluated and managed. The Company maintains a risk register, which:

- sets out the Group's risk appetite;
- identifies the key risks faced by the Group and assesses their likelihood and impact; and
- identifies the processes and controls in place to mitigate these risks.

Regular reporting of risk management ensures that each risk is evaluated on a timely basis to ensure that all relevant risks are identified and managed appropriately and that the Board is focused on principal risks.

From 1 June 2016 the Group formed a Cyber Security Committee that will evaluate the risk environment that the Group operates in and report to the main Board accordingly.

The current principal risks and uncertainties to the Group are set out on page 28 to 31.

The Group's non cyber security risks are monitored by the Committee and then assessed by the Board which sets aside time for in depth discussion of notable risks to the business.

Review of effectiveness

The Board, with advice of the Audit Committee has reviewed and considered the effectiveness of the risk management and system of internal controls in place and is satisfied that the Group has in place effective risk management and control systems.

AUDIT COMMITTEE REPORT

External Auditor Appointment

The Committee reviews and makes recommendations with regard to the re-appointment of external auditors following a formal review of the auditor's performance following the June Audit Committee meeting. In making these recommendations the Committee considers:

- the experience, industry knowledge and expertise of the auditors;
- the scope and planning of the audit and any variations from plan;
- the quality of the processes adopted;
- the fees charged;
- their attitude to and handling of key audit judgments;
- their ability to challenge and communicate effectively with management; and
- the quality of the final report.

During the financial year, the Committee Chair attended regular meetings with KPMG's engagement partner without management being present. This provided the Committee Chair with an opportunity for open dialogue. The engagement partner demonstrated their understanding of the Group's business risks and the consequential impact on the financial statement risks. The Committee Chair was also able to obtain feedback on the conduct of the audit firm from the engagement partner's perspective to determine if any challenges in the prior year audit would be sufficiently addressed in the next audit cycle.

The Group's current auditors, KPMG LLP, have been in place since 1 November 2013 with a competitive audit tender process having last been undertaken in November 2011. The Committee have considered the performance of the external auditors and the reports they have produced and have concluded it is appropriate to recommend to the Board the re-appointment of KPMG LLP as the Group's external auditor for the next financial year.

The UK Competition and Markets Authority's (CMA) Statutory Audit Services Order (Order) states, amongst other matters, that FTSE 350 listed companies should put their external audit contract out to public tender at least every 10 years. The Company's audit contract will be put to competitive tender during 2018, with a view to appointing an external auditor for the financial year commencing 1 June 2018.

The Committee believes that such a competitive tender exercise will be in the best interest of the shareholders as it will ensure continuing scrutiny and objectivity of the audit. The choice of external auditor may be reviewed earlier if the Committee considers it appropriate.

The Committee confirms the Company is in compliance with the provision of the CMA Order.

Auditor's Independence

The Committee received a formal statement of independence from the external auditors.

The Company also operates a rigorous policy designed to ensure that the auditors' independence is not compromised by their undertaking inappropriate non-audit work. The Audit Committee's approval is therefore required for any fees for non-audit work paid to the auditors in excess of £10,000 (ten thousand pounds) in any financial year. However, the Company recognises that it can receive particular benefit from certain non-audit services provided by the external auditors due to their technical skills and detailed understanding of the Company's business.

During this financial year £10,000 (2015: £28,750) non-audit fees were paid to the external auditor for the half year review.

All significant pieces of non-audit work are put to informal tender to suitable parties, this includes if appropriate the auditors. Upon review as to suitability and price the work will then be placed to the provider recommended after approval by the Audit Committee, if such approval is necessary, in accordance with the rules set out above.

Related Party Transactions and other fees approved by the Committee

During the year the Audit Committee approved corporate finance fees payable to Rickitt Mitchell & Partners Ltd of £750,000 (2015: £748,500) in relation to the fund raise and the successful acquisition of Fox-IT in November 2015.

All of the fees are related directly to the execution and project management of the fund raising processes and the acquisition. Rickitt Mitchell & Partners Ltd neither seeks nor recommends potential acquisition targets to the Group and the Non-Executive Chairman, who is the Non-Executive Chairman of Rickitt Mitchell, is excluded from all discussions on fees.

Fair, balanced and understandable

At the request of the Board, the Committee considered whether the 2016 Annual Report and Accounts was fair balanced and understandable and whether it provided the necessary information for shareholders to assess NCC Group's position and performance, business model and strategy. The Committee was satisfied that taken as a whole the Report and Accounts are fair balanced and understandable.

Thomas Chambers
Chairman,
Audit Committee
6 July 2016

NOMINATION COMMITTEE REPORT

Paul Mitchell, Chairman of the Board, is Chairman of the Nomination Committee. Other members of the Committee are the three independent Non-Executive directors, Debbie Hewitt, Thomas Chambers and Chris Batterham and the Chief Executive, Rob Cotton.

The Nomination Committee's objectives and responsibilities.

The Committee is responsible for reviewing the size, structure, balance, composition and progressive refreshing of the Board and as such its duties include:

- reviewing the structure of the Board;
- evaluating the balance of skills, knowledge, experience and diversity on the Board;
- making recommendations for further recruitment to the Board or proposing changes to the existing Board;
- reviewing the leadership needs of the Company, both executive and non-executive;
- succession planning for directors and other senior executives within the business; and
- reviewing annually the time required from the non-executive directors.

The Non-Executive Chairman leads the process for the appointment of new Non-Executive Directors to the Board. For Executive Director positions, the Chief Executive leads the process.

In relation to an appointment, the Committee draws up a specification and assesses the capabilities required for such a role, including an assessment of the time commitment required. Candidates are sought by third party advisors, internal recruitment processes and where appropriate through assessment of internal candidates and are then formally considered by the Nomination Committee.

All appointments are made on merit and against objective criteria with due regard for the benefits of diversity on the Board, including gender.

It is intended during the new financial year that the Board will be strengthened by the appointment of an additional Non-Executive Director.

The Company and the Committee value the aims and objectives of the Davies report on women on boards and support and apply the Group's diversity policy set out on page 35.

No formal measurable objectives for female representation at board level have currently been set as the Committee is committed, while having regard to the diversity policy, to recommend only the most appropriate candidates for appointment to the Board. Currently 17% of the directors and officers on the Board are women.

When a new director is appointed they receive a full, formal and tailored induction into the Company and discuss with the Chairman any immediate training requirements.

The Committee's terms of reference can be found in the Group's Investors' section of the Company's website, www.nccgroup.trust/uk/about-us/investorrelations. The terms of reference are reviewed annually and updated when necessary.

Committee Meetings

The Committee is required, in accordance with its terms of reference to meet at least twice per year. During this financial year the Committee met two times.

	Meetings attended
Paul Mitchell	2/2
Rob Cotton	2/2
Debbie Hewitt	2/2
Thomas Chambers	2/2
Chris Batterham	2/2

Paul Mitchell
Chairman,
Nomination Committee
6 July 2016

REMUNERATION COMMITTEE REPORT

Statement by the Chairman of the Remuneration Committee

I am pleased to present the Directors' Remuneration Report for the year ended 31 May 2016. The Report is split into three sections, namely, this Annual Statement, the Directors' Remuneration Policy and the Annual Report on Remuneration.

The Directors' Remuneration Policy was approved at the 2014 Annual General Meeting held on 16 September 2014. The Remuneration Committee is not permitted to deviate from the approved policy for three years, unless it gains shareholder approval for an amended policy.

This approved policy reflects our overall philosophy of adopting clear, simple and market competitive remuneration schemes. The alignment of Executive remuneration with the objectives of the shareholders has been the principal focus, ensuring remuneration structures are fully attuned to the business strategy. We aim to balance the short, medium and long term components of our remuneration, to ensure that we motivate and retain our Executives and keep them focused on delivering long term, sustainable growth.

The Remuneration Strategy has been designed to reflect the needs of a large multi-national organisation, which is growing both organically through the innovation of products and services and with acquisitions, which enable us to leverage our access to new capabilities and products. The annual bonus incentivises sustainable growth across all areas of the business and the Long Term Incentive Plan (LTIP) reflects our longer term growth ambitions, particularly in new markets and new products.

It has been another strong year for the Group, with good organic growth across many areas of the business and two successful acquisitions adding to the product and geographical portfolio of the Group. Adjusted operating profits have grown by 45% to £37.0m before the operational expenditure for Domain Services. This is slightly ahead of market consensus. This level of performance has been reflected in the performance-related elements of Executive remuneration.

The annual bonus for the year ended 31 May 2016 was based on the satisfaction of stretching pre-tax profit targets and performance over the year resulted in a payment of 70% of basic salary for both of the Chief Executive and Finance Director. 35% of this bonus will be deferred in shares and held for two years.

In addition, the growth in adjusted EPS over the last three years has resulted in the vesting of 19.6% of the LTIP awarded in the year ended 31 May 2013, for both of the Chief Executive and Finance Director. This reflects the very stretching targets that the Committee set for this period of growth. The target range for future LTIPs is set out on page 83 of this report.

Clawback provisions are in place for the Annual Bonus and the LTIP.

In addition to these performance related elements, the Committee has decided to award a salary increase of 6.02% to the Chief Executive and a salary increase of 6.03% to the Finance Director. These percentage increases are in line with the overall salary review awarded to all other employees. In calculating the increase for all other employees, the impact of promotions has been excluded.

The salary reviews of our two key Executives are compliant with our Remuneration Policy and will be effective from 1 June 2016.

Our Executive shareholding guideline is 100% of base salary within five years from the later of (i) the date of their respective appointment; and (ii) 25 June 2015 (being the date the guidelines were initially adopted) to attain their minimum shareholding. The Chief Executive and Finance Director meet this criterion.

At the Annual General Meeting in September 2015, 96.41% of shareholders voted in favour of the adoption of the Annual Report on Remuneration. The Remuneration Committee appreciated the support for our approach. The 2016 Annual Statement and Annual Report on Remuneration will be put to an advisory vote at the Annual General Meeting in September 2016, providing shareholders with the opportunity to voice their opinions on how the Committee has implemented the Remuneration Policy this year. The year ended 31 May 2016 was another good year of progress for NCC Group and in this context, we look forward to receiving your support on our approach to Remuneration at the Annual General Meeting.

Debbie Hewitt
Chair of the Remuneration Committee
6 July 2016

REMUNERATION COMMITTEE REPORT

Remuneration Policy Report

The Directors' Remuneration Policy, approved at the 2014 AGM, has been reproduced on pages 74 to 81, save that the remuneration illustrations on page 79 have been updated to accurately reflect the Directors' remuneration for 2016/17.

The Committee has adopted a policy that ensures an appropriate balance between fixed remuneration and performance related incentives. The performance related elements have clearly defined stretching targets that link rewards to business performance in the short, medium and long term.

All variable elements of remuneration are subject to claw back or repayment by any Executive, where achievement is deemed by the Committee to have been based upon fraud, deliberate error, or gross misrepresentation.

For the purposes of section 226D (6) (b) of the Companies Act 2006, the following policy took effect from 16 September 2014, the date of the 2014 AGM.

Current Policy Table for Executive Directors

Element	Purpose and link to strategy	Operation (including framework to assess performance)	Maximum opportunity
Salary	Attract, retain and reward.	The Remuneration Committee reviews salaries for Executive Directors annually unless responsibilities change. Pay reviews take into account Group and personal performance and externally benchmarked market data for companies operating in IT services, management consulting and relevant high-tech sectors, which although not directly comparable, provides an indicative range. In setting appropriate salary levels the Committee takes into account pay and employment conditions of employees elsewhere in the Group, alongside the impact of any increase to base salaries on the total remuneration package Any changes are effective from 1 June each year.	Details of current salaries are set out in the Annual Report on Remuneration (page 82). Salary increases are normally in line with those for other employees but also take account of other factors such as changes to responsibility and the complexity of the role.
Benefits	Attract, retain and reward.	Benefits in kind include the provision of a car or car allowance, payment of private fuel, car insurances, private medical insurance, life assurance and permanent health insurance. Executive Directors may be invited to participate in the Sharesave Scheme approved by HMRC.	Market competitive benefit level. SAYE Sharesave Scheme subject to HMRC approved limits.
Annual Bonus	Drive and reward sustainable business performance.	Based on a range of stretching targets measured over one year. This may include, but not exclusively, profit measures and strategic objectives. Performance below the minimum performance target results in no bonus. No more than 25% of the maximum opportunity is paid for achievement of the minimum performance target. The Committee has discretion to reduce the formulaic bonus outcome if individual performance is determined to be unsatisfactory or if the individual is the subject of disciplinary action. 35% of any bonus payment is deferred in shares for 2 years. Claw back provisions are in place.	Chief Executive 100% of salary. Finance Director 100% of salary.
Long Term Incentive Plan	Incentivise share ownership and long-term performance in line with Group strategy.	Awards have a performance period of three years. The level of vesting is determined by financial measures appropriate to the strategic priorities of the business, such as EPS and other measures considered appropriate. The Remuneration Committee has the discretion to determine the number of measures to be used. Performance below the minimum performance target results in no vesting. Performance between the minimum and maximum performance targets results in 20% to 100% of the award vesting. Should a change in control of the Group occur, crystallisation of any LTIP awards is within the discretion of the Remuneration Committee. Clawback provisions are in place.	Award over shares with a face value at grant of 100% of salary p.a.
Pension	Attract, retain and reward.	Executive Directors are entitled to a company pension contribution, which is paid into the Group defined contribution personal pension scheme. They can also opt to have the same level of contribution made as a % of salary.	10% of basic salary, providing they make a contribution of not less than 5% of basic salary.

Choice of performance measures and target setting

For both the annual bonus and LTIPs, our policy is to choose performance measures that help drive and reward the achievement of our strategy and which also provide alignment between Executives and shareholders. The Committee reviews metrics annually to ensure they remain appropriate and reflect the future strategic direction of the Group.

With regard to the annual bonus, the Remuneration Committee believes that a simple and transparent scheme with sufficiently stretching targets and an element of bonus deferral prevents short-term decisions being made and ensures that the Executive is entirely focused on the delivery of sustainable business performance, which significantly enhances shareholder value.

In setting targets, the Committee aims to reward steady, progressive growth. It is the Committee's view that inappropriately high targets can encourage inappropriate risk taking and in a Group where innovation and research is key to Group Strategy, it could result in these areas being dispensed with, thereby jeopardising the long terms aims of the Group.

With regard to the Long Term Incentive Plan, the Committee believes in setting demanding objectives in order to motivate and encourage long-term growth and enhance shareholder value.

Differences in pay policy for employees and Executive Directors

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

As a result, no element of Executive Director remuneration policy is operated exclusively for Executive Directors:

- The annual performance related pay scheme for Executive Directors is largely the same as that of the Operational Directors and Senior Managers within the business and all are aligned with business objectives
- Participation in the LTIP was extended in 2005 to other Senior Executives ensuring consistency in policy and
- The pension scheme is operated for all permanent employees.

Executive shareholding guidelines

The Committee considers that each Executive Director of the Company should retain a personal holding of shares in the Company, the rationale being that this will expose those directors to the same risks and rewards enjoyed by the Company's shareholders and as such align the interests of Executive Directors with the interests of the Company's shareholders.

The Executive Directors are expected to build and maintain a minimum holding of Company shares worth at least 100% of their base salary. They have five years from the later of (i) the date of their respective appointment; and (ii) the 25 June 2015 (being the date the guidelines were initially adopted) to attain their minimum shareholding.

