NCC GROUP PLC
ANNUAL REPORT AND ACCOUNTS

for the year ended 31 May 2019

Our mission

NCC Group exists to make the world safer and more secure.

We are global experts in cyber security and risk mitigation, and home to some of the world's leading cyber scientists. Trusted to protect and secure our customers' critical assets from the ever-changing threat landscape, we continually invest in research and innovation.

Our core strength is the expertise of our people. To support our mission we are committed to developing the future generation of cyber scientists, analysts and professionals, offering internships, graduate placements as well as sponsorship of education programmes.

As a global business with over 1,800 colleagues in 12 countries we have a significant market presence in North America, continental Europe and the UK, and a rapidly growing footprint in Asia Pacific with offices in Australia and Singapore, all working together to achieve our mission.

OUR VISION

We have a vision to be:

- The leading cyber security advisor globally;
- Trusted to protect and secure our customers' critical assets; and
- Sought-after for our complete people-led, technology enabled cyber security solutions that enable individuals, businesses and society to thrive.

OUR STRUCTURE

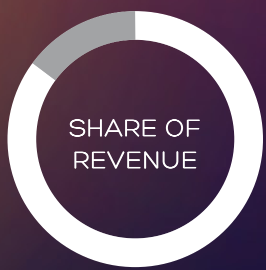
Share of revenue

ASSURANCE

£212.7m

ESCROW

£38.0m



- Assurance 85% (2018: 83%)
- Escrow 15% (2018: 17%)

INVESTMENT CASE

- We operate in high growth markets growing globally at approximately 10%
- Our expertise adds value to our blue chip client base
- We continue to be at the forefront of thought leadership in cyber security
- We provide an agile global delivery platform for our world-class capability in a highly fragmented market
- Our profitable services and products provide sustainable cash generation

Visit us online at www.nccgroup.com

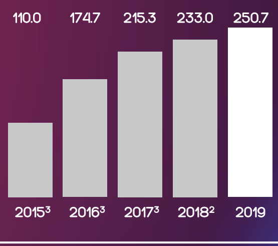
Read more about our business model and strategic priorities on pages 10 to 11 and 16 to 17 respectively

Highlights

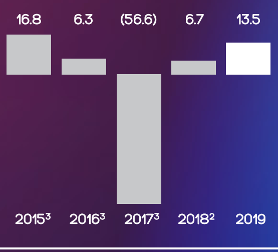
Financial highlights

GAAP Measures

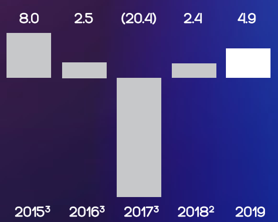
Revenue (£m)



Profit/(loss) for the year (£m)

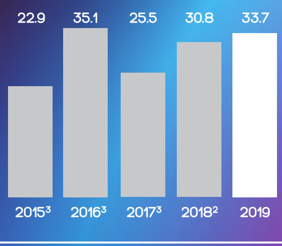


Basic EPS (pence) – all operations

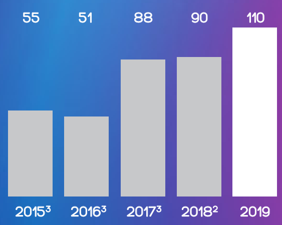


Alternative Performance Measures [1]

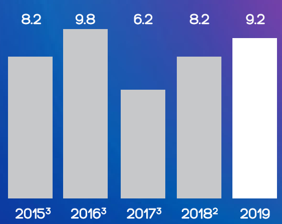
Adjusted Operating Profit [1] (£m)



Cash Conversion (%) [1]



Basic adjusted EPS (pence) [1]



Operational highlights

- Assurance division continues to achieve good revenue growth (+9.7%) and global headcount in the technical teams is now at the levels required to satisfy current demand
- Escrow division revenues have decreased over the year (-2.8%), with North America up 10.7%, but UK down 6.5%. However, focused recruitment means sales teams enter the new financial year at full strength
- New Cloud-resilience Escrow-as-a-Service (EaaS) offering, aimed at the fast-growing cloud software market, launched during spring 2019 with encouraging initial demand
- Strong financial position with effective cash management reducing net debt [1] below prior year to £20.2m, gearing equating to 8.7% (2018: 11.9%) and post year-end, a new £100m multi-currency revolving credit facility obtained to June 2024 on similar terms to previous facility
- Comprehensive systems upgrade programme continues on time and within budget

Read about performance on pages 12 to 15

1 See note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. See note 3 for a reconciliation to statutory information.

2 See note 1 for further details on the restatement of comparative information due to the retrospective application of IFRS 15.

3 Comparative periods 2015 to 2017 have not been restated for IFRS 15.

Group at a glance

NCC Group is a leading independent cyber security advisor, sought after for our expert solutions that enable individuals, businesses and society to thrive. We are trusted to protect and secure our customers' critical assets.

We aim to innovate and continually develop new products and services to match the rapidly evolving and complex digital world. We operate across multiple sectors, geographies and technologies. Our goal is to stay at the forefront of thought leadership and delivery in our current markets while expanding geographically where appropriate.

Our values:

We work together

We want to be brilliantly creative

We embrace difference

Our values underpin the decisions made in our organisation. They are fundamental to our business model and our focus on sustainable success.

Read more in Sustainability on pages 40 to 43

Our Group operates in two distinct but complementary divisions: Assurance and Escrow

The two divisions are also disclosed in the Financial Statements as our two Reporting Segments. While these are managed and reported internally as similar groups of activities, throughout this report we are able to disclose additional revenue information at a geographical level but also at a sub-level of similar services. This additional analysis is to aid the users in understanding our different types of revenue.

Assurance key facts

We provide the following complementary value-based services and products:

- Technical Security Consulting is our core professional service with industry sector specialists
- Risk Management Consulting, a service line that addresses the business risks of cyber
- Managed Detection and Response which provides operational cyber defence, scanning, simulation and SOC services
- Products such as sensors, licences, encryption software and hardware and other complementary products

Our agile global delivery platform represents 85% of the Group's revenue.

Escrow key facts

We provide the following services:

- Escrow contract services that securely maintain the long-term availability of business critical software and applications while protecting the intellectual property rights (IPR) of technology partners
- Verification services documenting the processes to rebuild and restore an application, mitigating risk of failure

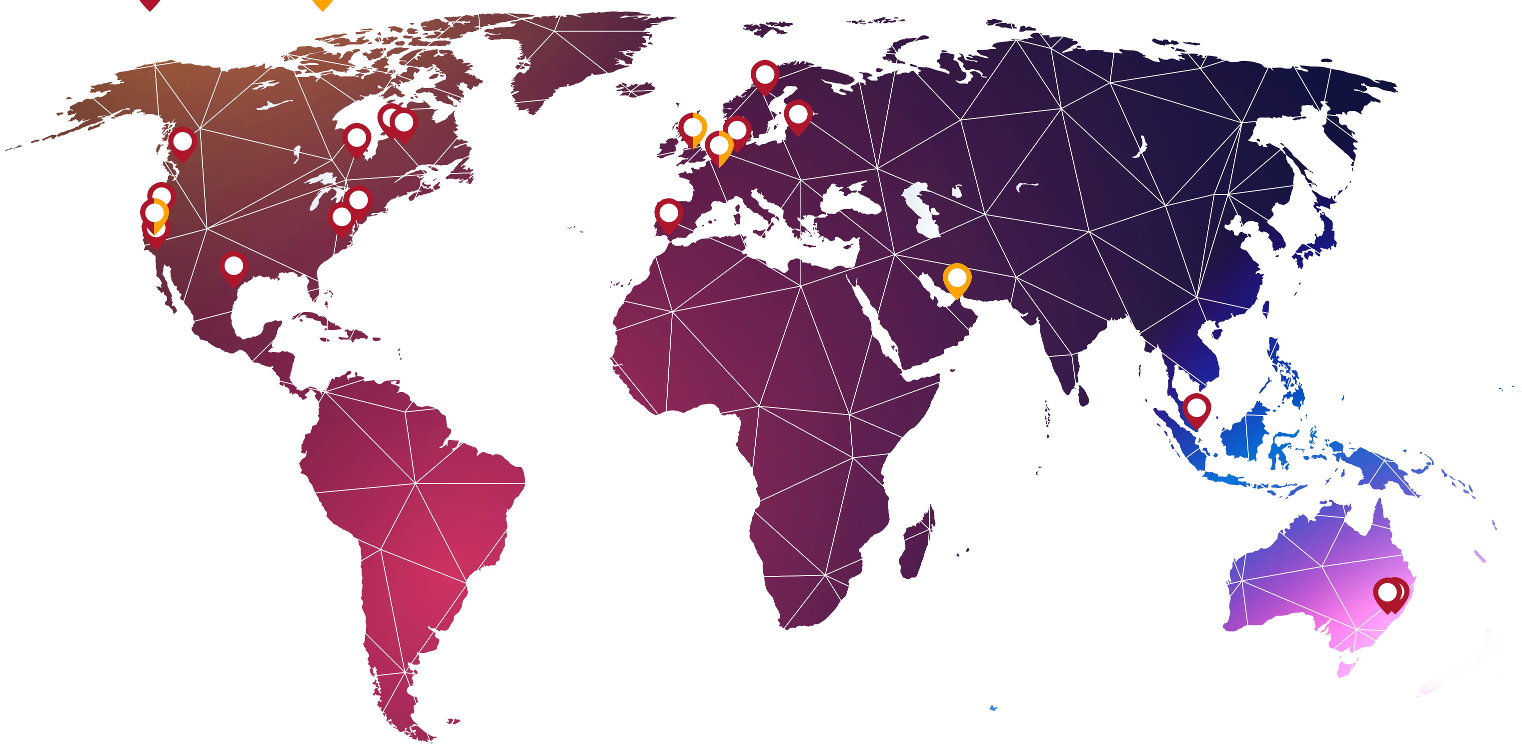
Leading provider in the UK, with a growing North American, continental Europe and RoW capability representing 15% of the Group's revenue.

WHERE NCC GROUP OPERATES

We have a significant market presence in North America, the UK, continental Europe and a rapidly growing footprint in Asia Pacific with offices in Australia and Singapore. All of our geographical markets present opportunities for growth.

KEY:

ASSURANCE ESCROW



NORTH AMERICA

£83.8m

UK

£114.9m

EUROPE AND ROW

£52.0m

Read more on the market landscape on pages 8 to 9

Technical Security Consulting **£134.8m**

Risk Management Consulting **£35.3m**

Managed Detection and Response **36.4m**

Products **£6.2m**

Contracts **£26.5m**

Verification and other services **£11.5m**

1 Types of revenue groupings within the Escrow and Assurance divisions are not management units or profit centres.

Chairman's statement

"The outlook for the Group remains very positive in a growing market. I look forward to working with our highly talented teams and experienced colleagues around the world to deliver great value for all of our customers."

Chris Stone
NON-EXECUTIVE CHAIRMAN

INTRODUCTION

I am pleased to report a year of robust progress has been made against the ambitious three-year transformation programme we embarked upon under the umbrella of Securing Growth Together (SGT) last year. Our business has performed well against a backdrop of weaker UK trading, offset by good growth in the North American markets for both Escrow and Assurance.
Our senior management team is now well established and they have, in turn, strengthened our teams to ensure that we are building for success on a scalable basis.

BUSINESS PERFORMANCE

Overall we delivered revenue growth on a continuing basis of 8% and adjusted operating profit [1] growth of 9%. On a statutory basis, operating profit increased by 44%.

Assurance experienced softer demand in the UK offset by good North American based growth. We have also continued to make good progress in Europe and Asia.

Within Escrow we have seen a decline in the UK from a combination of continued net attrition of on-premise agreements in a mature market and operational challenges from sales staff turnover issues, which have now been addressed. This has been offset by encouraging performance in North America as we continue to increase our presence there.

As our dependency on connectivity increases across society and cyber incidents become more commonplace, the awareness of the need for security continues to increase, our worldwide market opportunity grows and our breadth of expertise and geographic spread leaves us ideally placed to capitalise on this.

Read more on the business performance on pages 12 to 15

STRATEGY UPDATE

As reported with our half year results, our transformation programme, SGT, is delivering on a number of fronts in terms of how we lead the market, win business and deliver it, while supporting growth and developing our people.

The programme is ambitious and involves replacement of all of our key systems – all with the aim of creating one way of operating across the firm to achieve common actionable business data.

We have rolled out expenses and credit control systems and our new CRM system (Salesforce) has already been launched in the UK. Later this year, we will commence the roll-out of our new HR and finance systems (Workday), starting with the UK. Both projects remain in line with the original targeted launch dates. Further details are provided on page 15.

DIVIDEND

The Board has considered our business performance in the light of our continued need for investment through the transformation phase and accordingly, the Board recommends that the dividend is maintained at the current level.

A final dividend of 3.15p is therefore being recommended by the Board, making a total for the year of 4.65p. If approved, the final dividend in respect of the year ended 31 May 2019 will be paid on 4 October 2019 to shareholders on the register as at 6 September 2019 (ex dividend date of 5 September 2019).

1 See note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. See note 3 for a reconciliation to statutory information.

BOARD COMPOSITION

Tim Kowalski, an experienced public company finance director, joined the Group and the Board on 23 July 2018 as CFO. He succeeded Brian Tenner who subsequently left the Group in August 2018. Tim's biography and those of the other Board members can be found on pages 48 to 49. Thomas Chambers, independent Non-Executive Director, resigned from the Board following the Company's AGM on 26 September 2018. I would like to record my thanks to Thomas for his valuable contribution during his six years as a Director.

BOARD GOVERNANCE AND EFFECTIVENESS

As Chairman, I am responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its performance. We now have an established and experienced Board which actively oversees the Group's strategic development, monitors the delivery of its business objectives and considers risks and mitigating actions.

During the year we complied with all the provisions of the UK Corporate Governance Code 2016. As a Board we are firmly turning our attention to the requirements of the UK Corporate Governance Code 2018 (2018 Code) and will report against the 2018 Code in our 2020 Annual Report and Accounts.

We maintain our focus on an effective corporate governance framework that keeps pace with the rate of growth and change inside and outside of NCC Group. In particular, the identification and management of risk has continued to be a focus for us in monitoring progress against the SGT transformation programme and consideration of potential Brexit impact. Further information on risk management and the key risk focus areas during the year are set out on pages 32 to 37.

PEOPLE

We are in a people business and our technical people are at the core of our customer offer. Our people are the cornerstone of this business and they continue to show their commitment to our business and to delivering excellent service to our customers. As we progress through the transformation programme our people are key to its success. We seek to provide challenging and rewarding career paths for all our people to ensure that we can attract and retain the very best talent.

We recognise that we still have much progress to make in terms of improving the diversity of the Board and our Executive Team and indeed our wider workforce in terms of gender. Improvement in diversity will not happen overnight but we are very mindful of the need to improve this and take positive action, and the matter is fully on our agenda and in our thoughts as a Board. For more information on gender diversity, see pages 40 to 42, 55 and 68.

We take our role as a responsible employer seriously and see the UK requirement to publish gender pay gap figures as a positive move towards transparency around a key issue within our industry. We recognise that steps need to be taken to improve our gender mix at all levels as a part of our broader strategy and the investment we are making under our Sustainability agenda is supporting us to achieve this.

On behalf of the Board I therefore offer our sincere thanks and appreciation to all of the Group's employees for their continued dedication in delivering excellence.

OUTLOOK

We look forward with confidence to a dynamic year and expect full year trading to be in line with our expectations. The next 12 months will see significant changes as we launch our new systems and look to achieve the expected benefits of having a global view of all our operations. While not without challenge, the implementation of these systems will enable us to be far more efficient and effective which in turn enables us to better serve our customers.

The outlook for the Group remains very positive in the growing market for cyber resilience. We have a unique asset in our teams of highly talented and experienced colleagues around the world, and demand for their skills and the services they create is only going to grow over the coming years. I look forward to working with them to deliver great value for all of our customers.

Chris Stone
NON-EXECUTIVE CHAIRMAN

24 July 2019

Strategic report

Case study - System Bookings

Global booking system experts embrace innovation through Escrow-as-a-Service.

Based in London, System Bookings is a leading online booking system specialist providing high-end bespoke solutions to businesses across the globe, ranging from start-ups to major FTSE 100 companies.

System Bookings has been working in partnership with NCC Group since 2017 to demonstrate its commitment to best practice and long-term client relationships.

"As a company that promises to deliver a specialised bespoke service with fast turnaround times, we required a business continuity solution to match our offering. Through NCC Group's streamlined Escrow-as-a-Service solution, not only can we continue to provide market leading software solutions, but we can assure our customers that their most valuable assets are protected at all times."

Chris Campbell
DIRECTOR, SYSTEM BOOKINGS

CHALLENGE

System Bookings required a customised booking system to help improve the efficiency of appointment scheduling for a market leader in the photography industry. This booking system would help them stay ahead of their competition in a fast-paced and dynamic environment.

To provide reassurance and confidence to the customer that they'd be protected against any disruption to their bespoke software, System Bookings recognised the need for a third-party escrow solution.

SOLUTION

After previous positive experiences with us, System Bookings got in touch. During the initial scoping call our specialists worked with System Bookings to understand the infrastructure of the application and proposed an Escrow-as-a-Service (EaaS) Access agreement.

The agreement provides the customer with the necessary information needed to access the live environment of their cloud software application in the unlikely event that System Bookings is unable to support or maintain the application.

For further reassurance we recommended the inclusion of the source code as part of the agreement. This allows the customer to maintain or further develop the software from the original code.

All information required to access the live environment was transferred from System Bookings to our secure vault with a mutually signed legal agreement these would be released if required.

Our secure online depositing portal 'View' made the upload deposit a quick and seamless process for System Bookings.

RESULTS

Although new cloud hosted software has been developed to improve the customer experience, software suppliers face the challenge of ensuring the long-term availability of the application for their customers.

System Bookings has demonstrated a proactive approach to risk mitigation and governance enabling them to embrace innovation through their bespoke software while assuring customer confidence by minimising the impact of business disruption.

Market landscape

The market landscape in cyber resilience continues to be driven by four dominant factors:

01. The increasing number of connected devices and services

Owing to changes in underlying business models, and value now attributed to data, we see a drive towards pervasive connectivity and digitisation.

The dawn of 5G mobile networks, fibre-to-the-premises and waves of new communication satellites, launched by incumbent operators and start-ups alike, heralds the arrival of infrastructure required for the next wave of ubiquitous connectivity.

This connectivity is enabling paradigms in computing, processing and service delivery not previously possible, which further accelerates the rate of innovation. Innovation brings huge opportunity but also cyber risk that needs discovering, assessing, managing and maintaining.

02. Individuals, businesses and the growing dependence of society on this connected environment

Built on top of this foundation of communication infrastructure is a range of innovations, solutions, services and new technologies. All industries are being digitised and connected to deliver efficiencies and new ways of working that derive value from data: from education to smart cities, from government service delivery to customer service, from transport to healthcare, from agriculture to Enterprise Internet of Things (IoT), from the military to the broader industrial base.

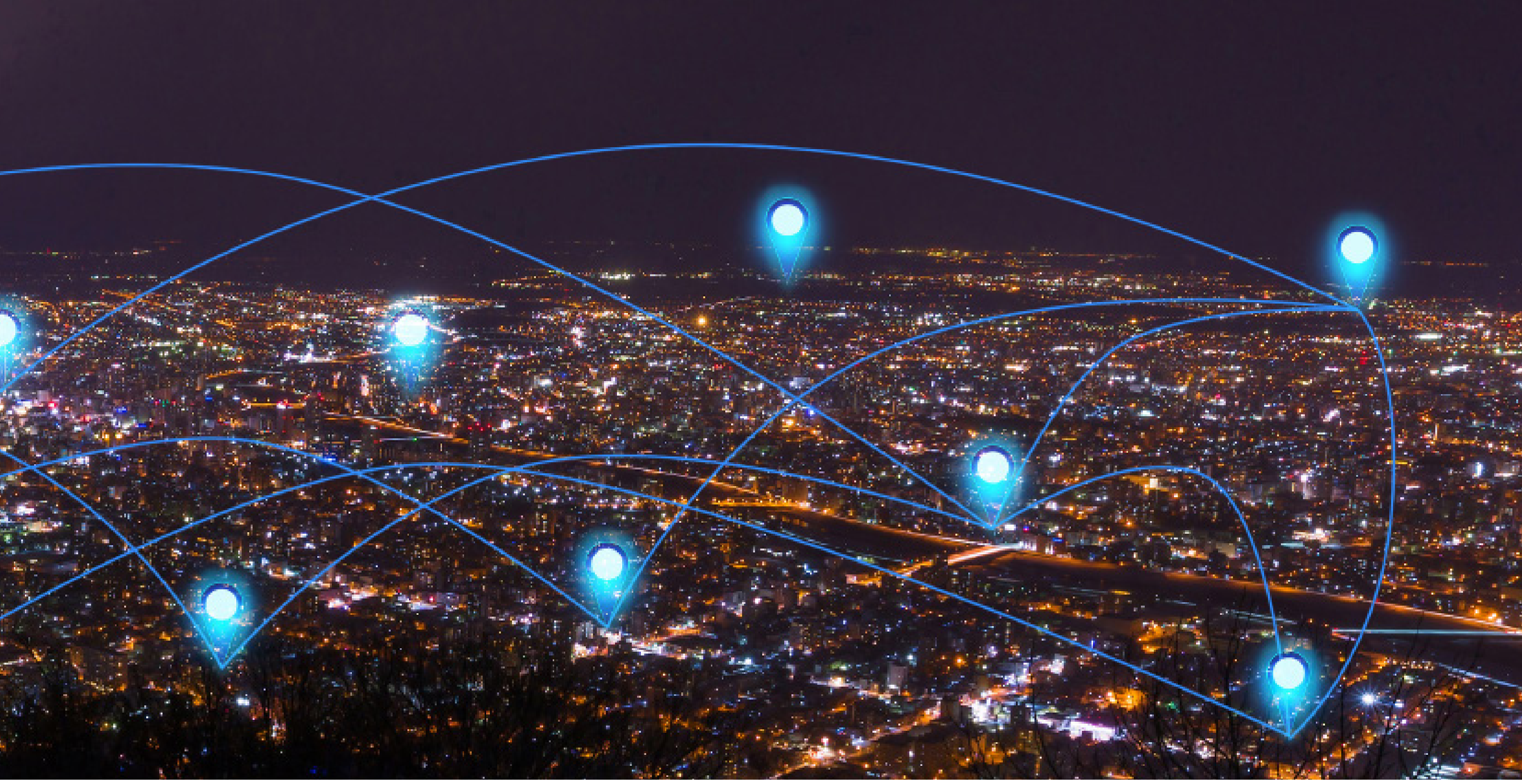
As a result, society is becoming increasingly dependent on a connected world and not in an always-obvious manner. The complexity of this connectivity and interdependence means the risk of contagion from a breach leading to disruption in one part of a system affecting another has never been higher.

03. The proliferation of threats and threat actors

The first ransomware appeared only seven years ago and today ransomware forms the backbone of a multi-tens-of-billion dollar criminal enterprise that targets individuals, small through to large businesses (including listed multi-nationals) and government.

Coupled with new state and state-proxy actors, these organised criminal threats look to utilise cyber to augment traditional military and intelligence capabilities. They represent increasing numbers of bad actors looking for an edge and an opportunity to exploit weaknesses and leverage cyber against an ever-increasing set of targets.

The bar of entry to become a cyber-aggressor continues to fall while the level of cyber resilience and robustness has not correspondingly increased for the most part. While governments have, through international accords such as The Wassenaar Arrangement, tried to stem the proliferation of advanced capabilities, the reality is that advanced hacking today is simply too easy.



04.

Relentless increase in regulation and consequent costs of compliance failure

Most mature governments deem the free market to have failed at delivering the level of cyber resilience required. As such, mature governments are enacting strategies, which often involve two key priorities.

The first is the establishment of a central function or organisation for cyber defence within the national governance structure and protecting legislation in place. In the past year, we have seen the United States, Australia, Canada, and the European Union all do this. The roles of these organisations include capability capacity building, awareness raising and guidance on how to be cyber resilient, managing incidents of national significance and being the authority as to what good looks like in cyber.

The second is to embark on regulation, be it The Network and Information System (NIS) Directive, General Data Protection Regulation (GDPR), or sector specific regulation such as the 2017 New York State Department of Financial Services (NYDFS) cyber security regulations. Regulators are employing a variety of strategies including looking for evidence of the real-world resilience of an organisation as opposed to similar verification and paper-based audits. To collect this evidence regulators are increasingly stipulating advanced red-team engagements, which we offer.

It is also becoming increasingly clear that regulators are willing to issue material fines for failures with high profile cases coming to light. Our work in pre-close technical due diligence is showing heightened awareness of the risk of buying a breach and customers wanting to do more than a light touch due-diligence due to these regulations.

Owing to these four market drivers, aggregate demand for cyber services and products continues to grow. However, as a consequence, this attractive market is very busy having attracted significant investment from participants including system integrators, management consulting firms, defence contractors and private-equity or venture-capital-backed technology companies.

We have observed many clients – rightly – becoming frustrated with vendors offering 'magic bullet' solutions. As an antidote, we promote the development of 'cyber science', which aims to take the mystery out of cyber and replace it with evidence-based risk mitigations and performance quantification. We believe this professionalisation of cyber will enable organisations to engage much more easily and will clear the path for further market growth.

Finally, as a professional services firm in a technology-dominated market we observe two positive dynamics. First, what we offer is distinctive in that we are able to develop and maintain leading technical capability without investing massive amounts of capital expenditure. Instead, targeted research undertaken by skilled individuals continues to yield world-leading discoveries that we use to educate ourselves and engage with our clients. Secondly, it is clear that competitors continue to struggle to build and retain a critical mass of individuals even a fraction of the size of our talent pool let alone with the market diversity. Therefore, while we will continue to compete with an ever-increasing number of firms, we continue to provide a differentiated service that attracts clients and colleagues alike.

Business model

Driving value and capability

Threat

Technology

Risk

Scaling and efficiency

Defence

Capability

Our world-class research enables us to continually understand, discover, exploit and mitigate threats in technology, people and processes. This in turn allows us to deliver innovative solutions while at the same time deliver on legacy commoditised services.

Strategy, risk and technology

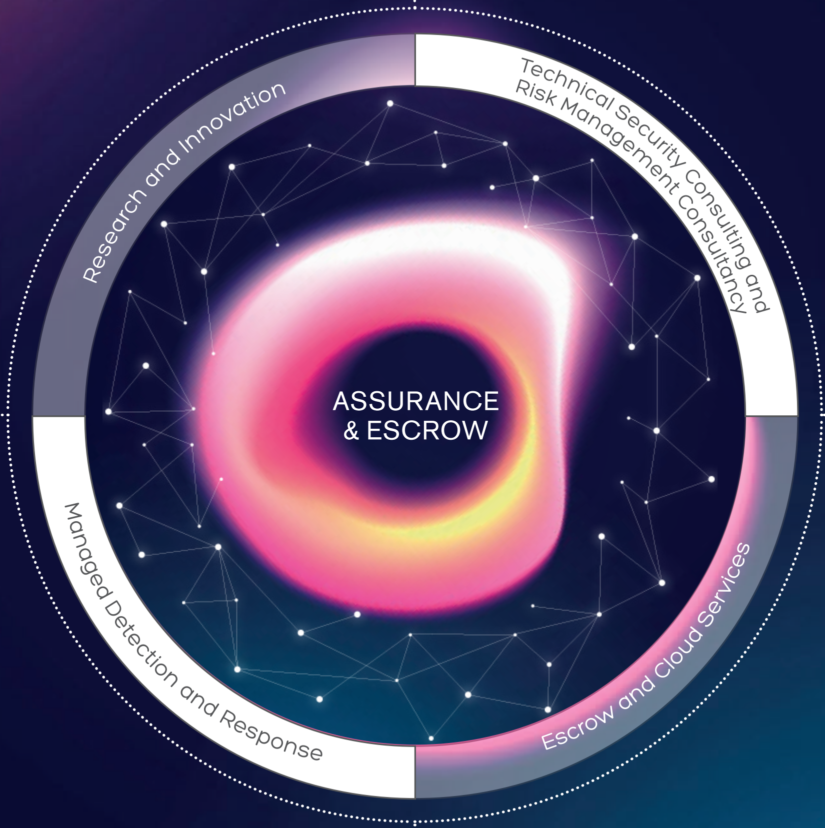
Educating

Assessing

Advising

Responding

Our security experts provide a wide range of integrated professional cyber services including end-to-end capability in all facets of cyber security aimed at improving our client's business operations.



The model highlights how this translates into a customer journey across our broad service offering

Managed Detection & Response

Managing

Alerting

Monitoring

Responding

Our Managed Detection and Response capability is supported by our security operations centres in the Netherlands and the UK. We also provide managed vulnerability scanning services.

Strategy, risk and technology

Safeguarding

Defending

Informing

We continually look for intellectual property development and commercialisation opportunities to create further value within the Group. This has led to the development and acquisition of a rich portfolio of products and cloud services, for example our new Escrow-as-a-Service proposition – see page 14.

A customer journey

We continually develop our cyber business to provide security services that help our customers meet their everyday business challenges. We develop strong relationships with our customers based on their business objectives and goals. Our relationship is typically based on a three-stage journey.

ASSESS

The first stage of the journey with us is typically an assessment or baseline review to understand what problem the customer is trying to fix.

Ideally this involves a comprehensive Cyber Security Review undertaken against an industry framework, such as the NIST Cybersecurity Framework. However the baseline can be derived from any number of activities including red teaming, a breach response exercise or an executive workshop, all of which are underpinned by our advance threat intelligence capability.

The real value lies not just in the assessment but in the clear advice and guidance provided to improve the level of business resilience.

For example:

- How to protect the customer's organisation and what primary actions they need to take
- How to improve their security maturity rating to satisfy Board requirements
- How to ensure their cloud environment is secure so they can capture new opportunities and move into new markets efficiently
- How to comply with legal and regulatory requirements to ensure their business can continue to deliver its services.

DEVELOP

To enable businesses to grow and thrive it is essential to work with them to fix the issues identified during the Assess stage. It is only once these areas have been remediated that the true return on investment will be realised against their cyber spend.

The key to successful security transformation is working closely with the customer as a trusted advisor, developing in partnership a strategy that works for their business. This, coupled with robust governance, is essential for any successful implementation.

We operate a full security service and can deliver a range of services during this phase, all of which are dependent on the issues identified and the needs of the business.