For the avoidance of doubt, Executive Directors are permitted to sell sufficient shares in order to the meet any tax obligation arising from vesting shares, notwithstanding that the Executive Director has not attained their minimum shareholding.

Both Executive Directors have holdings in the Company, as do a significant majority of the Operational Directors.

Non-Executive Director policy table

Element	Purpose and link to strategy	Operation	Maximum opportunity
Fees	Attract, retain and reward	Fees for the Non-Executive Directors are determined by the Board within the limits set by the Articles of Association and are based on information on fees paid in similar companies taking into account the experience of the individuals and the relative time commitments involved.	Current fee levels are set out in the Annual Report on Remuneration page 84.
		Fees for the Non-Executive Directors are reviewed every three years.	Overall fee limit will be within the £300,000 limit set out in the Company's Articles of Association.

Approach to recruitment

The principles applied in the recruitment of a new Director is for the remuneration package to be set in accordance with the terms of the approved remuneration policy for existing Directors in force at the time of appointment. Further detail of this policy for each element of remuneration is set out below:

Salary.
Salaries for new hires, including internal promotions, will be set to reflect their skills and experience, the Company's intended pay positioning and the market rate for the applicable role.

Where it is appropriate to offer a below median salary initially, the Committee will have the discretion to allow phased salary increases over a period of time for newly-appointed Directors, even though this may involve increases in excess of the rate for the wider workforce and inflation.

Benefits.
Benefits will be provided in line with those offered to other Executive Directors, taking account of local market practice, with relocation expenses or arrangements provided if necessary. Tax equalisation may also be considered if an executive is adversely affected by taxation due to their employment with the Company. The Company may also pay legal fees and other costs incurred by the individual.

Incentive opportunity.
The aggregate on going incentive opportunity offered to new recruits will be no higher than that offered under the annual bonus plan and the LTIP to the existing Executive Directors. Different performance measures and targets may be set initially for the annual bonus plan, taking into account the responsibilities of the individual and the point in the financial year at which they join.

'Buyout' awards.
Sign-on bonuses are not generally offered by NCC Group but at Board level, the Committee may offer additional cash and/or share-based 'buyout' awards when it considers these to be in the best interests of the Company and, therefore, shareholders, including awards made under Listing Rule 9.4.2 R. Any such 'buyout' payments would be based solely on remuneration lost when leaving the former employer and would reflect the delivery mechanism such as cash, shares, options, time horizons and performance requirements attaching to that remuneration.

Transitional arrangements for internal appointments to the Board.
In the case of an internal appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms on grant, adjusted as relevant to take into account the appointment. In addition, any other on-going remuneration obligations existing prior to appointment may continue, provided that they are put to shareholders for approval at the first AGM following their appointment.

Policy on payment for loss of office.
Payments on termination for Executive Directors are restricted to the value of salary and contractual benefits for the duration of the notice period. It is the policy of the Remuneration Committee to seek to mitigate termination payments and pay what is due and fair. There are no predetermined special provisions for Executive Directors with regard to compensation in the event of loss of office.

Elements of variable remuneration would be treated as follows:

Annual bonus.
The treatment of annual bonus payments upon cessation of employment is determined on a case by case basis. When the Committee determines that the payment of an annual bonus is appropriate, the annual bonus payment is typically:

- payable in cash without deferral pro-rated for the period of time served from the start of the financial year to the date of termination and not for any period in lieu of notice or garden leave and
- subject to the normal bonus targets, tested at the end of the year, and would take into account performance over the notice period.

The Committee also has the discretion to determine whether any deferred shares from previous annual bonus payments will vest at the normal vesting date or earlier on leaving or whether they lapse. If the Committee exercises this discretion, they can also determine if the vesting should be pro-rated to reflect time served since the beginning of the deferral date.

Long Term Incentive Plan.
Under the LTIP, unvested awards will normally lapse upon cessation of employment. However, in line with the plan rules, the Committee has discretion to allow awards to vest at the normal vesting date, or earlier. If the Committee exercises this discretion, awards are normally pro-rated to reflect time served since the date of grant and based on the achievement of the performance criteria.

All Employee Share Schemes.
The Executive Directors, where eligible for participation in all employee share schemes, participate on the same basis as for other employees.

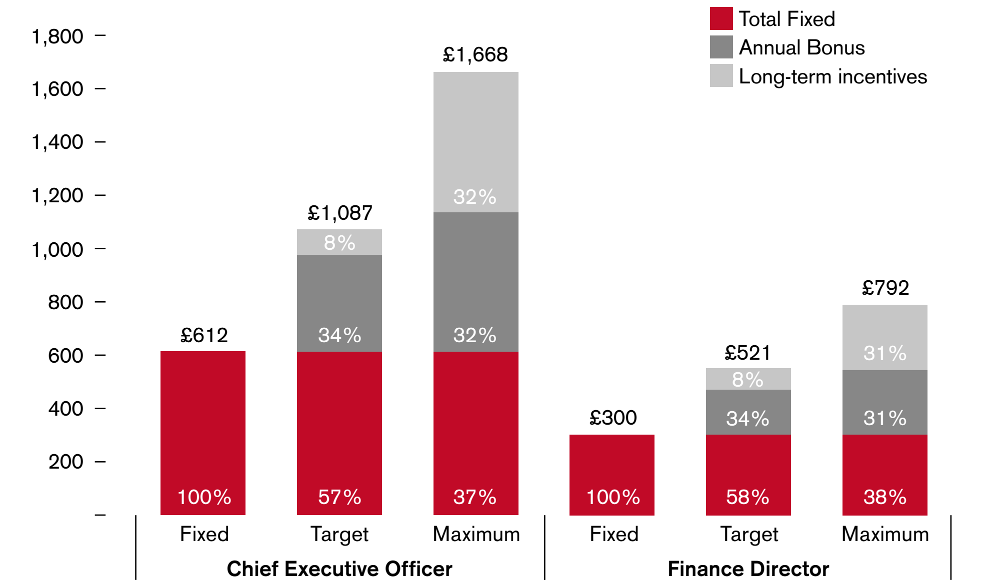
Approach to service contracts and letters of appointment.
The Committee's policy is to offer service contracts for Executive Directors with notice periods of six to twelve months. In addition, the Executive Directors are subject to a non-compete clause from the date of termination, where enforceable.

All Non-Executive Directors' appointments are terminable on at least three months' notice on either side.

The Executive Directors and Non-Executive Directors offer themselves for re-election every year.

Illustration of remuneration scenarios

The chart below details the hypothetical composition of each Executive Director's remuneration package and how it could vary at different levels of performance under the policy set out above.



Amounts shown in the chart are in £000

Note that the charts are indicative, as share price movement has been excluded. Assumptions made for each scenario are as follows.

- **Minimum.**
Fixed remuneration only salary, benefits and pension. Salary based on 2016/17 salary and benefits based on 2015/16 disclosed benefit amounts.
- **Target.**
Fixed remuneration plus target annual bonus opportunity, £370,000 for the Chief Executive and £172,000 for the Finance Director, which is equivalent to 70% of salary for the Chief Executive and for the Finance Director, plus 20% vesting of the maximum award under the Long Term Incentive Plan.
- **Maximum.**
Fixed remuneration plus maximum annual bonus opportunity, £528,000 for the Chief Executive and £246,000 for the Finance Director, which is equivalent to 100% of salary for the Chief Executive and 100% of salary for the Finance Director plus 100% vesting of the maximum award under the Long Term Incentive Plan which is 100% of salary for both the Chief Executive and Finance Director.

REMUNERATION COMMITTEE REPORT

Statement of consideration of employment conditions elsewhere in the Group

The Remuneration Committee does not consult directly with employees when determining remuneration policy for Executive Directors. However, as stated above, the annual bonus and LTIP are operated for other employees to ensure alignment of objectives across the Group and the terms of the pension scheme are the same for all permanent employees. In addition, the Committee compares information on general pay levels and policies across the Group when setting Executive Director pay levels.

How shareholder views are taken into account

The Remuneration Committee considers shareholder feedback received on the Directors' Remuneration Report each year and guidance from shareholder representative bodies more generally. Shareholders' views are key inputs when shaping remuneration policy. When any material changes are proposed to the remuneration policy, the Remuneration Committee Chairman will inform major shareholders in advance and will generally offer a meeting to discuss these.

Key areas of discretion in the remuneration policy

The Committee operates the Group's variable incentive plans according to their respective rules and in accordance with HMRC rules where relevant. To ensure the efficient administration of these plans, the Committee will apply certain operational discretions. These discretions are implicit in the policy stated above, but we have listed them for clarity. These include, but are not limited to:

- Whether annual bonus is paid to Executives once notice has been served
- Discretion in exceptional circumstances to amend previously set incentive targets or to adjust the proposed pay-out to ensure a fair and appropriate outcome
- Certain decisions relating to the Long Term Incentive Plan awards for which the Committee has discretion as set out in the rules of the relevant share plans which have been approved by shareholders; and
- The decisions on exercise of claw-back rights.

Legacy arrangements

For the avoidance of doubt, in approving this Policy Report, authority is given to the Company to honour any commitments entered into with current or former Directors before the current legislation on remuneration policies came into force or before an individual became a Director, such as the payment outstanding incentive awards, even where it is not consistent with the policy prevailing at the time such commitment is fulfilled.

Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise..

External Directorships for Executive Directors

Executive Directors may accept Non-Executive Directorships with the prior agreement of the Board provided it does not conflict with the Group's interests and the time commitment does not impact upon the Executive Director's ability to perform their primary duty. The Executive Directors may retain the fees from external directorships.

Annual Report on Remuneration

The following report will be subject to an advisory vote at the September 2016 AGM. It sets out how NCC Group's remuneration policy will be implemented in 2016/17 and how it has been implemented in 2015/16. This part of the report has been prepared in accordance with Part 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and 9.8.8R of the Listing Rules.

How will remuneration policy be implemented in the year ended 31 May 2017?

Executive Directors' Base Salaries
Since the last salary review in the year ended 31 May 2016, the business has continued to grow in the UK and internationally and continues to widen its geographical coverage for its clients. The Committee has decided to award a salary increase of 6.02% to the Chief Executive and a salary increase of 6.03% to the Finance Director. These percentage increases are in line with the overall salary review awarded to all other employees. In calculating the increase for all other employees, the impact of promotions has been excluded.

The salary reviews of these two Executives are compliant with our Remuneration Policy and will be effective from 1 June 2016. They compare to the awards made last year to the Chief Executive of 5.96% and to the Finance Director of 11.0%. Further detail on these increases is set out below:

	Salary to 31 May 2016	Salary to 31 May 2017	% Increase
Chief Executive	£498k	£528k	6.02% (5.96% LY)
Finance Director	£232k	£246k	6.03% (11.0% LY

Pension and Benefits.
There will be no changes to pension or benefits provision.

Annual Bonus.
The annual bonus maximum for the Chief Executive and Finance Director in 2016/17 will be 100% of salary. In addition, to ensure that this bonus opportunity also results in shareholder alignment and provides greater retention value, 35% of any bonus payment will be deferred in shares for 2 years. The bonus is also subject to claw back provisions.

Payments under the bonus will be based upon the achievement of profit targets set by the Remuneration Committee. The profit target will be based on delivery of the Group's own internal plans, which are comprehensively set, scrutinised and agreed by the Main Board overlaid on to the financial forecasts and expectations in the investor community.

Profit targets will be disclosed retrospectively in the 2018/19 Annual Report on Remuneration.

Long-term Incentive Plan (LTIP)
Awards of 100% of base salary will be made under the LTIP in August 2016 on the same terms as set out in the policy table. The performance conditions are as follows:

Growth in adjusted EPS over the period 1 June 2016 to 31 May 2019	% of LTIP award which will vest
Less than 9% per annum	0%
At or above 15% per annum	100%
Between 9% and 15% per annum	Between 20% and 100% on a straight-line basis

The Committee continues to consider, but has decided not to use, Total Shareholder Return as a measure, as there are no appropriate or sufficiently similar comparable organisations to compare the Group against.

Comparing the share performance against such a diverse sector as the Software and Services sector or the All Share Index, is outside the sphere of influence of the Executives. If this criterion had been included in the past, the rewards for the participating Executives and Senior Managers would have been considerably higher.

Non-Executive Directors' Remuneration
The fees for Non-Executives reflect a core fee for all Non-Executives then additional fees for the Chairman, those that Chair a Committee and also for the Senior Independent Director. The next review of fees will be in the year ended 31 May 2018.

£000	Fees Year ended 31 May 2016	Fees Year ended 31 May 2017
Paul Mitchell	£75k	£75k
Debbie Hewitt	£51k	£51k
Thomas Chambers	£43k	£43k
Chris Batterham	£38k	£38k

How has the remuneration policy been implemented in the year ended 31 May 2015?

This section sets out how the remuneration policy was implemented in 2015/16. The key implementation decisions during the year related to:

- Determination of annual bonus outcomes for the 2015/16 performance period
- Determination of the vesting level of LTIP awards which related to the 3 year performance period ending on 31 May 2016 and
- The value of awards to be granted under the LTIP, which will vest in 2019, based on a demanding 3-year EPS performance target.

Further detail on these decisions, together with other information on payments made to Directors, is set out in the following sections.

REMUNERATION COMMITTEE REPORT

Single Total Figure of Remuneration (Audited)

The detailed emoluments received by the Executive and Non-Executive Directors for the year ended 31 May 2016 are below. No payments were made for loss of office, and no payments were made to past Directors.

Director £000	Year ended	Base Salary / Non Executive Director Fees	Benefits[1]	Pension Contributions[2]	Annual Bonus[3]	Long-term incentive[4]	Other[5]	Total
Rob Cotton	31 May 2016	£498	£31	£50	£348	£164	-	£1,091
	31 May 2015	£470	£29	£47	£342	£105	-	£993
Atul Patel	31 May 2016	£232	£28	£23	£162	£76	-	£521
	31 May 2015	£209	£26	£21	£152	£49	£11	£468
Paul Mitchell	31 May 2016	£75	-	-	-	-	-	£75
	31 May 2015	£75	-	-	-	-	-	£75
Debbie Hewitt	31 May 2016	£51	-	-	-	-	-	£51
	31 May 2015	£51	-	-	-	-	-	£51
Thomas Chambers	31 May 2016	£43	-	-	-	-	-	£43
	31 May 2015	£43	-	-	-	-	-	£43
Chris Batterham[6]	31 May 2016	£38	-	-	-	-	-	£38
	31 May 2015	£3	-	-	-	-	-	£3

1 Taxable benefits include the provision to every Executive Director of a car or car allowance, payment of private fuel, car insurances, private medical insurance, life assurance and permanent health insurance.

2 Pension benefits include employer contributions to the Group pension scheme and payments in lieu of pension contributions.

3 Annual Bonus payments for performance in the relevant financial year. 35% of this bonus is deferred in shares for two years.

4 Long term incentive awards vesting under the LTIP. Further detail is set out on page 86.

5 The value of the awards vesting under the SAYE.

6 Chris Batterham was appointed as a Non-Executive Director to the Board on 1 May 2015.

Annual Bonus

For the year ended 31 May 2016, the maximum bonus opportunity for Rob Cotton was £498,000 (100% of salary), and for Atul Patel £232,000 (100% of salary). The actual bonus pay out of £348,600 for Rob Cotton and £162,400 for Atul Patel represented 70% of the maximum opportunity for Rob Cotton and Atul Patel and was determined by performance against profit targets established at the start of the financial year. 35% of each payment will be deferred in shares for two years.

The Committee has determined that performance targets for the year ended 31 May 2016 annual bonus are market sensitive and has committed to disclosing these targets in the 2017/2018 annual report on remuneration. In line with this policy, we have set out below performance against the profit targets for the year ended 31 May 2014 annual bonus.

		31 May 2014 adjusted Profit Before Tax	31 May 2014 Annual Bonus payments	
			Rob Cotton	Atul Patel
Performance condition	Threshold	£24.4m	£70,000	£26,250
	Target	£27.1m	£200,000	£75,000
	Maximum	£32.5m	£280,000	£135,000
Actual performance		£27.3m	£205,609	£77,203

Long-term incentive plan vesting

LTIP awards vesting based on performance up to the end of the year ended 31 May 2016 were based on an extremely demanding 3 year EPS growth performance condition. Group EPS performance met the performance target, which resulted in 61,295 shares vesting to Rob Cotton and 28,509 shares vesting to Atul Patel. As shown in the table below, this represents 19.6% of the total award.

Executive	Number of LTIP shares awarded	% of shares vesting	Value of shares vesting
Rob Cotton	312,727	19.6%	£163,780
Atul Patel	145,454	19.6%	£76,176

The value shown in the single figure is based on the average share price over March, April and May.

Further detail on the performance condition relating to these awards is set out below:

	Growth in adjusted EPS over the period 1 June 2013 to 31 May 2016	% of LTIP award which will vest
Performance condition	Less than 10% per annum	0%
	At or above 25% per annum	100%
	Between 10% and 25% per annum	Between 0% and 100% on a straight-line basis.
Actual performance	12.9% per annum	19.6%

Scheme interests awarded during the year (Audited)

LTIP awards granted in the year.

On 6 August 2015, Executive Directors were granted awards, which will vest in 2018 subject to the demanding performance conditions that were set out in last year's Report on Remuneration. The value of these awards will be included in the single figure table in the year ended 31 May 2018 remuneration report following the end of the performance period. The awards are set out below:

Executive	Number of LTIP awards[1]	Basis	Face Value[2]	Performance condition	Performance period
Rob Cotton	218,421	100% of base salary	£498,000	Vesting will be determined by growth in adjusted EPS over the performance period	31 May 2015 to 31 May 2018
Atul Patel	101,754	100% of base salary	£232,000		31 May 2015 to 31 May 2018

1 LTIP awards are structured as nil-cost options.
2 Based on a share price of £2.28 which was the closing mid-market price of the Company's shares on the day before the date of grant.

The performance condition for these awards is set out below:

	Average annual growth in adjusted EPS over the period 1 June 2015 to 31 May 2018	% of LTIP award which will vest
Performance condition	Less than 9% per annum	0%
	At or above 15% per annum	100%
	Between 9% and 15% per annum	Between 20% and 100% on a straight-line basis.

SAYE options granted and exercised in the year

The Group operates a HMRC approved SAYE scheme. All eligible employees, including Executive Directors, may be invited to participate on similar terms for a fixed period of three years. During the year both Executive Directors opted to participate in this scheme.

These awards will be included in the other column of the single figure table in the 2016/17 and in the 2017/8 annual remuneration reports, once they have vested.

Executive	Date of Grant	Number of options	Basis	Face Value	Exercise price	Performance condition	Vesting Date
Rob Cotton	5 Aug 2013	7,945	£250 per month contribution over a 3 year period	£11,248[1]	£1.1327	Awards vest subject to continued employment	October 2016
Rob Cotton	4 Aug 2014	5,933	£250 per month contribution over a 3 year period	£12,459[2]	£1.5167	Awards vest subject to continued employment	October 2017
Atul Patel	4 Aug 2014	11,867	£500 per month contribution over a 3 year period	£24,921[2]	£1.5167	Awards vest subject to continued employment	October 2017

1 Calculated on the price of £1.4158, which was the average midmarket share price over the three days preceding the date of grant.

2 Calculated on the price of £2.10, which was the average midmarket share price over the three days preceding the date of grant.

Directors' interests in shares (Audited).

The tables below set out details of Executive Directors outstanding share awards, which will vest in future years' subject to performance and/or continued service.

LTIP - maximum awards granted

	Date of awards	Maximum number of options granted	Performance period	Exercise period	Share price on date of grant £	Exercise price £[1]
Rob Cotton	9 July 2012	321,492[2]	3 years	1 year	1.337	Nil
	8 July 2013	312,727	3 years	1 year	1.375	Nil
	6 Aug 2014	228,432	3 years	1 year	2.058	Nil
	28 July 2015	218,421	3 years	1 year	2.28	Nil
Atul Patel	9 July 2012	149,532[3]	3 years	1 year	1.337	Nil
	8 July 2013	145,454	3 years	1 year	1.375	Nil
	6 Aug 2014	101,579	3 years	1 year	2.058	Nil
	28 July 2015	101,754	3 years	1 year	2.28	Nil

1 Total exercise price of £1.00 on each occasion

2 49,510 of these awards vested to Rob Cotton in 2015. The remainder lapsed.

3 23,028 of these awards vested to Atul Patel in 2015. The remainder lapsed.

Summary of maximum awards outstanding

	Total LTIP Options held at 31 May 2015	Granted during the period	Exercised during the period	Share price on date of exercise	Lapsed during the period	Total LTIP Options held at 31 May 2016
Rob Cotton	862,651	218,421	49,510	£2.19	271,982	759,580
Atul Patel	396,565	101,754	23,028	£2.19	126,504	348,787

All awards granted under the LTIP are subject to continued employment and the satisfaction of the performance conditions as set out below. The awards are all nil cost options.

Performance conditions for the above awards.
The outstanding awards from the period 1 June 2014 disclosed above are subject to the following performance conditions. If adjusted EPS growth is equal to 15% or more per annum, then 100% of the award will vest. If, however, growth is less than 9% per annum, none of the award governed by the EPS condition will vest. Performance between the two points of measure will be determined between 20% and 100% on a straight-line basis.

The outstanding awards up to the period 31 May 2014 disclosed above are subject to the following performance conditions. If adjusted EPS growth is equal to 25% or more per annum, then 100% of the award will vest. If, however, growth is less than 10% per annum, none of the award governed by the EPS condition will vest. Performance between the two points of measure will be determined on a straight-line basis.

Share ownership.
The beneficial and non-beneficial interests of the directors in the share capital of NCC Group at 31 May 2016 are set out below.

	Beneficial Interests in ordinary shares		Maximum Share awards subject to performance conditions[2]		Share options		Total	
	31 May 2015	31 May 2016	31 May 2015	31 May 2016	31 May 2015	31 May 2016	31 May 2015	31 May 2016
Rob Cotton	5,396,555	5,487,033	862,651	759,580	13,878[3]	13,878[3]	6,273,084	6,260,491
Atul Patel	83,530	105,284	396,565	348,787	11,867[4]	11,877[4]	491,962	465,948
Paul Mitchell	629,600	650,000	-	-	-	-	629,600	650,000
Debbie Hewitt	33,990	37,389	-	-	-	-	33,990	37,389
Thomas Chambers	19,000	20,900	-	-	-	-	19,000	20,900
Chris Batterham	20,000	22,000	-	-	-	-	20,000	22,000

1 This information includes holdings of any connected persons
2 These awards represent the outstanding LTIP interests, which are included in the table on page 89
3 Represents the SAYE scheme interest, which will vest in October 2016 and 2017
4 Represents the SAYE scheme interest, which vested in October 2017

Shareholding Requirements
Last year, the Remuneration Committee decided to adopt a guideline with regard to Executive shareholding. The Executive Directors are expected to build and maintain a minimum holding of Company shares worth at least 100% of their base salary. They have five years from the later of (i) the date of their respective appointment; and (ii) the 25 June 2015, the date that the guidelines were initially adopted, to attain their minimum shareholding.

	Shareholding requirements (% of current salary)	Current shareholding (% of salary)	Requirement met
Rob Cotton	100%	2957%	Yes
Atul Patel	100%	122%	Yes

Relative importance of the spend on pay
The following table sets out the percentage change in distributions to shareholders and employee remuneration costs.

	31 May 2016	31 May 2015	% Change
Employee remuneration costs (£m)[1]	100.2m	73.2m	37%
Dividends (£m)[2]	10.3m	7.6m	36%

1 Based on the figure shown in note 5 to the Financial Statements.
2 Based on the cash returned to shareholders in the year ended 31 May 2016 through dividends as shown in note 8 to the Financial Statements.

Percentage increase in the remuneration of the Chief Executive.
The table below shows the movement in the salary, benefits and annual bonus for the Chief Executive between the current and previous financial year compared to all employees of the Company.

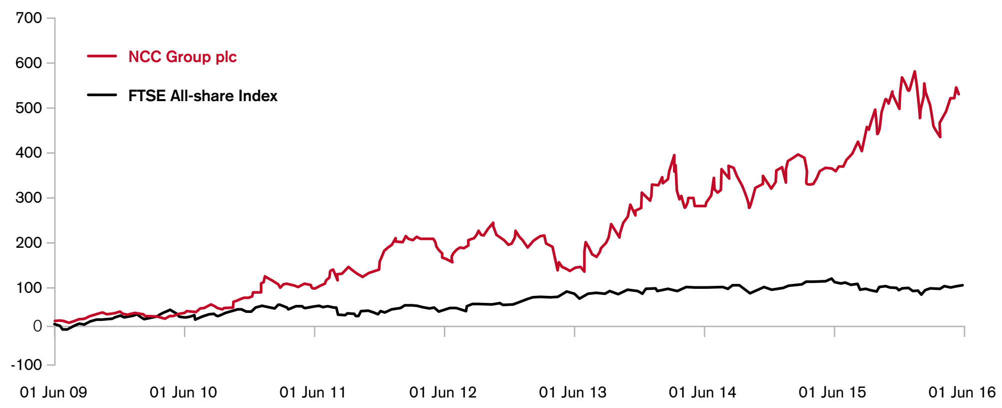
Element of remuneration		% increase/(decrease)
Salary	Chief Executive	6.0%
	Employees	6.2%
Taxable benefits	Chief Executive (% of salary)	10.0%
	Employees (% of salary)	4.0%
Annual Bonus	Chief Executive (% of salary)	2.0%
	Employees (% of salary)	5.0%

Performance graph and table
The following graph shows the total shareholder return, with dividends reinvested, from 31 May 2009 against the corresponding changes in a hypothetical holding in shares in the FTSE All Share Index.

The FTSE All Share represents broad equity indices' in which the company is a constituent member and gives a market capitalisation-based perspective.

During the year the Company's share price varied between £2.07 and £3.24 and ended the year at £2.88.

Seven year historical TSR performance growth in the value of a hypothetical £100 holding over seven years FTSE All Share comparison based on spot value



The share price was £2.11 on 1 June 2015 and £2.88 on 31 May 2016 an increase of 36% in the year. The table below shows the total remuneration for the Chief Executive over the same seven year period including share awards valued at the date they vested.

Year Ending	Chief Executive	Total Remuneration (£000)	Annual Bonus (% of max)[1]	Long-term incentives (% of max)[2]
31 May 2016	Rob Cotton	£1,091	70%	20%
31 May 2015	Rob Cotton	£993	73%	15%
31 May 2014	Rob Cotton	£1,089	73%	50%
31 May 2013	Rob Cotton	£1,118	0%[3]	63%
31 May 2012	Rob Cotton	£1,074	85%	70%
31 May 2011	Rob Cotton	£1,222	67%	54%
31 May 2010	Rob Cotton	£836	71%	72%

1 Note that this shows the annual bonus payments as a percentage of the maximum opportunity.
2 Shows the number of shares, which vested as a percentage of the maximum number of shares, which could have vested.
3 In 2012/13 Rob Cotton waived his right to a bonus, which would have been equal to 32% of salary. This was equivalent to 50% of the maximum bonus opportunity.

REMUNERATION COMMITTEE REPORT

Membership and attendance
The Remuneration Committee membership consists solely of Non-Executive Directors and comprises Debbie Hewitt as Chairman, Thomas Chambers and Chris Batterham.

The Non-Executive Chairman, Chief Executive and Company Secretary attend the Remuneration Committee by invitation of the Chairman of the Committee from time to time and assist the Committee with its considerations. No Director is involved in setting their personal remuneration plan.

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

	Meetings attended
Debbie Hewitt	3/3
Thomas Chambers	3/3
Chris Batterham	2/3

Adviser to the Committee
During the year, the Committee received advice on senior executive remuneration from Aon Hewitt Consultants and was comfortable that the advice was objective and independent. The total fee charged 2015/16 was £4,000.

The Committee reviews the performance and independence of its advisers on an annual basis.

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

Executive	Date of contract	Notice period
Rob Cotton	8 July 2004	1 year
Atul Patel	19 April 2011	6 months
Non-Executive		
Paul Mitchell	26 June 2007	3 months
Debbie Hewitt	18 September 2008	3 months
Thomas Chambers	20 September 2012	3 months
Chris Batterham	9 April 2015	3 months

Dilution
The LTIP has a dilution limit, for new and treasury shares, of 10% of the issued ordinary share capital of the Company in any 10 year period for any share option scheme operated by the Company. As at 31 May 2016 the Company had utilised 19,727,431 (31 May 2015: 18,294,498) ordinary shares through LTIP, SAYE, EMI, CSOP, ISO and ESPP awards counting towards the 10% limit which represents 7.15% (2015: 7.98%) of the issued ordinary share capital of the Company.

Statement of shareholder voting
At the 2014 AGM, the Directors' Remuneration policy received the following votes from shareholders.

	Total number of votes	% of votes cast
For	163,136,669	99.95%
Against	83,317	0.05%
Total votes cast (for and against excluding withheld votes)	163,219,986	100.0%
Votes withheld[1]	9,377,487	
Total votes cast (including withheld votes)	172,597,473	100.0%

1 A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast "for" and "against" a resolution.

At last year's AGM, the Directors' Remuneration policy received the following votes from shareholders.

	Total number of votes	% of votes cast
For[1]	176,986,522	96.41%
Against	6,592,541	3.59%
Total votes cast (for and against excluding withheld votes)	183,579,063	100.0%
Votes withheld	75,000	
Total votes cast (including withheld votes)	183,654,063	100.0%

1 Any proxy appointments which give discretion to the Chairman at the meeting have been included in the "for" total.

Approved by the Board and signed on its behalf:

Debbie Hewitt
Chair of the Remuneration Committee
6 July 2016

FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

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

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

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By Order of the Board

Rob Cotton
Chief Executive
6 July 2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NCC GROUP PLC ONLY

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of NCC Group plc for the year ended 31 May 2016 set out on pages 104 to 155. In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 May 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risks of material misstatement that had the greatest effect on our audit, in decreasing order of audit significance, were as follows:

Recoverability of software and development intangibles £21,934k (2015: £19,427k)

Risk vs 2015: ◄

Refer to page 64 (Audit Committee report), pages 116-117 note 1 (accounting policies) and pages 129-131 note 11 (financial disclosures)

- **The risk** – The Group capitalises internal and external costs in respect of software and development projects. The Group has continued to develop assets in respect of the NCC Group Domain Services projects, Web Performance projects and Security Services projects during the year, some of which have become operational in the year with revenue generated from both the Domain Services projects and some Web Performance projects. The Group expects to generate further revenue from these projects during the next year and beyond, although there remains a degree of uncertainty around whether expected revenues and profits will be realised and be sufficient to ensure the recoverability of the assets recognised on the balance sheet. Certain of the key inputs, specifically customer sign up rates, revenue growth, timing and amount of capital expenditure and cost of sales, and discount rate applied to future cash flows require significant estimation and judgement. The Group has also capitalised costs in relation to the finance and operational systems upgrades that represent substantial improvements to the assets, some of which became operational in the year. The Directors also apply judgement in the classification of expenditure as capital in nature rather than on-going operational expenditure.
- **Our response** – Our audit procedures included detailed testing of the inputs into the Group's project forecasts, assessment of the historical accuracy of the Directors' forecasting and the success rates of past projects, and interviews with key operational personnel. For the key inputs to the forecast calculations, including customer sign up rates, revenue growth and discount rates, we critically assessed the reasonableness of the assumptions with reference to internal and external information. We assessed whether costs had been appropriately capitalised in respect of significant projects by inspecting source documents and the accompanying descriptions of costs and comparing to the recognition criteria of relevant accounting standards for a sample of costs.