For example we may:

- Provide recommended fixes and a testing programme to ensure that these fixes have been implemented correctly
- Assess the security of their cloud environment with our Scout Suite auditing tool to ensure the configuration of any applications being moved to the cloud are secure
- Build a virtual team, working as an extension to the customer's team, bringing specialist skills such as risk management or in-depth knowledge of key cloud platforms for example
- Work in collaboration with the customer to design and identify specific technology solutions to meet their requirements
- Engage our senior advisors to provide support to engage the Board in any remediation activity.

MANAGE

Being cyber safe and protecting against risks isn't an exercise with a start and end date. The ever evolving threat landscape means that beyond the initial assess and develop phases it is vital to continually improve levels of security, detect incidents and react to them.

In the final stage of this journey, we transition the customer into a set of services, which allows them to continually evolve to meet this threat landscape head on.

We are able to do this through a range of services:

- Utilising our Managed Detection and Response proposition, which gives confidence that we are working alongside the customer, responding quickly, mitigating threats, reducing risk and ensuring their business continues to operate
- Our Escrow-as-a-Service (see page 14) provides a simple answer to the question of cloud resilience
- World-leading threat intelligence offers an insight into threats faced by our customers.

Successfully helping our customers to be cyber safe is achieved through working in partnership with them.

Leveraging our skills and experience the customer can transition on the journey from assess through develop to the manage phase and realise the value to their business. This consistent, cohesive approach aims to ensure they are protected and their cyber security programme is continually refreshed and fit for purpose.

Chief executive officer's review

"This has been a pivotal year in NCC Group's transformation as we lay the foundations to enable us to compete and win globally, delivering on our mission to make the world safer and more secure."

Adam Palser
CHIEF EXECUTIVE OFFICER

A YEAR OF PROGRESS IN RESULTS AND TRANSFORMATION

Over the past 12 months, NCC Group has grown revenue, profit and cash flow while making significant progress through its transformation programme. Revenue on a continuing basis was up 7.6% and adjusted operating profit [2] increased by 9.4%, while the Group also delivered improved cash flow with cash conversion [2] of 109.6% compared to 90.2% [1] in FY18. On a statutory basis, operating profit increased by 44.4% to £19.5m (2018: £13.5m [1]) and profit before taxation increased 52.1% to £17.8m giving rise to a basic adjusted EPS [2] and statutory EPS from continuing operations of 9.2p (2018: 8.2p [1]) and 4.9p (2018: 4.4p [1]) respectively.

These results have been achieved alongside significant transformation activity (described below), which is building a strong platform for future scalable growth and margin improvement.

I am particularly pleased with the progress made in the second half in two critical areas for NCC Group. First, the improvement in our cash management processes, which has led to a sustainable reduction in our working capital and a year-end net debt [2] position of £20.2m (compared to £27.8m at the end of FY18 and £45.1m at the end of H1 FY19). Second, after a first half in which we were unable to resource all of our opportunities because of skill shortages, we have rebuilt the capacity of our technical cyber teams within the Assurance division.

Headcount in our Assurance technical delivery teams increased by 102 people across the world to 1,047, which means that we are well positioned to deliver further growth. Given the scarcity and demand for cyber skills, our ability to attract sufficient specialists is a pleasing endorsement of our progress towards being the employer of choice for cyber talent.

OUR ASSURANCE BUSINESS CONTINUES TO OPERATE IN A GROWING AND DYNAMIC MARKET

Demand for cyber services continues to grow globally, driven by:

1. The increasing number of connected devices and services;
2. The growing dependence of individuals, businesses and society on this connected environment;
3. The proliferation of threats and threat actors; and
4. The relentless increase in regulation and consequent costs of compliance failure.

Thanks to this growing global demand, the cyber market continues to attract massive investment from system integrators, defence companies, consulting firms and private equity or venture capital technology and/or security firms. In this intensely competitive market, NCC Group continues to demonstrate sustainable, profitable growth and this is in no small part due to our world-leading and cost-effective approach to research.

1 See note 1 for further details on the restatement of comparative information due to the retrospective application of IFRS 15.
2 See note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. See note 3 for a reconciliation to statutory information.

Our talented employees continue to discover key vulnerabilities in existing and new technologies – from printers to blockchain – which allow us to educate and protect our clients thereby monetising our knowledge.

Across different geographies we observed variability in demand growth: NCC Group grew 23.4% in North America, 12.9% across continental Europe and Asia-Pacific but only 3.1% in the UK (after taking into account a reduction of £3.6m in UK product sales, which is a consequence of our deliberate move away from low-margin re-selling).

We attribute the strong growth in North America partly to growing demand from a thriving ecosystem of 'technology producers' for whom privacy and security are of existential importance, and partly to the work we have done over the last 12 months to build a powerful and empowered North American business.

Cross-region delivery in our technical security consulting teams increased by 31% in support of sales growth around the world, which evidences our maturing ability to deploy resources globally.

We intend to return all parts of our Assurance business to double-digit growth in the year ahead, and a key success factor for achieving this goal is attracting and retaining sufficient talent.

I am consequently pleased to report that attrition in our Technical Security Consulting teams dropped from 24.9% in FY18 to 17.9% in FY19. Overall, attrition in our Assurance business was 19.8% (FY18: 23.2%), driven in particular by attrition of 28.6% in our sales teams, which was largely the consequence of more vigorous performance management as we seek to upgrade our sales capabilities.

While our current focus is on strengthening and growing our organic operations we will take advantage of acquisition opportunities that fit our target profile as and when they present themselves.

Read more on the market landscape on pages 8 to 9

Chief executive officer's review

ESCROW A YEAR OF TRANSITION

Revenue in our Escrow business declined 2.8% over the course of the financial year with a 6.5% decline in the UK outweighing an encouraging 10.7% increase in North America.

Although our current Escrow business is dominated by on-premise software solutions – and it is true to acknowledge that on-premise software is declining as a proportion of the software market – we observed that the renewal rates for our agreements remained constant at 89.6%. During Q4 FY19, we secured our largest ever on-premise contract win (£800k) with a major international bank, which, coupled with our strong North American growth, leads us to believe that Escrow continues to be a good business for NCC Group.

We did, however, find the UK market challenging for Escrow this year but, in line with our strategic priority to return the Escrow division to growth, we increased our UK sales team to 44 people in the second half of the year.

Beyond our existing on-premise software escrow solutions, we believe that the need for business resilience is just as relevant – if not more so – in the growing world of cloud services. Towards the end of the financial year, we launched our Escrow-as-a-Service cloud-resilience proposition and are encouraged by initial demand and feedback from the market. Over the course of the coming year, our intention is to prove that our EaaS product is a scalable high-margin offering, which has the potential to match the market penetration of our on-premise solutions. Investment in the EaaS market launch may dilute margin temporarily.

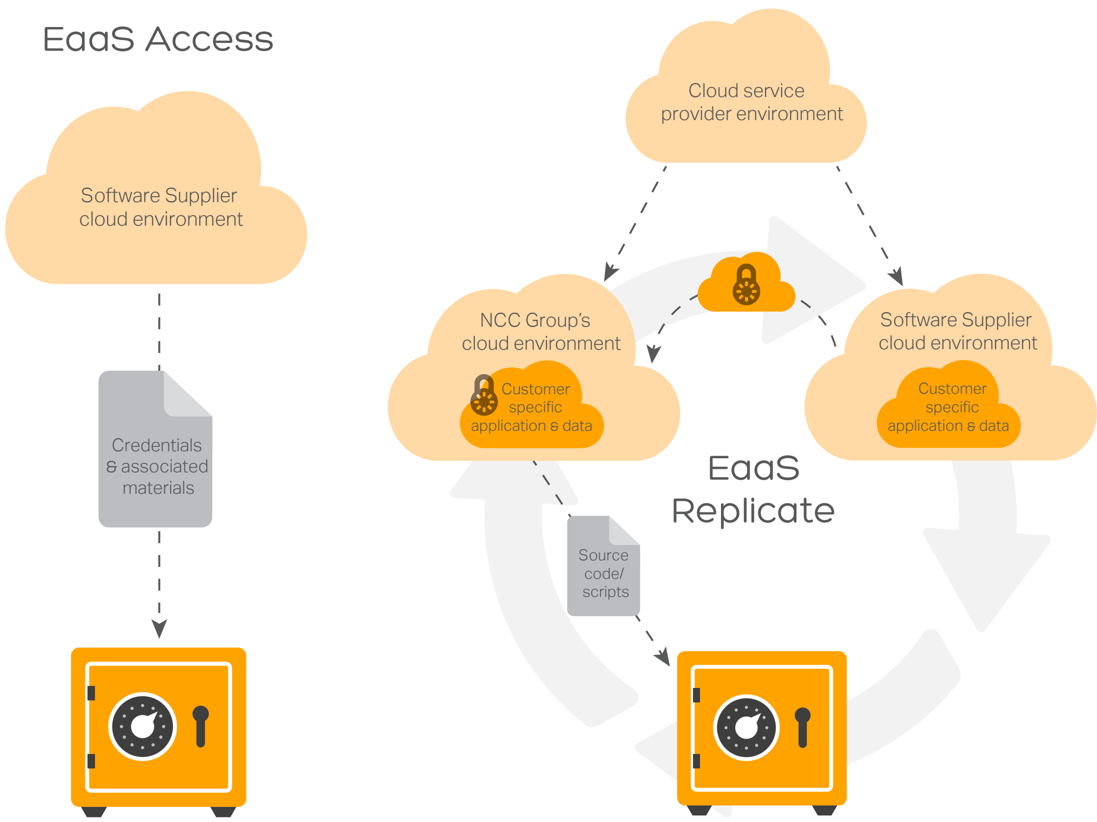
Overall, we continue to view the extensive client list and recurring revenue streams of our Escrow division as important assets for the Group and intend to return this business to growth through:

1 Better sales operations, particularly in the UK;

2 International expansion in North America (in particular) and continental Europe; and

3 Developing new offerings that we can sell to our existing client base – of which EaaS is the first.

Escrow-as-a-Service offers organisations the option to either access or replicate their unique cloud environment, applications and data providing assurance against software supplier failure.



Highlights across our five transformation workstreams to date include:

Develop our People: Consistent global approaches to induction, performance management and leadership have been defined and are ready for FY20 launch. We undertook a Global Employee Engagement survey with Best Companies that led us to identify a number of activities including mentoring and management programmes (currently in pilot) and 'NCC Cares', our global wellness initiative. During the year we have also strengthened our leadership with the arrival of Tim Kowalski, Chief Financial Officer, Ian Thomas as Managing Director of Assurance (UK and APAC) and Colin Watt as Chief People Officer.

Lead the Market: Days invested in research increased globally by 15% resulting in high-impact output across fields including Enterprise Internet of Things (IoT), AI/Machine Learning, Smart Cities and Connected Health.

Win Business: We launched Salesforce in our Assurance division across Europe (including the UK) in June 2019 in conjunction with our Gated Business Lifecycle (GBL). The GBL has harmonised the way we go to market across the world, which prepares us further for greater co-operation across geographies. We shall complete the global roll-out in the first half of the next calendar year.

Deliver Excellence: Performance was supported by increased cross-region global resourcing as our scale allows us to capture market share when others face more pressing delivery resource constraints.

Support Growth: Seven out of nine of our future core systems are now operational in at least one major region, with the remainder due to roll out progressively over the next financial year. Our Workday installation, which is the largest component, remains on track and has delivered an additional benefit of bringing teams across the world together to define a common way of working across the Group.

OUR TRANSFORMATION PROGRAMME: SECURING GROWTH TOGETHER (SGT) AND THE NEXT VERSION OF NCC GROUP

May 2019 saw the first anniversary of our three-year transformation programme, Securing Growth Together (SGT).

SGT is the vehicle through which we are executing our strategy and delivering on our priorities. We are making good progress and have successfully achieved our year one milestones. Our SGT programme will result in us having the information we need to run the firm in an assertive and agile way globally and will provide a stable platform for future growth and margin improvement.

SUMMARY, OPERATIONAL PRIORITIES AND OUTLOOK

In summary:

- Robust revenue growth during first year of operational transformation
- Adjusted operating profit margin [2] improved to 13.4% (2018: 13.2% [1]) with strong cash conversion [2] and net debt [2] reduced to £20.2m (2018: £27.8m). On a statutory basis operating profit margin increased to 7.8% (2018: 5.8%)

Our operational priorities for FY20 include:

- Assurance: continued double-digit growth and margin improvement
- Escrow:
  - Stabilise revenue this year and growth thereafter
  - Accelerating the adoption of our new cloud-resilience (EaaS) proposition
- People: increasing our sales capability and effectiveness, particularly in the UK (where we are rebuilding our sales team) and North America (to support further growth)

Outlook:

- Regulatory pressure and high-profile breaches continue to increase the strategic importance and value of cyber security in our target markets
- Three-year transformation, SGT, progressing on time and within budget to create the next version of NCC Group
- We look forward with confidence to a dynamic year and expect full year trading to be in line with our expectations

Adam Palser
CHIEF EXECUTIVE OFFICER

24 July 2019

1 See note 1 for further details on the restatement of comparative information due to the retrospective application of IFRS 15.
2 See note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. See note 3 for a reconciliation to statutory information.

Our strategy

As technology development continues to play an even more important role in everyday life, so does the need for cyber security innovation to keep society safe and secure.

Our strategy is designed to meet this challenge encapsulating the passion we have, and how our people thrive on doing great work, solving challenges others can't. We have the capability and opportunity to do more and our strategy provides us with the framework to do this – disrupting the market and creating exciting opportunities for our people and our customers.

We will continue to serve our key markets while developing expertise in the sectors of our customers. We'll invest in research and development so we secure tomorrow's future today.

Our five strategic themes, each of which has an executive sponsor and a programme of activity, are managed through our transformation programme – Securing Growth Together – to ensure sustainable and effective change management. See page 15 for more on our transformation.

Performance above prior year

Performance in line with prior year

Performance below prior year

Read about our strategy in action on pages 18 to 21

Read about KPIs on pages 22 and 23

Develop our people

We want to create a positive colleague experience like no other offered in the industry, investing in our talent and organisation to unlock our full potential.

PROGRESS IN 2018/19

- Strengthened our leadership with the arrival of Tim Kowalski, Chief Financial Officer, Ian Thomas as Managing Director of Assurance (UK and APAC) and Colin Watt as Chief People Officer
- Consistent global approaches to induction, performance management and leadership have been defined and are ready for FY20 launch
- Significant UK sales recruitment to rebuild capacity
- Boosted senior management presence in North America

FOCUS FOR 2019/20

- Support new recruits to recreate effective sales team
- Support our people on learning and development and ways of working
- Be a hub for cyber talent
- Be a quirky, distinctive environment where individuals and teams thrive

LINK TO KPIs

Lead the market

Deliver world-class research and thought leadership coupled with leaders who can engage audiences and convey our message across all channels.

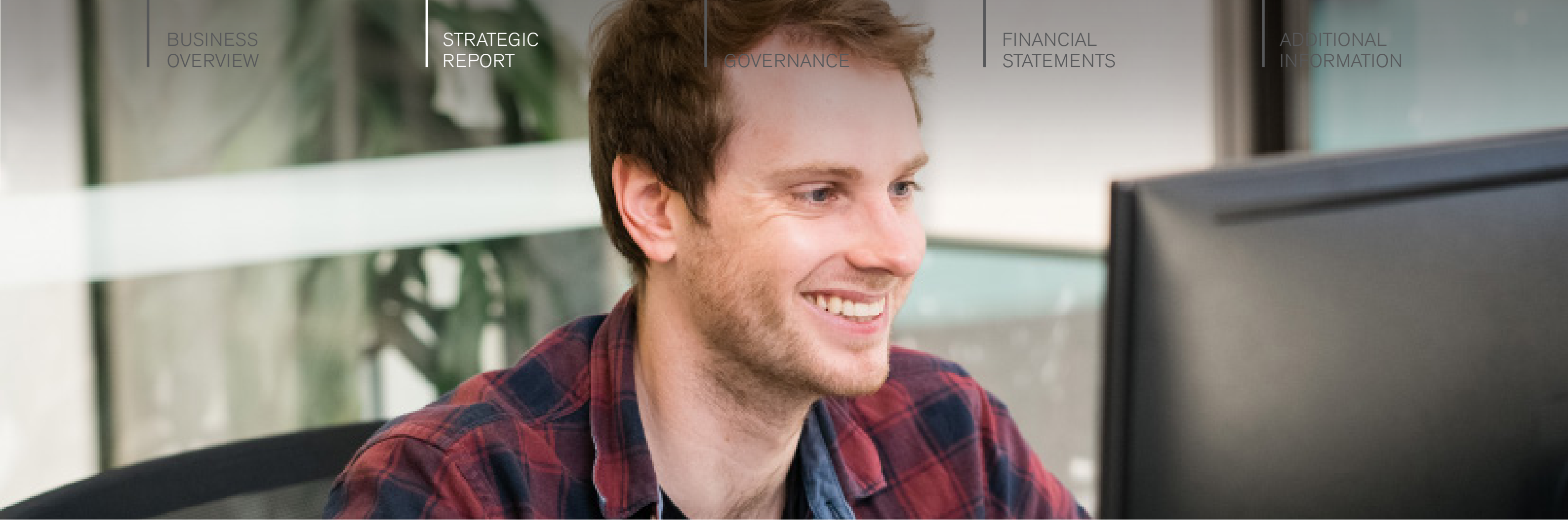
PROGRESS IN 2018/19

- Global research days increased by 15%
- Leading research published in fields including Enterprise Internet of Things (IoT), Artificial Intelligence/ Machine Learning, Smart Cities and Connected Health
- Appointment of a VP Research in North America

FOCUS FOR 2019/20

- Continue high-impact research
- Accelerating the adoption of our new cloud-resilience (EaaS) proposition.

LINK TO KPIs



Win Business

We want to win high-value work as a result of a deep understanding of our customer's cyber needs in the context of their business.

PROGRESS IN 2018/19

- Launched Salesforce across UK and Europe in conjunction with our Gated Business Lifecycle (GBL). The GBL has significantly harmonised the way we go to market across the world, which prepares us further for greater co-operation across geographies
- Largest ever on-premise Escrow contract win (£800k) with a major international bank

FOCUS FOR 2019/20

- Complete the global roll-out of GBL in the first half of the next calendar year
- Develop Escrow channel model to boost volumes
- Complete roll-out of Salesforce in North America and RoW

LINK TO KPIs

Deliver excellence

Deliver consistently high-quality solutions that our customers value, fully utilising our global capability and the technical excellence of our consultants.

PROGRESS IN 2018/19

- Increased global resourcing
- Lower attrition and higher capacity in technical teams now established
- Single product development roadmap and offering created for global managed detection and response business
- Global account management established

FOCUS FOR 2019/20

- Unified platform for global scheduling and visibility
- Embed new ways of working with our clients, providing a distinctive service

LINK TO KPIs

Support growth

Providing the tools and processes that enhance how we work today enabling access to quality management information to help us make the right decisions quickly.

PROGRESS IN 2018/19

- Assurance revenue growth per territory, strong in North America: +23.4%, robust in Europe and RoW: +12.9% albeit disappointing in UK: -1.1% (+3.1% excluding product sales)
- Escrow revenue growth in North America +10.7% as we increase our presence; however, UK disappointing with operational challenges resulting in revenue decline of 6.5%
- Seven out of nine of our core systems are now operational in at least one major region

FOCUS FOR 2019/20

- Continued Assurance double-digit growth and margin improvement
- Stabilise Escrow revenue in FY20 and growth thereafter
- Increased collaboration between businesses by continued roll-out of new core systems

LINK TO KPIs

Our strategy in action

To enable NCC Group to reach its full potential, our strategy is delivered through the transformation programme - Securing Growth Together. A small transformation office ensures that activity is in line with our strategic priorities, benefits are tracked and we manage change effectively. Proposals are approved by the NCC Group Board prior to any commitment being made to ensure the benefits case is scrutinised.

The Securing Growth Together programme draws on the knowledge and capability within the Group, fostering greater team working and delivering greater value for our clients as a result. The priority for year one and into year two is fixing the basics – investing in the platforms and systems that enable us to act as one firm globally.

We've made great progress in year one, implementing seven out of the nine new systems which are needed to modernise our firm. By fixing the basics we have the information and the ability to run this firm in the agile, dynamic way necessary for us to focus delivering value to our clients.

We are evolving how we work, building high-value relationships, which are enduring and enable us to predict and plan to secure the work our colleagues yearn for.

INVESTING IN PEOPLE: EMPLOYEE ENGAGEMENT

Knowing how important engagement is to the success of our business, in July 2018 we launched the Best Companies bHeard survey to gather feedback from colleagues.

Insights gathered from the survey were vital in helping us to prioritise activity at both a global and a local level. And they provide us with a benchmark to measure progress in the future. The survey is due to be run annually with the addition of monthly employee engagement pulse surveys.

At the global level, feedback highlighted the need to connect the organisation and to improve sharing of information. This led to the launch of the employee engagement platform – Dynamic Signal, which provides a mobile-first solution to push tailored content to different audiences as well as encourage user-generated content.

The Dynamic Signal platform seamlessly integrates with our collaboration and communication channels – Microsoft Teams and Yammer. And it also enables us to empower colleagues to share approved content externally through their social media channels.

Investing in research: Taking security posture to the next level

We were challenged to quantify the real-world impact of a self-propagating worm-based ransomware attack like NotPetya, and help one customer to understand how its security investment could better deliver the intended resilience against such threats.

Working closely with the customer and bringing innovative technical expertise from across the Company together, we created EternalGlue – a safe, controllable and self-propagating malware simulator that could test an organisation's resilience against malware attacks in a live environment.

WHAT WE DID

We reverse engineered NotPetya to create from scratch a new worm with clean exploits, a benign payload, detailed suicide logic, kill switches and telemetry information.

We launched this into our client's network, enabling them to run several scenarios from six user accounts.

When we triggered the kill switch at the end of the test a couple of hours later, our EternalGlue worm had safely infected a significant number of the client's hosts, using lateral movement vectors, including token impersonation and unpatched systems.

THE RESULTS

The EternalGlue test identified a number of improvements in the customer's Windows Active Directory, which improve resilience against similar propagation attempts.

Most importantly, the results gave the customer's CISO and Board a unique, evidence-based insight into their security posture, and how they could materially improve their resilience by investing in the right areas.

This is a great example of challenging ourselves to create innovative cyber solutions through expert research putting our customers at the heart of everything we do.

Our strategy in action

Innovative solutions: A new perspective breeds better detection

Cyber is a 24/7 threat, making round-the-clock detection an essential component of any organisation's security strategy. By maintaining a holistic, 360-degree view of your business, you significantly improve your chances of detecting and responding to cyber-attacks before they can cause damage.

Our Security Operations Centre (SOC) keeps watch for our clients every minute of every day, combining world-leading technologies and expert analysis to deliver a comprehensive Managed Detection and Response service.

At the heart of this service is a commitment to providing a greater quality of detection to our clients that goes beyond recognised user case alerts.

We challenged ourselves to create a solution that could understand attacker behaviours and tradecraft in real-time, to enhance detection rates of real-world threats. The result was our Managed Detection Engine.

WHAT WE DID

To create the best quality detection, we innovatively combined traditional techniques with our own leading threat detection services. We used our wealth of experience in thorough, research-based offensive attacks to improve the Engine's defensive ability and drive its detection rates up.

Drawing on our extensive threat intelligence network, we also created a constantly updated library of Cyber Threat Indicators with applied detection logic.

Every month, we collect and analyse billions of security events logged by our clients, and break these down to the few that matter to the organisations we work with.

We used the intelligence garnered from this practice to create a real-time library of reports on alert investigations and findings, using the recognised MITRE ATT&CK framework to classify detected attack tactics, techniques and procedures. We also used the MITRE framework to correlate detected activity to drive false positive rates down.

All of this data is fed into our Managed Detection Engine and interrogated in real-time, enabling us to identify the malicious and anomalous activity as it happens and work with our customers to mitigate risk more efficiently.

THE RESULTS

By bringing together external content such as the MITRE ATT&CK framework and our own offensive threat hunting, intelligence framework, insights and more, the Managed Detection Engine has already improved detection rates, enhanced the quality of findings and reduced false positive rates for many of the customers we work with.

Importantly, this approach enabled us to apply our deep offensive expertise to improve our ability to defend our clients from real-world cyber-attacks.

Collaboration: giving businesses technology to thrive

Visibility is crucial when it comes to any comprehensive and robust security strategy. This means mapping out an IT estate and establishing where any potential risks lie - providing businesses with a clear understanding of any changes that need to be made, or any security issues that need to be addressed.

Security logging is an important part of this process. It is widely acknowledged across the industry that gathering and logging information on any installations and user behaviour across a system is an important practice that can help organisations to identify any potential risks, as well as ensuring compliance with a range of security standards.

However, knowing where to start can often be a challenge – particularly for small enterprises, or those that don't have large amounts of money to invest in a complex monitoring solution.

SIMPLICITY IS KEY

We've collaborated with the UK's National Cyber Security Centre (NCSC) and the Cabinet Office on the 'Logging Made Easy' project, building the guidance, scripts and tutorials needed to enable organisations to deploy an effective, scalable logging solution.

Built using open source and freely available software, the solution is based on tried and tested architectural design methods and best practice from real-life cyber investigations, enabling businesses to understand their IT estate in more detail.

Logging information across an IT estate, including user details, uninstalled software updates, and administrative privileges, can help organisations to monitor their systems and detect attacks quickly, as well as improving access to information for reporting purposes.

Building a strong cyber security strategy should be a priority for all businesses, regardless of size or sector. It's up to government and industry to work together to help businesses that may not have the resources to source their own incident investigation and protective monitoring tools. Making the monitoring process more simple for these companies is just one way to help work towards a safer society.

Key performance indicators

Our strategy	Rationale and current status	Trend
DEVELOP OUR PEOPLE	Our key strategic goals will rely fundamentally on our people and their skills, so we need to ensure that we attract and retain high quality colleagues. We need to ensure they are properly trained, gain the right experience, and are also properly incentivised by recognition and the working environment, as much as by reward.	
LEAD THE MARKET	The market is evolving so quickly that we need to be at the forefront of developing new services and responses to address emerging threats. Our customers' needs are also changing: not just in response to new threats but also in respect of how and where they carry out their business. We must respond to those changes in how we position ourselves and our services.	
WIN BUSINESS	In attractive and growing markets where we enjoy strong competitive differentiators, we aim to deliver medium-term growth in excess of market rates. By focusing on higher value added services we will avoid growth for its own sake while simultaneously protecting our margins.	
DELIVER EXCELLENCE	The Strategic Review identified that we do not organise ourselves in a way that brings simplicity and efficiency to our service delivery.	
SUPPORT GROWTH	Our existing business processes are inefficient, and in many cases difficult to scale. They often rely on manual activity and disparate information systems that can lead to a lack of clarity in decision-making.	

Trend direction

Performance above prior year

Performance in line with prior year

Performance below prior year

KPIs 2019 performance	Commentary
Employee turnover 22.0% (2018: 23.5%) ▪ Global Best Companies employee engagement survey undertaken, which identified areas for improvement. Targeted action plan created and executed, including NCC Cares, our global wellness initiative ▪ Performance management approach has been agreed and is ready for FY20 launch	▪ Global headcount in the technical assurance teams is now at the levels required to satisfy current demand ▪ Focused recruitment means escrow sales teams enter the new financial year at full strength
Global research days increased Significant content production: ▪ 17 whitepapers ▪ 81 technical blogs ▪ 31 technical security advisories ▪ 41 conference presentations Key external deliverables around: ▪ Enterprise IOT ▪ Artificial Intelligence/Machine Learning applications to security assessments ▪ Connected Health	▪ Maintain world-leading capability through intelligent working, including new rapid concept to market process ▪ Future specialist cyber resilience practice incubation research in Connected Health, Smart Cities and Artificial Intelligence/Machine Learning Cyber Resilience ▪ Cyber as a science solutions whose efficacy can be measured and operating constraints understood
Revenue growth (metric unchanged) **2019: 7.6% (2018: 8.3%)** ▪ Global account management initiated for largest clients ▪ High Value Selling training delivered and embedded	▪ Embed salesforce and drive improved sales metrics ▪ Grow Managed Detection and Response services
Gross margin improvement (metric unchanged) **2019: 40.6% (2018: 41.2%)** ▪ Global resourcing improved through more harmonised ways of working; achieved by better communication and the introduction of a Gated Business Lifecycle ▪ Cross-region delivery in our technical security consulting teams increased by 31% in support of sales growth around the world	▪ Take further steps in FY20 towards agile global resourcing: harnessing cyber talent across the globe and using it to support both multinational and local organisations ▪ Measuring utilisation globally to manage recruitment/attrition 'hot spots' and enable surge resourcing
Adjusted operating profit **2019: 13.4% (2018: 13.2%)** ▪ Systems installations are on track and within budget ▪ Overhead increases this year were primarily related to the professionalisation of our support functions **Cash conversion ratio (metric unchanged)** **2019: 109.6% (2018: 90.2%)** ▪ Sustainable improvement in working capital through better processes, the introduction of weekly measurement dashboards and increased management focus	▪ Install Workday as the backbone of our Human Capital, Finance and Professional Services Automation ▪ Prepare to drive efficiencies in FY20 following systems installations

Chief financial officer's review

"We have delivered robust financial results during the first year of transformation, which has led to a year end net debt position of £20.2m"

Tim Kowalski
CHIEF FINANCIAL OFFICER

FINANCIAL INFORMATION [1]

	2019 Adjusted [3] £m	2019 Adjusting Item [3] £m	2019 Statutory £m	2018 Adjusted [3] £m	2018 (restated [2]) Adjusting Items [3] £m	2018 Statutory £m
Revenue	**250.7**	**–**	**250.7**	233.0	–	233.0
Cost of sales	**(148.9)**	**–**	**(148.9)**	(137.1)	–	(137.1)
Gross profit	**101.8**	**–**	**101.8**	95.9	–	95.9
Administration expenses	**(68.1)**	**(14.2)**	**(82.3)**	(65.1)	(17.3)	(82.4)
Operating profit	**33.7**	**(14.2)**	**19.5**	30.8	(17.3)	13.5
Net finance costs	**(1.7)**	**–**	**(1.7)**	(1.5)	(0.3)	(1.8)
Profit before taxation	**32.0**	**(14.2)**	**17.8**	29.3	(17.6)	11.7
Taxation	**(6.5)**	**2.2**	**(4.3)**	(6.6)	7.1	0.5
Profit from continuing operations	**25.5**	**(12.0)**	**13.5**	22.7	(10.5)	12.2
Loss from discontinued operations, net of tax	**–**	**–**	**–**	–	(5.5)	(5.5)
Profit for the year	**25.5**	**(12.0)**	**13.5**	22.7	(16.0)	6.7
Earnings per share:						
Basic EPS – continuing	**9.2**		**4.9**	8.2		4.4
Diluted EPS – continuing	**9.1**		**4.8**	8.1		4.4

Continuing revenue	**2019 £m**	2018 (restated [2]) £m	% change
Assurance	**212.7**	193.9	9.7%
Escrow	**38.0**	39.1	(2.8%)
Total – continuing operations	**250.7**	233.0	7.6%

	2019 £m	2018 (restated [2]) £m	% change
Operating profit	**19.5**	13.5	44.4%
Individually significant items	**3.6**	7.6	(52.6%)
Share-based payments	**1.7**	0.3	466.7%
Amortisation of acquired intangibles	**9.0**	9.4	(4.3%)
Profit on disposal of investments	**(0.1)**	–	–
Adjusted operating profit [3]	**33.7**	30.8	9.4%

Adjusted operating profit [3]	2019 £m	2018 (restated [2]) £m	% change
Assurance	22.6	16.5	37.0%
Escrow	19.0	21.9	(13.2%)
Central and head office	(7.9)	(7.6)	3.9%
Total – continuing operations	**33.7**	30.8	9.4%
Adjusted operating profit % margin [3] – continuing operations	**13.4%**	13.2%	

Throughout this Chief Financial Officer's review, Alternative Performance Measures (APMs) are presented as well as statutory measures and these measures are consistent with prior periods. This presentation is also consistent with the way that financial performance is measured by management, reported to the Board, is the basis of financial measures for senior management's compensation schemes and provides supplementary information that assists the user to understand the financial performance, position and trends of the Group.