Business combinations: Total consideration £93,956k, acquired intangibles £25,393k, goodwill £70,929k (2015: Total consideration £66,021k, acquired intangibles £24,712k, goodwill £62,680k)

Risk vs 2015: ◄►

Refer to page 65 (Audit Committee report), page 115 note 1 (accounting policies) and pages 134-137 note 16 (financial disclosures)

- **The risk** – The Group made one significant acquisition during the year. This is a significant risk area due to the judgements involved, including in relation to the identification and fair value measurement of assets and liabilities acquired, particularly separately recognised intangible assets. Additionally, there have been acquisitions in the prior year and earlier, where judgements continue to be required in determining the fair value of contingent consideration payable.
- **Our response** – Our audit procedures included using our own valuation specialists' knowledge to assist us in challenging the methodology used to identify the intangibles acquired and the approach to the valuation thereof. We assessed the cash flows applied within the valuation models and the key assumptions applied to the cash flows, such as the discount and growth rates, using internal and external data. In respect of fair value adjustments we considered whether the fair value adjustments made were relevant and complete. We also assessed the Group's assumptions used in the valuation of contingent consideration associated with previous acquisitions including challenging management's forecasts for the contingency outcomes using our knowledge of the business and reviewing payments made post year end. We considered the adequacy of the Group's disclosures in respect of accounting for business combinations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NCC GROUP PLC ONLY

Recoverability of goodwill and other intangible assets £275,343k (2015: £185,509k)

Risk versus 2015: ▲ (New risk)

Refer to page 65 (Audit Committee report), page 116-117 note 1 (accounting policies) and pages 129-131 note 11 (financial disclosures)

- **The risk** – Goodwill and intangible assets carrying value has increased significantly following acquisitions in 2016 and 2015. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, this is identified as a significant risk. The outcome of this assessment could vary significantly if different assumptions were applied. In addition, there are significant judgements made in determining the cash generating units (CGUs) of the Group, the allocation of operating net assets across the CGUs and in the allocation of central assets and central costs that are also incorporated into the impairment assessment.

- **Our response** – Our audit procedures included challenging the analysis to determine CGUs and detailed testing of the inputs into the Group's CGUs forecasts, assessment of the historical accuracy of the Directors' forecasting, and testing the arithmetic accuracy of the discounted cash flow model. Certain of the key inputs, specifically increase in profitability and discount rate applied to future cash flows, require significant estimation and judgement. For these key inputs we critically assessed the reasonableness of the assumptions with reference to internal and external information. We involved our own valuation specialists to assist in assessing the discount rates applied to future cash flows.

  For recently acquired businesses we critically assessed post acquisition trading compared to the forecasts at acquisition and have discussed current trading prospects with local operational management to evaluate the reasonableness of the revenue growth estimates applied in the cash flow forecasts. We compared the sum of the discounted cash flows across the CGUs to the Group's market capitalisation to assess the reasonableness of those discounted cash flows. We also assessed the appropriateness of the Group's disclosures about the sensitivity of the outcome of the impairment assessment of each CGU to changes in key assumptions and that these disclosures reflected the risks inherent in the valuation of goodwill.

We continue to perform procedures over revenue recognition. However, given that revenue contracts have a relatively limited number of variations, revenue recognition involves minimal manual intervention and judgement, and there has been a limited history of audit adjustments to revenues, we have not assessed this as one of the risks that had the greatest effect on our audit and, therefore, it is not separately identified in our report this year.

3. Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £1.2 million (2015: £1.3 million), determined with reference to a benchmark of Group profit before tax normalised for non-recurring exceptional items, of £23.9 million (2015: £22.0 million), of which it represents 5.0% (2015: 5.9%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £60,000 (2015: £60,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 20 (2015: 19) reporting components, audits for Group reporting purposes were performed by the Group audit team for 10 (2015: 12) components which have significant operations in the UK and US. For 7 (2015: 4) of the Group's components we performed a review (including enquiry) of financial information as these components were not individually financially significant enough to require an audit for Group reporting purposes but a review was performed to provide further coverage over the Group's results. The components within the scope of our work accounted for the following percentages of the Group's results.

For the remaining 3 (2015: 3) components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

Group profit before tax normalised for non-recurring exceptional items.

The audits undertaken for Group reporting purposes were performed to materiality levels which ranged between £250,000 and £500,000 (2015: between £200,000 and £800,000), having regard to the mix of size and risk profile of the Group across the components.

	Number of components	Group revenue	Total profits and losses that make up Group profit before tax	Group total assets
Audits for Group reporting purposes	10	68%	85%	88%
Reviews of financial information (including enquiry)	7	29%	14%	8%
Total	**17**	**97%**	**99%**	**96%**
Total (2015)	**16**	**99%**	**98%**	**98%**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NCC GROUP PLC ONLY

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5. We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the Directors' viability statement on page 47, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the three years to May 2019; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

6. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the Audit Committee Report does not appropriately address matters communicated by us to the Audit Committee.

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

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

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 47, in relation to going concern and longer-term viability; and
- the part of the Corporate Governance Statement on pages 57 to 61 relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on pages 96-97, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Stuart Burdass (Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor

Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
6 July 2016

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY 2016

	Notes	2016	2015
		£000	£000
Revenue	2	**209,102**	133,696
Cost of sales		**(150,537)**	(92,828)
Gross profit		**58,565**	40,868
Administrative expenses before amortisation of acquired intangible assets, share-based payments and exceptional items		**(20,140)**	(14,473)
Operating profit before amortisation of acquired intangibles, share-based payments and exceptional items		**38,425**	26,395
Amortisation of acquired intangible assets		**(6,833)**	(2,207)
Share-based payments	22	**(1,191)**	(991)
Exceptional items	3	**(18,945)**	(588)
Total administrative expenses		**(47,109)**	(18,259)
Operating profit	2, 4	**11,456**	22,609
Financial income	6	**5**	10
Finance expense excluding unwinding of discount		**(1,412)**	(936)
Net financing costs excluding unwinding of discount		**(1,407)**	(926)
Unwinding of discount relating to consideration on business combinations	6	**(621)**	(262)
Financial expenses	6	**(2,033)**	(1,198)
Net financing costs		**(2,028)**	(1,188)
Profit before taxation		**9,428**	21,421
Taxation	7	**(3,145)**	(4,633)
Profit for the year		**6,283**	16,788
Attributable to equity holders of the parent company		**6,283**	16,788
Earnings per share from continuing operations	9		
Basic earnings per share		**2.5p**	8.0p
Diluted earnings per share		**2.4p**	7.8p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2016

	Notes	2016	2015
		£000	£000
Profit for the year		**6,283**	16,788
Items that may be reclassified subsequently to profit or loss (net of tax)			
Foreign exchange translation differences		**9,713**	(388)
Total comprehensive income for the year, net of tax		**15,996**	16,400
Attributable to:			
Equity holders of the parent		**15,996**	16,400

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MAY 2016

	Notes	2016		2015	
		£000	**£000**	£000	£000
Non-current assets					
Intangible assets	11	**297,277**		204,936	
Plant and equipment	12	**12,686**		9,376	
Investments	13	**608**		553	
Deferred tax assets	17	**5,285**		4,318	
Total non-current assets			**315,856**		219,183
Current assets					
Trade and other receivables	14	**66,467**		44,429	
Inventories	15	**334**		-	
Cash and cash equivalents		**20,663**		16,353	
Total current assets			**87,464**		60,782
Total assets			**403,320**		279,965
Equity					
Issued capital	23	**2,759**		2,293	
Share premium		**147,324**		23,964	
Merger reserve		**42,308**		42,308	
Reserve for own shares		**(230)**		(464)	
Retained earnings		**62,490**		65,064	
Currency translation reserve		**8,274**		(1,439)	
Total equity attributable to equity holders of the parent			**262,925**		131,726
Non-current liabilities					
Other financial liabilities	20	**394**		392	
Deferred tax liability	17	**15,492**		10,119	
Finance leases		**-**		64	
Consideration on acquisitions	20	**18,526**		7,998	
Interest bearing loans	20, 21	**33,395**		57,155	
Total non-current liabilities			**67,807**		75,728
Current liabilities					
Trade and other payables	18	**31,647**		25,862	
Interest bearing loans	21	**-**		9,750	
Consideration on acquisitions	18	**3,471**		1,546	
Deferred revenue	19	**36,313**		31,861	
Current tax payable		**1,157**		3,492	
Total current liabilities			**72,588**		72,511
Total liabilities			**140,395**		148,239
Total liabilities and equity			**403,320**		279,965

These financial statements were approved by the Board of Directors on 6 July 2016 and were signed on its behalf by:

Rob Cotton
Chief Executive
NCC Group plc
4627044
6 July 2016

COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 MAY 2016

	Notes	2016		2015	
		£000	**£000**	£000	£000
Non-current assets					
Investments in subsidiaries	28	**87,458**		86,323	
Total non-current assets			**87,458**		86,323
Current assets					
Intercompany receivables	14	**130,245**		8,741	
Cash and cash equivalents		**40**		62	
Total current assets			**130,285**		8,803
Total assets			**217,743**		95,126
Equity					
Issued capital	23	**2,759**		2,293	
Share premium		**147,324**		23,964	
Merger reserve		**42,308**		42,308	
Reserve for own shares		**(230)**		(464)	
Retained earnings		**14,940**		15,535	
Total equity			**207,101**		83,636
Current liabilities					
Intercompany payables	18	**10,642**		11,490	
Total current liabilities			**10,642**		11,490
Total liabilities			**10,642**		11,490
Total liabilities and equity			**217,743**		95,126

These financial statements were approved by the Board of Directors on 6 July 2016 and were signed on its behalf by:

Rob Cotton
Chief Executive
NCC Group plc
4627044
6 July 2016

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2016

	Notes	2016	2015
		£000	£000
Cash flow from operating activities			
Profit for the year		**6,283**	16,788
Adjustments for:			
Depreciation charge	12	**3,682**	2,623
Share-based charges (net of national insurance contributions)	22	**1,135**	885
Amortisation of intangible assets	11	**8,409**	2,723
Net financing costs		**2,028**	1,188
Profit on sale of plant and equipment	4	**(148)**	(43)
Adjustments to contingent consideration	3	**(5,940)**	-
Impairment of intangible assets	3	**6,858**	-
Impairment of goodwill	3	**11,877**	-
Income tax expense	7	**3,145**	4,633
Cash inflow for the year before changes in working capital		**37,329**	28,797
Increase in trade and other receivables		**(15,055)**	(511)
Increase/(decrease) in trade and other payables		**2,860**	(4,000)
Exceptional payables		**(2,049)**	-
Cash generated from operating activities before interest and tax		**23,085**	24,286
Interest paid		**(2,029)**	(1,072)
Income taxes paid		**(7,291)**	(3,417)
Net cash generated from operating activities		**13,765**	19,797
Cash flows from investing activities			
Interest received		**5**	10
Acquisition of plant and equipment	12	**(4,649)**	(4,788)
Software and development expenditure	11	**(8,863)**	(8,175)
Acquisition of businesses	16	**(78,427)**	(19,831)
Cash acquired with subsidiaries	16	**1,769**	5,676
Net cash used in investing activities		**(90,165)**	(27,108)
Cash flows from financing activities			
Purchase of own shares		**(98)**	(414)
Proceeds from the issue of ordinary share capital		**123,826**	429
Draw down of borrowings		**(33,509)**	20,443
Equity dividends paid		**(10,280)**	(7,634)
Net cash used in financing activities		**79,939**	12,824
Net increase in cash and cash equivalents	24	**3,539**	5,513
Cash and cash equivalents at beginning of year		**16,353**	11,212
Effect of foreign currency		**771**	(372)
Cash and cash equivalents at end of year		**20,663**	16,353

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2016

	Notes	2016	2015
		£000	£000
Cash flow from operating activities			
Profit for the year	10	**8,784**	7,506
Adjustments for:			
Equity dividends received		**(8,800)**	(8,100)
Share-based charges (net of national insurance contributions)	22	**-**	546
Income tax expense		**-**	-
Cash outflow for the year before changes in working capital		**(16)**	(48)
(Increase)/decrease in intercompany balances		**(122,352)**	9,682
Cash generated from operating activities before interest and tax		**(122,352)**	9,682
Net cash generated from operating activities		**(122,368)**	9,634
Cash flows from investing activities			
Acquisition of business acquired	16	**-**	(9,994)
Net cash used in investing activities		**-**	(9,994)
Cash flows from financing activities			
Purchase of own shares		**-**	(414)
Proceeds from the issue of ordinary share capital		**123,826**	335
Equity dividends received		**8,800**	8,100
Equity dividends paid		**(10,280)**	(7,634)
Net cash used in financing activities		**122,346**	387
Net increase in cash and cash equivalents		**(22)**	27
Cash and cash equivalents at beginning of year		**62**	35
Cash and cash equivalents at end of year		**40**	62

FOR THE YEAR ENDED 31 MAY 2016

Group	Issued share capital	Share premium	Merger reserve	Currency translation reserve	Reserve for own shares	Retained earnings	Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 June 2014	2,085	23,634	-	(1,051)	(1,075)	56,003	79,596
Profit for the year	-	-	-	-	-	16,788	16,788
Foreign currency translation differences	-	-	-	(388)	-	-	(388)
Total comprehensive income for the year	**-**	**-**	**-**	**(388)**	**-**	**16,788**	**16,400**
Transactions with owners recorded directly in equity							
Dividends to equity shareholders	-	-	-	-	-	(7,634)	(7,634)
Share-based payment transactions	-	-	-	-	-	885	885
Current and deferred tax on share-based payments	-	-	-	-	-	47	47
Shares issued	208	330	42,308	-		-	42,846
Purchase of own shares	-	-	-	-	611	(1,025)	(414)
Total contributions by and distributions to owners	**208**	**330**	**42,308**	**-**	**611**	**(7,727)**	**35,730**
Balance at 31 May 2015	**2,293**	**23,964**	**42,308**	**(1,439)**	**(464)**	**65,064**	**131,726**

	Issued share capital	Share premium	Merger reserve	Currency translation reserve	Reserve for own shares	Retained earnings	Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 June 2015	2,293	23,964	42,308	(1,439)	(464)	65,064	131,726
Profit for the year	-	-	-	-	-	6,283	6,283
Foreign currency translation differences	-	-	-	9,713	-	-	9,713
Total comprehensive income for the year	**-**	**-**	**-**	**9,713**	**-**	**6,283**	**15,996**
Transactions with owners recorded directly in equity							
Dividends to equity shareholders	-	-	-	-	-	(10,280)	**(10,280)**
Share-based payment transactions	-	-	-	-	-	1,135	**1,135**
Current and deferred tax on share-based payments	-	-	-	-	-	620	**620**
Shares issued	466	123,360	-	-	-	-	**123,826**
Purchase of own shares	-	-	-	-	234	(332)	**(98)**
Total contributions by and distributions to owners	**466**	**123,360**	**-**	**-**	**234**	**(8,857)**	**115,203**
Balance at 31 May 2016	**2,759**	**147,324**	**42,308**	**8,274**	**(230)**	**62,490**	**262,925**

STATEMENTS OF CHANGES OF EQUITY

FOR THE YEAR ENDED 31 MAY 2016

Company	Share capital	Share premium	Merger reserve	Reserve for own shares	Retained earnings	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 June 2014	2,085	23,634	-	(1,075)	15,803	40,447
Profit for the year	-	-	-	-	7,506	7,506
Foreign currency translation differences	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**7,506**	**7,506**
Transactions with owners recorded directly in equity						
Dividends to equity shareholders	-	-	-	-	(7,634)	(7,634)
Share-based payment transactions	-	-	-	-	546	546
Current and deferred tax on share-based payments	-	-	-	-	-	-
Increase in subsidiary investment for share-based charges	-	-	-	-	339	339
Shares issued	208	330	42,308	-	-	42,846
Purchase of own shares	-	-	-	611	(1,025)	(414)
Total contributions by and distributions to owners	**208**	**330**	**42,308**	**611**	**(7,774)**	**35,683**
Balance at 31 May 2015	**2,293**	**23,964**	**42,308**	**(464)**	**15,535**	**83,636**

	Share capital	Share premium	Merger reserve	Reserve for own shares	Retained earnings	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 June 2015	2,293	23,964	42,308	(464)	15,535	83,636
Profit for the year	-	-	-	-	8,784	8,784
Foreign currency translation differences	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**8,784**	**8,784**
Transactions with owners recorded directly in equity						
Dividends to equity shareholders	-	-	-	-	(10,280)	(10,280)
Share-based payment transactions	-	-	-	-	-	-
Current and deferred tax on share-based payments	-	-	-	-	-	-
Increase in subsidiary investment for share-based charges	-	-	-	-	1,135	1,135
Shares issued	466	123,360	-	-	-	123,826
Purchase of own shares	-	-	-	234	(234)	-
Total contributions by and distributions to owners	**466**	**123,360**	**-**	**234**	**(9,379)**	**114,681**
Balance at 31 May 2016	**2,759**	**147,324**	**42,308**	**(230)**	**14,940**	**207,101**

NOTES

FORMING PART OF THE FINANCIAL STATEMENTS

1 Accounting policies

Basis of preparation
NCC Group plc ("the Company") is a company incorporated in the UK. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about the Group.

These financial statements have been approved for issue by the Board of Directors on 6 July 2016.

Both the parent and the Group financial statements have been prepared 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.

Basis of measurement
The consolidated financial statements have been prepared on the historical cost basis except for consideration payable on acquisitions which are measured at fair value.

Functional and presentation currency
The Group and Company financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 12 to 31. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Business and Financial Review on pages 14 to 22. In addition, note 21 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The Group funds its strategic acquisitions and meets its day-to-day working capital requirements via a multi-currency revolving credit facility of £80m, a £30m multi-currency term loan and an overdraft of £5m. At 31 May 2016, the amount drawn down under the facilities was £33.3m. This facility was agreed in November 2015 and is due for renewal in November 2020.

The Directors have reviewed the trading and cashflow forecasts of the Group as part of their going concern assessment and have taken into account reasonable downside sensitivities which reflect uncertainties in the current operating environment. The possible changes in trading performance show that the Group is able to operate within the level of the banking facilities and as a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future.

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

FOR THE YEAR ENDED 31 MAY 2016

1 Accounting policies (continued)

New standards
The following Adopted IFRSs have been issued and applied by the Group in these financial statements for the first time.

New standards: None

Amendments and interpretations:

- Amendments to IAS19 'Defined benefit plans: Employee contributions'
- Annual Improvements to IFRSs 2010-12 cycle
- Annual Improvements to IFRSs 2011-13 cycle

Their adoption does not have a material effect on the financial statements.

New IFRS and amendments to IAS and interpretations
There are a number of standards and interpretations issued by the International Accounting Standards Board that are effective for financial statements after this reporting period but have not yet been adopted as follows:

	Effective for accounting periods starting on or after
IFRS14 'Regulatory Deferral Accounts'	1 January 2016
Amendments to IFRS10, IFRS12 and IAS28 'Investment Entities: Applying the Consolidation Exception'	1 January 2016
Amendments to IAS16 and IAS28 'Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016
Amendments to IFRS11 'Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016
IFRS15 'Revenue from Contracts with Customers'	1 January 2018
IFRS9 'Financial Instruments'	1 January 2018
IFRS16 'Leases'	1 January 2019

The application of these standards and interpretations is not anticipated to have a material effect on the Group's financial statements.

1 Accounting policies (continued)

Business combinations
Business combinations are accounted for by applying the acquisition method at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Acquisitions on or after 1 June 2010

For acquisitions on or after 1 June 2010, the Group measures goodwill at the acquisition date as:

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

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in the income statement.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any deferred or contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of contingent consideration are recognised in the income statement.

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

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

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

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

Subsidiaries
Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases

FOR THE YEAR ENDED 31 MAY 2016

1 Accounting policies (continued)

Intangible assets and goodwill

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

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

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

Research and development
Expenditure on research activities is recognised in the income statement as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends, has the technical ability and has sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes.

The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use and capitalised borrowing costs. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Other intangible assets
Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses.

Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

1 Accounting policies (continued)

Amortisation
Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangibles are amortised from the date they are available for use. The estimated useful lives are as follows:

Acquired customer contracts and relationships – between 3 and 20 years

Software – 3 years

Capitalised development costs – between 3 and 10 years

Impairment excluding deferred tax assets

Financial assets (including receivables)
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets
The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

FOR THE YEAR ENDED 31 MAY 2016

1 Accounting policies (continued)

Related party transactions
Details of related party transactions are set out in note 27 to these financial statements.

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

Computer equipment – 20% to 33%

Plant and equipment – 20%

Fixtures and fittings – 10% to 20%

Motor vehicles – 25%

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

Investments
Investments in subsidiaries are carried at cost less impairment. Investments in property and unlisted shares are carried at cost less impairment which is based on the fair value at acquisition.

Inventory
Inventory is held at the lower of cost or net realisable value.

Revenue recognition
Revenue represents the value of services provided during the period, excluding VAT and similar taxes.

Assurance
The results of partially completed contracts whether fixed price or on a time and materials basis are recognised on a percentage completion basis according to the number of days worked in comparison to the total contracted number of days 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. For certain Assurance services, higher set up costs are incurred in the first month of the contract. Where this is the case the revenue associated with this is recognised at the same time as the costs, with the remainder deferred over the life of the contract.

Escrow and website monitoring
Other than fees attributable to initial setup of a new project/contract and verifications, which are recognised upon completion, 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.

Domain services
Trademark Clearinghouse (TMCH) fees are deferred and released to the income statement on a straight-line basis over the life of the related agreement. Agreements are for durations of one, three or five years. Domain name registry fees are recognised on a straight line basis over the period specified in the customer agreement. Revenue from the contracted sale of domain names is recognised when the full title and rights to the domain name have transferred to the customer.

1 Accounting policies (continued)

Determination and presentation of operating segments
The Group determines and presents operating segments based on the information that is provided to the CEO, who is the Group's chief operating decision maker in order to assess performance and to allocate resources.

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

For the year ended 31 May 2016, the Group has three reportable segments (2015: three), Group Escrow, Assurance and Domain Services. Escrow, Assurance and Domain Services are the Group's strategic business units offering different services and they are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the CEO (the chief operating decision maker) reviews internal management reports on a monthly basis.

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement.

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

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

Employee benefits – defined contribution plans
The Group operates a defined contribution pension scheme. The assets of the scheme are kept separately from those of the Group in an independently administered fund. The amount charged as an expense in the income statement represents the contributions payable to the scheme in respect of the accounting period.

Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions
Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards.

FOR THE YEAR ENDED 31 MAY 2016

1 Accounting policies (continued)

Share-based payment transactions (continued)
The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Group receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Group's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Where the Company grants options over its own shares to the employees of a subsidiary it recognises, in its individual financial statements, an increase in the cost of investment in that subsidiary equivalent to the equity-settled share-based payment charge recognised in respect of that subsidiary in its consolidated financial statements with the corresponding credit being recognised directly in equity.

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

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

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

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

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 or receivable on the taxable income or loss 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.

1 Accounting policies (continued)

Deferred taxation
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; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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 temporary difference can be utilised.

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

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

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

Treasury Shares
NCC Group plc shares held by the Group are deducted from equity as "treasury shares" and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to reserves. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of equity shares.

Use of estimates and judgements
The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an on-going basis, with revisions recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity are set out below and in more detail in the related notes:

Note 1 – Assessment of intangible carrying value (including development projects)

Note 15 – The valuation of intangible assets arising on acquisitions

Other sensitive estimates and assumptions that are significant to the financial statements are included in the following notes;

Note 1 – Assessment of intangible assets useful economic lives

Note 11 – Key assumptions used in discounted cash flow projections

Note 16 – Measurement of deferred and contingent consideration

NOTES

2 Segmental information

The Group is organised into three operating segments (2015: three) Escrow, Assurance and Domain Services each of which is separately reported. While revenue and profitability are monitored by individual business units within these operational segments it is only at the operating level that resource allocation decisions are made. Performance is measured based on segment profit, which comprises segment operating profit excluding amortisation of intangible assets, share based payment charges and exceptional items. Interest and tax are not allocated to business segments and there are no intra-segment sales.

	2016	2015
	£000	£000
Revenue by business segment		
Escrow UK	**25,680**	23,729
Escrow Europe	**3,434**	3,152
Escrow US	**6,187**	5,151
Group Escrow	**35,301**	32,032
Security Consulting	**138,903**	74,381
Software Testing and Web Performance	**29,963**	22,582
Assurance	**168,866**	96,963
Domain Services	**4,935**	4,701
Total revenue	**209,102**	133,696

All revenue is in relation to services provided.

2 Segmental information (continued)

	2016	2015
	£000	£000
Operating profit by business segment		
Group Escrow	**20,064**	18,891
Assurance	**25,762**	16,990
Domain Services	**(1,712)**	(4,913)
Segment operating profit	**44,114**	30,968
Head office costs	**(5,689)**	(4,573)
Operating profit before amortisation of acquired intangibles, charges for share-based payments and exceptional items	**38,425**	26,395
Amortisation of acquired intangible assets Group Escrow	**(732)**	(722)
Amortisation of acquired intangible assets Assurance	**(5,599)**	(1,257)
Amortisation of acquired intangible assets Domain Services	**(502)**	(228)
Share-based payments	**(1,191)**	(991)
Operating profit before exceptional items	**30,401**	23,197
Exceptional items	**(18,945)**	(588)
Operating profit	**11,456**	22,609

There are no customer contracts which account for more than 10% of segment revenue. Exceptional items includes goodwill impairment of £11,877,000 attributable to the Domain Services segment, see note 3.

	2016	2015
	£000	£000
Revenue by geographical destination		
UK	**122,014**	72,121
Rest of Europe	**34,242**	13,503
Rest of the World	**52,846**	48,072
Total revenue	**209,102**	133,696

FOR THE YEAR ENDED 31 MAY 2016

3 Exceptional items

The Group identifies separately items as "exceptional". These are items which in 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. Subsequent revisions of estimates for items initially recognised as exceptional provisions are recorded as exceptional items in the year that the revision is made.

	2016	2015
	£000	£000
Operating exceptional items		
Acquisition related costs	**(2,295)**	(2,387)
Adjustments to deferred and contingent consideration	**4,712**	-
Goodwill impairment	**(11,877)**	-
Intangible asset write down	**(6,858)**	-
Restructuring costs	**(2,627)**	-
IT claim net income	**-**	1,799
Total	**(18,945)**	(588)

In November and December 2015, the Group raised £126.3m through a firm placing and a placing and open offer, part of which was used to fund the initial cash consideration to acquire Fox-IT Holdings B.V. The costs associated with the fund raising and acquisition were £2,295,000.

Following a strategic review, the Group decided in June 2016 to withdraw from the Domain Services market place, the Group has taken a number of one off charges, totalling net £13,709,000. These include:

- The write down of capitalised assets, the critical infrastructure and know-how to create a universal environment for end users to operate and navigate the Internet with complete safety and security is £6,858,000.
- The impairment of goodwill in Open Registry of £11,877,000.
- A credit of £5,940,000 in respect of contingent consideration that will not be paid as the earnings targets have not been achieved.
- A charge of £914,000 for headcount and associated restructuring costs related to winding down the Division.

As a result of the acquisition of Accumuli in April 2015 the Group, as previously reported became responsible for paying retention bonuses to a large number of employees and former employees of Accumuli as well as the costs of a fundamental restructure and reorganisation of the company. This resulted in an exceptional charge of £1,713,000.

During last year, the Group received a settlement of £2,000,000 in respect of a claim to recover costs incurred on an IT system termination in May 2012. Associated legal costs amounting to £201,000 were incurred in that financial year. In addition, acquisition costs in respect of the acquisition of Open Registry and Accumuli totalling £2,387,000 were included as exceptional charges in the prior year.

3 Exceptional items (continued)

The tax effect in the income statement relating to the exceptional items recognised is:

	2016	2015
	£000	£000
Exceptional items and acquisition related costs		
Acquisition related costs	**(160)**	(497)
Adjustments to deferred and contingent consideration	**-**	-
Goodwill impairment	**-**	-
Intangible asset write down	**(2,289)**	-
Restructuring costs	**(640)**	-
IT claim net income	**-**	375
Total	**(3,089)**	(122)

4 Expenses and auditors' remuneration

	2016	2015
	£000	£000
Profit before taxation is stated after charging/(crediting):		
Amounts receivable by auditors and their associates in respect of:		
Audit of these financial statements	**50**	38
Audit of financial statements of subsidiaries pursuant to legislation	**75**	50
Total audit	**125**	88
Review of interim financial statements	**10**	10
Other assurance services	**-**	18
Total fees	**135**	116
Depreciation and other amounts written off tangible and intangible fixed assets:		
Owned	**3,682**	2,623
Amortisation of intangible assets	**8,409**	2,723
Exceptional items (note 3)	**18,945**	588
Exchange losses	**(46)**	(864)
Operating lease rentals charged:		
Hire of property, plant and equipment	**3,925**	2,588
Other operating leases	**1,377**	1,206
Research and development expenditure	**2,200**	1,900
Profit on disposal of plant and equipment	**(148)**	(43)

FOR THE YEAR ENDED 31 MAY 2016

5 Staff numbers and costs

Directors' emoluments are disclosed in the Remuneration Committee Report on pages 72 to 95. Total aggregate emoluments of the directors in respect of 2016 were £1,819,000 (2015: £1,633,000). Employer contributions to pensions for executive directors for qualifying periods were £73,000 (2015: £68,000). The aggregate net value of share awards granted to the directors in the period was £730,000 (2015: £679,000). The net value has been calculated by reference to the closing mid-market price of the Company's shares on the day before the date of grant. During the year, 72,538 share options were exercised by directors (2015: 279,561) with a market value of £159,000.