For completeness, a reconciliation of Income Statement Alternative Performance Measures [3] to statutory information is shown below:

2019 Continuing operations	**Revenue £m**	**Gross profit £m**	**EBITDA £m**	**Depreciation and amortisation £m**	**Operating profit £m**	**Profit before taxation £m**	**Taxation £m**	**Profit from continuing operations £m**
Adjusted	**250.7**	**101.8**	**43.7**	**(10.0)**	**33.7**	**32.0**	**(6.5)**	**25.5**
Individually significant items	**–**	**–**	**(3.6)**	**–**	**(3.6)**	**(3.6)**	**0.5**	**(3.1)**
Share-based payments	**–**	**–**	**(1.7)**	**–**	**(1.7)**	**(1.7)**	**(0.1)**	**(1.8)**
Amortisation of acquired intangibles	**–**	**–**	**–**	**(9.0)**	**(9.0)**	**(9.0)**	**1.8**	**(7.2)**
Profit on disposal of investments	**–**	**–**	**0.1**	**–**	**0.1**	**0.1**	**–**	**0.1**
Statutory	**250.7**	**101.8**	**38.5**	**(19.0)**	**19.5**	**17.8**	**(4.3)**	**13.5**

2018 Continuing operations	Revenue £m	Gross profit £m	EBITDA £m	Depreciation and amortisation £m	Operating profit £m	Profit before taxation £m	Taxation £m	Profit from continuing operations £m
Adjusted	233.0	95.9	42.9	(12.1)	30.8	29.3	(6.6)	22.7
Individually significant items	–	–	(7.6)	–	(7.6)	(7.6)	1.5	(6.1)
Share-based payments	–	–	(0.3)	–	(0.3)	(0.3)	0.4	0.1
Amortisation of acquired intangibles	–	–	–	(9.4)	(9.4)	(9.4)	3.8	(5.6)
Unwind of discount on acquisition consideration	–	–	–	–	–	(0.3)	–	(0.3)
R&D prior year tax credits	–	–	–	–	–	–	1.4	1.4
Statutory	233.0	95.9	35.0	(21.5)	13.5	11.7	0.5	12.2

The Group has adopted a full retrospective approach to IFRS 15 'Revenue from Contracts with Customers' and therefore restated the prior year to reflect the updated accounting policies and present a relevant comparative. More details on the restatement are provided in the notes to the financial statements.

1 References to the Group's results, unless stated to the contrary, are to continuing operations only and exclude discontinued activities.
2 See note 1 for further details on the restatement of comparative information due to the retrospective application of IFRS 15.
3 See note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. See note 3 for a reconciliation to statutory information.
4 Leverage is defined as the ratio of total Net Debt to Adjusted EBITDA and Interest Cover is defined as the ratio of Adjusted EBITDA to net finance costs.

Chief financial officer's review

OVERVIEW

We have delivered robust financial results during the first year of our transformation.

Group revenue increased by 7.6% to £250.7m. Within this, Assurance revenues increased by 9.7% to £212.7m (2018: £193.9m [2]). North America Assurance and Europe and RoW growth were particularly encouraging at 23.4% and 12.9% respectively, with UK Assurance (including product sales) declining by 1.1%. Escrow revenue was 2.8% behind last year as the UK fell by 6.5%, although North America saw growth of 10.7% as we continue to grow our presence there.

Gross profit increased by 6.2% to £101.8m (2018: £95.9m [2]) with margin percentage amounting to 40.6% (2018: 41.2%), with Assurance margin percentage increasing to 34.6% (2018: 34.0%) and Escrow declining to 74.5% (2018: 76.5%).

Administration expenses remained broadly flat at £82.3m, principally as a result of investment in people and annualisation of occupancy costs offset by process improvements through the SGT programme, lower depreciation and amortisation and adjusting items. Adjusting items decreased from £17.3m to £14.2m.

Adjusted operating profit from continuing operations [3] increased by 9.4% to £33.7m (2018: £30.8m [2]) and operating profit increased by 44.4% to £19.5m (2018: £13.5m [2]). Adjusted depreciation and amortisation amounted to £10.0m (2018: £12.1m) giving rise to Adjusted EBITDA [3] of £43.7m (2018 restated: £42.9m [2]). Adjusted profit before taxation [3] increased by 9.2% to £32.0m (2018: £29.3m [2]). Statutory profit before taxation increased by 52.1% to £17.8m. Adjusted EPS and statutory EPS from continuing operations amounted to 9.2p (2018: 8.2p [2]) and 4.9p (2018: 4.4p [2]) respectively.

We have also reduced net debt [3] to £20.2m from £27.8m (H1 FY19: £45.1m) after net acquisitions/disposal payments of £9.1m (2018: net proceeds received of £6.1m) with gearing reducing to 8.7% (2018: 11.9%). In addition, we have further strengthened our financial position by obtaining a new multi-currency revolving credit facility post year end for £100m with a five-year term up to June 2024 on similar terms. Committed headroom as at 31 May 2019 amounted to £42.7m (2018: £53.7m).

DIVISIONAL PERFORMANCE

Divisional performance includes the allocation of certain central costs incurred on behalf of the divisions. These increases are due to the factors noted above. Segmental information is disclosed below:

	2019				2018 [2]			
Continuing operations	**Assurance £m**	**Escrow £m**	**Central and head office £m**	**Group £m**	Assurance £m	Escrow £m	Central and head office £m	Group £m
Revenue	**212.7**	**38.0**	**–**	**250.7**	193.9	39.1	–	233.0
Cost of sales	**(139.2)**	**(9.7)**	**–**	**(148.9)**	(127.9)	(9.2)	–	(137.1)
Gross profit	**73.5**	**28.3**	**–**	**101.8**	66.0	29.9	–	95.9
Gross margin %	***34.6%***	***74.5%***	**–**	***40.6%***	*34.0%*	*76.5%*	–	*41.2%*
General administrative expenses [2]	**(50.9)**	**(9.3)**	**(7.9)**	**(68.1)**	(49.5)	(8.0)	(7.6)	(65.1)
Adjusted operating profit [3]	**22.6**	**19.0**	**(7.9)**	**33.7**	16.5	21.9	(7.6)	30.8
Adjusted operating profit %	***10.6%***	***50.5%***	**–**	***13.4%***	*8.5%*	*56.0%*		*13.2%*

ASSURANCE

The Assurance division accounts for 84.8% of continuing Group revenue (2018: 83.2%).

Assurance revenue analysis – by originating country	**2019 £m**	2018 (restated [2]) £m	% change
UK	**88.9**	89.9	(1.1%)
North America	**75.5**	61.2	23.4%
Europe and RoW	**48.3**	42.8	12.9%
Total Assurance revenue	**212.7**	193.9	9.7%

As noted above, UK Assurance revenue in the year declined by 1.1% to £88.9m (2018: £89.9m [2]) following a decline in product sales and a number of changes among the management and sales teams. After taking into account the reduction of £3.6m in UK product sales (which is a consequence of our deliberate move away from low-margin re-selling), UK revenue increased by 3.1%.

In the year, North America has grown by 23.4% to £75.5m (2018: £61.2m [2]) supported by continued penetration of the technology market. The division continues to push for larger market share with a focus on diversification of markets.

Assurance Europe and RoW grew by 12.9% to £48.3m (2018: £42.8m [2]) with the business now restructured under new leadership into simpler organisation units.

Assurance revenue analysed by type service/product line:

	2019 £m	2018 (restated [2]) £m	% change
Technical Security Consulting (TSC)	**134.8**	118.8	13.5%
Risk Management Consulting	**35.3**	32.5	8.6%
Managed Detection and Response (MDR)	**36.4**	33.3	9.3%
Product sales (own and third-party)	**6.2**	9.3	(33.3%)
Total Assurance revenue	**212.7**	193.9	9.7%

Technical Security Consulting, our core professional service, grew by 13.5% to £134.8m (2018: £118.8m [2]) as a result of strong growth worldwide, mainly driven by a 22.3% increase in North America and a 17.3% increase in Europe and RoW. Performance was supported by increased cross-region global resourcing as our scale allows us to capture share when others face more pressing resource constraints. Higher average order values supported by certain contract wins also underpinned growth.

Risk management consulting, a service that addresses the business risks of cyber, grew by 8.6% to £35.3m supported by rapid growth of 30.1% in North America although the UK decreased by 2.4% due to a softer market, coupled with sales team attrition in H2 further to the introduction of new leadership.

Managed Detection and Response, a service line that provides operational cyber defence, scanning, simulation and SOC services, grew by 9.3% to £36.4m as the business continued to increase cross-region selling and delivery within a growth market. The Group continues to co-ordinate its global assets from legacy acquisitions, underpinned by closer collaboration between our centres of excellence in Europe and the UK having set a single product development roadmap and offering. The Group launched the first managed service in North America during the year.

The reduction of 33.3% in product sales is a result of the conscious decision to de-emphasise the sale of low margin third-party products.

We continue to prioritise the importance of value-based selling within our Assurance services as demonstrated by our increasing average order value and expect this will have a positive impact in the future. UK and North America average order values increased by 23% and 28% respectively.

Assurance gross profit is analysed as follows:

	2019 £m	2019 % margin	2018 (restated [2]) £m	2018 % margin	% change
UK	**31.0**	**34.9%**	29.8	33.1%	4.0%
North America	**25.3**	**33.5%**	20.7	33.8%	22.2%
Europe and RoW	**17.2**	**35.6%**	15.5	36.2%	11.0%
Assurance gross profit and % margin	**73.5**	**34.6%**	66.0	34.0%	11.4%

The growth in revenue and the improvement in gross profit contributed to the improvement in adjusted operating profit [3] (+37.0%) of £6.1m to £22.6m (2018: £16.5m [2]). In addition, adjusted operating profit [3] margin improved to 10.6% (2018: 8.5%).

Chief financial officer's review

ESCROW

The Escrow division accounts for 15.2% of Group revenues (2018: 16.8%).

Escrow revenue analysis – by originating country	2019 £m	2018 (restated [2]) £m	% change
UK	26.0	27.8	(6.5%)
North America	8.3	7.5	10.7%
Europe and RoW	3.7	3.8	(2.6%)
Total Escrow revenue	**38.0**	39.1	(2.8%)

Escrow revenue analysed by service line:

Escrow services revenue	2019 £m	2018 (restated [2]) £m	% change
Escrow contracts	26.5	27.9	(5.0%)
Verification and other services	11.5	11.2	2.7%
Total Escrow revenue	**38.0**	39.1	(2.8%)

Escrow UK revenue was £26.0m (2018: £27.8m [2]). Escrow UK contract revenues were £18.2m (2018: £19.6m [2]) while renewals have remained at the same level as prior year with just under 90% of all contracts renewed (2018: 89.6%). Underperformance was caused by a weaker sales team not selling enough contracts. Verification and other services decreased by £0.4m to £7.8m (2018: £8.2m [2]). We expect the UK to return to modest growth in the medium term due to investments made in our sales capabilities, capitalising on our market position. UK Escrow sales headcount increased by approximately 50% to 44 people in the second half of this financial year, as capability was rebuilt.

Escrow North America revenues increased by 10.7% to £8.3m (2018: £7.5m [2]). The North American business has benefited from new appointments being made to the sales team, coupled with secondments of experienced UK sales team members. We continue to build our market share in North America underpinned by further initiatives.

Escrow Europe and RoW revenues fell 2.6% to £3.7m (2018: £3.8m [2]). The European business continues to provide a foothold from which to generate growth. Europe, like the North American business unit in the current year, will have sales headcount investment to drive enhanced market share and growth.

During the year, a review of the satellite office in Dubai was carried out and while we do believe there are customer opportunities in the region, we have decided any customers will be serviced from our UK business going forward.

Escrow gross profit is analysed as follows:

	2019 £m	2019 % margin	2018 (restated [2]) £m	2018 % margin	% change
UK	19.7	75.8%	21.9	78.8%	(10.0%)
North America	5.7	68.7%	5.3	70.7%	7.5%
Europe and RoW	2.9	78.4%	2.7	71.7%	7.4%
Escrow gross profit	**28.3**	**74.5%**	29.9	76.5%	(5.4%)

The decline in gross margin percentage is due to higher direct costs to support North American growth and challenges within the UK. The decline in gross margin contributed to a decline in adjusted operating profit [3] (-13.2%) of £2.9m to £19.0m (2018: £21.9m [2]). The adjusted operating profit [3] margin was also impacted by increased investment in support colleagues to professionalise the business resulting in a decline in adjusted operating margin [3] to 50.0% (2018: 56.0%).

ADJUSTING ITEMS [3]

Pre-tax adjusting items are set out below:

	2019 £m	2018 £m
Individually Significant Items	**3.6**	7.6
Share-based payments	**1.7**	0.3
Amortisation of acquired intangibles	**9.0**	9.4
Unwinding of discounts on deferred consideration	**–**	0.3
Profit on disposal of investments	**(0.1)**	–
Total pre-tax adjusting items – continuing operations	**14.2**	17.6

Individually Significant Items (ISIs) are set out below:

	2019 £m	2018 £m
Securing Growth Together – legacy systems accelerated amortisation (net of R&D tax credit)	**3.8**	–
Loss-making contract	**–**	2.5
Revisions to deferred and contingent consideration	**(0.8)**	0.6
Restructuring costs	**–**	1.6
Onerous leases and other property-related costs	**0.6**	2.7
Market-related costs	**–**	0.2
Total ISIs – continuing operations	**3.6**	7.6

During the year, certain legacy finance and CRM systems amounting to £3.8m have incurred accelerated amortisation, as we implement our comprehensive systems upgrade programme as part of SGT.

Revisions to contingent consideration amounted to £0.8m credit as we agreed our final payment in relation to the historic acquisitions of Payment Software Company Inc. (PSC) and Virtual Security Research LLC (VSR) in North America.

Onerous leases and other property-related costs relate to the rationalisation of our property footprint.

Further details of prior year ISIs are provided within the notes to the consolidated financial statements.

In relation to other adjusting items, share-based payments increased during the year, as new schemes have been issued to employees while in the prior year it was concluded that a number of historic schemes would not meet scheme performance criteria resulting in a reversal of historic charges.

In addition, amortisation of acquired intangibles relating to customer contracts and relationships amounted to £9.0m (2018: £9.4m).

NET FINANCE COSTS

Statutory finance costs for the year were £1.7m compared to £1.8m in 2018, with interest cost increasing by £0.2m due to an average higher level of gross debt during the year and a rising US base rate that has underpinned a higher cost of debt on US Dollar denominated loans, offset by a reduction in the unwind of discount on acquisition consideration of £0.3m.

TAXATION

The Group's adjusted effective tax rate is 20.3% (2018: 22.5%). The movement in the Group's effective tax rate is mainly due to a decrease in the US Federal corporate tax rate in the prior year. The full year effect of US tax reform is now reflected in this year.

The effective tax rate remains above the UK standard rate of corporation tax of 19%, reflecting the origin of a reasonable proportion of Group profits in overseas territories with higher rates of tax than the UK. Statutory corporate tax rates within North America equate to approximately 26% (Federal and State combined) for the year to 31 May 2019.

The Group's longer term strategy for tax and treasury matters remains that of a low-risk appetite and any new strategies will operate inside those parameters.

Chief financial officer's review

EARNINGS PER SHARE (EPS)

	2019 £m	2018 (restated [2]) £m
Statutory earnings – continuing		
Basic EPS	**4.9**	4.4
Diluted EPS	**4.8**	4.4
Statutory earnings – all operations		
Basic EPS	**4.9**	2.4
Diluted EPS	**4.8**	2.4
Adjusted earnings – continuing [3]		
Basic EPS	**9.2**	8.2
Diluted EPS	**9.1**	8.1

Basic adjusted EPS [3] from continuing operations was 9.2p (2018: 8.2p [2]) and on a statutory basis it was 4.9p (2018: 4.4p [2]). The year-on-year increase in EPS reflects the increase in the Group's profitability during the year.

CASH FLOW AND NET DEBT [3]

The table below summarises the Group's cash flow and net debt [3]:

	2019 £m	2018 (restated [2]) £m
Operating cash inflow before movements in working capital	**41.3**	39.8
Changes in working capital	**6.6**	(0.3)
Cash generated from operating activities before interest and taxation	**47.9**	39.5
Interest paid	**(1.7)**	(1.8)
Taxation paid	**(6.4)**	(4.7)
Net cash generated from operating activities	**39.8**	33.0
Net capital expenditure	**(9.1)**	(12.7)
Acquisitions	**(10.9)**	(3.1)
Net proceeds from business disposals (including cash disposed)	**1.8**	9.2
Dividends paid	**(12.9)**	(12.8)
Share issues	**0.3**	1.5
Net movement	**9.0**	15.1
Opening net debt [3]	**(27.8)**	(43.7)
Foreign exchange	**(1.4)**	0.8
Closing net debt [3]	**(20.2)**	(27.8)

Net debt [3] can be reconciled as follows:

	2019 £m	2018 £m
Cash and cash equivalents	**34.9**	21.2
Borrowings	**(55.1)**	(49.0)
Net debt [3]	**(20.2)**	(27.8)

The Group generated £47.9m of cash from operating activities before interest and taxation (2018: £39.5m), an increase of 21.3%. The Group measures how effectively adjusted EBITDA [3] is converted into actual cash flows using the cash conversion ratio [3]. The calculation of the cash conversion ratio [3] is set out below:

Continuing and discontinued	2019 £m	2018 (restated [2]) £m
Net operating cash flow before interest and taxation (A)	**47.9**	39.5
Adjusted EBITDA [3] (B)	**43.7**	43.8
Cash conversion ratio [3] (%) (A)/(B)	**109.6%**	90.2%

The full year figures show a much improved picture on cash performance compared to the half year, reflecting the effort put into improving our processes in the second half across both payables and receivables. Cash conversion [3] for FY20 is expected to normalise and is targeted at broadly 85%.

The increase in tax paid is mainly due to utilisation of North American tax losses in the prior year.

Net capital expenditure was £9.1m (2018: £12.7m), and includes tangible expenditure of £3.0m (2018: £7.7m, largely relating to the new Manchester head office) and capitalised software and development costs of £6.1m (2018: £5.0m), which have increased due to the implementation costs of new systems as part of the SGT programme.

Acquisition expenditure relates to the final payment of deferred cash consideration in respect of Fox-IT of £9.9m (2018: £1.1m) and contingent consideration of £1.0m (2018: £2.0m) in respect of historic acquisitions of PSC and VSR. Net proceeds from business disposals mainly related to deferred consideration receivable from 2017 disposals. In the prior year, the Group received £9.2m mainly in relation to the sale of Web Performance and Software Testing.

DIVIDEND

Dividends of £12.9m paid in the year (2018: £12.8m) comprised the final dividend for 2018 of 3.15p and the interim dividend for 2019 of 1.50p.

The Board is recommending an unchanged final dividend of 3.15p per ordinary share (2018: 3.15p), making a total for the year of 4.65p (2018: 4.65p). This represents a dividend equal to that paid in the prior year as the Board is conscious of the need to invest in the SGT programme and other initiatives to support longer term growth. The dividend policy will therefore continue to remain under review.

The final dividend will be paid on 4 October 2019, subject to approval at the AGM on 25 September 2019, to shareholders on the register at the close of business on 6 September 2019. The ex dividend date is 5 September 2019.

FINANCING FACILITIES

The Group is financed through a combination of bank facilities, retained profits and equity.

Prior to and during the year ended 31 May 2019, the Group funded its strategic acquisitions and met its day-to-day working capital requirements via a multi-currency revolving credit facility of £80.0m, a £20.0m multi-currency term loan that amortised by £2.5m every six months and an additional overdraft of £5m. As at 31 May 2019, the Group had committed bank facilities of £97.8m (2018: £102.7m), of which £55.1m (2018: £49.0m) had been drawn under these facilities, leaving £42.7m (2018: £53.7m) of undrawn facilities. These existing arrangements were agreed in November 2015 and were due for renewal in November 2020.

On 10 June 2019, the Group renegotiated its existing term loan and multi-currency revolving credit facilities into a new fully revolving credit facility of £100m with a new five-year term up to June 2024 on similar terms (pricing and covenants).

Under the new arrangements the Group can request an additional accordion facility to increase the total size of the revolving credit facility by up to £75m (previously £50m). In addition, the Group has retained its existing overdraft of £5m. Arrangement fees incurred will be amortised over the term accordingly. Historic arrangements fees have been fully amortised.

On our banking covenants, leverage [4] as at 31 May 2019 amounted to 0.5x (2018: 0.9x) and net interest cover [4] amounted to 24.6x (2018: 28.3x). The Group was in compliance with the terms of all its facilities, including the financial covenants, at 31 May 2019 and expects to remain in compliance with the terms going forward. The terms and ratios are specifically defined in the Group's banking documents (in line with normal commercial practice) and are materially similar to GAAP or the Group's Alternative Performance Measures of the same name. The exception is net debt which includes unpaid deferred consideration. These are commercially confidential documents and hence further details of any immaterial differences are not disclosed.

GOING CONCERN

The Directors have acknowledged the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting', published in September 2014.

Our business activities, together with the factors likely to affect our future development, performance and position are set out in the Chief Executive Officer's Review. Our financial position, cash and borrowing facilities are described within this Chief Financial Officer's Review.

The Directors have reviewed the trading, cash flow forecasts and forecast covenants of the Group as part of their going concern assessment and have taken into account reasonable downside sensitivities (including a no-deal Brexit scenario) 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 a period of at least 12 months. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

BREXIT

We continue to plan for Brexit and we have a Brexit Steering Group that meets regularly. As our operations around the world include business entities based in continental Europe we believe NCC Group is structurally resilient to any disruption caused by Brexit. The main risks to our business from Brexit are:

- Any reduction in demand from an economic slowdown; and
- Real or perceived differences in data protection standards which impact our global ways of working.

Tim Kowalski
CHIEF FINANCIAL OFFICER

24 July 2019

Principal risks and uncertainties

RELAUNCH OF RISK MANAGEMENT

During the previous year we appointed a risk management subject matter expert, the Director of Risk and Assurance. Following this appointment, the Board commissioned an evaluation of our existing risk management framework. The review led to the implementation of a range of enhancements to build on the established platform.

The Group has continued to develop and implement a Risk Management Policy, against which we are monitoring enterprise-wide risk management.

This policy sets out protocols covering roles and responsibilities for the risk framework and the definition of risk appetite as set by the Board (see the Risk Management Framework diagram below). A web-based tool, the Integrated Risk Management System (IRMS), has been deployed to record risk registers and to track risk mitigation action plans, helping embed ownership of risks and treatment actions while also providing access to live management information.

Risks are evaluated at a number of levels of the organisation, commencing with those which link to the Group achieving its strategic objectives. These risks are presented overleaf under our principal risks and uncertainties.

Risks are identified primarily by the management team through the use of a structured risk framework. Non-Executive reviews are carried out by two Board Committees: the Cyber Security Committee for IT centric risks and the Audit Committee for all other risk types. The Chief Information Security Office (CISO) reports to the Cyber Committee and the Director of Risk and Assurance reports to the Audit Committee.

While distinct from the established CISO role, the Director of Risk and Assurance works closely with the CISO to facilitate risk oversight across the full range of risk types.

RISK MANAGEMENT FRAMEWORK

As described below, risks are considered at various levels across the Group, commencing with a strategic view of risk.

THE BOARD

- Sets the "tone at the top" - the culture adopted in respect of risk
- Responsible for risk management and internal control processes
- Sets direction for key areas of focus, e.g. Cyber risk
- Defines acceptable levels of risk - our risk appetite
- Monitors adherence to our risk appetite and management's responsiveness to excessive risk

CYBER SECURITY AND GROUP AUDIT COMMITTEES

- Supporting the Board reviewing the end-to-end risk management process
- Emphasis given to risk identification and management responsiveness to the treatment of excessive risk
- Maintains a particular focus on strategic type risks

GROUP RISK FUNCTION AND THE CHIEF INFORMATION SECURITY OFFICER

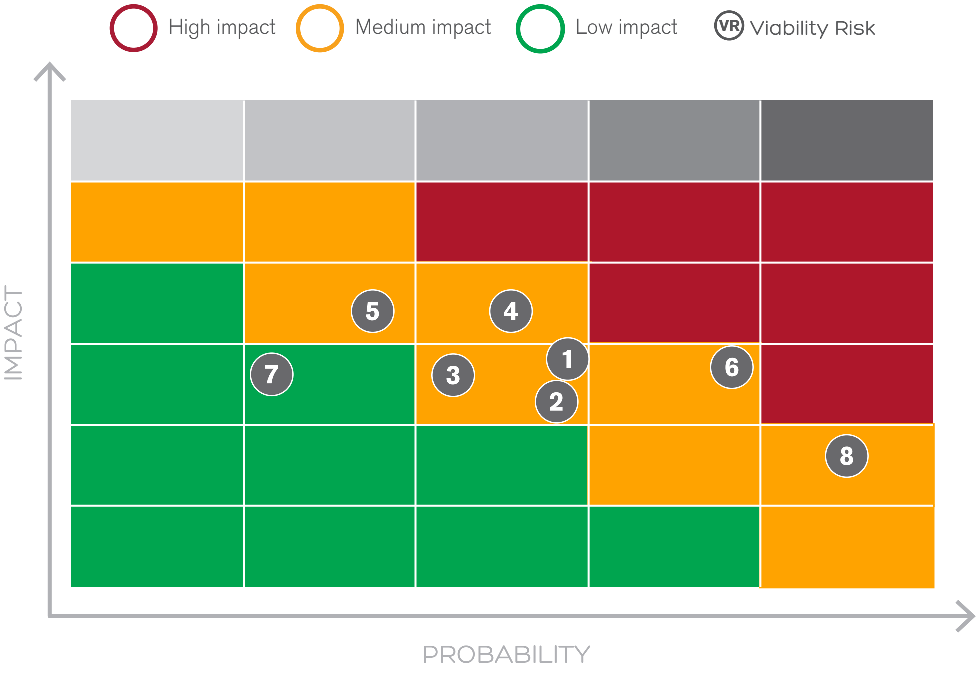
- Facilitates the development and maintenance of risk registers
- Assists management to scope risk treatment actions
- Monitors the status of risk treatment actions
- Reports progress to the Board subcommittees - the CISO reports to the Cyber Security Committee on IT-centric risk, the Risk and Assurance Director reports on all other risk areas to the Audit Committee

BUSINESS UNITS

- Maintains local risk registers and plans
- Ongoing action management and tracking
- Embeds the Group culture and risk appetite at a local level

RISK HEAT MAP

1. Business Strategy VR
2. Management of Strategic Change
3. Availability of critical information systems VR
4. Attracting and retaining appropriate colleague capacity and capability VR
5. Cyber risk (including GDPR) VR
6. Quality of Management Information Systems (MIS) and internal business processes
7. Quality and Security Management Systems
8. Brexit VR



RISK MANAGEMENT PROCESSES AND CONTROLS

The Board monitors the ongoing process by which relevant material risks are identified, evaluated and managed via the two subcommittees noted on page 32. On a quarterly basis, the subcommittees review the detailed risk registers that have been prepared and updated across the business along with the status of action plans that are in place to treat risks, which are considered to be excessive.

EVALUATION AND TREATMENT OF RISK

Risks are evaluated using a simple but robust model, which forms part of the Risk Management Policy. The model, which is capable of application across multiple risk types, is sufficiently sensitive to record risks that have the potential to impact Viability Reporting obligations.

Risks are evaluated without considering the operation of any existing controls. This is done to form a view of inherent risk.

The impact of existing mitigating controls are then considered along with their effectiveness to determine the extent of residual risk. The assessments are made using a combination of impact and likelihood criteria to arrive at a total risk score. Residual risk is then considered against the Group Risk Appetite, which is a judgmental scoring matrix created by the Board to identify risks as being within or outside acceptable parameters for the Group.

Output from the evaluation of strategic risks has been used to help shape the Group's Transformation Programme. Where risks are assessed as being outside of appetite, treatment actions are agreed including owners, priorities and due dates, either within the Transformation governance structures or milestone plans owned by senior business leaders. The IRMS is used to track these actions, with data mining capabilities to produce reports to the Cyber Security and Audit Committees.

The Group uses a simple Risk Heat Map (above) to record an up-to-date view of residual risk. Viability risks are principal risks that the Directors consider are so extreme that they could jeopardise the business viability if they crystallise.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group continues to operate in a particularly dynamic and evolving marketplace. The very latest strategic risk register has been developed to reflect those factors.

The Directors have carried out a robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity. Detailed descriptions of the current principal risks and uncertainties faced by the Group, their potential impact and mitigating processes and controls are set out on the next page. The tables also highlight whether the risk is assessed as increasing or decreasing with a similar assessment for the position last year. This includes identifying new principal risks and uncertainties.