Group

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

	Number of employees	
	2016	2015
Operational	**837**	593
Administration, sales and marketing	**565**	385
	1,402	978

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£000	£000
Wages and salaries	**88,432**	63,834
Share-based payments (note 22)	**1,135**	885
Social security costs	**8,081**	6,642
Other pension costs (note 26)	**2,479**	1,840
	100,127	73,201

6 Net financing costs

	2016	2015
	£000	£000
Financial income		
Interest on short term deposits	**5**	10
	5	10
Financial expenses		
Interest payable on bank loans and overdrafts	**(1,412)**	(863)
Amortisation of deal fees on term loans	**-**	(73)
Deferred consideration finance expense	**(621)**	(262)
	(2,033)	(1,198)

Deferred consideration relating to the acquisition of subsidiary undertakings has been discounted to its present value.

7 Taxation

Recognised in the income statement	2016	2015
	£000	£000
Current tax expense		
Current year	**4,374**	4,408
Adjustment to tax expense in respect of prior periods	**(478)**	(1,366)
Foreign tax	**839**	591
Total current tax	**4,735**	3,633
Deferred tax (note 17)	**(1,590)**	1,000
Tax in income statement	**3,145**	4,633

Reconciliation of effective tax rate	2016	2015
	£000	£000
Profit before taxation	**9,428**	21,421
Current tax using the UK corporation tax rate of 20% (2015: 20.83%)	**1,885**	4,462
Effects of:		
Items not taxable for tax purposes	**2,005**	755
Adjustment to tax charge in respect of prior periods	**(187)**	(628)
Differences between overseas tax rates	**(536)**	9
Movements in temporary differences not recognised	**31**	58
Effect of rate change	**(53)**	(23)
Total tax expense	**3,145**	4,633

Current and deferred tax recognised directly in equity was a credit of £619,000 (2015: charge of £47,000).

The UK Government has announced that it intends to reduce the rate of corporation tax to 17% with effect from 1 April 2020. As this legislation was not substantively enacted as at year end the impact of the anticipated rate change is not reflected in the tax provisions reported in these accounts. Finance Act 2015 (No.2), which was substantively enacted in October 2015, included provisions to reduce the rate of corporation tax to 19% with effect from 1 April 2017 and 18% from 1 April 2020. Accordingly, the UK deferred tax balances have been revalued to the rate of 19% in these accounts which has resulted in a credit to the profit & loss account of £53,000 and a debit to reserves of £11,000. To the extent that the deferred tax reverses after 1 April 2020 then the impact on the net deferred tax liability will be increased.

NOTES

FOR THE YEAR ENDED 31 MAY 2016

8 Dividends

	2016	2015
	£000	£000
Dividends paid and recognised in the year	**10,280**	7,634
Dividends proposed but not recognised in the year	**8,692**	6,147
	p	p
Dividends per share paid and recognised in the year	**4.18**	3.66
Dividends per share proposed but not recognised in the year	**3.15**	2.68

9 Earnings per share

	2016		2015	
	£000	**£000**	£000	£000
Profit for the year from continuing operations used for basic and diluted earnings per share		**6,283**		16,788
Amortisation of acquired intangible assets	**6,833**		2,207	
Exceptional items (note 3)	**18,945**		588	
Unwinding of discount (note 6)	**621**		262	
Share-based payments (note 22)	**1,191**		991	
Tax arising on the above items	**(4,854)**		(818)	
		22,736		3,230
Adjusted profit from continuing operations used for adjusted earnings per share		**29,019**		20,018
		Number of shares		Number of shares
		000s		000s
Basic weighted average number of shares in issue		**254,625**		210,421
Dilutive effect of share options		**3,459**		3,601
Diluted weighted average shares in issue		**258,084**		214,022

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

10 Profit attributable to members of the parent company

The profit for the year dealt with in the accounts of the parent company was £8,784,000 (2015: £7,506,000).

11 Intangible assets - Group

	Software	Development costs	Customer contracts and relationships	Goodwill	Total
	£000	£000	£000	£000	£000
Cost:					
At 1 June 2014	12,943	4,974	23,018	91,651	132,586
Acquisitions through business combinations	340	-	24,581	62,680	87,601
Additions – internally developed	5,075	3,100	-	-	8,175
Effects of movements in exchange rates	-	667	257	1,189	2,113
At 31 May 2015	**18,358**	**8,741**	**47,856**	**155,520**	**230,475**
Acquisitions through business combinations	1,706	-	25,393	72,915	100,014
Additions – internally developed	6,944	1,919	-	-	8,863
Costs write down	-	(6,858)	-	-	(6,858)
Effects of movements in exchange rates	(18)	390	2,958	7,705	11,035
At 31 May 2016	**26,990**	**4,192**	**76,207**	**236,140**	**343,529**
Accumulated amortisation and impairment losses:					
At 1 June 2014	7,156	-	15,366	-	22,522
Charge for year	516	-	2,207	-	2,723
Effects of movements in exchange rates	-	-	294	-	294
At 31 May 2015	**7,672**	**-**	**17,867**	**-**	**25,539**
Charge for year	1,576	-	6,833	-	8,409
Impairment charge	-	-	-	11,877	11,877
Effects of movements in exchange rates	-	-	427	-	427
At 31 May 2016	**9,248**	**-**	**25,127**	**11,877**	**46,252**
Net book value:					
At 31 May 2016	**17,742**	**4,192**	**51,080**	**224,263**	**297,277**
At 31 May 2015	10,686	8,741	29,989	155,520	204,936

Management have used business forecasts in determining the recoverability of the asset value of software and development costs relating to the creation of new products and services. The remaining useful economic life of customer contracts and relationships is between 2 and 10 years.

For the purpose of impairment testing, goodwill has been allocated to the Group's three operating divisions, which are also operating segments, as these represent the lowest level at which goodwill is monitored for internal management purposes.

FOR THE YEAR ENDED 31 MAY 2016

11 Intangible assets - Group (continued)

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

	Goodwill	
	2016	2015
Cash generating units	**£000**	£000
Escrow UK	**21,177**	21,177
Escrow Europe	**6,368**	6,046
Escrow USA	**7,315**	6,990
Total Group Escrow	**34,860**	34,213
Assurance USA	**24,641**	23,553
European Security Services	**164,762**	87,135
Assurance Testing	**189,403**	110,688
Domain Services	**-**	10,619
Total	**224,263**	155,520

When assessing impairment, the recoverable amount of each CGU is based on value in use calculations. These calculations require the use of estimates, specifically: pre-tax cash flow projections; long-term growth rates; and a pre-tax market discount rate.

Cash flow projections are based on the Group's detailed annual operating plan for the forthcoming financial year with assumptions applied for expected revenue growth and gross margins to forecast years two to three. The judgement on these assumptions is based on management's past experience of growth and knowledge of the industry sectors and markets. The projections beyond three years are forecast using an estimated long-term growth rate of 2.5% (2015: 2.5%) which represents management's best estimate of a long term annual growth rate in EBITDA. A different set of assumptions may be more appropriate in future years dependent on changes to the macro-economic environment.

11 Intangible assets - Group (continued)

The discount rates used are based on management's calculation of the weighted average cost of capital using the capital asset pricing model to calculate the cost of equity. Specific rates are used for each CGU sector in the value in use calculation and the rates reflect management's assessment on the level of relative risk in each CGU. The discount rate has been calculated to reflect the latest market assumptions for the risk-free rate, the Equity Risk Premium and the net cost of debt. The pre-tax discount rates used in the value in use calculations are:

Pre-tax discount rates	2016	2015
Cash generating units	**%age**	%age
Escrow UK	**10.1**	10.1
Escrow Europe	**10.7**	10.8
Escrow USA	**12.9**	12.7
Assurance USA	**15.0**	12.5
European Security Services	**11.2**	10.2
Domain Services	**10.6**	n/a

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 due to the significant levels of headroom, with the exception of Domain Services.

The Domain Services CGU value in use calculation, based on conservative forecasts of future growth, resulted in a value significantly below the carrying value of the CGU net operating assets at 31 May 2016 and the Directors have concluded that the goodwill is fully impaired. The business forecasts are below the initial expectations due to the slow market development for the use of domain names. Accordingly, the goodwill balance of £11,877,000 has been fully impaired and the impairment charge is included in exceptional items in the income statement (note 3). For sensitivity, based on a change in discount rate of 1%, this would impact the discounted future cash flows by £0.3m, and a 10% change in forecast profits would have an impact of less than £0.1m.

During the year, the Group acquired Fox-IT Holding B.V., a group of companies based in the Netherlands with a principal activity of delivering cybersecurity and assurance services to customers. The goodwill of Fox-IT Holdings B.V. has been included in the European Security Services CGU for the purpose of annual impairment testing.

FOR THE YEAR ENDED 31 MAY 2016

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 2014	**11,849**	**409**	**6,695**	**378**	**19,331**
Additions	2,000	-	2,629	159	4,788
Acquired as part of business combination	545	-	53	-	598
Disposals	-	-	-	(181)	(181)
Movement in foreign exchange rates	194	5	322	10	531
At 31 May 2015	**14,588**	**414**	**9,699**	**366**	**25,067**
Additions	3,223	-	1,333	93	4,649
Acquired as part of business combination	914	-	984	-	1,898
Disposals	(314)	-	-	-	(314)
Movement in foreign exchange rates	154	-	214	12	380
At 31 May 2016	**18,565**	**414**	**12,230**	**471**	**31,680**
Depreciation:					
At 1 June 2014	**9,651**	**409**	**2,872**	**155**	**13,087**
Charge for year	1,566	-	986	71	2,623
Disposals	-	-	-	(139)	(139)
Movement in foreign exchange rates	47	5	66	2	120
At 31 May 2015	**11,264**	**414**	**3,924**	**89**	**15,691**
Charge for year	1,946	-	1,685	51	3,682
Disposals	(166)	-	-	-	(166)
Movement in foreign exchange rates	(109)	-	(100)	(4)	(213)
At 31 May 2016	**12,935**	**414**	**5,509**	**136**	**18,994**
Net book value:					
At 31 May 2016	**5,630**	**-**	**6,721**	**335**	**12,686**
At 31 May 2015	3,324	-	5,775	277	9,376

13 Investments

	Group 2016	Group 2015
	£000	£000
Property	**285**	285
Interest in unlisted shares	**323**	268
	608	553

The investment property comprises a leasehold property owned on a 999 year lease granted in 1989. The investment in shares is a 3.35% holding in an unlisted company.

14 Trade and other receivables

	Group 2016	Group 2015	**Company 2016**	Company 2015
	£000	£000	**£000**	£000
Trade receivables	**39,410**	26,002	**-**	-
Prepayments and accrued income	**27,057**	18,427	**-**	-
Amounts owed by group undertakings	**-**	-	**130,245**	8,741
	66,467	44,429	**130,245**	8,741

15 Inventory

	Group 2016	Group 2015
	£000	£000
IT hardware	**334**	-
	334	-

FOR THE YEAR ENDED 31 MAY 2016

16 Acquisitions

Fox-IT Holdings BV
NCC Group (Solutions) Limited acquired Fox-IT Holdings BV, a company based in the Netherlands, on 27 November 2015. Fox-IT has a leading market position in Europe for high-end Cyber Security solutions and is a leading European provider of Advanced Incident Response Services. Fox-IT's activities of Advanced Threat Protection, Threat Intelligence and Web/Mobile Event Analytics, High Assurance and Secure Infrastructure, provide further depth to NCC Group's cyber and assurance services and growth opportunities from new markets.

The consideration for the acquisition of Fox-IT was €108,250,000 initial cash, with deferred payments due on each of the first and second anniversaries of completion comprising, €10,000,000 cash and €2,500,000 newly issued NCC Group plc shares each.

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

	Fair Values	
	£000	£000
Acquiree's identifiable net assets at the acquisition date:		
Plant and equipment		1,898
Intangible assets – development		1,706
Intangible assets - acquired		25,393
Trade and other receivables		7,295
Inventory		370
Deferred tax liability		(5,972)
Cash		1,769
Creditors & accruals		(7,463)
Deferred revenue		(2,071)
Net identifiable assets		22,925
Goodwill on acquisition		70,931
Total consideration		**93,856**
Satisfied by: Initial cash consideration	76,583	
Deferred cash consideration	14,439	
Deferred issue of equity shares consideration	3,610	
Finance discount on deferred consideration	(776)	
	93,856	
Net cash outflow		76,583
Cash acquired		(1,769)
Net cash outflow excluding cash acquired		74,814

The fair value of trade and other receivables represents £7,511,000 of gross contractual receivables and a provision for doubtful debts of £216,000.

The goodwill of £70.9m represents the value expected to be generated from cross-selling Fox-IT products and services to existing Group customers, sales growth from new customers in wider geographic markets and from future product development using the knowledge and expertise of the Fox-IT technical team. The goodwill is not expected to be deductible for tax purposes. Acquisition costs relating to professional fees totalling £1.9m were incurred and are recognised as exceptional costs in the income statement account (note 3).

The Group's consolidated income statement includes six month's post acquisition trading, with Fox-IT contributing £14.0m revenue and £1.3m operating profit. The combined results of NCC Group and Fox-IT B.V. for the twelve month period ending 31 May 2016 are revenue of £218.2m and pre-exceptional operating profit of £30.5m.

16 Acquisitions (continued)

Accumuli plc
On 30 April 2015, the Group acquired 100% of the share capital of Accumuli plc for consideration of £52.5m in a share for share exchange plus cash consideration agreement. NCC Group plc issued 20,389,472 new ordinary shares of 1 pence with a closing share price of 208.5p amounting to a share issue valuation of £42.5m. £10.0m cash consideration was paid on a pro-rata basis to the Accumuli shareholders under the Scheme Arrangement.

Accumuli is a leading, rapidly growing, UK based independent specialist in IT security and risk management, providing industry leading solutions and services. The Group's business activities are in the Assurance business segment. Prior to the acquisition, Accumuli was a public company quoted on the AIM market of the London Stock Exchange.

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

	Fair Values	
	£000	£000
Acquiree's identifiable net assets at the acquisition date:		
Plant and equipment		487
Investments		553
Trade and other receivables		8,418
Stock		36
Deferred costs		3,279
Cash		3,980
Creditors & accruals		(9,298)
Other creditors		(4,413)
Deferred revenue		(9,486)
Current tax liability		(50)
Deferred tax liability		(3,501)
Bank loan		(9,750)
Intangible assets acquired		20,668
Net identifiable assets		923
Goodwill on acquisition		51,583
Total consideration		**52,506**
Satisfied by: Issue of new 1p ordinary shares	42,512	
Cash consideration	9,994	
	52,506	
Net cash outflow		9,994
Cash acquired		(3,980)
Net cash outflow excluding cash acquired		6,014

The goodwill represents the profitable sales growth expected from the cross-selling opportunities using shared product knowledge, expertise, and customer markets, the value of the workforce's industry knowledge and technical skills, and some central cost saving synergy. In the financial year to 31 May 2016, the goodwill value has increased by £1,368,000. This represents a £1,100,000 increase in contingent consideration liability for an acquisition previously made by Accumuli plc and a £268,000 adjustment to the fair value of Accumuli plc's acquired balance sheet relating to additional working capital liabilities and provisions. The goodwill is not expected to be deductible for tax purposes.