Principal risks and uncertainties

Risk Areas	Potential Impact	Mitigation
1 Business Strategy VR		
A comprehensive business strategy is essential to the continued success of the Group as we strive to maximise shareholder value.	A poor strategy or ineffective execution of a strategy could have a material negative impact on the Group's financial performance and value. It would potentially weaken the Group compared to its competitors and risk the Group's established position in the marketplace.	Members of the Board have significant experience in evolving business strategies. The Board is significantly engaged in both setting and reviewing strategy and held a dedicated strategy session in March 2019. 2019 2018
2 Management of Strategic Change		
As the Group adapts and executes its strategy there are a number of complex projects and initiatives that not only need to be delivered but also require understanding and support from all colleagues.	Poor change management could lead to ineffective implementation of projects that then cost more to deliver, take longer to deliver and result in fewer benefits being realised (or all three). Poor delivery of change could ultimately impair business performance.	The Group has established a Strategic Change Management capability and this includes access to Programme Management professionals and the deployment of associated change management processes, for example the operation of senior change oversight committees. 2019 2018
3 Availability of critical information systems VR		
The Group is heavily reliant on continued and uninterrupted access to its IT systems. As well as environmental and physical threats, the Group is a natural target for individuals who may seek to disrupt the Group's commercial activities.	If the Group's critical systems failed, this could affect the Group's ability to provide services to our customers.	The Group continues to make significant investment in its IT infrastructure to ensure it continues to support the growth of the organisation. The Group has controls in place in order to reduce the risk of actual loss of critical systems. Further, controls are operated to ensure the availability of backup media in the event of prolonged loss of systems. Initiating to standardise and simplify while increasing resilience, continues to be implemented. Additional focus is being periodically given to proving the recoverability of systems and data. 2019 2018
4 Attracting and retaining appropriate colleagues capacity and capability VR		
The Group would be adversely impacted if it were unable to attract and retain the right calibre of skilled colleagues. Some roles within the Group operate in highly technical and extremely specialised areas in which there are shortages of skilled people.	Loss of key colleagues or significant colleagues turnover could result in a lack of necessary expertise or continuity to execute the Group's strategy. An inability to attract and retain sufficient high-calibre colleagues could become a barrier to the continued success and growth of NCC Group.	Colleagues are offered a rewarding career structure and attractive salary and benefits packages, which can include participation in share schemes. Linked to the development of our people, the Group continues to review our values, personal performance management processes and aligned development programmes. 2019 2018
5 Cyber risk (including GDPR) VR		
As a provider of security services, the Group is a high profile target and could therefore be subject to attacks specifically designed to disrupt the Group's business and harm the Group's reputation. There could also be implications relating to our GDPR control obligations. Such events could adversely affect the market's perception of the Group as well as causing business disruption.	Failure to maintain control over customer, colleague, commercial and/or operational data could lead to a range of impacts, including reputational damage. The misuse of personal data, for example without the customer's consent, or retaining for longer than is necessary, may also result in reputational harm, regulatory investigations and potential fines.	The Board operates a Cyber Security Committee chaired by the Chairman of the Board. The CISO reports to each meeting, in line with the Group Risk Management Policy. Security testing is regularly carried out on the Group's infrastructure and there are extensive response plans, which were reviewed during the year, in the event of a major security incident. Comprehensive plans are in place and being delivered associated with discharging our GDPR obligations. Progress is monitored by the Cyber Security Committee. Colleagues also receive regular security training and updates. 2019 2018

Risk Areas	Potential Impact	Mitigation
6 Quality of Management Information Systems (MIS) and internal business processes		
We need to ensure that trusted and relevant MIS are available on a day-to-day basis to inform management decisions and drive performance.	Suboptimal business decision-making and performance as key financial performance data is not available or trusted.	The Group finance function has developed a forward-facing Finance Functional Strategy. Enhancements were identified covering system and process standardisation. A comprehensive milestone plan is in place and progress is tracked and reported to each Audit Committee. Standardised business process control standards were recently issued across all parts of the Group. As the new financial year progresses, control self-assessment techniques will be implemented along with an aligned programme of Internal Audits. 2019 2018
7 Quality and Security Management Systems		
We aspire to attain and retain key internationally recognised standards, which form an important component for many of our customers.	The risk of the Group failing to retain a core standard, e.g. 9001, 27001 or PCI, with a consequential loss of key customer accounts or ability to operate.	We operate a comprehensive programme to ensure the retention of our core standards. This includes a portfolio of aligned policies and cascading business processes. A programme of internal audit provides assurance over the design and application of these policies and procedures. External assessors provide a further layer of review and challenge, confirming during the year the retention of our Quality and Security standards. 2019 2018
8 Brexit VR NEW		
Failure to prepare for the UK's departure from the EU may cause disruption to, and create uncertainty around, our business. Any disruption or uncertainty could have an adverse effect on our business, financial results and operations.	Uncertainty around the UK's departure from the EU continues as a result of the political deadlock. The risks associated with Brexit are the possibility of a 'no-deal' scenario and also the potential for an abrupt departure from the EU.	Similar to any UK company, we list Brexit as a significant risk due to the uncertainty surrounding the final form Brexit will actually take and when it will happen. We continue to plan for Brexit internally and the Brexit Steering Group meets regularly. As our operations around the world include business entities based in continental Europe we believe NCC Group is structurally resilient to any disruption caused by Brexit. The main risks to our business from Brexit are: ▪ Any reduction in demand from an economic slowdown; and ▪ Real or perceived differences in data protection standards, which impact our global ways of working. 2019

Trend effect

High impact · Medium impact · Low impact

VR Viability Risk · NEW New risk

Trend direction

Increasing · Unchanged · Decreasing

Principal risks and uncertainties

OTHER RISKS

Furthermore, as the Group's international footprint expands, there is an inherent risk of adverse foreign exchange movements affecting profitability. At present this risk is limited due to the relatively low level of inter-territorial trading but it will increase in future. Inability to refinance the Group's core banking facilities could call into doubt the Group's longer term viability. We have recently achieved a new five-year refinancing facility, which is more flexible and suited to our future needs. Equally, if those facilities lacked the appropriate flexibility and structure, this could inhibit delivery of the Group's strategy. The Group's current banking facilities cover all of the expected needs of the Group for the period of such facilities and are sufficiently flexible to allow the Group to function effectively. The Group has a Tax and Treasury Manager. Part of their role is to support the CFO in developing a Treasury strategy and overseeing its implementation.

IMPACT OF BREXIT ON THE GROUP

There is continuing uncertainty around the likely impact of Brexit on businesses. This uncertainty is likely to continue until at least 31 October 2019, which is the current deadline for the UK's departure from the EU.

We continue to plan for Brexit and we have a Brexit Steering Group that meets regularly. As our operations around the world include business entities based in continental Europe we believe NCC Group is structurally resilient to any disruption caused by Brexit. The main risks to our business from Brexit are:

- Any reduction in demand from an economic slowdown; and
- Real or perceived differences in data protection standards, which impact our global ways of working.

VIABILITY STATEMENT

THE CONTEXT FOR ASSESSMENT

In accordance with the requirements of the UK Corporate Governance Code 2016, the aim of the viability statement is for the Directors to report on the assessment of the prospects of the Group meeting its liabilities over the assessment period, taking into account the current financial position, outlook, principal risks and uncertainties, key judgments and estimates in preparing the Financial Statements.

The Directors have based their assessment of viability on the Group's current business model and strategic plan, which is updated and approved annually by the Board, in line with our objective to deliver sustainable and profitable growth, increasing shareholder value and offering an improved service and product offering to our customers. This is underpinned by the strategic priorities outlined on pages 16 and 17 of the Strategic Report. The effective management of principal risks and uncertainties is outlined within pages 32 to 35 and this assessment emphasises those risks that could theoretically threaten the Group's ability to operate or to continue in existence (with the VR designation).

THE ASSESSMENT PERIOD

The Directors have assessed the viability of the Group over the three-year period to May 2022, as this is an appropriate planning time horizon given the speed of change and customer demand in the industry and is in line with the Group's strategic planning period.

ASSESSMENT OF VIABILITY

The viability of the Group has been assessed taking into account the Group's current financial position, including the recently renegotiated external funding committed for the period of assessment, and after modelling the impact of certain scenarios arising from the principal risks, which have the greatest potential impact on viability in the period under review. In particular, the Board has considered the Group's ability to execute its strategy, the impact of a critical system failure, a successful cyber attack and the long-term impact on the Group's reputation and how the Group would respond to a no-deal Brexit.

The specific scenarios are hypothetical and necessarily severe for the purpose of creating outcomes that have the ability to threaten the viability of the Group. Should any of these scenarios occur, various options are available to the Group to maintain liquidity so as to continue in operation such as: accessing new external funding, more radical short-term cost reduction actions, and/or reductions in capital expenditure. None of these actions have been factored into our scenario modelling.

Scenario	Associated principal risks and uncertainties	Description and potential impact
Business Strategy	Business Strategy Attracting and retaining appropriate colleagues capacity and capability	Failure to deliver the SGT transformation programme Loss of key employees or inability to attract and retain key talent The potential impact of the above would act as a barrier to future growth
Systems failure	Availability of critical information systems Cyber risk (including GDPR)	A critical systems failure, leading to an inability to provide services to customers The potential impact of this would be short-term reputational damage and an inability to do business in the short term, impacting revenue and profits
Cyber security breach	Cyber risk (including GDPR)	A cyber security breach occurs with theft of data and disruption to business services The potential impact of this would be long-term reputational damage significantly impacting future revenue
No-deal Brexit scenario	Brexit	All EU customers that are based in continental Europe no longer do business with the UK We are unable to transfer contracts/relationship to another EU subsidiary The potential impact of this would not be severe as there are a limited number of services provided by the UK to other EU countries

CONCLUSIONS

Based on these severe but possible scenarios, the Directors have a reasonable expectation that the Group and Company will be able to continue in operation and meet its liabilities as they fall due over this forthcoming three-year period.

Securing our connected society

Our increasingly connected society has become a playground for hackers. And when everything is connected, everything is vulnerable. The consequences of an attack range from the frustrating to the physically dangerous.

But as you go about your daily routine, you can be safe in the knowledge that our cyber security experts are advising global manufacturers, financial institutions, critical national infrastructure providers, retailers and government on the best way to keep you and your personal data safe.

We are proud to be helping to create a more secure society.

A day in the life

A walk through of some typical daily activities, demonstrating where we might be involved in helping to create a more cyber resilient world. This work never ends and our impact is felt everywhere - making our colleagues proud to be helping to keep society safer and more secure.

7:10AM
MORNING ROUTINE

NCC Group protects the critical national infrastructure that provides power, water and gas 24/7 through its Security Operations Centres. Its data diode products allow these providers to connect their most sensitive networks to the Internet, powering smart grids. The smart meter in your house has been through NCC Group's government approved hardware testing laboratories.

7:50AM
DRIVE TO WORK

The car you drive has benefited from NCC Group's transport security practice who has worked with the manufacturer and their supply chain to identify and mitigate risks through threat modelling, applied research, and ethical hacking before it has even rolled off the production line.

9:15AM
CROSS THE STREET

The traffic lights and traffic control systems have been subjected to technical assessment and risk advice by NCC Group consultants.

9:25AM
TAKE THE ELEVATOR TO THE OFFICE

The building management system that controls the modern offices in which you work has been assessed for novel attack and defence approaches by NCC Group researchers. This knowledge has allowed the building owner to minimise the risk that a building outage can be caused by a cyberattack.

11:00AM
WORK ON THE INTERNET

From the software on your desktop, laptop or mobile device through the carriers that connect you to the cloud and the cloud providers themselves, NCC Group has worked with the largest firms to produce more resilient environments.

12:20PM
MAKE CASH MACHINE WITHDRAWAL

The cash machine, the networks upon which it operates and the financial system fabric is assessed regularly by Red Team technical specialists at NCC Group on behalf of the institutions and their regulators. When incidents occur, NCC Group's Cyber Incident Response team provides experts in intrusion and malware analysis to supplement an organisation's own capabilities.

12:30PM
BUY LUNCH

NCC Group's threat intelligence tipped off the point-of-sale operator that their systems were breached. This allowed the organisation to respond and minimise impact on their customers while ensuring commerce can occur with confidence.

12:45PM
BUY SHOES

NCC Group's software testing team worked on the roll-out of the new EPOS system and loyalty scheme application across the store's network of shops.

1:00PM
BOOK A HOLIDAY

NCC Group's Escrow Division hold the software that is required to run the travel agent's reservations system in escrow, which would be released in the event of certain trigger events where the software owner was unable to perform its contractual duties. This helps ensure minimal disruption to the travel agent's business critical software.

4:00PM
PICK CHILD UP FROM NURSERY

The biometrics used to gain access to the nursery benefits from research and advice provided to the manufacturer, avoiding a system, which could be bypassed with a selfie.

5:10PM
HEALTH CHECK

The medical imaging system used at the doctors was assessed by NCC Group technical experts.

6:30PM
COOK DINNER

The distribution supply chains, which provide the food to your door have been assessed by NCC Group risk management and governance experts and benefited from security improvement programmes undertaken by the retailers who deliver them.

7:20PM
RECYCLE RUBBISH

The recycling centre is protected by a cyber insurance policy that is supported by NCC Group experts.

7:30PM
PUT BABY TO BED

The Internet-of-Things baby monitor has been subject to assessment by NCC Group's hardware labs.

7:30PM
WATCH AN ON-DEMAND MOVIE

From the set-top box you use to the service you use. NCC Group risk and technical experts have ensured that piracy risk is minimised while ensuring your data is safe.

Sustainability

The United Nations Sustainable Development Goals provide a blueprint to achieve a better and more sustainable future for all building on our existing diversity and inclusion agenda. With Information Security Technologies playing an essential role in these being achieved, they provide us with a framework to support our commitment to responsible business operations.

The following goals have been selected as particularly relevant to NCC Group:

3. GOOD HEALTH AND WELL-BEING

We support the mental well-being of our own workforce. In addition, our services can secure technology for increasing the provision of health services in remote areas as well as wider within the world.

4. QUALITY EDUCATION

We are investing in the future of cyber security skills for the long-term sustainable development of technology in society.

5. GENDER EQUALITY

We provide access to education through technology, investing in the STEM agenda and working in partnership with education providers to ensure fair access to all.

8. DECENT WORK AND ECONOMIC GROWTH

We are a global organisation, with offices around the world and remote working opportunities. This provides access to careers in what is a growing and highly sought-after skills market.

9. INDUSTRY, INNOVATION AND INFRASTRUCTURE

We are actively involved in supporting Critical Infrastructure Networks, and continue to invest in research and innovation, working in support of the UK's National Cyber Security Centre Industry 100 programme.

10. REDUCED INEQUALITIES

We maintain an Equality and Diversity Policy, which aims to create a working environment free from unlawful discrimination, victimisation and harassment in which all employees are treated with dignity and respect.

13. CLIMATE ACTION

We continually seek to minimise impact on the environment. A number of initiatives are being explored, thanks to ideas from colleagues and customers on how to further reduce our impact.

16. PEACE, JUSTICE AND STRONG INSTITUTIONS

We promote just, peaceful and inclusive societies. We have zero tolerance for bribery and corruption and promote a speak-up campaign. We have a clear and well-advertised whistleblowing policy and follow responsible financial practices.

17. PARTNERSHIPS FOR THE GOALS

We are committed to inclusive partnerships built upon principles and values, a shared vision, and shared goals.

HOW WE CREATE A MORE SECURE SOCIETY

We know by doing great things for our customers, they continue to want to work with us and understand the value of our partnership. This attracts investment and enables us to continue to develop our people, our research and our capabilities.

In doing this we solve problems, delivering a real difference and making the world a safer and more secure place.

ECONOMIC SUSTAINABILITY

An increasingly digital society has contributed to the exponential growth in the cyber security sector. We are well placed to build on a firm foundation of talent that will build on this opportunity, taking steps to harness existing talent and build talent for the future through local and global initiatives

STAKEHOLDERS

INVESTORS

The Group communicates regularly with its investors in meetings and roadshows to keep them up to date with both the opportunities and challenges faced by the Company. Further details of this engagement can be found on page 59 of the Governance report.

EMPLOYEES

CREATING A GLOBAL WAY OF WORKING

Through consistent and technology enabled ways across our Group, we believe we will create an environment that enables our people to succeed in their careers and also better serve our customers. We are continuing to invest in new global systems and processes that will support our HR, Finance and Professional Services operations, and in a new customer relationship management system.

Our employee engagement investment includes systems that encourage sharing and collaboration across our global business as well as supporting team leader led engagement. See page 18 for an example of what we are doing.

CUSTOMERS

INVESTING IN SKILLS TO SUPPORT OUR CLIENTS

As a people business, our investment in continued learning and development is critical in the value we offer our clients. We continue to invest in our professional academies, global research programmes, and leadership skills programme, creating opportunities for colleagues to grow their career – and help keep society safe and secure.

OUR VALUES

Using insights from our employee engagement survey and subsequent dialogue across the Group we defined new values for the organisation. We chose values that were distinctive and authentic to represent the firm we are today, with aspiration to drive us to hold ourselves to a higher standard every day.

Our values:

- We work together
- We want to be brilliantly creative
- We embrace difference

A campaign to launch the values along with our mission, vision and strategy ran from December 2018 to February 2019 and continues through creation of our core messages both internally and externally.

THE COMMUNITY

In 2019 we launched our NCC Cares programme – a colleague well-being programme.

In addition, we are committed to developing specific relationships that encourage more people to consider a career in cyber security. Our mission is to make the world more secure so that society can thrive safely; therefore, we need to ensure we have representation from the whole of society to achieve this.

We work closely with the UK Government's National Cyber Security Centre as well as local government and NGOs and trade associations globally to support initiatives.

We are apolitical and do not support any political party in any jurisdiction nor have we ever made a political donation.

Sustainability

HUMAN RIGHTS (INCLUDING ANTI-SLAVERY AND HUMAN TRAFFICKING)

We recognise our responsibility to uphold and protect the rights of individuals in all aspects of our operations across the world. Our Human Rights Policy makes it clear that we will observe and uphold the principles contained in the Universal Declaration of Human Rights and the International Labour Organisation Fundamental Conventions. We believe that human rights belong equally to all people without distinction as to race, colour, sex, language, religion, political or other convictions, national or social origin, birth or other traits. We support freedom of association, the abolition of forced labour, and the elimination of child labour.

We have a zero tolerance approach to Modern Slavery and are committed to acting ethically and with integrity in all of our business dealings and relationships. Effective enforcing systems and controls are implemented to ensure Modern Slavery is not taking place anywhere in our business or in any of our supply chains.

We communicate our zero tolerance approach to all our suppliers, contractors and business partners at the outset of the relationship and regularly thereafter. We expect high standards from all of our contractors, suppliers and other business partners, and also expect that our suppliers will hold their own suppliers to the same standards.

The Board discussed and approved our Modern Slavery Statement at its March 2019 meeting and this is published on our website.

ANTI-CORRUPTION AND ANTI-BRIBERY

We have a zero tolerance position in relation to bribery, wherever and in whatever form that may be encountered and have policies on Anti-Bribery, and Gifts and Hospitality.

Anti-Bribery awareness is part of the colleague induction process and regular refresher training is also provided. Colleagues can also report any concerns to their manager or, if required, a confidential reporting service operated by an independent third party.

We aim to engender in our colleagues principles of honesty and integrity, and the desire to work to the best of their ability. We strive to act in a professional, honest and ethical manner in all our dealings with our clients, colleagues, shareholders, suppliers and the community. Our reputation is paramount and nothing we do should detract from, or compromise, our standing in the market and the community. Our independence and impartiality as a Group is fundamental. We have a Code of Ethics Policy, which all colleagues are required to adhere to.

MAXIMISING EQUALITY OF OPPORTUNITY

We welcome applicants and value colleagues who have a passion for what we do and who want to help us make society a safer place.

We aim to create an environment where everyone can reach their full potential. We strive to make NCC Group one of the most admired places to work, with a diverse colleague base and inclusive culture.

We ensure colleagues are engaged and encouraged to progress internally, and also operate a Refer a Friend scheme to support their role in attracting future talent when we need to hire externally.

Our global talent teams continually review our recruitment language and coach hiring managers to remove any potential barriers to attracting talent, creating a positive interview experience to encourage people to perform at their best. We ensure all colleagues are aware of the risks associated with unconscious bias in recruitment and in our workplace generally.

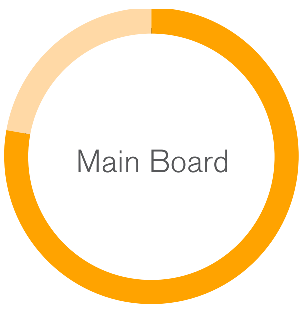
We are proud to partner with organisations promoting the benefits of having a neurodiverse workforce, promoting and encouraging applications from candidates identifying as neurodiverse.

GENDER PAY REPORT

We take our role as a responsible employer seriously and see the UK requirement to publish gender pay gap figures as a positive move towards transparency around a key issue within our industry. We recognise that steps need to be taken to improve our gender mix at all levels as a part of our broader strategy and the investment we are making under our sustainability agenda is supporting us to achieve this. Our full report is available to view on our website.

The statistics setting out the position of the Group on a gender basis are disclosed below:

ALL AT 31 MAY 2019



Male **86%** Female **14%**

Male **84%** Female **16%**

Male **71%** Female **29%**

HEALTH AND SAFETY

We recognise the importance of health and safety and the positive benefits to the Group. We have a health and safety policy, which is communicated to all colleagues as part of their induction and regular updates and discussions through our internal communication channels. The recent appointment of a global health and safety manager will see the development of the Group's 'Healthy and Safe for Life' framework to ensure colleagues' health and safety at work through awareness and training.

ENVIRONMENT

We seek to minimise the detrimental impact of our operations on the environment.

Due to the size and nature of the Group, an external environmental audit is not required. This area will be reassessed as the Group grows in conjunction with any new legislative developments.

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

1. Conserving energy and other natural resources and improving efficient use of those resources
2. Improving the efficiency of materials used
3. Reducing waste and increasing reuse and recycling wherever possible
4. Reducing the need for travel and encouraging the use of alternative means of transport, for example, public transport, cycle to work schemes and car sharing
5. Promoting flexible working to reduce the impact on local infrastructures
6. Providing all colleagues with relevant environmental training and guidance

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 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

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, BEIS, 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 scope 1 and scope 2 carbon intensity for the Group by at least 10% between a 2019 baseline and 2022 [1].

	2019	2018 [1]	2017 [1]	2016 [1]
Absolute carbon emissions (tCO_2e)	1,542	1,761	1,550	2,264
Group revenue (£m) (including discontinued)	250.7	254.5	244.5	209.1
Carbon intensity for whole Group	6.2	6.9	6.6	10.8
Year-on-year carbon intensity change	(0.7)	0.3	(4.2)	(0.4)
Year-on-year carbon intensity change (as a %)	10.1	4.5	(38.8)	(3.6)

For and on behalf of the Board

Adam Palser
CHIEF EXECUTIVE OFFICER
24 July 2019

Tim Kowalski
CHIEF FINANCIAL OFFICER
24 July 2019

[1] See note 1 for further details on the restatement of comparative information due to the retrospective application of IFRS 15. Revenue comparatives for 2016 to 2017 are not restated for IFRS 15.

Governance

Chairman's letter

"A key focus for the 2018 Code is culture and ensuring that it aligns with the Group's purpose, strategy and values. Culture has been high on the Board's agenda for some time and the Board considers culture to be an essential ingredient in meeting our long-term, sustainable returns to shareholders."

Chris Stone
NON-EXECUTIVE CHAIRMAN

DEAR SHAREHOLDER

The Board is committed to creating and maintaining a culture where strong levels of governance thrive throughout the organisation, specifically ensuring that we send out consistent messages on our values and acceptable behaviours for our colleagues, our customers, our suppliers and our advisers.

GOVERNANCE STANDARDS

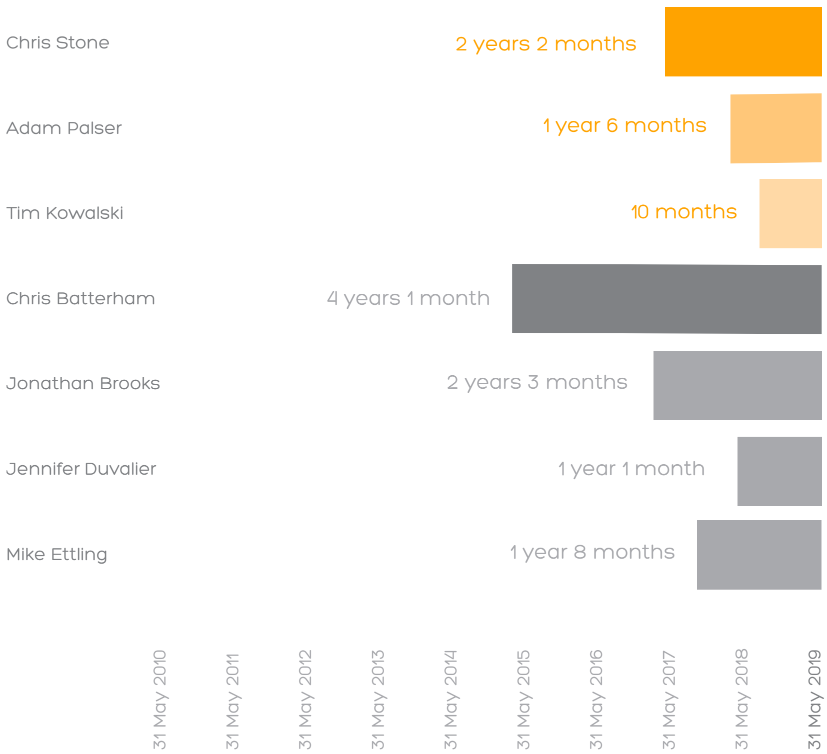
During the year we complied with all provisions of the UK Corporate Governance Code 2016. As a Board we are firmly turning our attention to the requirements of the UK Corporate Governance Code 2018 (2018 Code) and will report against the 2018 Code in our 2020 Annual Report and Accounts. A key focus for the 2018 Code is culture and ensuring that it aligns with the Group's purpose, strategy and values. Culture has been high on the Board's agenda for some time and the Board considers culture to be an essential ingredient in meeting our long-term, sustainable returns to shareholders.

The Board, the Executive Committee and senior management continue to promote the Company's culture and standards throughout the business and lead by example to provide a strong corporate governance framework.

OUR APPROACH

As individual Directors we recognise our statutory duty to act in the way we each consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, as set out in Section 172 of the Companies Act 2006. Our role as the Board is to set the strategy of the Group and ensure that management operates the business in accordance with this strategy. We believe this approach will promote the Group's long-term success and our customers' interests as well as create value for shareholders and have regard to our other key stakeholders such as our colleagues.

BOARD TENURE



Governance framework

The Board's intention is to hand over the business to our successors in a better and more sustainable position for the future. We recognise the renewed focus on the contribution that a successful company can make to wider society in general in addition to generating value for shareholders, and as a Board we want to ensure that we have effective engagement with, and encourage participation from, shareholders and other stakeholders. We intend to reflect on who our key stakeholders are and assess our current engagement mechanisms to ensure effectiveness of that engagement. We will then factor in to our decision-making any feedback from that engagement.

Our main stakeholder is our colleagues and we intend to develop mechanisms to ensure that we, as a Board, have meaningful and regular dialogue with our dedicated and committed workforce. This then puts us in a strong position to deliver our strategy.

BOARD CHANGES

Tim Kowalski, an experienced public company finance director, joined the Group and the Board on 23 July 2018 as CFO. He succeeded Brian Tenner who subsequently left the Group in August 2018. Tim's biography and those of the other Board members can be found on pages 48 to 49. Thomas Chambers, independent Non-Executive Director, resigned from the Board following the Company's AGM on 26 September 2018. I would like to record my thanks to Thomas for his valuable contribution during his six years as a Director.

BOARD COMPOSITION AND DIVERSITY

We recognise that we still have much progress to make in terms of improving the diversity of the Board and our Executive Committee in terms of gender. We will look to address this during future Board and Executive Committee appointments. Given that this is a fairly young Board in terms of tenure, this improvement in diversity will not happen overnight but we are very mindful of the need to improve this and it is fully on our Board agenda.

With regards to diversity more generally, I am satisfied that we have an appropriately diverse Board in terms of experience, skills and personal attributes among our Board members. The Directors have many years of experience gained across a variety of industries and sectors, ensuring a mix of views and providing a broad perspective.

OUR INVESTORS

We are in regular contact with our large investors through a regular scheduled programme of meetings attended by either our CEO or CFO or both of them. Chris Batterham, Senior Independent Director, and myself are also available to meet with investors should the need arise. Chris Batterham wrote to our largest shareholders in late 2018 offering a face-to-face meeting, with one shareholder taking him up on this offer of a meeting, providing some very useful feedback for the Board to consider.

Ensuring that the Directors' remuneration packages align the Directors' and senior managers' interests with the long-term interests of the Company and its shareholders is always a key area of interest for investors. Our Directors' remuneration policy was last approved by shareholders at the 2017 AGM and the current intention is that the 2017 Directors' remuneration policy will apply until the 2020 AGM. The 2017 Directors' remuneration policy and indeed the 2018 Directors' remuneration report both received over 99% of votes in favour recognising shareholder support for our approach to executive remuneration. The UK Corporate Governance Code 2018 increases the role and remit of the Remuneration Committee and we will be reporting on this in our 2020 Annual Report and Accounts.

STATEMENT OF COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Company measures itself against the requirements of the UK Corporate Governance Code 2016 (Code), which is available on the Financial Reporting Council website (www.frc.org.uk).

From June 2018 to May 2019, the Company complied with the Code in full. From 1 June 2019 we will measure ourselves against the requirements of the 2018 Code and report back on this in our 2020 Annual Report and Accounts.

Chris Stone
NON-EXECUTIVE CHAIRMAN

24 July 2019

The different parts of the Company's Governance framework are shown below, with a description of how they operate and the linkages between them.

For further details on Board composition and division of responsibilities see page 52

Board

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

Board Committees

Support the Board in its work with specific areas of review and oversight objectives and risk management. They ensure the right company structure is in place to deliver long-term value to shareholders and other stakeholders.

Audit Committee

Primary function is to assist the Board in fulfilling its financial and risk responsibilities. It also reviews financial reporting and the internal controls in place and the external audit process.

For further information see pages 61 to 67

Nomination Committee

Responsible for considering the Board's structure, size, composition and succession planning.

For further information see pages 68 and 69

Cyber Security Committee

Responsible for overseeing and advising on cyber risk exposure of the Group and its future cyber risk strategy, the Group's cyber security breach response and crisis management plan and the review of reports on any cyber security incidents.

For further information see pages 70 and 71

Remuneration Committee

Responsible for determining the overall remuneration of the Executive Directors and the remuneration of senior managers within the broader institutional context of remuneration practice.

For further information see pages 72 to 90

Chief Executive Officer

Has responsibility for managing the business and overseeing the implementation of the strategy agreed by the Board.

Executive Committee (ExCom)

The Executive Committee currently comprises the Group's most senior business and operational executives. It is responsible for assisting the Chief Executive Officer in the performance of its duties including:

- developing the budget
- 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
- overseeing the day-to-day running of the Company
- being responsible for people, talent and culture

Board of Directors

CHRIS STONE

Non-Executive Chairman

N C

Appointment to the Board:

6 April 2017

Career experience

Chris has held various non-executive director and chief executive roles of listed and private equity-backed technology companies. He was CEO of Northgate Information Solutions plc, a UK listed company, from 1999 to 2008, when it was sold to a private buyer, and stayed as CEO until 2011. From 2013 to 2016, he was CEO of Radius Worldwide. During this period he was also a Non-Executive Director of CSR plc, and Chair of the Remuneration Committee, from 2012 until its acquisition by Qualcomm in 2015. Chris was also Chairman of AIM listed CityFibre plc from January 2017 until June 2018, when it was sold to private equity buyers.

External appointments

Chris is also the Chairman of Everynet BV, a privately owned Internet of Things infrastructure business, and Chairman of AIM listed Idox plc.

ADAM PALSER

Chief Executive Officer

Appointment to the Board:

1 December 2017

Career experience

Prior to NCC Group, Adam was the CEO of NSL Ltd, the public services provider. He joined NSL in 2015 and led the successful transformation and sale of the business for its private equity owner, leaving in March 2017. Before that he held a number of senior roles at QinetiQ between 2003 and 2013, most recently as EMEA Business Development Director. Prior to that, Adam had responsibility for QinetiQ's cyber, information warfare and professional services businesses.

External appointments

Adam does not currently have any external appointments.

TIM KOWALSKI

Chief Financial Officer

Appointment to the Board:

23 July 2018

Career experience

Tim is an accomplished CFO with significant listed company experience. Prior to joining NCC Group, Tim was Group Finance Director of Findel Plc between 2010 and 2017 and prior to that held similar roles with Homestyle Group Plc and N Brown Group Plc. Tim qualified as a Chartered Accountant with KPMG and has also been an FCA 'approved person'.

External appointments

Tim does not currently have any external appointments.

CHRIS BATTERHAM

Senior Independent Non-Executive Director

A C N R

Appointment to the Board:

1 May 2015

Career experience

Chris is a qualified chartered accountant and was Finance Director of Unipalm plc, before becoming CFO of Searchspace Limited until 2005.

External appointments

Chris is currently a Non-Executive Director of Blue Prism Group plc and Nanoco Group plc.

KEY: A Member of Audit Committee; C Member of Cyber Security Committee; N Member of Nomination Committee; R Member of Remuneration Committee; ● Chairman of Committee

JONATHAN BROOKS

Independent
Non-Executive Director

R A C N

Appointment to the Board:

16 March 2017

Career experience

Jonathan was Chief Financial Officer of ARM Holdings plc from 1995 until 2002. He has also held a number of senior finance and non-executive director positions with other listed and private companies, including directorships with Aveva Group plc and FDM Group (Holdings) plc.

External appointments

Jonathan has been a Non-Executive Director of IP Group plc since August 2011.

JENNIFER DUVALIER

Independent
Non-Executive Director

C N R

Appointment to the Board:

25 April 2018

Career experience

Jennifer was Executive Vice President of People at ARM Holdings plc, with responsibility for all People and Internal Communications activity globally, from September 2013 to March 2017.

External appointments

Jennifer is currently a Non-Executive Director and Chair of the Remuneration Committee of Mitie Group plc and of Guardian Media Group plc. She is also a Non-Executive Director of The Cranemere Group Ltd, a member of The Council of the Royal College of Art and Chair of its Remuneration Committee, and is a senior adviser to the Cleveland Clinic London and to the Corporate Research Forum.

MIKE ETTLING

Independent
Non-Executive Director

A

Appointment to the Board:

22 September 2017

Career experience

With strong sector and non-executive experience, Mike was President of SAP-Successfactors globally. He has had an extensive executive career in global technology businesses including at NGA HR, Unisys, Synstar and EDS and was formerly a Non-Executive Director of Backoffice Associates LLC, a US PE-backed data business, and also formerly a Non-Executive Director of Telkom BCX Ltd, a South African IT and telecommunications business.

External appointments

Mike is currently CEO of Unit4, a world leader in enterprise applications for services and people organisations. He is also a non-executive director of Impellam PLC, an AIM-listed recruitment business, and Topia Inc, a Silicon Valley cloud relocation software business.

EXPERIENCE OF THE BOARD

The members of the Board bring a wide range of skills and experience to the Group. This diverse skill set allows the Board to appropriately challenge and lead the Group's strategy. The chart below summarises their key areas of significant experience.

	Strategy development	Sales and marketing	Human resources	Corporate governance	Financial management	M&A	Professional services
Chris Stone	●	●		●		●	●
Adam Palser	●	●					●
Tim Kowalski	●			●	●	●	●
Chris Batterham	●			●	●	●	
Jonathan Brooks			●	●	●	●	
Jennifer Duvalier	●		●	●			●
Mike Ettling	●	●	●	●		●	

Executive committee

STEVE BOUGHTON

Global Operations Director

Steve is responsible for the operational efficiency and effectiveness of the Group around the world. He joined the business in March 2018 and previously served as Managing Director of QinetiQ's technical advisory business, leading software and service subsidiaries in the UK, Canada and Australia. Most recently Steve was the Chief Operating Officer of the NSL group, supporting the business through its sale in 2017.

SUZY CROSS

General Counsel and Company Secretary

Suzy joined the Group in January 2018. Suzy has over 20 years' legal experience and is a trusted adviser to the Board. Suzy previously served as General Counsel in Dechra Pharmaceuticals plc, Victrex plc and Speedy Hire plc, all groups listed on the Main Market of the London Stock Exchange. As a qualified solicitor, Suzy is able to execute the role of Company Secretary by advising the Board on governance issues and the regulatory environment.

YVONNE HARLEY

Group Head of Communications

Yvonne joined the Group in July 2018. With over 25 years in communications, Yvonne has international experience across a wide range of industry sectors including broadcasting, telecommunications, finance, oil and gas, and shipping. Former roles include Head of Communications roles at V.Group, BP and Castrol. Her experience and education covers the whole spectrum of stakeholder management – from public affairs to employee engagement and media relations.

ROBERT HORTON

Global Head of Assurance Delivery

Rob 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 into 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

Managing Director, Escrow

Daniel is responsible for the management and strategic development of the Escrow division globally. Daniel joined the Group in November 2013 from private practice where he had been a corporate partner at a number of international law firms. From 2006 until 2013 he was 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 2013.

ERIK PLOEGMAKERS

Managing Director, Assurance Netherlands (also known as Fox-IT)

Erik is responsible for the end-to-end functioning of Fox-IT in the Netherlands. He is a Master of Law (criminal law and eLaw) and after his studies, he became a digital forensic expert at Fox-IT, after which he managed the lawful interception department of the company. After this division was acquired by NetScout Systems, Erik joined PwC and led the Cyber security consulting practice in Amsterdam. He then joined KPN, where he held the position of Managing Director Security Services. In 2018 he returned to Fox-IT as Managing Director.

NICK ROWE

Managing Director, Assurance North America

Nick joined the company in 2009 and held positions in both sales and delivery leadership, initially in the UK Assurance division. With 20 years experience working in professional services, he specialises in the complex people and operational challenges of fast paced, high tech consulting teams.

Following a series of acquisitions in North America, Nick relocated to California in 2013 to focus on managing the complexities of business integration and establishing the Group's North American operations. Currently as Managing Director of the North American Assurance division, he is responsible for the continued growth and execution of the Groups strategy in the region.

SHANE SLATER

Group Sales and Marketing Director

Having joined the Group in July 2018 Shane has responsibility for Group level sales and marketing activities while also supporting the regional business units to meet their sales goals and objectives. Prior to joining NCC Group, Shane was the Sales and Marketing Director for V.Group, the world's largest ship management company. He also has over 15 years' experience as a Sales Director in the defence and security space including sales management for a cyber business. Shane comes from a technology background with IBM and also has start-up experience.

TOMAS SORENSEN BOYE

Managing Director, Assurance Europe (FortConsult)

Tomas is the Group's Managing Director in Denmark, responsible for the European market for Assurance. He joined the Company in 2016 as Commercial Director and took up the position of Managing Director in April 2018. Over a 25-year career in the technology industry, Tomas has focused heavily on increasing the value that various products and services bring to customers. Prior to NCC Group, Tomas has held senior roles within KiSS Technology, Cisco and GreenWave Systems.

IAN THOMAS

Managing Director, Assurance UK and RoW

Ian joined NCC Group in December 2018 and is responsible for the Group's UK and RoW Assurance division. Prior to that he was UK MD at Sopra Steria for two and a half years, following a successful Interim career working for a number of global businesses and Private Equity backed firms, in Managing Director and Sales Director positions. He was at Cable&Wireless for eight years, where he ran Global Service Assurance and the Wholesale and Public Sector divisions. Ian's early career includes 14 years at British Airways running contact centres and offshore operations.

COLIN WATT

Global Chief People Officer

Colin is the Global Chief People Officer for NCC Group. He is responsible for the human resources team across the Group.

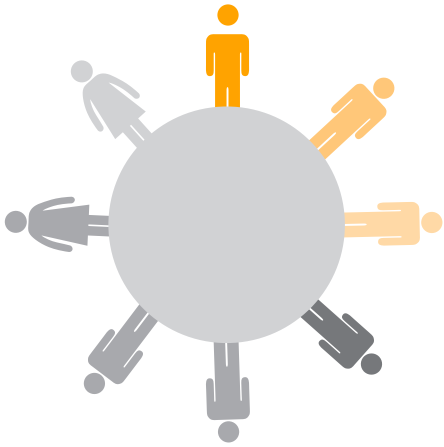
Prior to joining NCC Group, Colin was the Director of Employee Engagement and Relations at Shop Direct, the online digital retailer. He previously held a number of senior leadership roles in Telefonica's O2UK, Research, European and Global HR teams and Co-operative Financial Services.

OLLIE WHITEHOUSE

Global Chief Technical Officer

Ollie Whitehouse is responsible for the Group's technical strategy and research and development functions. In a career spanning more than 20 years Ollie has worked in a variety of cyber security consultancy, applied research and management roles for firms including BlackBerry and Symantec. He is named on eight patents at two firms for inventions in cyber security and is the author of numerous whitepapers. Ollie is an independent research and science advisor to the UK government on matters of cyber security.

Board composition and division of responsibilities



- Chairman
- Chief Executive Director
- Chief Financial Officer
- Senior Independent Non-Executive Director
- Independent Non-Executive Director
- Company Secretary

Role profiles are in place for the Chairman and Chief Executive Officer, which clearly set out the duties of each role.

Role	Responsibilities
The Chairman of the Board **(Chris Stone)**	Is responsible for the running and leadership of the Board, setting its agenda and ensuring its effectiveness on all aspects of its role, and promoting a culture of openness, debate and the highest standards of corporate governance. The Chairman, in conjunction with the CEO and other Board members, plans the agendas, which are issued with the supporting Board papers in advance of the Board meetings. These supporting papers provide appropriate information to enable the Board to discharge its duties which include monitoring, assessing and challenging the executive management of the Group.
The Chief Executive Officer **(Adam Palser)**	Together with the senior management team, is responsible for the day-to-day running of the Group's business, implementing the strategy and policies approved by the Board, and regularly providing performance reports to the Board. The role of CEO is separate from that of the Chairman to ensure that no one individual has unfettered powers of decision.
The Chief Financial Officer **(Tim Kowalski)**	Works closely with the CEO with specific responsibility for all financial matters, including Group accounting policies, financial control, tax and treasury management, risk management and financial probity. The CFO is also accountable for the transparency and appropriateness of management information and key performance indicators, internally and externally.
The Senior Independent Director **(Chris Batterham)**	Provides a sounding board for the Chairman and serves as an intermediary for other Directors, employees and shareholders when necessary. The 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.
The other Non-Executive Directors **(Jonathan Brooks, Jennifer Duvalier and Mike Ettling)**	Bring experience and independent judgment to the Board. Maintain an ongoing dialogue with the Executive Directors which includes constructive challenge of performance and the Group's strategy.
Company Secretary **(Suzy Cross)**	Ensures 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.

MEETINGS AND ATTENDANCE

The Board considers that each Director is able to allocate sufficient time to the Company to discharge their responsibilities effectively. The Non-Executive Directors are contracted to spend a minimum of 24 days per annum on Group's affairs.

A summary of each current Director's attendance at meetings that they were eligible to attend of the Board and its committees during the financial year ended 31 May 2019 is shown below. Unless otherwise indicated, all Directors held office throughout the year.

	Board	Audit	Nomination	Cyber Security	Remuneration
Chris Stone	8(8)	n/a	1(1)#	3(3)#	n/a
Adam Palser	8(8)	n/a	n/a	n/a	n/a
Tim Kowalski [1]	7(7)	n/a	n/a	n/a	n/a
Chris Batterham	8(8)	4(4)#	1(1)	3(3)	4(4)
Jonathan Brooks	8(8)	4(4)	1(1)	3(3)	4(4)#
Jennifer Duvalier	8(8)	n/a	1(1)	3(3)	4(4)
Mike Ettling [2]	8(8)	2(2)	n/a	n/a	n/a
Brian Tenner [3]	1(1)	n/a	n/a	n/a	n/a
Thomas Chambers [4]	1(2)	1(1)	0(0)	0(0)	1(1)

Committee Chair.

1 Appointed to the Board on 23 July 2018 and the July 2018 Board meeting was held before Tim was appointed.

2 Appointed to the Audit Committee in January 2019 and the Committee met twice between January 2019 and May 2019.

3 Left the Company and Board on 12 August 2018.

4 Left the Company and Board on 26 September 2018.

WHAT HAVE WE LOOKED AT AS A BOARD DURING 2018/19?

At every meeting the Board reviews the minutes from the previous meeting and the status of any outstanding actions. The CEO and CFO present their monthly performance update reports which are also circulated to Board members in months where there is no scheduled Board meeting. The Board has also reviewed the following during 2018/19.

Leadership and employees
Received an update on employee engagement and the results of the annual employee survey
Onboarded our new Chief Financial Officer (Tim Kowalski)
Approved a number of share scheme grants to employees including UK Sharesave, International Sharesave (in the Netherlands), and the Employee Stock Purchase Plan (in the US)
Had the opportunity to meet informally with colleagues from across the business at Board meetings held in New York and Leatherhead, and the Board strategy day held in Manchester
Received an update on the composition of the Executive Committee
Appointed an interim Chief People Officer (CPO) and received regular updates on the recruitment of a permanent CPO
Strategy
Regular updates on the Group's transformation programme 'Securing Growth Together' (SGT)
Visited the Group's New York office to meet colleagues and receive updates and the future plans from the US Assurance and US Escrow businesses
Had presentations providing an overview of the Group's intellectual property and strategy in relation to identifying, registering, protecting and managing intellectual property.
Held a dedicated one-day strategy session (see page 54)
Discussed the strategy day and the key points arising out of it

Board composition and division of responsibilities

Governance
Completed the Board, Committee and Chairman effectiveness reviews and discussed the results of these reviews, agreeing on key focus areas for the coming year
Approved the Notice of AGM and Proxy Form
Approved a revised Chairman and Non-Executive Director annual UK travel and subsistence allowance which replaces expenses
Attended the AGM
Delegated authority to the CEO and CFO to deal with routine share scheme maturities
Set Board and Committee meeting dates for the next three years
Reviewed and approved the Delegated Authority Matrix along with the Schedule of Matters Reserved for Decision by the Board
Reviewed and approved the Terms of Reference for all of the Board Committees
Approved some minor amendments of an administrative nature to employee share plan rules
Discussed and approved the Group's Modern Slavery Statement
Reviewed Directors' outside directorships and potential conflicts of interest and also Directors' shareholdings
Financial
Reviewed and approved the Annual Report and Accounts, ensuring that it is fair, balanced and understandable
Discussed and approved the full year and half year results and associated presentations to investors
Approved the interim and final dividends and discussed the dividend policy
Approved changes to the bank mandates and authorised signatories
Noted and approved the 2018/19 Group insurance covers renewal
Approved adding the Group's US entities as additional guarantors with regard to the Group's bank loan facilities
Considered and discussed the refinancing of the Group's bank loan/debt facilities arrangements
Noted the appointment of a global tax adviser for the Group
Discussed and approved the 2019/20 budget
Shareholder relations
Received regular updates from investor meetings
Received presentations on shareholder perspectives on the Company
Other Group business
Approved a number of strategic projects including the implementation of new business systems such as Salesforce and Workday
Approved a number of major customer contracts
Received updates on the Group's office location strategy
Received a briefing on the Group's crisis communications response plan and on managing and engaging stakeholders
Received regular updates on Brexit
Received regular update on material litigation affecting the Group

BOARD STRATEGY SESSION

In March 2019 the Board held a dedicated one-day strategy session which allowed for 'deep dives' into all aspects of the Group's businesses. All Managing Directors from across the Group attended for the day so that ideas could be discussed and shared. Finance Directors from the Group's businesses also attended for their particular briefing session. Board members received a briefing pack in advance of the day which contained a high level presentation for each business along with additional background briefing material.

The day was divided into sections focusing on a different area of the business and included the three-year strategic plans from the businesses around the Group such as:

- Escrow (UK, North America, Europe and RoW)
- Assurance (UK, North America, Europe and RoW)
- Overall corporate strategy

The Directors used the insights gained from the strategy sessions in their consideration of the 2019/20 budget and associated approvals.

INDEPENDENT ADVICE

All Directors have access to the advice and services of the Company Secretary and Directors are entitled to take independent professional advice if necessary, at the expense of the Company.

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.

BOARD INDEPENDENCE

As required by the Code, at least 50% of the Board, excluding the Chairman, are independent Non-Executive Directors. The Board comprises two Executive Directors, four independent Non-Executive Directors and the Non-Executive Chairman.

The Board has debated and considers that all of the current Non-Executive Directors are independent, and in so doing considered the profile of all of the individuals, concluding 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 advisers, 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 at the point of this report served on the Board for more than nine years from the date of their first election.

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.

Details of the Directors' respective experience is set out in their biographical profiles on pages 48 to 49.

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

DIVERSITY

The principle of Board diversity (and indeed diversity across the Group) is strongly supported by the Board. It is the Board's policy that appointments to the Board will always be based on merit so that the Board has the right balance of individuals in place. The Board recognises that diversity of thought, approach and experience is an important consideration and is therefore one of the selection criteria used to assess candidates prior to any Board appointments. Read more about diversity in the Nomination Committee report on page 68.

The Company's policy is to find, develop and maintain a diverse workforce at all levels with an initial focus on developing a culture where women can achieve and retain senior positions.

Board composition and division of responsibilities

ANNUAL RE-ELECTION

In accordance with the Code, any Directors appointed in the financial year are subject to election by shareholders at the AGM and, in line with best practice, all the other Directors are subject to re-election annually.

DIRECTOR INDUCTION, TRAINING AND DEVELOPMENT

Tim Kowalski joined the Board during the year and was provided with an induction and also time with the previous CFO (Brian Tenner) to ensure an orderly handover. During the year the Board had training on 'Digital Footprints' in relation to online security and identity theft and undertook visits to the Group's New York and Leatherhead offices which allowed Board members to interact and engage with colleagues across the organisation.

New Directors are provided with an induction on appointment, which included visits to the Group's operations and meetings with operational and executive management. Each Director's induction is tailored to their experience and background with the aim of enhancing their understanding of the Group's strategy, business, the operating divisions, employees, customers, suppliers and advisers and the role of the Board in setting the tone of our culture and governance standards.

The Company acknowledges the importance of developing the skills of the Directors to run an effective Board. To assist in this, Directors are given the opportunity to attend relevant courses and seminars to acquire additional skills and experience to enhance their contribution to the ongoing progress of the Group. All of the Directors attend sessions which are aimed at updating the Board on trends and developments in corporate governance.

BOARD AND COMMITTEE EFFECTIVENESS REVIEW

The performance of the Board and its Committees is appraised annually and an internal effectiveness review was completed for the year ended 2019. The overall rating was very positive meaning that the Board and its Committees are functioning well.

The results were presented to the March 2019 Board meeting and following that the Chairman held 1:1 calls with Board colleagues for 'deeper dives' into any areas they wished to discuss in more detail. The Chairman provided a final verbal update on the 2019 evaluation and its focus areas at the April 2019 Board meeting and has held sessions with the CEO to discuss areas highlighted by the evaluation process.

The evaluation identified changes which would improve the working of the Board, including:

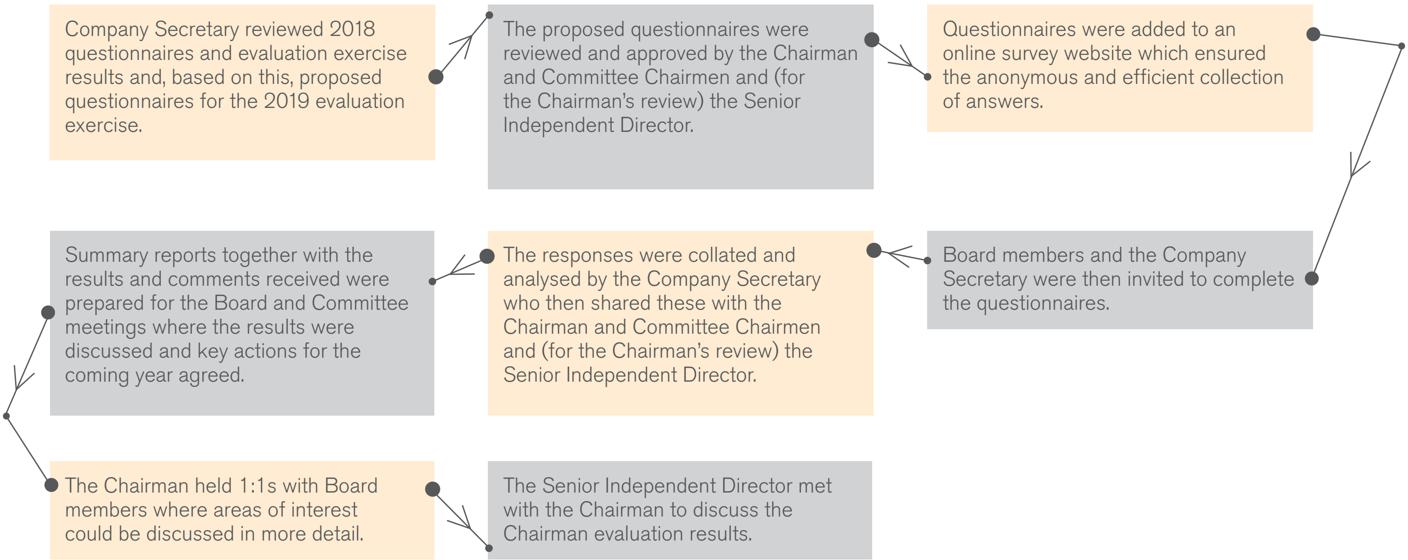
- An increased focus on succession planning and ensuring that these plans are reviewed on a regular basis;
- An increased focus on Corporate Social Responsibility;
- A continued focus on strategy and strategic discussion;
- Enhancing Board interactions and communications with the Company and its customers; and
- Developing Board involvement in the Group's culture related initiatives.

PROGRESS FROM THE PREVIOUS YEAR

The 2019 evaluation process also reviewed progress on actions identified in the 2018 evaluation process.

Area identified in 2018 evaluation process	2019 evaluation – progress
Increased strategic discussion	Good progress and more Board strategic discussion including a dedicated one-day Board strategy session.
Enhancements to the Board through NED appointments	Good progress with appointment of two Non-Executives who bring HR/remuneration experience and technology expertise.
Strengthening of the Senior Management Team	Good progress with the appointment of new senior management members including a Group Operations Director, a Group Sales and Marketing Director, a Chief People Officer, a Director of Risk and Assurance, and a Transformation Programme Manager to oversee and drive through a change programme linked to the Group's strategy.

BOARD AND COMMITTEE AND CHAIRMAN EVALUATION PROCESS 2019



COMMITTEE EVALUATION

During the year, each of the Audit, Remuneration, Nomination and Cyber Security Committees carried out an internal self-evaluation on their effectiveness. The conclusion from the Committee reviews is that, overall, the Committees are working well but some recommendations were made, as per the table below.

Committee	Focus areas
Audit	▪ No recommendations.
Cyber Security	▪ No recommendations.
Nomination	▪ Succession planning.
Remuneration	▪ Increased consultation with the external remuneration consultants, the Chief People Officer, and the Group's shareholders when considering senior executive reward. ▪ Better alignment of remuneration policy to key business metrics. ▪ Developing reward strategy and reward competitive positioning. ▪ Increased Committee involvement with HR policies in the wider business.

INDIVIDUAL DIRECTOR APPRAISALS PROCESS

During the year, 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.

OPERATION OF GOVERNANCE FRAMEWORK

ROLE OF THE BOARD

The Board is responsible for reviewing, challenging and approving the strategic direction of the Group, while providing strong values-based leadership of the Company, within a framework of prudent and effective controls, which enable risk to be assessed and appropriately managed. The Board reviews the Group's business model and strategic objectives to ensure that the necessary financial and human resources are in place to achieve these objectives, to sustain them over the long term and to review management performance in their delivery.

The Board sets the tone of the Company's values and ethical standards and manages the business in a manner to meet its obligations to shareholders and other stakeholders.

Board composition and division of responsibilities

The Board 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:

- Approval of strategic plans, the annual budget and any material changes to them.
- Oversight of the Group's operations ensuring competent and prudent management, sound planning, and an adequate system of internal control and governance.
- Through the Audit Committee, oversight of financial reporting systems and information and adherence to appropriate accounting policies.
- Changes to the structure, size and composition of the Board and Executive Committee, oversight of the Company culture and ethical standards of the leadership and the independence of Non-Executive Directors, taking into consideration prudent succession planning.
- Approval of the acquisition or disposal of subsidiaries and major investments and capital projects.
- Approval of the dividend, treasury and banking policies, including the Group's capital structure.
- Through the Remuneration Committee, the delivery of an effective Executive Remuneration Policy.
- Receiving reports on the views of shareholders and approval of all documents put to shareholders at a general meeting or circulated to shareholders.
- Approval of the appointment of key advisers.

The Board has reviewed and revised this schedule during the year and added specific matters where it feels it is critical to the ongoing success of the business and are of a significant nature to merit the Board having such a decision reserved to it. Also during the year, the Group Authority Matrix (which documents the levels of authority delegated from the Board to various role holders within the Group) was revised and refreshed. The schedule of matters reserved for decision by the Board and the Group Authority Matrix are complementary documents and are designed to ensure that decisions are either made by the Board or delegated to an appropriate senior colleague within the Group.

As noted above, the operational management of the Group is delegated to the Executive Committee. The Board also delegates other matters to Board committees and management as appropriate.

RISK MANAGEMENT

The Board has ultimate responsibility for ensuring that business risks are effectively managed. The Board has delegated regular review of the risk management procedures to the Cyber Security Committee in relation to cyber risks and to the Audit Committee in relation to all other risks. The Board reviews the overall risk environment on at least an annual basis. The day-to-day management of business risks is the responsibility of the Executive Committee.

INTERNAL CONTROL

The Group has a system of internal controls which aim to support the delivery of the Group's strategy by managing the risk of failing to achieve business objectives and to protect the stewardship of the Group's assets. As with all such systems, the goal is to manage risk within acceptable parameters rather than to eliminate risk entirely. The Group can therefore only provide reasonable and not absolute assurance that the business objectives and asset stewardship will be provided successfully.

In addition, the Group insures against various risks, but certain risks remain difficult to insure, due to the breadth and cost of cover. In some cases, external insurance is not available at all, or at least not at an economically viable price. The Group regularly reviews both the type and amount of external insurance that it buys in conjunction with its insurance brokers. For a more detailed review of risk management processes, the principal risks faced by the Group and their mitigation, as well as a risk 'heat map' see pages 32 to 37.

The Audit Committee is responsible for reviewing the effectiveness of the risk management and internal control systems. The steps it takes in relation to the review are set out on page 65.

The Audit Committee makes a recommendation to the Board on effectiveness which the Board considers, together with reports from the Cyber Security Committee, in forming its own view on the effectiveness of the risk management and internal control systems.

During the year ended 31 May 2019, the Board reviewed the effectiveness of the Group's risk management and internal control systems. We confirm that the processes outlined above and on page 65 have been in place for the year under review and up to the date of approval of this Annual Report and Accounts and that these processes accord with the UK Corporate Governance Code and the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. We also confirm that no significant failings or weaknesses were identified in relation to the review.

EXECUTIVE REMUNERATION

During the year, we operated within the Remuneration Policy approved by shareholders at the 2017 AGM. Details of how the Remuneration Policy has been applied during this financial year are set out on pages 81 to 88 of the Remuneration Committee report.

Shareholder relations

SHARE CAPITAL STRUCTURE

The Company's issued share capital at 31 May 2019 consisted of 277,830,625 ordinary shares of one pence each. There are no special control rights or restrictions on share transfer or special rights pertaining to any of the shares in issue and the Company does not have preference shares.

As far as is reasonably known to the Board, the Company is not directly or indirectly owned or controlled by another Company or by any government.

BOARD ENGAGEMENT WITH SHAREHOLDERS

Communications with shareholders are given high priority. There is a regular dialogue with institutional investors including presentations after the Company's year-end and half-year results announcements.

A programme of meetings take place throughout the year with major institutional shareholders and private shareholders have the opportunity to meet the Board face-to-face and ask questions at the Annual General Meeting. During the financial year the Directors held a number of meetings with shareholders as set out below.