16 Acquisitions (continued)

Open Registry Group
On 20 January 2015, the Group acquired the entire share capital of Open Registry S.A (Luxembourg), CHIP S.A. (Luxembourg), Nexperteam C.V.B.A (Belgium) and Sensirius C.V.B.A (Belgium) for total consideration of €19.5m. Of this amount, €10.1m was paid in cash immediately and €0.2m was paid as a retention in June 2015. Additionally, the acquisition agreement provided for contingent consideration of €9.2m payable in cash depending on specific profit based performance targets on the second and third year anniversaries of the completion date.

Open Registry S.A.(Open Registry) is the leading European Registry Service Provider for global brands. Clearinghouse for Intellectual Property S.A. (CHIP) is one of three key service providers that form the consortium that has been authorised by ICANN to operate the Trademark Clearinghouse (TMCH). Nexperteam CVBA (Nexperteam) is an accredited registrar for several TLDs managing over 8,000 domain names. The Company provides domain registrar services ranging from domain name registration, name serving to email and web hosting.

The goodwill on acquisition represented the expected future customer growth in the Domain Name Registry and TMCH services, incremental revenue from cross-selling opportunities with NCC Group's developing domain services activity, and the value of the workforce's industry knowledge and technical skills.

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

	Fair Values	
	£000	£000
Acquiree's identifiable net assets at the acquisition date:		
Plant and equipment		111
Intangible assets		209
Investments		34
Trade and other receivables		3,494
Cash		1,696
Creditors & accruals		(1,814)
Deferred revenue		(4,129)
Current tax liability		(14)
Deferred tax liability		(1,213)
Intangible assets acquired		4,044
Net identifiable assets		2,418
Goodwill on acquisition		11,097
Total consideration		**13,515**
Satisfied by: Initial cash consideration	7,577	
Contingent consideration (discounted)	5,938	
	13,515	
Net cash outflow		7,577
Cash acquired		(1,696)
Net cash outflow excluding cash acquired		5,881

The Directors performed an annual goodwill impairment assessment on 31 May 2016 and re-assessed the fair value of the contingent consideration using the latest business forecasts. Resulting from these reviews, the £11.9m carrying values of goodwill (note 11) and contingent consideration of £5.9m have been written off to the income statement as exceptional items (note 3).

16 Acquisitions (continued)

The balances presented below are valued at the fair value of amounts payable for deferred and contingent consideration on acquisitions. The contingent consideration is stated at the maximum amount payable.

	2016	2015
Contingent consideration	**£000**	£000
FortConsult A/S	**1,807**	1,640
Open Registry Group	**-**	5,794
Eqalis Limited	**-**	810
ArmstrongAdams Limited	**1,664**	1,300
	3,471	9,544

	2016	2015
Deferred consideration	**£000**	£000
Fox-IT Holdings B.V.	**18,526**	-
	18,526	-

FOR THE YEAR ENDED 31 MAY 2016

17 Deferred tax assets and liabilities

Group
Recognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016	2015	**2016**	2015	**2016**	2015
	£000	£000	**£000**	£000	**£000**	£000
Plant and equipment	**-**	-	**(2,230)**	(426)	**(2,230)**	(426)
Short term temporary differences	**1,738**	520	**-**	-	**1,738**	520
Intangible assets	**-**	-	**(13,262)**	(9,693)	**(13,262)**	(9,693)
Share-based payments	**842**	493	**-**	-	**842**	493
Tax losses	**2,705**	3,305	**-**	-	**2,705**	3,305
Deferred tax asset/(liability)	**5,285**	4,318	**(15,492)**	(10,119)	**(10,207)**	(5,801)

Movement in deferred tax during the year:

	1 June 2015	Recognised in income	Exchange differences	Recognised in equity	Acquisitions	31 May 2016
	£000	£000	£000	£000	£000	**£000**
Plant and equipment	(426)	(1,804)	-	-	-	**(2,230)**
Short term temporary differences	520	814	28	-	376	**1,738**
Intangible assets	(9,693)	3,303	(524)	-	(6,348)	**(13,262)**
Share-based payments	493	(123)	-	472	-	**842**
Tax losses	3,305	(600)	-	-	-	**2,705**
	(5,801)	1,590	(496)	472	(5,972)	**(10,207)**

	1 June 2014	Recognised in income	Exchange differences	Recognised in equity	Acquisitions	31 May 2015
	£000	£000	£000	£000	£000	£000
Plant and equipment	(4)	(337)	(53)	-	(32)	(426)
Short term temporary differences	178	201	12	-	129	520
Intangible assets	(2,440)	(1,837)	(69)	-	(5,347)	(9,693)
Share-based payments	579	(67)	-	(19)	-	493
Tax losses	1,542	1,040	187	-	536	3,305
	(145)	(1,000)	77	(19)	(4,714)	(5,801)

The Group have recognised a deferred tax asset of £2,705,000 (2015: £3,305,000) on tax losses as management consider it probable that future taxable profits will be available against which they can be recognised. The Group have not recognised a deferred tax asset on £5,679,000 (2015: £6,218,000) of tax losses carried forward due to uncertainties over recovery.

Included in recognised and unrecognised tax losses are losses of £2,021,000 that will expire in 2034, £3,522,000 that will expire in 2034. Other losses may be carried forward indefinitely.

No deferred tax liability is recognised on temporary differences of £243,000 (2015: £359,000) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

18 Trade and other payables

	Group	Group	**Company**	Company
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Trade payables	**7,906**	9,039	**-**	-
Contingent consideration on acquisitions	**3,471**	1,546	**-**	-
Non trade payables	**7,560**	3,589	**-**	-
Finance lease	**38**	111	**-**	-
Accruals	**16,143**	13,123	**-**	-
Intercompany payables	**-**	-	**10,642**	11,490
	35,118	27,408	**10,642**	11,490

19 Deferred revenue

	Group	Group
	2016	2015
	£000	£000
Deferred revenue	**36,313**	31,861
	36,313	31,861

Deferred revenue consists of: Escrow agreements £13,209,000 (2015: £12,954,000), Assurance contracts £17,084,000 (2015: £11,968,000), Website monitoring and load testing agreements of £3,397,000 (2015: £3,348,000) and Domain services contracts of £2,623,000 (2015: £3,591,000). The revenue has been deferred to be released to the income statement over the contract term in accordance with the Group's accounting policy. The balance relating to the acquisition of Fox-IT is included in the European Security Services segment.

FOR THE YEAR ENDED 31 MAY 2016

20 Non-current liabilities

	Group 2016 £000	Group 2015 £000
Secured bank loan	**33,395**	57,240
Issue costs	**-**	(244)
Amortisation of issue costs	**-**	159
Interest bearing loans	**33,395**	57,155
Deferred tax (note 17)	**15,492**	10,119
Deferred consideration on acquisitions (note 16)	**18,526**	7,998
Finance leases	**-**	64
Other financial liabilities	**394**	392
Total non-current liabilities	**67,807**	**75,728**

For more information about the contractual terms of the Group's interesting bearing secured bank loan, see note 21. Other financial liabilities of £394,000 relates to the balance of a rent-free period (2015: £392,000) which is released to the income statement over the term of the lease.

Finance lease maturity	Group 2016 £000	Group 2015 £000
Within one year or less	**38**	111
Between one and five years	**-**	64
	38	175

The finance leases relate to IT equipment.

21 Financial instruments

Financial risk management
The Group has exposure to the followings risks from its use of financial instruments:

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

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest bearing loans as shown in the consolidated balance sheet, less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt. As at 31 May 2016 the Group's gearing ratio was 5% (2015: 22%).

	2016			2015		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
	£000	**£000**	**£000**	£000	£000	£000
Trade receivables	**-**	**39,410**	**-**	-	26,002	-
Cash and cash equivalents	**-**	**20,663**	**-**	-	16,353	-
Interest bearing loans	**-**	**(33,395)**	**-**	-	(66,905)	-
Trade and other payables	**-**	**(31,647)**	**-**	-	(25,862)	-
Consideration on acquisitions	**-**	**-**	**(21,997)**	-	-	(7,434)

The consideration on acquisition liability reflects the calculated cash outflows and is discounted using a risk-adjusted discount rate.

Financial instruments policy
All instruments utilised by the Company and Group are for financing purposes. The financial management and treasury activities of the Group are controlled centrally for all operations with local finance teams responsible for day-to-day banking activities.

Fair value of financial instruments
As at 31 May 2016 the Group and Company had no other financial instruments other than those disclosed below. The carrying value of contingent consideration on acquisitions, held at the year end is valued using a level 3 valuation method as defined by IFRS 13 Fair Value measurement. There have been no transfers between levels in the year.

The following table presents the Group's financial assets and liabilities that are measured at fair value by level of fair value hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The loan is held at amortised cost which is considered to equate to fair value. All other assets and liabilities are held at either fair value or their carrying value which approximates to fair value.

FOR THE YEAR ENDED 31 MAY 2016

21 Financial instruments (continued)

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

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

	Group	Group	**Company**	Company
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Trade receivables	**39,410**	26,002	**-**	-
Cash and cash equivalents	**20,663**	16,353	**40**	62
	60,073	42,355	**40**	62

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

	Group	Group	**Company**	Company
Debtors by geographical segment	**2016**	2015	**2016**	2015
	£000	£000	**£000**	£000
UK	**27,687**	20,607	**-**	-
Rest of Europe	**4,499**	969	**-**	-
Rest of the World	**7,224**	4,426	**-**	-
	39,410	26,002	**-**	-

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

	Group	Group	**Company**	Company
Debtors by business segment	**2016**	2015	**2016**	2015
	£000	£000	**£000**	£000
Group Escrow	**7,514**	6,696	**-**	-
Assurance Testing	**31,896**	19,306	**-**	-
Domain Services	**-**	-	**-**	-
	39,410	26,002	**-**	-

The trade receivables of the Group typically comprise of smaller amounts due from a large number of customers. The Group's customer base, while concentrated largely in the UK, represents a spread of industry sectors. The largest amount due from a single customer at the reporting date represented 6.4% of total Group receivables (2015: 4.4%). All of the Group's cash is held with financial institutions of high credit rating.

21 Financial instruments (continued)

Impairment losses
The ageing of trade receivables at the end of the reporting period was:

Group	**Gross**	**Impairment**	Gross	Impairment
	2016	2016	**2015**	2015
	£000	**£000**	£000	£000
Not past due	**24,987**	**-**	15,497	-
Past due 0-30 days	**9,023**	**-**	6,427	-
Past due 31-90 days	**4,730**	**-**	3,796	-
Past due more than 90 days	**1,410**	**(740)**	538	(256)
	40,150	**(740)**	26,258	(256)

The Company had no trade receivables (2014: £Nil). The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of specific trade receivables. The movement in the allowance for impairment was:

	Group	Group
	2016	2015
	£000	£000
Balance at 1 June	**256**	243
Credit for the year	**484**	13
Balance at 31 May	**740**	256

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amounts owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly. The Group reviews all debt more than 90 days past due and provides for impairment losses, net of any revenue which has been deferred, based on trading experience with that customer. The allowance is all for debts older than 90 days (2015: older than 90 days). The ageing of Group debt and associated impairment loss is reported to the Board on a monthly basis.

21 Financial instruments (continued)

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

At 31 May 2016	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2+ years
	£000	£000	£000	£000	£000	£000
Secured bank borrowings	(33,395)	(33,395)	-	-	-	(33,395)
Trade and other payables	(31,647)	(31,647)	(31,647)	-	-	-
Deferred consideration	(18,526)	(19,086)	(9,538)	-	(9,538)	-
Contingent consideration	(3,471)	(3,471)	(3,471)	-	-	-
At 31 May 2015						
Secured bank borrowings	(66,905)	(66,990)	(9,975)	-	(57,015)	-
Trade and other payables	(25,862)	(25,862)	(25,862)	-	-	-
Contingent consideration	(7,434)	(8,423)	-	-	(1,701)	(6,722)

The financial liabilities of the Company all have contractual maturities within 6 months
(2015: within 6 months).

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

	2016					2015				
	Sterling	Euros	USD	AUD	DKK	Sterling	Euros	USD	AUD	DKK
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Receivables	27,688	3,947	6,640	584	551	20,508	451	4,268	258	517
Cash and cash equivalents	12,491	4,991	1,796	(4)	1,389	10,251	2,570	2,668	35	829
Bank borrowings	(6,869)	-	(26,526)	-	-	(39,915)	-	(26,990)	-	-
Trade and other payables	(20,972)	(7,519)	(2,468)	(114)	(574)	(21,350)	(1,152)	(2,865)	(49)	(446)

A change in exchange rates of 10% would not have a significant impact on these financial statements.

21 Financial instruments (continued)

Interest rate risk
The Group and Company finances its operations through a mixture of retained profits and bank borrowings. The Group borrows and invests surplus cash at floating rates of interest based upon bank base rate. The financial assets of the Group at the end of the financial year were as follows:

	2016	2015
	£000	£000
Sterling denominated financial assets	12,491	10,251
Euro denominated financial assets	4,991	2,570
US dollar denominated financial assets	1,796	2,668
AU dollar denominated financial assets	(4)	35
DKK denominated financial assets	1,389	829
Current trade and other receivables	39,410	26,002
	60,073	42,355

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

	2016	2015
	£000	£000
Sterling denominated financial assets	40	62
Amounts owed by Group undertakings	118,503	8,741
	118,543	8,803

A change of 100 basis points in interest rates would result in a difference in annual pre-tax profit of £565,000 (2015: £476,000).

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

	2016					2015				
	Sterling	Euros	USD	AUD	DKK	Sterling	Euros	USD	AUD	DKK
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Less than one year	1,664	9,263	-	-	1,807	-	-	-	-	-
1-2 years	-	9,263	-	-	-	41,155	3,000	26,990	-	-
2-3 years	-	-	-	-	-	-	2,794	-	-	-
3-5 years	6,869	-	26,527	-	-	-	-	-	-	-
Current trade and other payables	20,972	7,519	2,468	114	574	21,350	1,152	2,865	49	446

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

	2016	2015
Maturity	£000	£000
Current trade and other payables	-	11,490
Sterling denominated financial liabilities	-	11,490

As at 31 May 2016 the Group had a funding facility comprising a multi-currency revolving credit facility of £80m (2015: £78m), a £30m multi-currency term loan (2015: £Nil) and an overdraft of £5m (2015: £2m). The interest payable on drawn down funds ranges from 0.9% to 2.0% above LIBOR subject to the Group's net debt and interest to EBITDA ratios. At 31 May 2016 the amount drawn down under the facilities was £33.3m. This facility was agreed in November 2015 and is due for renewal in November 2020. At the end of May 2016, the effective rate was 2.0% (2015: 1.6%).

22 Share-based payments

The Company has a number of share option schemes under which options to subscribe for the Company's shares have been granted to directors and staff, details of which are illustrated in the tables below. Expected term of options represents the period over which the fair value calculations are based. The share based payment charge for the year was £1,191,000 (2015: £991,000).