Chris Batterham, Senior Independent Director, wrote to our largest shareholders in late 2018 offering a face-to-face meeting. One shareholder took up the offer and the meeting provided some very useful feedback for the Board to consider.

BOARD SHAREHOLDER UPDATES

Feedback from major institutional shareholders is provided to the Board on a regular basis and, where appropriate, the Board takes steps to address their concerns and recommendations.

INVESTOR MEETINGS

(FY18 results roadshows)

One-to-one meetings
29

Conference calls
7

Group meetings
2

SUBSTANTIAL SHAREHOLDINGS

As at 31 May 2019, the Company had been notified of the following interests of 3% or more in the issued share capital of the Company under the UK Disclosure and Transparency Rules:

Shareholder	Number of ordinary shares	% of NCC's total share capital
Legal And General Investment Management	23,614,274	8.50
Schroder Investment Management	15,364,318	5.53
Artemis Investment Management	15,033,307	5.41
Montanaro Asset Management	14,350,000	5.17
Unicorn Asset Management	10,200,315	3.67

The following changes to the above interests have been notified to the Company from 31 May 2019 up until 24 July 2019.

Shareholder	Number of ordinary shares	% of NCC's total share capital
Artemis Investment Management	13,822,640	4.98
Montanaro Asset Management	10,796,426	3.89

Shareholder relations

DIRECTORS' SHAREHOLDINGS

For details of Directors' shareholdings, remuneration and interests in the Company's shares and options, together with information on service contracts, see pages 84 to 90 of the Directors' remuneration report.

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) is an opportunity for shareholders to vote on certain aspects of Group business and provides a useful forum for one-to-one communication with private shareholders. At the AGM shareholders receive presentations on the Company's performance and may ask questions of the Board. The Chairman seeks to ensure that the Chairmen of the Audit, Remuneration, Nomination and Cyber Security Committees are available at the meeting to answer questions and all Directors attend.

The Company prepares separate resolutions on each substantially separate issue to be voted upon at the AGM. The result of the vote on each resolution is published on the Company's website after the AGM and will be announced via the regulatory information service. At the 2018 AGM, shareholders representing 73.22% of the Company's issued share capital returned their proxy votes.

On behalf of the Board

Chris Stone
NON-EXECUTIVE CHAIRMAN

24 July 2019

Audit committee report

"The Committee particularly focuses on systems and processes of management control, the reporting of internal management information and externally reported financial information."

Chris Batterham
COMMITTEE CHAIRMAN

THE AUDIT COMMITTEE'S KEY OBJECTIVES

The purpose of the Audit Committee is to assist the Board in the discharge of its fiduciary duties of stewardship of the Group's assets. The Committee particularly focuses on systems and processes of management control, the reporting of internal management information and externally reported financial information. The Committee also provides a forum for reporting by the external auditors.

THE AUDIT COMMITTEE'S RESPONSIBILITIES

The Committee's main responsibilities include:

- Monitoring the integrity of the Financial Statements relating to the Group's financial performance and their compliance with the provisions of IFRS, the UK Corporate Governance Code, Disclosure and Transparency Rules and other regulations.
- Reviewing material information and significant accounting judgments contained in it.
- Advising the Board on the continuing appropriateness of the Group's existing accounting policies and the application of any new or modified accounting and reporting standards.
- Advising the Board on the effectiveness of the processes ensuring that the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable.
- Reviewing the audit findings with the external auditors including discussing any major issues that arise during an audit, the accounting and audit judgments made, the level of any errors identified during the audit and the effectiveness of the audit process itself.
- Reviewing the effectiveness of the Group's internal control systems.
- Reviewing the nature and extent of significant financial risks and how they can be mitigated.
- Making recommendations to the Board in relation to the appointment of the external auditors, approving their remuneration and terms of engagement.
- Overseeing the relationship with the external auditors including, but not limited to, assessing their independence, objectivity and effectiveness.
- Reporting to the Board on the procedures for responding to whistleblowing, fraud or potential breaches of anti-bribery legislation.

A full copy of the Committee's Terms of Reference can be found in the Investor Relations section of the Group's website at www.nccgroup.trust/uk/about-us/investor-relations.

ACTIVITIES DURING THE YEAR

During the year, the Committee:
Reviewed and updated their Terms of Reference
Continued to support relatively new Board members in their onboarding process as well as welcoming a new committee member
Completed the process with the external auditors for the partner rotation at the end of the reporting cycle at the beginning of the current financial year
Initiated and considered a revised risk review undertaken by the new Director of Risk and Assurance
Reviewed the ongoing programme to enhance the quality of the Group's external reporting, including in the Annual Report and Accounts
Considered and approved updated policies including policies on: Treasury, Foreign Exchange, Tax Strategy and Individually Significant Items
Received a presentation from the Group Health and Safety Manager who was appointed in January 2019
Received regular briefings from the Associate Director of Risk and Assurance summarising risk management and control issues
Reviewed the reporting around various areas, including discontinued operations and disposals, onerous contracts and software write-off costs
Was updated on progress in relation to the Securing Growth Together Programme and received an internal audit health check report on the programme

Audit committee report

COMPOSITION

The Audit Committee is chaired by myself, a Chartered Accountant of 40 years' standing. I have previously served as the Finance Director of Unipalm plc, before becoming Chief Financial Officer of Searchspace Limited until 2005. Both businesses operated in digital technology sectors. My earlier career included roles with BICC Group and accountants Arthur Andersen. The Board considers that I have the recent and relevant experience required by the Code.

The other members of the Committee who served throughout the year are: Thomas Chambers (who stepped down from the Committee and Board on 26 September 2018), Jonathan Brooks and Mike Ettling (who was appointed to the Committee in January 2019). All members of the Committee are considered to be independent and the Committee as a whole continues to have competence in the technology sector.

Summary biographies of each member of the Committee are included on pages 48 to 49.

MEETING FREQUENCY AND ATTENDANCE

The Terms of Reference for the Committee require at least three meetings per year. During this financial year the Committee met four times. As well as the members of the Committee, standing invitations are given to the Chairman, the other Independent Non-Executive Directors, the Chief Executive Officer, and the Chief Financial Officer, with other attendees also appearing by invitation. The external auditors also attend each meeting. During the year the Committee met, on a number of occasions, with the external auditors without the Executive Directors being present. In addition, following the appointment in 2017/18 of the Group's Director of Risk and Assurance who heads up the Group's Internal Audit function, a number of meetings were held with him without management being present.

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

Attendee	Meetings attended
Chris Batterham	4(4)
Jonathan Brooks	4(4)
Thomas Chambers	1(1)
Mike Ettling	2(2)

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
- Significant areas of management judgment or estimation
- The effectiveness and changes to the financial control environment
- Compliance with external and internal financial reporting standards and policies
- Disclosure and presentation of GAAP and Alternative Performance Measures (APMs)
- Whether the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary to assess the Group's financial position, 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.

2017 ANNUAL REPORT AND ACCOUNTS FRC REVIEW

In the previous year the Group received a letter from the Conduct Committee of the Financial Reporting Council (FRC), a body appointed to review the Annual Report and Accounts of public and large companies. The reviews are intended to support continuous improvement in the quality of reporting. The letter was sent following a review of the Group's 2017 Annual Report and Accounts. The letter focused on the disclosures given around accounting errors in respect of prior years, acquisitions arising in that financial year (PSC and VSR), sensitivity analyses around impairment reviews and the Group's use of Alternative Performance Measures (APMs).

As a result of the responses made by the Company, the review was formally closed in June 2018 and the proposals suggested by the FRC have been incorporated in subsequent Company announcements and publications.

SIGNIFICANT ACCOUNTING AREAS AND AREAS OF SIGNIFICANT MANAGEMENT JUDGMENT

The table below summarises some of the significant accounting issues and judgments that the Committee considered during the year in relation to the Financial Statements. These are split between those items which are identified either as recurring items that the Committee regularly reviews or as items of current year focus. The table also sets out the financial context and potential impact of each item as well as the impacted metric. Finally, the table shows the degree of judgment that the Committee feels has to be applied for each item. Items with a significant impact but with a 'low' judgment level will typically have extensive independent third party evidence of the bases for any judgment. Areas assessed as requiring a 'high' level of judgment tend to rely more heavily on management estimates and historical trends than extensive independent third party evidence.

Review items	Relevance to the Financial Statements	Related metric	Estimation required
Goodwill carrying values (recurring)	Group net assets £210.8m Goodwill value £189.4m	–	High
Intangible assets – carrying values (recurring)	Group net assets £210.8m Intangible assets value £41.8m	Adjusted [1] operating margin	Low
Onerous leases (recurring)	Group net assets £210.8m Adjusted operating profit [1] £33.7m	Adjusted [1] operating margin	Low
Loss-making contracts (recurring)	Group net assets £210.8m Adjusted operating profit [1] £33.7m	Adjusted [1] operating margin	Medium
Revenue recognition/IFRS 15 (current year focus)	Revenue £250.7m Adjusted operating profit [1] £33.7m	Revenue and growth rates Adjusted [1] operating margin	Low
Individually significant items (recurring) and APMs	Net charges (£3.6m) Adjusted operating profit [1] £33.7m	Adjusted [1] operating margin	Low
IFRS 16 Leases	Disclosure only this year	Adjusted [1] operating margin	Low

GOODWILL CARRYING VALUE

(Recurring item: see note 13 to the Financial Statements)

The Group has made a number of historical acquisitions which generated goodwill at the time of purchase. On 31 May 2019, the Group had goodwill of £189.4m.

In accordance with IAS 36, management has determined appropriate cash generating units (CGUs) on which to base the annual impairment review for goodwill and indefinite-lived intangible assets by comparing the recoverable amount to the carrying value. Impairment reviews are based on discounted future cash flow models that can contain a significant degree of management estimate in terms of the basis of the CGUs, the associated forecast cash flows, the appropriate growth rates to apply to revenues and margins, and the discount rates to be used. This is set out in more detail in note 13 to the Financial Statements.

The Committee has reviewed the rationale used to determine the CGUs and assumptions used in future cash flows that underpin the valuation of goodwill. There have been no changes to the CGUs in the current year other than the UK MSS (Accumuli) CGU has been incorporated into the Assurance CGU as its operations have been subsumed into the UK Assurance division following its acquisition.

INTANGIBLE ASSETS – CARRYING VALUE

(Including acquired intangibles, software and capitalised development costs) (Recurring item: see note 13 to the Financial Statements).

The total value of acquired intangible assets on 31 May 2019 was £41.8m. Acquired intangible assets are amortised over a period of ten years. Movements in the balance sheet values during the year are set out in note 13 to the Financial Statements. Annual impairment reviews of each intangible asset are based on the same underlying discounted future cash flow models that are used in assessing the carrying value of goodwill. These models can contain a degree of management estimate in terms of the forecast cash flows, the appropriate growth rates to apply to revenues and margins, and the discount rates to be used. This is set out in more detail in note 13 to the Financial Statements.

The Committee reviews the assumptions and estimates underpinning the cash flow models each year given the high level of estimation required in assessing cash flows over an extended period of time to arrive at recoverable values.

1 See note 3 for an explanation and definitions of Alternative Performance Measures (APMs) and adjusting items. See note 3 to the financial statements for a reconciliation to statutory information.

Audit committee report

Finally, the Group also undertakes a number of development projects aimed at producing new products and services. These activities are collectively referred to as 'Development' costs and where IFRS recognition criteria are met, costs incurred are capitalised.

During the year, management undertook a review of assets likely to be impacted by the new system implementations arising from the Securing Growth Together programme. This resulted in a write-off of £3.8m in respect of accelerated amortisation for a number of legacy systems (net of R&D tax credit). The Committee considered the accounting treatment for this and concurred that reflection as an Individually Significant Item was most appropriate.

ONEROUS LEASES

(Recurring item: see note 20 to the Financial Statements)

During the year, the Group reviewed the position for the two UK properties that were previously identified as surplus to requirements in the prior year. In addition, they considered the impact of a further element of the Group's head office being identified as surplus. Discounted cash flow models were reviewed and challenged on their assumptions. The Committee is satisfied that liability for onerous leases is properly recorded.

LOSS-MAKING CONTRACTS

(Recurring item: see note 20 to the Financial Statements)

During the year, the Group reviewed the major long-term contract in the Netherlands for the development and supply of a new product which was identified as a loss-making contract in the prior year. Management prepared updated estimates of future income, costs and resulting cash flows associated with the contract. The annual cash flows were then discounted using appropriate risk-adjusted discount rates to arrive at the Net Present Value (NPV) of the contract in question.

An additional long-term contract in the Netherlands for the development and supply of a new product was reviewed by the Group to assess whether it should be treated as a loss-making contract. Management analysed the relevant cash flows, which were discounted, and concluded that the contract should not be accounted for as a loss-making contract.

The Committee reviewed and challenged the assumptions underpinning the cash flows and discount rates and is satisfied that the contracts have been correctly treated, and that in the case of the loss-making contract that the liabilities recorded are reasonable.

REVENUE RECOGNITION/IFRS 15

(Current year focus item: see note 1 to the Financial Statements)

The Group implemented IFRS 15 Revenue from Contracts with Customers from 1 June 2018 using the full retrospective method. As a result, prior year revenue and deferred income balances have been restated as shown in note 1. The impacts on the Group were found to be:

- For Escrow, the initial set-up exercise is not considered to be a distinct service and, as a result, these fees are now recognised with the rest of the contract with revenue being recognised over time.
- For Assurance, set-up fees charged in respect of initial work and configuration of equipment to allow customers to benefit from a monitoring contract are not considered to be a distinct service and, as a result, this revenue is now recognised over time with the fee for the monitoring activity.

In both cases performance obligations are considered to be satisfied over time as the performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Committee discussed the financial impact, the treatment being adopted, IFRS 15 transitional disclosures and is satisfied that the Group's revenue has been correctly accounted for and disclosed.

INDIVIDUALLY SIGNIFICANT ITEMS [1]

(Current year focus item: see note 6 to the Financial Statements)

Individually significant items by their nature and scale could have a significant impact on the reporting of 'Adjusted' metrics such as 'Adjusted Operating Profit' [1], 'Adjusted EBITDA' [1] and 'Adjusted EPS' [1]. It is critical that these are properly categorised in order to allow a user of the Financial Statements to form an accurate picture of the underlying performance of the business. The Committee challenged management to provide the rationale for the treatment of certain costs as Individually Significant. The Committee has also challenged management on the use of 'Adjusted' or APMs. All APMs are fully disclosed and reconciled to GAAP measurements in the Financial Statements.

Following this review and challenge to management, the Committee concluded that the items that have been designated as individually significant and hence excluded from 'Adjusted' measures of performance, were sufficiently material and unrelated to the underlying business to be properly classified in this way.

1 See note 3 to the Financial Statements for an explanation of Alternative Performance Measures (APMs) and adjusting items. See note 3 to the Financial Statements for a reconciliation to statutory information.

THE GROUP'S APPROACH TO MATERIALITY

In considering the materiality of any individual issue or issues in aggregate, the Group looks at a range of qualitative and quantitative measures to assess whether or not a user of the accounts would be likely to be influenced by the item in question. The range of measures includes (but is not limited to) the primary Financial Statements themselves, the individual line item in question, and whether or not the issue moves the result from one side of an inflection point to another (for example, turning a profit into a loss or a net asset into a net liability). Qualitative and quantitative measures are both considered as is any potential impact on remuneration or banking arrangements such as debt covenants.

INTERNAL AUDIT

The internal audit function is responsible for internal audit, the assurance of other quality systems and processes, and monitoring the embedding of risk management processes throughout our operations. The internal audit plan was approved by the Committee during the financial year and a number of audits were performed. The Group will look to increase the scope of the audit plan during FY20.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is responsible for establishing, maintaining and monitoring the Group's system of risk management and internal control and reviewing its effectiveness. The Committee monitors the performance of management in this area.

We have an ongoing process for identifying, evaluating and managing the principal risks faced by the Group which has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. The Group's non cyber security risks are monitored by the Audit Committee on behalf of the Board which sets aside time for an in-depth discussion of notable or changing risks to the business. A description of the process for managing risk together with a description of the Principal Risks and strategies to manage those risks is provided on pages 32 to 37.

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 and can provide only reasonable but not absolute assurance against material misstatement or loss. Key elements of the risk management and internal control system are described below. Enhancements during the year are highlighted while the other elements have all been in place throughout the year.

CONTROLS RELATING TO FINANCIAL REPORTING AND PREPARATION OF THE ANNUAL REPORT AND ACCOUNTS

- Information provided to management covering financial performance and key performance indicators, including non-financial measures (enhanced by new KPIs and targeted management reports).
- A detailed budgeting process where business units prepare plans for the coming year (enhanced with new standardised reporting and consolidation models and systems).
- Procedures for the approval of capital expenditure and investments and acquisitions (enhanced by standardised capital approval request forms).
- Monthly operational reviews to monitor and reforecast results as required against the annual operating plan, with major variances followed up and management action taken where appropriate.

OTHER CONTROLS

- Defined management structure and delegation of authority to Committees of the Board, subsidiary boards and associated business units (enhanced by more detailed authorities and guidance notes).
- Recruitment standards and training to ensure the integrity and competence of staff.
- Anti-bribery, security and compliance training for all employees.
- Clearly documented internal procedures set out in the Group's ISO 9001:2008 accredited quality manual.
- Regular internal audits of key processes and procedures under the Group's ISO 9001 and ISO 27001 accredited quality assurance process.
- Monitoring of any whistleblowing or fraud reports.

The external auditors regularly report their findings on those areas of internal control which they assess as part of the external audit and Half Year review to the Board and the Audit Committee.

Our internal control effectiveness is assessed through the performance of regular checks, which in the year ended 31 May 2019 included:

- Assessment of the identification and management of risks connected to the Group's strategy and management of strategic change;
- Reviewing and testing the Group's financial reporting processes;
- Performing compliance monitoring activities;
- Assessment of the Group's processes for identifying and mitigating potential conflicts of interest; and
- Monitoring the completion of the Group's mandatory employee training.

Audit committee report

WHISTLEBLOWING AND CONFIDENTIAL REPORTING PROCEDURES

The Group operates a confidential reporting and whistleblowing procedure (known as our 'Open Door Policy'). The policy aims to support the stewardship of the Group's assets and the integrity of the Financial Statements as well as protecting staff welfare. The procedure is reviewed annually by the Committee to ensure that it remains fit for purpose.

In the previous year, the Committee appointed an independent third party reporting agent to be the first point of contact for those who do not wish to use normal internal line management channels for reporting their concerns. This is advertised internally via staff noticeboards and our intranet.

The Committee reviews any whistleblowing or confidential reporting of concerns raised during the year with respect to their nature, scale and any associated or consequential risks.

REVIEW OF THE AUDIT COMMITTEE'S EFFECTIVENESS

The Committee has reviewed and considered the effectiveness of its performance during the year. The review included the views of members of the Committee and of regular attendees at the various meetings (including the Executive Directors). I am satisfied that the degree of rigour and challenge applied in performing the Committee's responsibilities is appropriate, effective and continues to improve.

AUDITORS' INDEPENDENCE AND OBJECTIVITY

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 any non-audit work undertaken by the auditors. 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. A copy of the full policy on the payment of fees to the external auditors for non-audit services can be found on the Company website at www.nccgroup.com.

During this financial year non-audit fees of £27,500 (2018: £27,500) were paid to the external auditors for the half year review.

All significant pieces of non-audit work are put to informal tender to suitable parties that, if appropriate, can include the external auditors. Upon review as to suitability and price, the work will then be placed with the service provider recommended. If this is the external auditors, then Audit Committee approval is required.

The external auditors were not engaged during the year to provide any services which may have given rise to a conflict of interest. The Committee is satisfied that the overall levels of audit and non-audit fees (i.e. the half year review fee) are not material relative to the income of the external auditors as a whole and therefore that the objectivity and independence of the external auditors was not compromised.

EXTERNAL AUDITORS' EFFECTIVENESS AND APPOINTMENT

The Committee reviews and makes recommendations regarding the reappointment of the external auditors following a formal review of the auditors' performance following the July 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 the plan.
- The quality of the processes adopted.
- The auditors' explanations of significant risks to audit quality by reference to the Company's specific circumstances and changes to the risks.
- The fees charged.
- Their attitude to and handling of key audit judgments.
- Their ability to challenge and communicate effectively with management.
- The quality of the final report.
- The FRC's Audit Quality Review report relating to KPMG.

During the financial year, I attended regular meetings with KPMG's engagement partner without management being present. This provided the opportunity for open dialogue. The engagement partner demonstrated his understanding of the Group's business risks and the consequential impact on the Financial Statements. Feedback on the conduct of the audit from the engagement partner's perspective is used 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 lead audit partner rotates every five years to ensure independence and was last rotated in 2018. While the Company is not a FTSE 350 listed company, we continue to comply with the UK Competition and Markets Authority's (CMA) Statutory Audit Services Order (Order) which states, among other matters, that FTSE 350 listed companies should put their external audit contract out to public tender at least every ten years.

The Group will continue to keep this position under review during the new financial year. The Group intends to remain in full compliance with the requirement to carry out a formal tender at least once every ten years.

Therefore, having fully considered the effectiveness, independence and objectivity of the external auditors and the reports they have produced in the current financial year, the Committee has concluded that it is appropriate to recommend to the Board the reappointment of KPMG LLP as the Group's external auditors for the next financial year.

RELATED PARTY TRANSACTIONS AND OTHER FEES APPROVED BY THE COMMITTEE

Refer to note 31 for related party transactions in the year. There were no such fees payable in the current year.

FAIR, BALANCED AND UNDERSTANDABLE

At the request of the Board, the Committee considered whether the 2019 Annual Report and Accounts, when taken as a whole, was fair, balanced and understandable (FBU) and whether it provided the necessary information for shareholders to assess NCC Group's position and performance, business model and strategy. The reviews outlined in the diagram below include reviews of all material matters, as reported elsewhere in this Annual Report and Accounts, reviews of the balance of good and bad news and ensure the Annual Report and Accounts correctly reflects:

- The Group's position and performance as described on pages 12 to 15 and 22 to 31;
- The Group's business model as described on pages 10 to 11; and
- The Group's strategy, as described on pages 16 to 21.

The independent reviewers noted below were not major contributors to the Annual Report and Accounts but, at the same time, as members of the Executive Committee, are deemed to be sufficiently well informed on the Group's activities to be able to give appropriate feedback on the FBU criteria. They undertake a qualitative review of disclosures and a review of internal consistency throughout the Annual Report and Accounts.

The Directors' statement on a fair, balanced and understandable Annual Report and Accounts is set out on page 95.

Chris Batterham
CHAIRMAN, AUDIT COMMITTEE

24 July 2019

Financial Information

- Prepared by individual business units
- Consolidated by Group Finance team
- Reviewed by Group Financial Controller and CFO

Narrative Disclosures

- Prepared by Group Finance team
- Reviewed by Group Financial Controller and CFO
- Various reports prepared by Committee Chairs, CEO and CFO

Independent Reviewers

- Senior members of the Executive Committee
- Those who have not been major contributors

Audit Committee Chair

- Review of detailed verification documents
- Review of findings and observations from independent reviewers

Nomination committee report

"Given that this is a fairly young Board in terms of tenure, this improvement in diversity will not happen overnight but we are very mindful of the need to improve this and take positive action, and the matter is fully on our agenda."

Chris Stone
COMMITTEE CHAIRMAN

The members of the Nomination Committee are myself along with Chris Batterham, Jonathan Brooks and Jennifer Duvalier. During the year, Thomas Chambers also served on the Committee until he resigned from the Board on 26 September 2018.

THE NOMINATION COMMITTEE'S OBJECTIVES AND RESPONSIBILITIES

The Nomination Committee is responsible for reviewing the size, structure, balance, composition and progressive refreshing of the Board and its committees 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 structure of the Board, or individual Directors.
- Reviewing the leadership needs of the Company, both Executive and Non-Executive.
- Succession planning for Directors and other senior Executives within the business.
- Recruiting, appointing and exiting of Directors.
- Overseeing membership of, and succession to, the various Board committees.
- Reviewing the time commitment required from the Non-Executive Directors on NCC business.

The Chairman of the Board leads the process for the appointment of new Non-Executive Directors to the Board and for the appointment of the Chief Executive Officer. The Chief Executive, in conjunction with the Chairman, leads the process for the Chief Financial Officer. The Senior Independent Director leads the process for a new Chairman of the Board.

In relation to an appointment to the Board, the Committee draws up a specification and assesses the capabilities and experience required for such a role, taking into account the Board's existing composition, including relevant experience and understanding of our stakeholder groups.

We also assess the time commitment required. Candidates are sought by third party executive search consultants and, where appropriate, through assessment of internal candidates and are then formally considered by the Nomination Committee. Extensive external referencing is completed.

DIVERSITY

Our objective is to have a broad range of skills, backgrounds, experiences and personal attributes within the Board as this ensures the Board is best placed to serve the Company.

All appointments are made on merit and against objective criteria with due regard for the benefits of diversity on the Board, including gender, nationality, and educational and professional background, as well as individual characteristics which will enhance diversity of thinking on the Board. The Company and the Committee value the aims and objectives of the Hampton-Alexander Review on FTSE Women Leaders and the Parker Review on ethnic diversity of UK Boards and support and apply the Group's diversity policy set out on page 55.

The Group's gender diversity statistics are set out on page 42. At Board level, we currently have one female on our Board but we note that diversity extends beyond the measurable statistics of gender and ethnicity. As such, while we do not set any particular targets, we continue to take diversity in its wider context into account, having regard to the diversity policy, and recommend only the most appropriate candidates for appointment to the Board.

That said, we recognise that we still have much progress to make in terms of improving the diversity of the Board and our Executive Team (and indeed our workforce as a whole) in terms of gender. We will look to address this during future Board and Executive Committee appointments. Given that this is a fairly young Board in terms of tenure, this improvement in diversity will not happen overnight but we are very mindful of the need to improve this and take positive action, and the matter is fully on our agenda.

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/investor-relations

The terms of reference are reviewed annually and updated when necessary.

COMMITTEE MEETINGS

During this financial year, the Committee held one scheduled meeting. One ad hoc meeting was also held to consider candidates for the CFO position and make a recommendation to the Board on the proposed candidate.

The attendance of individual Committee members at Nomination Committee meetings is shown in the table below. Unless otherwise indicated, all Directors held office throughout the year.

Attendee	Meetings attended
Chris Stone	1(1)
Chris Batterham	1(1)
Jonathan Brooks	1(1)
Thomas Chambers (until 26 September 2018)	0(0)
Jennifer Duvalier	1(1)

ACTIVITIES DURING THE YEAR

During the year, the Committee:
Conducted the search for a new CFO, considered the candidates, and recommended to the Board the appointment of Tim Kowalski
Evaluated the skills, knowledge and experience around the Board table
Reviewed the structure, size and composition of the Board
Reviewed Director length of service
Reviewed the diversity of the Board
Reviewed the memberships of all Committees
Reviewed the expected time commitment of the Chairman and the Non-Executive Directors

COMMITTEE EFFECTIVENESS

During the year, the Nomination Committee carried out an internal self-evaluation on its effectiveness. A small number of recommendations were made, including a renewed focus on succession planning for both the Board and senior management.

EXTERNAL SEARCH CONSULTANCIES

In accordance with B.2.4 of the Code, during the year the Committee engaged Elliott Armstrong in the recruitment of Tim Kowalski (Chief Financial Officer). Elliott Armstrong has no other connection with the Company.

Chris Stone
CHAIRMAN, NOMINATION COMMITTEE

24 July 2019

Cyber security committee report

"Through the Committee, the Group continues to maintain an intense focus on cyber security during this year of change as new Group-wide IT systems and ways of working are put in place. We take advantage of the considerable expertise we offer to our customers to ensure that we keep pace with the cyber threat landscape as it evolves."

Chris Stone
COMMITTEE CHAIRMAN

The Cyber Security Committee was formed to focus specifically on the cyber risks faced by the Group. This reflects the significant threat posed by cyber risks, the nature of our business, and the potential damage to the business as a high value target for malicious acts. The Committee's activities aim to challenge and support improvements to the Group's information security and data protection policies, defences and controls, so as to comply with data protection regulations around the world (including GDPR, the EU's General Data Protection Regulation), and ensure that the Group looks after its own information, and the information that our customers entrust to us, with the proper care and attention.

The Committee was formed in November 2016 and I have chaired the Committee since January 2018.

Chris Batterham, Jonathan Brooks and Jennifer Duvalier (all independent Non-Executive Directors) served as members of the Committee throughout the year.

The Group's Director of Risk and Assurance and the Group's Chief Information Security Officer (CISO) are standing invitees of the Committee. The Executive Directors are invited to attend Committee meetings when the Committee considers it to be appropriate.

THE CYBER SECURITY COMMITTEE'S OBJECTIVES AND RESPONSIBILITIES

The Cyber Security Committee is responsible for assessing the performance of the Group's internal security and defences and as such its duties are to:

- Oversee and advise the Board on the current cyber risk exposure of the Group and future cyber risk strategy.
- Review at least annually the Group's cyber security breach response and crisis management plan.
- Review reports on any cyber security incidents and the adequacy of resulting actions.
- Receive and consider the regular update reports from the CISO.
- Ensure the CISO is given the right of direct access to the Committee.
- Consider and recommend actions in respect of all cyber risk issues escalated by the CISO, Head of IT and the compliance function.
- Keep under review the effectiveness of the Company's controls, services and products to analyse potential vulnerabilities that could be exploited.
- Regularly assess what are the Group's most valuable intangible assets and the most sensitive Group and customer information and assess whether the controls in place sufficiently protect those assets and information.
- Review the Group's ability to identify and manage new cyber risks.
- Assess the adequacy of resources and funding for cyber security defence and control activities.
- Regularly review the cyber risk posed by third parties including outsourced IT and other partners.
- Oversee cyber security due diligence undertaken as part of an acquisition and advise the Board of the risk exposure.
- Annually assess the adequacy of the Group's cyber insurance cover.

The Committee's terms of reference (which during the year were reviewed and updated with some minor amendments) can be found in the Group's Investors' section of the Company's website, www.nccgroup.trust/uk/about-us/investor-relations. The terms of reference are reviewed annually and updated when necessary.

COMMITTEE EFFECTIVENESS

During the year, the Cyber Security Committee carried out an internal self-evaluation on its effectiveness, as it continues to mature since its formation in November 2016. The Committee was found to be working effectively and I am satisfied that the degree of rigour and challenge applied in performing the Committee's responsibilities is appropriate, effective and continues to improve.

As an output of both this and previous evaluations, the Committee, along with the Board, reaffirmed that cyber security is a sufficiently important risk for the business that the Committee should remain focused on this specific set of risks. Therefore, the current structure in which the responsibility for broader risk management remains with the Audit Committee will continue.

COMMITTEE ACTIVITIES DURING THE YEAR

During the year we recruited a new CISO who joined us in August 2018, replacing the previous CISO who left earlier in 2018.

The Committee assessed both the Group's short-term tactical requirements, while simultaneously addressing longer term strategic goals around ensuring the Group's resilience to all levels of cyber attack. A strong focus was on making sure that the Group's adoption of new cloud-based systems as part of the Securing Growth Together programme progressed smoothly taking into account and mitigating where appropriate the different sorts of risks that this kind of deployment brings, and this will continue into the next year.

The Group increased its capability to respond to incidents by improving its detective and reactive controls taking full advantage of the expertise within the Group that we offer to our customers. We intend to continue to invest in the Group's infrastructure to ensure that the Group keeps up with the ever evolving cyber threat landscape.

The Committee oversaw the establishment of an Information Security and Data Protection (ISDP) Steering Group which comprises of the CISO, the Data Protection Officer along with a number of Executive Committee members and Managing Directors ensuring that cyber security matters are discussed at the very highest levels within the Group. The Committee receives regular summary reports from the ISDP at Committee meetings.

In terms of our global data protection compliance programme and internal data privacy activities, our approach continues to be proportionate, pragmatic, and risk-based. As the Information Commissioner, Elizabeth Denham, made clear following the arrival of GDPR, this is not the end, but the beginning. The Group continues to make excellent progress.

Noteworthy highlights since our previous report include:
Raised awareness of the requirements for data protection impact assessments (DPIA), in particular where new cloud systems are being implemented as part of the Securing Growth Together programme. DPIAs are now completed as a matter of course for significant new systems
Growth of the data privacy team in the UK and EU to make sure that the Group continues to have the necessary resource to cover all its data protection obligations. We are also recruiting for a hybrid compliance and privacy role in the US
Strengthened data breach reporting procedures for employees and management in case of a data breach involving personal data
Implementation of legitimate interest assessments using a bespoke tool
Brexit preparation activities to facilitate the continued free flow of data to third countries in the event of a no deal Brexit

The Committee reviewed the Company's cyber risk insurance and initiated an external benchmarking exercise to understand the robustness of its performance and risk processes relative to other external organisations. This resulted in a rebalancing of our insurance spend to give a greater coverage on cyber-related risks.

Finally, the Committee has also been conducting some 'deep dives' into specific aspects of cyber security, provoked by the release last year of the UK National Cyber Security Centre's Board Toolkit guidance material. The Committee will continue this programme of 'deep dives' on an ongoing basis.

COMMITTEE MEETINGS

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

The attendance of individual Committee members at the Cyber Security Committee meetings is shown in the table below. Unless otherwise indicated, all Directors held office throughout the year.

Attendee	Meetings attended
Chris Stone	3(3)
Chris Batterham	3(3)
Jonathan Brooks	3(3)
Jennifer Duvalier	3(3)

Chris Stone
CHAIRMAN, CYBER SECURITY COMMITTEE

24 July 2019

Remuneration committee report

Annual statement

"During the coming year, we will be considering and developing our Remuneration Policy for the period 2020-23. We will also be embedding the key changes to the Committee's responsibilities following the recent changes arising from the 2018 UK Corporate Governance Code."

Jonathan Brooks
COMMITTEE CHAIRMAN

On behalf of your Board, I am pleased to present our Directors' Remuneration Report (DRR) for the year ended 31 May 2019.

The Report is divided into three sections: an Annual Statement, a summary of our Directors' Remuneration Policy and the Annual Report on Remuneration (which sets out the actual application of the Policy).

ANNUAL STATEMENT

During the year, we operated within the Remuneration Policy that was approved by shareholders at the 2017 AGM, a copy of which can be found in the next section of this Report.

There was one Board change during 2018/19 which was the appointment of a new Chief Financial Officer, Tim Kowalski.

Tim Kowalski joined the business as our new Chief Financial Officer on 23 July 2018. He was awarded a base salary of £275,000 and benefits and incentives in line with our Policy. This salary was 10% higher than the £250,000 salary of the previous Chief Financial Officer Brian Tenner, which had been set on his appointment as CFO in February 2017, before he took on the role of interim CEO. Upon Brian's departure, he received a payment representing six months' basic salary in lieu of notice which was a contractual payment relating to his departure. Brian received a bonus payment in respect of the 2017/18 financial year and the Committee elected not to defer 35% of this into shares for two years. Brian will not receive any bonus in relation to the 2018/19 financial year. The Committee determined he would be treated as a good leaver for the LTIP granted to him in 2017. Full details of this are disclosed in the notes to the single total figure of remuneration on page 82.

For the 2019/20 financial year, both the Chief Executive Officer and the Chief Financial Officer have been awarded an increase in base salary of 2.5%.

By reference, the average salary review awarded to all other UK-based employees was 3%.

In line with Policy, Non-Executive Director fees are also reviewed annually. Following a review of expenses and the expense claim process for Non-Executive Directors, a simplification was proposed and approved which would remove the ability to claim expenses, but introduce with effect from 6 April 2019, an expense allowance which would be incorporated into base fees. As a result, base fees would not be adjusted for the coming year, other than the uplift for the new expense allowance.

Details of these fees and allowances are given in the Annual Report on Remuneration on page 82.

PERFORMANCE RELATED PAY – BONUS

The annual bonus for the year ended 31 May 2019 for both the Chief Executive Officer and Chief Financial Officer was based on the satisfaction of stretching financial and strategic targets. This resulted in an overall payment of 48% of base salary for the CEO and 44% of base salary for the CFO. With respect to the financial targets, these were set last year at an adjusted operating profit [1] from continuing operations of between £33.0m and £36.0m and by delivering an adjusted operating profit [1] of £33.7m. This resulted in a bonus of 28% out of a maximum of 75% of base salary being achieved. With respect to the strategic objectives which comprised 25% of the available bonus opportunity, the bonus earned was judged to be 20% for the CEO and 16% for the CFO, with the components of these figures broken down as follows:

2018/19 OBJECTIVES FOR BOTH THE CEO AND CFO

Implement ERP and CRM systems for the business: Bonus potential 7.5%; Actual bonus achieved 7.5%.

Develop KPI reporting: Bonus potential 5%; Actual bonus achieved 0%.

1 See note 3 to the Financial Statements for an explanation of Alternative Performance Measures (APMs) and adjusting items. See note 3 to the Financial Statements for a reconciliation to statutory information.

CEO ONLY

Develop and implement a strategic plan for Fox-IT and certain of its product offering: Bonus potential 12.5%; Actual bonus achieved 12.5%.

CFO ONLY

Build a fit for purpose Finance Team: Bonus potential 7.5%; Actual bonus achieved 5%.

Simplify financial reporting: Bonus potential 5%; Actual bonus achieved 3.5%.

For both the CEO and CFO, 35% of the actual bonuses achieved will be deferred into nominal cost share options and will vest after two years.

For 2019/20, the Committee intends to keep the same annual bonus structure, with up to 75% being attributed to the achievement of financial targets and 25% for strategic targets.

The adjusted operating profit [1] target for 2019/20 will be reported on within the 2020 Remuneration Report but as in previous years the adjusted operating profit target will be set within a tight range with bonuses of between 15% and 75% of base salary being calculated by linear interpolation.

STRATEGIC TARGETS FOR 2019/20 INCLUDE:

CEO

- Employee engagement, diversity and inclusion (8%)
- Continued delivery of efficiencies through the Securing Growth Together programme (7%)
- Develop and implement a strategic plan for Escrow and EaaS growth (10%)

CFO

- Employee engagement, diversity and inclusion (5%)
- Best in class finance and administration functions (10%)
- Develop and streamline KPI reporting (10%)

As in prior years, the bonus will continue to be self-funding and as such, no bonus will be payable, even for strategic targets, unless the minimum profit target is met. 35% of any bonus earned will be deferred into nominal cost share options and after a vesting period of two years, these shares must be retained until the shareholding guideline is achieved. Clawback and malus provisions are in place for the annual bonus.

PERFORMANCE RELATED PAY – LTIP

No LTIP vested in the year for the Executive Directors as neither executive has been employed for more than three years.

With respect to the LTIP for 2019/22, the Committee intends to make awards of up to 100% of base salary and these will vest after three years as long as a number of demanding performance targets are satisfied. 60% of the potential award will be based on the achievement of a demanding EPS target, 30% on the achievements of certain cash targets and 10% on relative TSR targets.

Clawback and malus provisions are in place for the LTIP.

In order to further align executives with shareholders, executives are required to retain any vested shares (net of tax) for a period of two years. After this holding period, vested shares must also be retained if the shareholding guideline has not been met.

At the Annual General Meeting in September 2018, 99.25% of shareholders voted in favour of the adoption of the Annual Report on Remuneration. The 2019 Annual Statement and Annual Report on Remuneration will be put to an advisory vote at the Annual General Meeting on 25 September 2019, providing shareholders with the opportunity to voice their opinions on how the Committee has implemented the Remuneration Policy this year. As always, the Committee remains committed to engagement and transparency and I welcome the opportunity for discussion of the Group's remuneration with any shareholder, at our AGM or at any other time during the year.

During the coming year, we will be considering and developing our Remuneration Policy for the period 2020-23 which we will put to shareholders at the 2020 AGM. As part of this process, in the event we were proposing any significant changes to our Remuneration Policy and structure, we would consult with our major shareholders.

We will also be embedding the key changes to the Committee's responsibilities following the recent changes arising from the 2018 UK Corporate Governance Code. We will report on this in the 2020 Remuneration Report but some of the areas which the Committee will now consider and review are as follows:

- Ensuring that the remuneration policy continues to support and incentivise the achievement of our strategy.
- Setting the remuneration for the ExCom (i.e. ExCom the layer of senior management immediately below Board level).
- Ensuring that the Committee takes into account workforce remuneration and related policies when setting executive remuneration and that executive awards are aligned with culture.
- Reviewing share plan rules to allow the use of discretion to override formulaic outcomes in respect of variable pay.
- Developing our formal policy for post-employment shareholding requirements for vested and unvested shares.
- Reviewing and reporting on the CEO to employee pay ratio between our CEO and UK workforce.
- Including further scenario charts and narrative on our potential LTIP vesting outcomes to show the effect of a 50% increase in the share price.
- Reviewing our approach to Post-Employment shareholdings and developing our policy on this which we will include as part of 2020 Remuneration Policy.

Jonathan Brooks

CHAIRMAN, REMUNERATION COMMITTEE

24 July 2019

Remuneration committee report

Directors' remuneration policy

The Remuneration Committee determines the Company's policy on the remuneration of the Executive Directors and (from 1 June 2019) the Executive Committee (ExCom). The principles which underpin the Remuneration Policy for the Company are to:

- Ensure Executive Directors' rewards and incentives are directly aligned with the interests of the shareholders in order to reinforce the strategic priorities of the Group, optimise the performance of the Group and create sustained growth in shareholder value, without encouragement to take excessive undue risk.
- Provide the level of remuneration required to attract, retain and motivate Executive Directors and senior executives of an appropriate calibre.
- Ensure a proper balance of fixed and variable performance-related components, linked to short and longer term objectives.
- Reflect market competitiveness, taking account of the total value of all the benefit elements.

Our Remuneration Strategy has been designed to reflect the needs of a complex multinational organisation, which has grown both organically and by acquisition.

Remuneration for the Executive Directors is structured so that the variable pay elements (annual bonus and long-term incentives) form a significant proportion of the overall package. This provides a strong link between the remuneration paid to Executive Directors and the performance of the Group as well as providing a strong alignment of interest between the Executive Directors and shareholders.

For the purposes of section 226D-(6)(b) of the Companies Act 2006, this policy took effect from the date of the 2017 AGM, which was held on 21 September 2017.

Current policy table for Executive Directors

Purpose and link to short and long-term strategic objectives	Operation (including framework to assess performance)	Maximum opportunity
Salary		
Attract, retain and reward high calibre Executive Directors	The Remuneration Committee reviews salaries for Executive Directors and also the Executive Committee (ExCom) from 1 June 2019 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, provide 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 Executive Director salaries are set out in the Annual Report and Accounts on Remuneration (page 80). 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 high calibre Executive Directors	Benefits in kind include the provision of a car or car allowance, payment of private fuel, car insurance, 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 benefits. SAYE Sharesave Scheme subject to HMRC approved limits.
Pension		
To provide a competitive benefit, which attracts high calibre executives and which allows flexible retirement planning to suit individual needs	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 percentage of base salary.	10% of base salary into the Group Scheme, providing they make a contribution of not less than 5% of base salary, or a base salary supplement of 10% of base salary.

Purpose and link to short and long-term strategic objectives	Operation (including framework to assess performance)	Maximum opportunity
Annual bonus		
Drive and reward sustainable business performance	Based on a range of stretching targets measured over one year. This might include, but not exclusively, profit measures and other strategic objectives such as cash management, brand development, customer satisfaction and retention, business unit sales growth and employee engagement. Performance below the minimum performance target results in no bonus. No more than 20% of the maximum opportunity is paid for achievement of the threshold performance targets. Payments rise from the threshold payment to 100% of the maximum opportunity for levels of performance between the threshold and maximum targets. The rate of the rise and the various payment targets are determined annually by the Committee. 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 into nominal cost share options which vest after a two-year period. Dividend equivalents are paid on vesting share options. Malus and clawback provisions are in place for both cash and deferred elements.	Chief Executive Officer 100% of base salary. Chief Financial Officer 100% of base salary.
Long Term Incentive Plan		
To drive long-term performance in line with Group strategy and incentivise through share ownership	Awards have a performance period of three years. The level of vesting is determined by measures appropriate to the strategic priorities of the business. At least half of any award will be subject to financial performance measures. Measures might include, but not exclusively, EPS, cash flow and relative TSR metrics. The targets will represent a maximum of 60% of total potential for EPS growth, 30% for the achievement of cash flow targets and 10% for the achievement of relative TSR targets. The Remuneration Committee has the discretion to determine the number of measures to be used. Performance below the threshold target results in no vesting. For performance between the threshold target and maximum performance target, vesting starts at 20% and rises to 100% of the shares vesting. Any awards granted under this policy to Executive Directors which vest and are exercised after the completion of the three-year performance period must be held for a further two years after vesting, even if the Director has met the 200% shareholding guideline. Should a change in control of the Group occur, crystallisation of any LTIP awards is within the discretion of the Remuneration Committee. Malus and clawback provisions are in place.	Award over shares with a face value at grant of: 100% of salary p.a. for the Chief Executive Officer. 100% of salary p.a. for the Chief Financial Officer.

Remuneration committee report

Directors' remuneration policy

Purpose and link to short and long-term strategic objectives	Operation (including framework to assess performance)	Maximum opportunity
Executive Director Shareholding Guideline		
To align the interests of Executive Directors with the interests of all of the Company's shareholders	The Executive Directors are expected to build and retain a shareholding in the Group at least equivalent to 200% of base salary. Executives will be required to retain all vested deferred bonus shares and LTIP shares released from the holding period until they have attained the minimum shareholding guideline and even then they may only sell when they have held vested LTIP shares for a minimum period of two years. For the avoidance of doubt, Executive Directors are permitted to sell sufficient shares in order to meet any tax obligation arising from vesting shares.	

CHOICE OF PERFORMANCE MEASURES AND TARGET SETTING

For both the annual bonus and LTIPs, the objective of our Policy is to choose performance measures which 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.

Targets for each performance measure are set by the Committee with reference to internal plans and external expectations. Performance is generally measured so that incentive payouts increase pro rata for levels of performance in between the threshold and maximum performance targets.

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 focused on the delivery of sustainable business performance.

With regard to the LTIP, the Committee believes in setting demanding objectives, which reward steady, progressive growth, in order to incentivise and encourage long-term growth and enhance shareholder value.

Performance measures and targets are disclosed in the Annual Report on Remuneration. In cases where targets are commercially sensitive, for example annual profit targets for the annual bonus, they will be disclosed retrospectively in the year in which the bonus is paid.

DIFFERENCES IN PAY POLICY FOR EMPLOYEES AND EXECUTIVE DIRECTORS

The principles behind the Remuneration Policy for Executive Directors are cascaded down through the Group and its aims are 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 Executive Committee and other senior managers within the business and all are aligned with similar business objectives.
- Participation in the LTIP is extended to the Executive Committee and other senior managers where possible.
- The pension scheme is operated for all permanent employees.

The main difference between pay for Executive Directors and employees is that for Executive Directors, the variable element of total remuneration is much greater while the total remuneration opportunity is also higher to reflect the increased responsibility of the role.

EXECUTIVE SHAREHOLDING GUIDELINES

The Committee considers that Executive Directors should retain a personal holding of shares in the Company, so as to align their interests with the interests of shareholders.

In any event, 35% of the value achieved as part of the annual bonus scheme will be deferred into nominal cost share options, to be held for a period of no less than two years and share options vesting under the LTIP scheme, if exercised, are to be held for a minimum of two years after the vesting date.

NON-EXECUTIVE DIRECTOR POLICY TABLE

Purpose and link to strategy	Operation	Maximum opportunity
Fees		
Attract, reward and retain experienced Non-Executive Directors	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. There will be separate disclosures of fees paid for Chairing the Audit and Remuneration Committees and for acting as Senior Independent Director. Fees for the Non-Executive Directors are reviewed annually. Any reasonable business-related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit.	Current fee levels are set out in the Annual Report and Accounts on Remuneration on page 81. Overall fee limit will be within the current £300,000 limit set out in the Company's Articles of Association, approved on 21 September 2010, which is subject to increase on 21 September each year by the same percentage increase as the percentage increase in the General Index of Retail Prices for all items (or such other comparable index as may be substituted for it from time to time before such anniversary) in the 12 months immediately preceding such date.

APPROACH TO RECRUITMENT

The principle applied in the recruitment of a new Executive Director is for the remuneration package to be set in accordance with the terms of the approved Remuneration Policy for existing Executive Directors in force at the time of appointment. Further details 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 salary initially below median levels, 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 Director 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. These would all be disclosed.

INCENTIVE OPPORTUNITY

The aggregate ongoing 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 the 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 ongoing 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. The Company may also pay an amount considered to be reasonable by the Committee where loss of office is due to redundancy or in respect of fees for legal advice for the outgoing Director.

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:

- Prorated 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.
- Subject to the normal bonus targets, tested at the end of the year, and would take into account performance over the notice period.
- Subject to deferral of 35% of the value.

The Committee also has the discretion to determine whether any nominal cost share options from previous deferral of annual bonus payments will vest at the normal vesting date or earlier on leaving or whether they lapse. If the Committee exercises this discretion, it can also determine if the vesting should be prorated to reflect time served since the beginning of the deferral date. The same discretionary principle would apply to the payment of dividend equivalents on any shares that have been deferred, but not yet vested. This too would be prorated to reflect tenure.

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 prorated to reflect time served since the date of grant and based on the achievement of the performance criteria. The holding period detailed above will apply to such incentives.

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

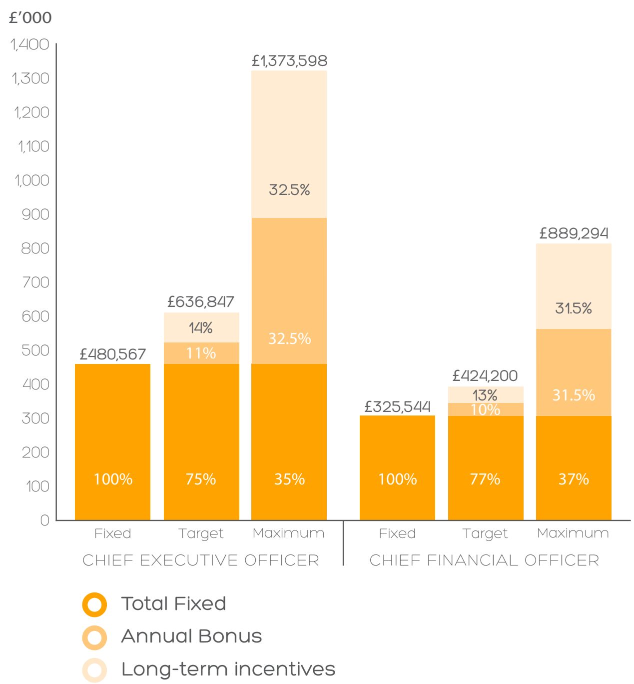
The Committee's policy is to offer service contracts for Executive Directors with notice periods of between six and 12 months exercisable by either party. In addition, the Executive Directors are subject to a non-compete clause from the date of termination, where enforceable.

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 at the AGM 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.



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 2019/20 salary and benefits based on 2018/19 disclosed benefit amounts.
- **Target**. Fixed remuneration plus minimum annual bonus opportunity of £66,977 for the Chief Executive Officer and £42,281 for the Chief Financial Officer, which is equivalent to 15% of salary for both the Chief Executive Officer and Chief Financial Officer, plus 20% vesting of the maximum award under the Long Term Incentive Plan.
- **Maximum**. Fixed remuneration plus maximum annual bonus opportunity, £446,516 for the Chief Executive Officer and £281,875 for the Chief Financial Officer, equivalent to 100% of salary for both the Chief Executive Officer and Chief Financial Officer, as well as 100% vesting of the maximum award under the Long Term Incentive Plan, being 100% of salary for both Executives.

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 (save for the contribution entitlements) 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.

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 payout to ensure a fair and appropriate outcome.
- Certain decisions relating to the LTIP awards for which the Committee has discretion as set out in the rules of the relevant share plans which have been approved by shareholders.
- The decisions on exercise of clawback rights.

LEGACY ARRANGEMENTS

For the avoidance of doubt, in approving the Remuneration Policy in 2017, authority was 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 of 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 one external Non-Executive Directorship 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 fee from external directorships.

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.

The following report will be subject to an advisory shareholder vote at the 2019 AGM, which is scheduled to be held on 25 September 2019. The information on pages 80 to 90 has been audited where indicated.

HOW WILL THE REMUNERATION POLICY BE IMPLEMENTED IN THE YEAR ENDING 31 MAY 2020?

EXECUTIVE DIRECTORS' BASE SALARIES

The Committee has decided to award a salary increase of 2.5% to both the Chief Executive Officer and Chief Financial Officer. With regard to all other UK-based employees, the average increase has been 3%.

On 23 July 2018, Tim Kowalski was appointed as Chief Financial Officer on a salary of £275,000.

The table below details the Executive Directors' salaries as at 31 May 2019 and salaries which took effect from 1 June 2019.

	Base salary at 31 May 2019 £000	Base salary at 1 June 2019 £000	% Change
Chief Executive Officer	**436**	447	2.5
Chief Financial Officer	**275**	282	2.5

PENSION AND BENEFITS

There will be no changes to pension or benefits provision.

ANNUAL BONUS

The annual bonus maximum for the Chief Executive Officer and the Chief Financial Officer in 2019/20 will be 100% of salary with 75% based on the achievement of adjusted operating profit [1] targets and 25% on the achievement of strategic priorities. The strategic priorities for 2019/20 are outlined on pages 16 to 17. To ensure that the bonus is self-funding, no bonus, including any due for achievement of strategic targets, will be payable if the minimum adjusted operating profit target is not met. The profit target will be based on delivery of the Group's own internal plans, which are comprehensively set, scrutinised and agreed by the Board. The Committee believes that the underlying targets are commercially sensitive and cannot be disclosed at this stage. To the extent they are no longer commercially sensitive, they will be disclosed in next year's Report.

In addition, to ensure that this bonus opportunity results in shareholder alignment and provides greater retention value, 35% of any bonus payment will be deferred into nominal cost share options for two years.

The bonus, nominal cost share options and associated dividend equivalents are also subject to malus and clawback provisions.

The targets relating to the 2018/19 bonus payments are shown on page 83.

LONG TERM INCENTIVE PLAN (LTIP)

It is expected that awards of 100% of base salary will be made under the LTIP in July or August 2019. These will be subject to a two-year post-vesting holding period for Executive Directors. As well as the holding period, the Executives have to achieve a shareholding guideline of 200% of salary (post shares sold to cover any tax) before they can sell any shares that vest. The awards are also subject to malus and clawback provisions.

The vesting of these LTIP awards will be based on Earnings Per Share (60%), a cash flow metric (30%) and a relative Total Shareholder Return metric (10%). The performance conditions for 2019/20 will be the same as for 2018/19:

- Earnings per share needs to grow at between a threshold 9% and a maximum of 20% per annum over three years to qualify for an award of between 12% and 60% of salary respectively.
- The cash conversion metric enables executives to earn 30% of salary. A cash conversion ratio of 70% represents the threshold, qualifying for an award of 6% of salary, with the maximum award of 30% due if the cash conversion ratio [1] achieved is 80% or higher.
- Finally, the relative TSR component is worth up to 10% of salary. If the business achieves a level of share performance equivalent to the median of the FTSE 250 (excluding investment trusts), then this will qualify for an award of 2%. Achieving a share price equivalent to upper quartile for the FTSE 250 will result in the maximum award of 10% of salary.

The Committee believes that these three measures are transparent, easy to understand, easy to track and communicate, cost-effective to measure and fundamentally aligned to the Group's strategic goals.

1 See note 3 to the Financial Statements for an explanation of Alternative Performance Measures (APMs) and adjusting items. See note 3 to the Financial Statements for a reconciliation to statutory information.

NON-EXECUTIVE DIRECTORS' REMUNERATION

In line with the current Policy, Non-Executive Director fees are reviewed annually.

In 2018/19, this included a review of expenses and the expense claiming processes. Following this review, and taking into account the additional complexities of applying tax and national insurance to many but not all of the expense claims, a simplification was proposed and approved to remove the ability to claim expenses for all UK travel expenses, but instead to provide a compensatory increase to base fees. The compensatory increase was based on the average cost to the Company of previous expense claims, and was set at £4,750 for Non-Executive Directors, and £8,200 for the Chairman. This increase resulted in a new base fee level of £50,750 for NEDs and £146,575 for the Chairman, effective from 6 April 2019.

Annualised Fees	**As at 1 June 2019 £000**	As at 1 June 2018 £000
Chris Stone	**147**	138
Thomas Chambers*	**–**	46
Chris Batterham	**64**	59
Jonathan Brooks	**58**	53
Mike Ettling	**51**	46
Jennifer Duvalier	**51**	46

* Thomas Chambers stepped down from the Board at the 2018 AGM on 26 September 2018.

HOW HAS THE REMUNERATION POLICY BEEN IMPLEMENTED IN THE YEAR ENDED 31 MAY 2019?

This section sets out how the Remuneration Policy was implemented in 2018/19. The key implementation decisions during the year related to:

- Determination of annual bonus outcomes for the 2018/19 performance period.
- Terms of the new Directors appointed to the Board, including the Chief Financial Officer.
- The performance targets and value of awards to be granted under the LTIP, which will vest in 2021.

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

SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED)

The detailed emoluments received by the Executive and Non-Executive Directors for the year ended 31 May 2019 are below.

Director	Year ended	Salary / Non-Executive Director fees [1] £000	Benefits [2] £000	Pension benefits [3] £000	Annual bonus [4] £000	Long-term incentive [5] £000	Other £000	Total £000
Chris Stone	**31 May 2019**	**140**	**–**	**–**	**–**	**–**	**–**	**140**
	31 May 2018	243	–	–	–	–	–	243
Adam Palser [6]	**31 May 2019**	**436**	**12**	**22**	**209**	**–**	**–**	**679**
	31 May 2018	213	6	4	69	–	–	292
Tim Kowalski [6]	**31 May 2019**	**237**	**13**	**24**	**104**	**–**	**–**	**378**
	31 May 2018	–	–	–	–	–	–	–
Brian Tenner [7]	**31 May 2019**	**49**	**3**	**5**	**–**	**–**	**125**	**182**
	31 May 2018	300	15	30	98	–	–	443
Chris Batterham	**31 May 2019**	**60**	**–**	**–**	**–**	**–**	**–**	**60**
	31 May 2018	47	–	–	–	–	–	47
Jonathan Brooks	**31 May 2019**	**54**	**–**	**–**	**–**	**–**	**–**	**54**
	31 May 2018	46	–	–	–	–	–	46
Jennifer Duvalier [6]	**31 May 2019**	**47**	**–**	**–**	**–**	**–**	**–**	**47**
	31 May 2018	4	–	–	–	–	–	4
Mike Ettling [6]	**31 May 2019**	**47**	**–**	**–**	**–**	**–**	**–**	**47**
	31 May 2018	31	–	–	–	–	–	31
Thomas Chambers [8]	**31 May 2019**	**15**	**–**	**–**	**–**	**–**	**–**	**15**
	31 May 2018	51	–	–	–	–	–	51
Debbie Hewitt [9]	**31 May 2019**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	31 May 2018	48	–	–	–	–	–	48
Total	**31 May 2019**	**1,085**	**28**	**51**	**313**	**–**	**125**	**1,602**
	31 May 2018	983	21	34	167	–	–	1,205

1 In 2018/19, a review was undertaken of the expenses and the expense claiming processes for the Chairman and Non-Executive Directors. Following this review, and taking into account the additional complexities of applying tax and national insurance to many but not all of the expense claims, a simplification was proposed and approved to remove the ability to claim expenses for all UK travel expenses, but instead to provide a compensatory increase to base fees. The compensatory increase was based on the average cost to the Company of previous expense claims, and was set at £4,750 for Non-Executive Directors, and £8,200 for the Chairman. This increase resulted in a new base fee level of £50,750 for NEDs and £146,575 for the Chairman, effective from 6 April 2019.

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

3 Pension benefits include employer contributions to the Group pension scheme and payments in lieu of pension contributions. The Company provided pension payments in lieu of pension contributions for three Executive Directors during the year ended 31 May 2019.

4 Annual bonus payments for performance in the relevant financial year; 35% of this bonus is deferred into nominal cost share options for two years. Dividend equivalents accrue on these shares.

5 Long-term incentive awards vesting under the LTIP.

6 Adam Palser was appointed as Chief Executive Officer on 1 December 2017. Tim Kowalski was appointed as Chief Financial Officer on 23 July 2018. Mike Ettling and Jennifer Duvalier were appointed as Non-Executive Directors on 22 September 2017 and 25 April 2018 respectively.