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

Date of grant	Expected term of options	Exercisable between	Exercise Price	2016 Number Outstanding
August 2007	6 years	July 2010 - July 2017	£0.64	34,825
February 2008	6 years	Feb 2011 - Feb 2018	£0.65	2,862

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

Date of grant	Expected term of options	Exercisable between	Exercise Price	2016 Number Outstanding
July 2012	6 years	July 2015 - July 2022	£1.36	157,508
July 2013	6 years	July 2016 - July 2023	£1.40	28,504
August 2015	6 years	August 2018 - August 2025	£2.45	325,401

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

Date of grant	Expected term of options	Exercisable between	Exercise Price	2016 Number Outstanding
July 2013	3 years	June 2016 - July 2017	Nil*	767,262
July 2014	3 years	June 2017 - July 2018	Nil*	638,636
July 2015	3 years	June 2018 - July 2019	Nil*	698,464

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

22 Share-based payments

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

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

Date of grant	Expected term of options	Exercisable between	Exercise Price	2016 Number Outstanding
August 2013	3.25 years	October 2016 - February 2017	£1.13	457,436
August 2014	3.25 years	October 2017 - February 2018	£1.51	1,055,882
August 2015	3.25 years	October 2018 - February 2019	£1.87	1,087,209

Deferred Share Scheme

Date of grant	Expected term of options	Exercisable between	Exercise Price	2016 Number Outstanding
July 2015	1 year	July 2017 – July 2019	Nil*	94,382

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

Employee Stock Purchase Plan
The Company operates a stock purchase plan, which is available to all US based employees who have worked for a qualifying period. All options are to be settled by equity.

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

Date of grant	Expected term of options	Exercisable between	Exercise Price	2016 Number Outstanding
February 2016	1 year	February 2017	£2.50	92,820

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

Date of grant	Expected term of options	Exercisable between	Exercise Price	2015 Number Outstanding
January 2013	3 years	January 2016 - January 2023	£1.48	40,676
January 2014	3 years	January 2017 - January 2024	£2.00	45,111
January 2015	3 years	January 2018 - January 2025	£2.00	50,000
August 2015	3 years	August 2018 - August 2025	£2.46	142,121
January 2016	3 years	January 2019 - January 2026	£3.24	19,476

FOR THE YEAR ENDED 31 MAY 2016

22 Share-based payments (continued)

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

Scheme	Number of instruments as at 1 June 2015	Instruments granted during the year	Options exercised in the year	Forfeitures in the year	Number of instruments as at 31 May 2016
Approved EMI scheme	61,939	-	(13,326)	(13,788)	**34,825**
Approved EMI scheme	5,640	-	-	(2,778)	**2,862**
CSOP scheme	327,144	-	(169,636)	-	**157,508**
CSOP scheme	28,504	-	-	-	**28,504**
CSOP scheme	-	341,671	-	(16,270)	**325,401**
Sharesave scheme	417,096	-	(412,440)	(4,656)	**-**
Sharesave scheme	482,542	-	(5,517)	(19,589)	**457,436**
Sharesave scheme	1,189,141	-	(2,142)	(131,177)	**1,055,822**
Sharesave scheme	-	1,201,312	-	(114,103)	**1,087,209**
ESPP scheme	94,856	-	(63,759)	(31,097)	**-**
ESPP scheme	-	92,820	-	-	**92,820**
ISO scheme	61,014	-	(20,338)	-	**40,676**
ISO scheme	45,111	-	-	-	**45,111**
ISO scheme	14,284	-	-	(14,284)	**-**
ISO scheme	60,000	-	-	(10,000)	**50,000**
ISO scheme	-	150,242	-	(8,121)	**142,121**
ISO scheme	-	19,476	-	-	**19,476**
LTIP	788,778	-	(121,472)	(667,306)	**-**
LTIP	767,262	-	-	-	**767,262**
LTIP	638,636	-	-	-	**638,636**
LTIP	-	698,464	-	-	**698,464**
Deferred shares	-	94,382	-	-	**94,382**

22 Share-based payments (continued)

The options outstanding at 31 May 2016 have an exercise price in the range of £Nil to £3.24 (2015: £Nil to £2.04) and a weighted average contractual life of 3 years (2015: 3 years). The weighted average share price at the time the share options were exercised in the year was £2.60 and weighted average share price at the time the share options were forfeited in the year was £2.33.

Scheme	Number of instruments as at 1 June 2014	Instruments granted during the year	Options exercised in the year	Forfeitures in the year	Number of instruments as at 31 May 2015
Approved EMI scheme	**95,375**	-	(33,436)	-	**61,939**
Approved EMI scheme	**5,640**	-	-	-	**5,640**
CSOP scheme	**352,872**	-	-	(25,728)	**327,144**
CSOP scheme	**42,756**	-	-	(14,252)	**28,504**
Sharesave scheme	**380,910**	-	(376,620)	(4,290)	**-**
Sharesave scheme	**506,040**	-	-	(88,944)	**417,096**
Sharesave scheme	**539,904**	-	-	(57,362)	**482,542**
Sharesave scheme	**-**	1,304,554	-	(115,413)	**1,189,141**
ESPP scheme	**81,795**	-	(46,163)	(35,332)	**-**
ESPP scheme	**-**	94,856	-	-	**94,856**
ISO scheme	**61,014**	-	-	-	**61,014**
ISO scheme	**45,111**	-	-	-	**45,111**
ISO scheme	**-**	14,284	-	-	**14,284**
ISO scheme	**-**	60,000	-	-	**60,000**
LTIP	**1,139,076**	-	(571,814)	(567,262)	**-**
LTIP	**908,400**	-	-	(119,622)	**788,778**
LTIP	**956,361**	-	-	(189,099)	**767,262**
LTIP	**-**	796,594	-	(157,958)	**638,636**

NOTES

FOR THE YEAR ENDED 31 MAY 2016

22 Share-based payments (continued)

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

	Grant Date	Fair value at measurement date	Exercise price	Expected volatility	Option expected term	Risk-free interest rate
EMI	Aug-07	£0.20	£0.64	25%	6 years	6.00%
EMI	Feb-08	£0.21	£0.65	25%	6 years	6.00%
CSOP	Aug-12	£0.35	£1.36	35%	6 years	2.75%
CSOP	Jul-13	£0.25	£1.40	32%	6 years	2.75%
CSOP	Aug-15	£1.45	£2.46	103%	6 years	2.75%
SAYE	Aug-12	£0.45	£1.09	35%	3.25 years	2.75%
SAYE	Aug-13	£0.32	£1.13	32%	3.25 years	2.75%
SAYE	Aug-14	£0.68	£1.51	32%	3.25 years	2.75%
SAYE	Aug-15	£1.53	£1.87	103%	3.25 years	2.75%
ESPP	Feb-15	£0.46	£1.91	35%	1 year	2.75%
ESPP	Feb-16	£1.28	£2.50	103%	1 year	2.75%
ISO	Jan-13	£0.33	£1.48	35%	3 years	2.75%
ISO	Jan-14	£0.35	£2.00	35%	3 years	2.75%
ISO	Jul-14	£0.42	£2.04	32%	3 years	2.75%
ISO	Jan-15	£0.43	£2.00	32%	3 years	2.75%
ISO	Aug-15	£1.45	£2.46	103%	3 years	2.75%
ISO	Feb-16	£1.91	£3.24	103%	3 years	2.75%
LTIP	Jul-12	£1.25	£nil*	35%	3 years	2.75%
LTIP	Jul-13	£1.28	£nil*	32%	3 years	2.75%
LTIP	Jul-14	£1.92	£nil*	32%	3 years	2.75%
LTIP	Jul-15	£2.14	£nil*	103%	3 years	2.75%
DEFERRED SHARES	Jul-15	£2.21	£nil*	103%	2 years	2.75%

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

The expected volatility is based on the historical volatility, adjusted for any expected changes to future volatility due to publicly available information. For the options granted in the year ending 31 May 2016, dividend yield assumed at the time of option grant is 2.1% (2015: 2.4%).

A charge of £1,191,000 (2015: £991,000) has been made to administrative expenses in the Group income statement in respect of share based payment transactions, including £56,000 of provision for National Insurance contributions (2015: £106,000). A charge of £nil (2015: £546,000) has been made to cost of sales in the Company income statement in respect of share based payment transactions, including £nil provision for National Insurance contributions (2015: £nil)

23 Called up share capital

	Number of shares	2016	2015
		£000	£000
Allotted, called up and fully paid			
Ordinary shares of 1p each at the beginning of the year	229,316,313	**2,293**	**2,085**
Ordinary shares of 1p each issued in the year	46,623,451	**466**	**208**
Ordinary shares of 1p each at the end of the year	275,939,764	**2,759**	**2,293**

On 27 November 2015, NCC Group plc issued 22,949,986 new ordinary shares of 1 pence to fund the acquisition of Fox-IT Holdings B.V. In addition, on 18 December 2015, the Group issued a further 22,986,307 of new ordinary shares as a result of the successful placing and open offer of shares. Both issues resulted in a combined 459,000 par value of shares and £122,519,000 to share premium after deduction of the costs associated with the issue of shares.

During the year, 687,158 new ordinary shares of 1 pence were issued as a result of exercise of share options.

As at 31 May 2016, 116,714 shares were held in treasury (2015: 238,186). The total consideration paid for the shares was £230,000 (2015: £464,000), which has been deducted from equity in the period. These shares are held with the sole purpose of the settling any future share based basement obligations.

24 Cash and cash equivalents

	At beginning of year	Cash flow	Non cash items	At end of year
	£000	£000	£000	£000
Cash and cash equivalents per balance sheet	16,353	3,539	771	20,663
Cash and cash equivalents per cash flow statement	**16,353**	**3,539**	**771**	**20,663**

Non-cash items principally relate to the effects of foreign currency.

NOTES

FOR THE YEAR ENDED 31 MAY 2016

25 Other financial commitments and contingent liabilities

Non-cancellable operating lease rentals are payable as follows:

	2016		2015	
	Land and Buildings	**Other**	Land and Buildings	Other
	£000	**£000**	£000	£000
Within one year or less	**3,502**	**576**	3,002	371
Between one and five years	**7,255**	**476**	10,869	163
Over five years	**905**	**-**	1,630	-
	11,662	**1,052**	15,501	534

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

26 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 £2,479,000 (2015: £1,840,000).

For the Company, the pension cost charge for the year represents contributions payable by the Company to the fund and amounted to £nil (2015: £nil).

27 Related party transactions

The Group's key management personnel comprise the Directors of the Group. The Group and Company's transactions with those Directors are disclosed in the Directors' Remuneration Report.

During the year corporate finance fees of £750,000 (2015: £748,000) and professional fees for services of Paul Mitchell of £37,500 (2015: £75,000) as Non-Executive Chairman were paid to Rickitt Mitchell & Partners Ltd. Paul Mitchell is Non-Executive Chairman of both the Group and Rickitt Mitchell & Partners Ltd.

28 Investments in subsidiary undertakings

	Shares in Group undertakings
Company	£000
At 1 June 2014	33,478
Increase in subsidiary investment for share-based charges	339
Acquisition of subsidiary	52,506
At 31 May 2015	**86,323**
At 1 June 2015	86,323
Increase in subsidiary investment for share-based charges	1,135
At 31 May 2016	**88,458**

In the prior year, the acquisition of subsidiary relates to the purchase of Accumuli plc (Note 16). Fixed asset investments are recognised at cost.

FOR THE YEAR ENDED 31 MAY 2016

28 Investments in subsidiary undertakings (continued)

The undertakings in which the Company has a 100% interest at the year end are as follows:

Subsidiary undertakings	Country of incorporation	Principal Activity
NCC Group (Solutions) Limited	England and Wales	Holding company
NCC Services Limited	England and Wales	Escrow & Assurance
NCC Group Escrow Limited	England and Wales	Dormant
Artemis Internet Limited	England and Wales	Dormant
NCC Group Employees' Trustees Limited	England and Wales	Dormant
Escrow 4 Software Limited	England and Wales	Dormant
NCC Group Performance Testing Limited	England and Wales	Assurance
NCC Group Security Services Limited	England and Wales	Assurance
NCC Group Audit Limited	England and Wales	Assurance
NCC Group SDLC Limited	England and Wales	Assurance
Axzona Limited	England and Wales	Dormant
NCC Group Escrow Europe B.V.	Netherlands	Escrow
NCC Group Escrow Europe (Switzerland) AG	Switzerland	Escrow
NCC Group GmbH	Germany	Escrow
FortConsult A/S	Denmark	Assurance
FC Holding Lithuania ApS	Denmark	Assurance
FC Holding Russia ApS	Denmark	Assurance
FortConsult UAB	Lithuania	Assurance
FortConsult Rus 000	Russia	Assurance
NCC Group Security Services, Inc.	USA	Assurance
NCC Group Escrow Associates LLC	USA	Escrow
NCC Group Secure Registrar, Inc.	USA	Domain Services
NCC Group Domain Services, Inc.	USA	Domain Services
NCC Group Inc.	USA	Escrow & Assurance
NCC Group Pty Limited	Australia	Assurance
Accumuli Limited	England and Wales	Holding company
Accumuli (Holdings) Limited	England and Wales	Holding company
Armstong Adams Limited	England and Wales	Assurance
Randomstorm Limited	England and Wales	Non-trading
Eqalis Limited	England and Wales	Non-trading
Edgeseven Limited	England and Wales	Non-trading
Accumuli Security Services Limited	England and Wales	Non-trading
NCC Group Signify Solutions Limited	England and Wales	Assurance
Fujin Technology Limited	England and Wales	Non-trading
Accumuli Security Systems Limited	England and Wales	Non-trading
Accumuli Security Technology Limited	England and Wales	Non-trading
Accumuli Security ASH Limited	England and Wales	Non-trading
NCC Group Accumuli Security Limited	England and Wales	Assurance
Accumuli Debenture Limited	England and Wales	Dormant
Accumuli B.V.	Netherlands	Holding company
Accumuli Managed Services Limited	England and Wales	Dormant
Boxing Orange MSS Limited	England and Wales	Dormant
OpenRegistry S.A.	Luxembourg	Domain Services
ClearingHouse for Intellectual Property S.A.	Luxembourg	Domain Services
Nexperteam CVBA	Belgium	Domain Services
Sensirius CVBA	Belgium	Domain Services
Fox-IT Holding B.V.	Netherlands	Assurance
Fox-IT Group B.V.	Netherlands	Assurance
Fox-IT B.V.	Netherlands	Assurance
Fox-IT Operations B.V.	Netherlands	Assurance
Fox-IT Crypto B.V.	Netherlands	Assurance

28 Investments in subsidiary undertakings (continued)

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

	% age interest	Country of incorporation	Principle activity
Tracks Inspector B.V.	35%	Netherlands	Assurance
Deposit AB Escrow Europe	25%	Sweden	Assurance
Porttracker Limited	35%	England and Wales	Assurance

SHAREHOLDER INFORMATION

Directors

Paul Mitchell – Non-Executive Chairman
Rob Cotton – Chief Executive
Atul Patel – Group Finance Director
Debbie Hewitt MBE – Senior Independent Non-Executive Director
Thomas Chambers – Non-Executive Director
Chris Batterham – Non-Executive Director

Secretary

Helen Nisbet

Registered office

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Registered number

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Solicitors

Eversheds LLP
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M1 5ES

Bankers

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HSBC Bank plc
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Spinningfields
Manchester
M3 3EB

Lloyds Bank plc
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COMPANY LOCATIONS

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Manchester - Head Office
Basingstoke
Cambridge
Cheltenham
Edinburgh
Glasgow
Leatherhead
Leeds
London
Milton Keynes

Europe

Belgium
Denmark
Germany
Lithuania
Luxembourg
Spain
Sweden
Switzerland
The Netherlands

USA

Atlanta, GA
Austin, TX
Chicago, IL
New York, NY
San Francisco, CA
Seattle, WA
Sunnyvale, CA

Canada

Kitchener, ON

Australia

Sydney

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