7 Brian Tenner stepped down as an Executive Director and from the Board on 12 August 2018. The Committee agreed his leaving arrangements in line with the Remuneration Policy. He received £125,000 representing six months' basic salary in lieu of notice in accordance with his service agreement. This pay in lieu of notice relates to a contractual payment relating to his departure. The Committee decided not to defer 35% of Brian Tenner's bonus of £97,500 into nominal cost share options for two years hence the £97,500 bonus relating to the financial year ended on 31 May 2018 was paid in full as cash. Brian was not eligible for a bonus for the financial year ended 31 May 2019 (Please see the section on 'Policy on payment for loss of office' within the Directors' Remuneration policy). The Committee determined that Brian Tenner would be treated as a good leaver for the purposes of his unvested 2017 Long Term Incentive Plan award, vesting on its normal vesting date (in 2020), reduced pro rata to 12 February 2019 (being six months from his leaving date) and subject to achievement of the performance criteria. Brian will then be required to hold his shares for a further two years until 2022 in accordance with the Company's shareholding guidelines.

8 Thomas Chambers stepped down from the Board on 26 September 2018. Prior to that Thomas stepped down as Chair of the Audit Committee with effect from 31 March 2018 and his fee was accordingly reduced from £52,000 to £45,000.

9 Debbie Hewitt resigned from the Board on 28 March 2018.

In the 2018 Annual Report and Accounts, an omission was made within the Single Total Figure of Remuneration table on page 85, in that the 2017/18 bonuses were not shown for the CEO and CFO although the bonuses paid were correctly disclosed on page 86. The above table has been consequently restated.

ADDITIONAL INFORMATION IN RESPECT OF THE SINGLE TOTAL FIGURE OF REMUNERATION

ANNUAL BONUS

2018/19 Annual bonus (audited)

For the year ended 31 May 2019, the maximum potential bonus opportunity for Adam Palser was 100% of salary. For Tim Kowalski, the maximum potential bonus opportunity was also 100% of salary but the bonus payable will be prorated to reflect the fact that Tim started on 23 July 2018 and not 1 June 2018.

For Brian Tenner, the maximum potential was also 100% of salary but Brian left on 12 August 2018 and will not be eligible for an annual bonus in respect of the 2018/19 financial year.

The actual bonus paid to Adam Palser was £209,318 and to Tim Kowalski £103,880 based on the achievement of the performance conditions set out below. 35% of each payment will be deferred into nominal cost share options for two years. The performance measures and targets are set out below:

FINANCIAL TARGETS – UP TO 75% OF THE BONUS

	Performance targets			Adam Palser	Tim Kowalski
31 May 2019 Adjusted operating profit [1]	Threshold	£33m	Weighting (% of salary)	15%	15%
	Maximum	£36m	Weighting (% of salary)	75%	75%
	Actual	£33.7m	Payout (% of salary)	28%	28%
Strategic targets	The strategic targets were set individually for the Executive Directors based on key strategic objectives for the year in their area of responsibility – see below		Weighting (% of salary)	25%	25%
			Payout (% of salary)	20%	16%
			Payout (% of salary)	48%	44%
			Total bonus	**£209,318**	**£103,880**

STRATEGIC TARGETS – UP TO 25% OF THE BONUS

The table below highlights the key strategic targets and achievements for each Executive Director. As the minimum profit target was exceeded, the strategic element of the bonus became eligible for consideration for payment as detailed below.

Maximum % of bonus	**Target and performance outcome**	**31 May 2019** Adam Palser	Tim Kowalski
7.5%	Implement ERP and CRM systems for the business. Achieved – deliverables met on time and on budget. Salesforce rolled out to UK Assurance and Fort Consult in May 2019, and Fox-IT in June 2019. Concur Expenses system now implemented in UK and Netherlands and already in use by 1,400 staff. The Workday architect phase was completed by the end of May 2019.	7.5%	7.5%
5%	Develop KPI reporting. Progress with some KPIs instigated but scope for more work to be done.	0%	0%
12.5%	Develop and implement a strategic plan for Fox-IT and certain of its product offering. Achieved – Portfolio reviewed and strategic plan created, new structure around three core business units with leaders having been appointed. Unit Income Statements now communicated and tracked, with a base and stretch three-year plan in place.	12.5%	N/A
7.5%	Build a fit for purpose Finance Team. Significant progress with key appointments made.	N/A	5%
5%	Simplify financial reporting. Significant progress in providing more information to all areas of the business. Strong performance in cash management after introduction of management reporting to underpin this.	N/A	3.5%

1 See note 3 for an explanation and definitions of Alternative Performance Measures (APMs) and adjusting items. See note 3 to the financial statements for a reconciliation to statutory information.

LONG-TERM INCENTIVE PLAN VESTING

LTIP awards vest based on a three-year performance period. As the Chief Executive Officer and Chief Financial Officer have been employed since 1 December 2017 and 23 July 2018 respectively, no LTIP awards vested for the Executive Directors during the year.

LONG-TERM INCENTIVES GRANTED DURING THE YEAR (AUDITED)

During the financial year, the Executive Directors were granted awards which are due to vest on 31 May 2021, subject to the performance conditions set out below. The awards were as follows:

Executive	Number of LTIP awards [1]	Basis	Face value [2]	Performance condition	Performance Period
Adam Palser	197,285	100% of base salary	£436,000	Vesting determined by: ▪ growth in Adjusted [3] EPS over the performance period ▪ Average cash conversion ratio [3] over the performance period ▪ TSR over the performance period vs FTSE 250 comparator group	1 June 2018 to 31 May 2021
Tim Kowalski	124,434	100% of base salary	£275,000	As above	1 June 2018 to 31 May 2021

The performance conditions for these awards is set out below:

Proportion	Component	Metric	Threshold	Threshold vesting %	Target	Target vesting %	Maximum	Maximum vesting %	Vesting basis
60%	EPS	Average growth over a three-year period	9%	20%	n/a	n/a	20%	100%	Straight-line between threshold and max
30%	Cash conversion	Average Cash conversion ratio [3] over three years	70%	20%	75%	50%	80%	100%	Straight-line between threshold and target, then target to max
10%	TSR	TSR over three years vs FTSE 250 comparator group (excluding investment funds)	Median	20%	n/a	n/a	Upper quartile	100%	Straight-line between threshold and max

1 LTIP awards are structured as nominal-cost options (£1 being payable upon each exercise).

2 Based on a share price of £2.21 which was the closing mid-market price of the Company's shares on the day before the date of grant.

3 See note 3 to the Financial Statements for an explanation of alternative performance measures (APMs) and adjusting items. See note 3 to the Financial Statements for a reconciliation to statutory information.

SAYE OPTIONS GRANTED IN THE YEAR.

The Group operates an 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 Adam Palser and Tim Kowalski opted to participate in this scheme.

Brian Tenner's outstanding Save as You Earn awards lapsed on the cessation of his employment on 12 August 2018.

These awards will be included in the other column of the single figure table in the 2021/22 annual remuneration report, once they have been exercised.

Executive	Date of grant	Number of options	Basis	Face value [1]	Exercise price	Performance condition	Vesting date
Adam Palser	24 Aug 2018	10,273	£500 per month contribution over a three-year period	£22,487	£1.752	Awards vest subject to continued employment	October 2021
Tim Kowalski	24 Aug 2018	10,273	£500 per month contribution over a three-year period	£22,487	£1.752	Awards vest subject to continued employment	October 2021

1 Calculated on the price of £2.189, which was the average mid-market share price over the three days preceding the date of grant.

DIRECTORS' INTERESTS IN SHARES (AUDITED)

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

SUMMARY OF MAXIMUM LTIP AWARDS OUTSTANDING

	Total LTIP Options held at 31 May 2018	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 2019**
Adam Palser	178,601	197,285	–	–	–	**375,886**
Tim Kowalski	–	124,434	–	–	–	**124,434**
Brian Tenner [1]	148,777	–	–	–	64,266	**84,511**

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

1 The Committee determined that Brian Tenner would be treated as a good leaver for the purposes of his unvested 2017 Long Term Incentive Plan award, vesting on its normal vesting date (in 2020), reduced pro rata to 12 February 2019 (being six months from his leaving date) and subject to achievement of the performance criteria. Brian will then be required to hold his shares for a further two years until 2022 in accordance with the Company's shareholding guidelines.

Remuneration committee report

Annual report on remuneration

SHARE OWNERSHIP (AUDITED)

The beneficial and non-beneficial interests of the current Directors in the share capital of NCC Group plc at 31 May 2019 are set out below:

	Beneficial interests in ordinary shares [1]		Maximum share awards subject to performance conditions [2]		Share options [3]		Deferred Bonus Plan [4]		Total	
	31 May 2019	31 May 2018	**31 May 2019**	31 May 2018	**31 May 2019**	31 May 2018	**31 May 2019**	31 May 2018	**31 May 2019**	31 May 2018
Chris Stone	**124,382**	50,000	**–**	–	**–**	–	**–**	–	**124,382**	50,000
Adam Palser	**23,199**	–	**375,886**	178,601	**10,273**	–	**10,993**	–	**420,351**	178,601
Tim Kowalski	**23,614**	–	**124,434**	–	**10,273**	–	**–**	–	**158,321**	–
Chris Batterham	**50,000**	50,000	**–**	–	**–**	–	**–**	–	**50,000**	50,000
Jonathan Brooks	**50,000**	30,000	**–**	–	**–**	–	**–**	–	**50,000**	30,000
Jennifer Duvalier	**9,500**	–	**–**	–	**–**	–	**–**	–	**9,500**	–
Mike Ettling	**50,000**	50,000	**–**	–	**–**	–	**–**	–	**50,000**	50,000

1 This information includes holdings of any connected persons.

2 These awards represent the outstanding LTIP interests, which are included in the table above which are due to vest in either July/August 2021 or 2022.

3 Representative SAYE scheme interest, which are due to vest in October 2021.

4 Nominal cost share options granted under the 2018-20 Deferred Bonus Plan on 23 August 2018. Subject to a service condition, tax and National Insurance.

The beneficial and non-beneficial interests of the Directors who departed from the Group during the year in the share capital of NCC Group plc shown as at the date of leaving are set out below:

	Beneficial interests in ordinary shares [1]		Maximum share awards subject to performance conditions		Share options		Total	
	Date of leaving [2]	31 May 2018	**Date of leaving** [2]	31 May 2018	**Date of leaving** [2]	31 May 2018	**Date of leaving** [2]	31 May 2018
Brian Tenner	**111,309**	111,309	**84,511**	148,777	**–**	11,568 [3]	**195,820**	271,654
Thomas Chambers	**29,134**	29,134	**–**	–	**–**	–	**29,134**	29,134

1 This information includes holdings of any connected persons.

2 Brian Tenner left the Company on 12 August 2018 and Thomas Chambers left the Company on 26 September 2018.

3 Brian Tenner's SAYE scheme (2017-20) lapsed when he left the Company on 12 August 2018.

SHAREHOLDING REQUIREMENTS

The Executive Directors are expected to build and retain a shareholding in the Group at least equivalent to 200% of base salary. Executives will be required to retain all vested deferred bonus shares and LTIP shares released from the holding period, until they have attained the minimum shareholding guideline and even then, only when they have held vested LTIP shares for a minimum period of two years. Executive Directors will also be required to retain all shares vesting from SAYE schemes. For the avoidance of doubt, Executive Directors are permitted to sell sufficient shares in order to meet any tax obligation arising from vesting shares.

(The percentages within this table have been calculated using a three-month average share price (1 March 2019 to 31 May 2019) of £1.56)	Shareholding requirements (% of salary)	Shareholding as at 31 May 2019 (% of salary)	Requirement met
Adam Palser	200	10%	No
Tim Kowalski	200	13%	No

APPOINTMENT TERMS FOR NEW DIRECTORS

CHIEF FINANCIAL OFFICER

Tim Kowalski, Chief Financial Officer, joined the business on 23 July 2018. The remuneration arrangements provided to him were in accordance with the current approved Policy and are as follows:

- Base salary of £275,000
- Maximum annual bonus potential of 100% of salary, with 35% of any payment deferred into nominal cost share options for two years
- Annual grant under the LTIP of 100% of salary
- Allowance in lieu of pension of 10% of salary
- Benefits of a monthly car allowance of £1,100, private fuel, life assurance of 4 × salary, private medical insurance for self and family and income protection insurance
- Notice period of six months

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 2019 £m	31 May 2018 £m	**% Change**
Employee remuneration costs [1]	**154.5**	146.5	5.5%
Dividends [2]	**12.9**	12.8	0.8%

1 Based on the figure shown in note 8 to the Financial Statements.

2 Based on the total cash returned to shareholders in the year ended 31 May 2019 through dividends as shown in note 11 to the Financial Statements (excluding the proposed 2019 final dividend).

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.

The comparator group for salaries and benefits are all employees in the UK – there were no benefit policy changes in this time.

The comparator group for bonus is those in management population who also have an annual scheme, and excludes those on commission and incentive plans.

Element of remuneration		**% increase**
Salary	Chief Executive	2.5
	Employees	3.0
Taxable benefits	Chief Executive (% of salary)	–
	Employees (% of salary)	–
Annual Bonus	Chief Executive (% of salary)	47.8%
	Employees (% of salary)	(4.2%)

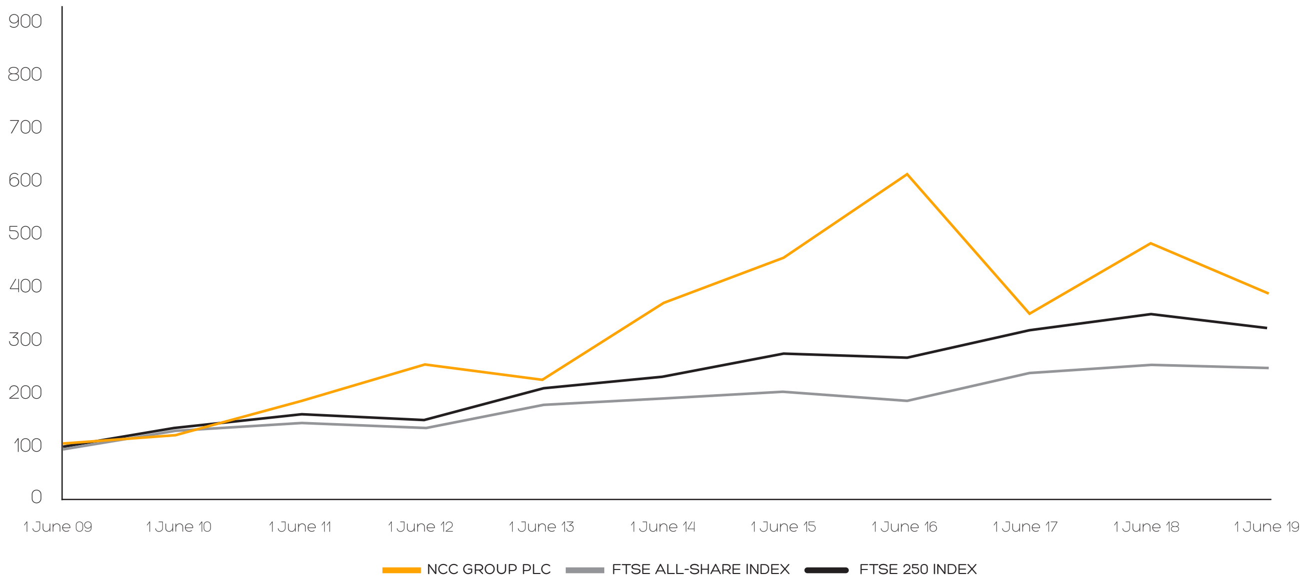
PERFORMANCE GRAPH AND TABLE

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 both the FTSE All Share and FTSE 250 Indices.

The FTSE All Share and FTSE 250 represent broad equity indices. The Company is a constituent member of the FTSE All Share and the Committee has adopted the FTSE 250 Index for part of its LTIP performance measure. Both indices give a market capitalisation-based perspective.

During the year, the Company's share price varied between £1.19 and £2.24 and ended the financial year at £1.66.

Ten-year historical TSR performance is the growth in the value of a hypothetical £100 holding over ten years. It has been calculated for NCC Group plc, the FTSE All Share and FTSE 250 (excluding investment trusts) based on spot values.



The share price was £2.09 on 1 June 2018 and £1.66 on 31 May 2019.

The table below shows the total remuneration for the Chief Executive over the same ten-year period, including share awards valued at the date they vested.

Year ended [1, 2, 3]	Total remuneration (£000)	Annual bonus (% of max) [4]	Long-term incentives (% of max) [5]
31 May 2019	679	48	–
31 May 2018	292 [1]	32.5	–
	257 [2]	32.5	–
31 May 2017	610	–	–
31 May 2016	1,091	70	20
31 May 2015	993	73	15
31 May 2014	1,089	73	50
31 May 2013	1,118	0 [6]	63
31 May 2012	1,074	85	70
31 May 2011	1,222	67	54
31 May 2010	836	71	72

1 Adam Palser was appointed on 1 December 2017. The total remuneration figure above is in respect of the period from 1 December 2017 to 31 May 2018.

2 During the year ended 31 May 2018, Brian Tenner acted as Interim Chief Executive Officer for the period 1 June 2017 to 30 November 2017. The total remuneration figure above is the total remuneration received in relation to that six month period.

3 Rob Cotton was CEO in the period above between 1 June 2009 and 31 May 2017.

4 Note that this shows the annual bonus payments as a percentage of the maximum opportunity.

5 Shows the LTIP vesting level as a percentage of the maximum opportunity.

6 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.

MEMBERSHIP AND ATTENDANCE

The Remuneration Committee membership consists solely of Non-Executive Directors and comprises Jonathan Brooks as Chairman, Chris Batterham and Jennifer Duvalier. Thomas Chambers stepped down from the Committee on 26 September 2018.

The Company Chairman, Chief Executive Officer, Chief Financial Officer, Chief People Officer 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.

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

Attended	Meetings attended
Jonathan Brooks	4(4)
Chris Batterham	4(4)
Jennifer Duvalier	4(4)
Thomas Chambers [1]	1(1)

1 Stepped down from the Committee on 26 September 2018.

ADVISERS TO THE COMMITTEE

During the year, the Committee received advice on senior executive remuneration from Aon plc and was comfortable that the advice was objective and independent. Aon plc is a member of the Remuneration Consultants' Group and is a signatory to their Code of Conduct. The total fee charged 2018/19 for providing advice in relation to executive remuneration was £21,653. Aon plc did not provide any other services to the Company during the year.

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 current Directors include the following terms.

	Date of contract	Notice period
Executive		
Adam Palser	1 December 2017	12 months
Tim Kowalski	23 July 2018	6 months
Non-Executive		
Chris Stone	6 April 2017	3 months
Chris Batterham	9 April 2015	3 months
Jonathan Brooks	13 March 2017	3 months
Jennifer Duvalier	25 April 2018	3 months
Mike Ettling	1 September 2017	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 ten-year period for any share option scheme operated by the Company. As at 31 May 2019 the Company had utilised 13,792,836 (31 May 2018: 17,516,337) ordinary shares through LTIP, SAYE, EMI, CSOP, ISO and ESPP awards counting towards the 10% limit which represents 4.96% (2018: 6.31%) of the issued ordinary share capital of the Company. To clarify, this figure of 4.96% includes both discretionary and all-employee share schemes.

STATEMENT OF SHAREHOLDER VOTING

The following votes were received from the shareholders in respect of the Directors' Remuneration Report and in respect of the Remuneration Policy:

	Remuneration Report (2018 AGM)		Remuneration Policy (2017 AGM)	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For [1]	201,787,826	99.25	202,309,191	99.84
Against	1,525,485	0.75	318,649	0.16
Total votes cast (for and against excluding withheld votes)	203,313,311	100.0	202,627,840	100.0
Votes withheld [2]	435		4,046,993	
Total votes cast (including withheld votes)	203,313,746	100.0	206,674,833	100.0

1 Includes Chairman's discretionary votes.

2 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.

Approved by the Board and signed on its behalf:

Jonathan Brooks
CHAIRMAN, REMUNERATION COMMITTEE

24 July 2019

Directors' report

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 2019.

PRINCIPAL ACTIVITIES

The Company is a public limited company incorporated in England, registered number 4627044, with its registered office at XYZ Building, 2 Hardman Boulevard, Spinningfields, M3 3AQ.

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

RESULTS AND DIVIDENDS

The Group's and Company's audited Financial Statements for the financial year ended 31 May 2019 are set out on pages 106 to 156.

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 28 February 2019 makes a total dividend of 4.65p for the year.

The final dividend will, if approved by shareholders at the Annual General Meeting, be paid on 4 October 2019 to shareholders on the register at the close of business on 6 September 2019. The ex dividend date will be 5 September 2019.

POST BALANCE SHEET EVENTS

On 10 June 2019, the Group renegotiated its existing term loan and multi-currency revolving credit facilities into a new fully revolving credit facility of £100m with a new five-year term up to June 2024 on similar terms (pricing and covenants). Under the new arrangements, the Group can request an additional accordion facility to increase the total size of the revolving credit facility by up to £75m (previously £50m). In addition, the Group has retained its existing overdraft of £5m. Arrangement fees incurred will be amortised over the term accordingly. Historical arrangements fees have been fully amortised.

There were no other post balance sheet events.

SHARE CAPITAL AND CONTROL

At the Company's Annual General Meeting held on 26 September 2018, the Directors were granted authority to allot up to 92,559,426 ordinary shares representing approximately a third of the Company's issued share capital. In addition, the Directors were granted authority to allot a further 92,559,426 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.

As at 31 May 2019, the Company's issued ordinary share capital comprised 277,830,625 ordinary shares with a nominal value of one pence each, of which no ordinary shares were held in treasury.

During the year ended 31 May 2019, 170,544 shares in the Company were issued further to the exercise of options pursuant to the Company's share option schemes.

The holders of ordinary shares are entitled, among 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 26 to the Financial Statements and the information in this note is incorporated by reference and forms part of this Directors' Report.

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, the terms of issue of any shares, any restrictions from time to time imposed by laws or regulations (for example, insider trading laws) or pursuant to the EU Market Abuse Regulations whereby certain Directors, officers and employees of the Group require the approval of the Company to deal in ordinary shares of the Company, any shareholder may transfer any or all of his shares.

The Company is not aware of any agreements between shareholders that may results in restrictions on the transfer of securities and/or voting rights.

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 26 September 2018, shareholders authorised the Company to make market purchases of up to 27,767,828 ordinary shares representing approximately 10% of the issued share capital. This authority was not used during the financial year ended 31 May 2019. At the 2019 Annual General Meeting, shareholders will be asked to give a similar authority.

The Company currently holds nil ordinary shares in treasury.

DIRECTORS

Biographical details of the Company's current Directors are set out on pages 48 to 49. In addition, Brian Tenner and Thomas Chambers were Directors of the Company in the financial year. 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 at the AGM each year. During the year, no Director had any material interest in any contract of significance in the Group's business.

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 (including those who served as Directors or Officers during 2018/2019). This cover was in place throughout the financial year ended 31 May 2019 and up to the date of this Directors' Report. 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 2019 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.

EMPLOYEES

The Group uses a number of ways to engage with its employees on matters that impact them and the performance of the Group. These include briefings by members of the Executive Committee, regular team meetings, the Group's intranet site and weekly update emails which together provide, among other information, an awareness of the financial and economic factors affecting the Company's performance. In July 2018 we created a dedicated Group Communications function, which oversaw the implementation of systems that enable access to information about all aspects of the Group's activity, improving the way that we communicate and engage internally.

We conduct an employee engagement survey to ensure all employees are given a voice in the organisation. In 2018, using insights from our survey and subsequent employee engagement, we defined new values for the organisation. Details of these values are set out in the Sustainability Report on page 41.

We offer employees the opportunity to purchase ordinary shares in the Company through participation in the Company's Save As You Earn Scheme. We will also be launching, subject to shareholder approval at the 2019 AGM, a Share Incentive Plan. Both schemes help to encourage employee interest in the performance of the Group.

EQUAL OPPORTUNITIES

The Group is committed to providing equality of opportunity to all employees without discrimination and applies fair and equitable employment policies which seek to promote entry into and progression within the Group. Appointments are determined solely by application of job criteria, personal ability, behaviour and competency.

In the opinion of the Directors, all employee policies are deemed to be effective and in accordance with their intended aims.

DISABLED PERSONS

Disabled persons have equal opportunities when applying for vacancies, with due regard to their aptitudes and abilities. Procedures ensure that disabled employees are fairly treated in respect of training and career development. For those employees becoming disabled during the course of their employment, the Group is supportive so as to provide an opportunity for them to remain with the Group, wherever reasonably practicable.

POLITICAL DONATIONS

During the year the Company made no political donations (2018: nil).

SUSTAINABILITY REPORT

The Company's sustainability report on pages 38 to 43 provides an update on the Group's policies and activities in respect of its wider stakeholders, including employees, community, environmental, ethical and health and safety issues and modern slavery.

OVERSEAS BRANCHES

The Group has one overseas branch in Spain. This is a branch of NCC Group Security Services Limited.

RESEARCH AND DEVELOPMENT

We are committed to using innovative, cost-effective and practical solutions for providing high-quality services and we recognise the importance of ensuring that we focus our investment on the development of technology. The Group's research and development expenditure is predominantly associated with computer and software systems.

CHANGE OF CONTROL

In the event of a change of control of the Company, the Group and each of its lenders shall enter into negotiation for a period to determine how the Group's loan facilities may continue and if after negotiation 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 THE 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.

REAPPOINTMENT OF AUDITORS

The Board approved the Audit Committee's recommendation to put a resolution to shareholders recommending the reappointment of KPMG LLP as the Company's auditors and KPMG LLP have indicated their willingness to accept the reappointment of auditors to the Company. The Audit Committee, in its recommendation, confirmed that (1) the recommendation was free from influence by a third party and (2) no contractual term of the kind mentioned in Article 16(6) of the EU Regulation 537/2014 has been imposed on the Company. A resolution to reappoint KPMG LLP as auditors will be put to the members at the Annual General Meeting.

ANNUAL GENERAL MEETING

The notice of the Company's Annual General Meeting to be held at 9.30am on 25 September 2019 at its head office at XYZ Building, 2 Hardman Boulevard, Spinningfields, Manchester, M3 3AQ, 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 and Accounts. All shareholders will be notified by post or email, at their request, when the documents have been made available.

CAPITALISED INTEREST

During the period, no interest was capitalised by the Group (2018: £nil). The tax benefit on this amount was £nil (2018: £nil).

Directors' report

REPORTING REQUIREMENTS

The following sets out the location of additional information forming part of the Directors' Report:

Reporting requirement	Location
Board's assessment of the Group's internal control systems	Corporate Governance Report on pages 52 to 60 and the Audit Committee Report on page 65
Details of uses of financial instruments and specific policies for managing financial risk	Note 24 (Financial Instruments) on pages 142 to 145
Directors' interests	Directors' Remuneration Report on page 86
Directors' responsibilities statement	Directors' Responsibilities Statement on page 95
Directors' remuneration including disclosures required by Schedule 5 and Schedule 8 of SI2008/410 – Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008	Directors' Remuneration Report on pages 80 to 90
DTR4.1.8.R – Management Report – the Directors' Report and Strategic Report comprise the management report	Directors' Report on pages 91 to 94 and the Strategic Report on pages IFC to 43
Going concern statement	Chief Financial Officer's Review on page 31
Greenhouse gas emissions	Sustainability Report on page 43
Likely future developments of the business and Group	Strategic Report on pages 15 to 17
LR 9.8.4 (4) – Long-term incentive schemes	Directors' Remuneration Report on pages 84 to 85
LR 9.8.6 (2) – Substantial shareholders	Shareholder relations section of Corporate Governance Report on page 59
Statement on corporate governance	Corporate Governance Report, Audit Committee Report, Nomination Committee Report and Directors' Remuneration Report on pages 45 to 90
Strategic Report – Companies Act 2006 s414A-D	Strategic Report on pages IFC to 43

The Strategic Report comprising the inside cover to page 43 and this Directors' Report on pages 91 to 94 have been approved and authorised for issue by the Board. They were signed on its behalf by:

Adam Palser
CHIEF EXECUTIVE OFFICER
24 July 2019

Tim Kowalski
CHIEF FINANCIAL OFFICER
24 July 2019

Directors' responsibilities statement

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

The Directors are responsible for preparing the Annual Report and Accounts 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 International Financial Reporting Standards as adopted by the European Union (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 judgments and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

Each of the Directors whose names and functions are set out on pages 48 to 49 confirms that, to the best of their knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Directors' report includes 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.

For and on behalf of the Board

Adam Palser
CHIEF EXECUTIVE OFFICER
24 July 2019

Tim Kowalski
CHIEF FINANCIAL OFFICER
24 July 2019

Financials

Independent auditors' report

to the members of NCC Group plc

1 OUR OPINION IS UNMODIFIED

We have audited the financial statements of NCC Group plc (the Company) for the year ended 31 May 2019 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity, Company balance sheet, Company cash flow statement, Company statement of changes in equity, and the related notes, including the accounting policies in note 1.

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 2019 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.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditors by the Directors on 1 November 2013. The period of total uninterrupted engagement is for the six financial years ended 31 May 2019. We have fulfilled our ethical responsibilities under, and we remain independent of, the Group in accordance with UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Group financial statements as a whole	£0.95m (2018: £0.80m)	
	4.4% (2018: 4.6%) of Consolidated profit before taxation normalised to exclude individually significant items as disclosed in note 6	
Coverage	85% (2018: 91%) of Consolidated profit before taxation	
Risks of material misstatement		**vs 2018**
Recurring risks	Recoverability of goodwill in respect of Fox IT	< >
	Capitalised software and development costs as intangible assets	< >
	Assurance revenue recognition in the cut-off period	New
	Recoverable amount of investment in subsidiary – parent Company	< >
Event driven risks	The impact of uncertainties due to the UK exiting the European Union on our audit	New
	Going concern	New

2 KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the Financial Statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the Financial Statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
THE IMPACT OF UNCERTAINTIES DUE TO THE UK EXITING THE EUROPEAN UNION ON OUR AUDIT Refer to page 35 (principal risks and uncertainties), page 36 (viability statement), page 113 (accounting policies).	UNPRECEDENTED LEVELS OF UNCERTAINTY All audits assess and challenge the reasonableness of estimates, in particular as described in recoverability of goodwill in respect of Fox-IT and capitalised software and development costs as intangible assets below, and related disclosures and the appropriateness of the going concern basis of preparation of the Financial Statements (see below). All of these depend on assessments of the future economic environment and the Group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report and Accounts, including the principal risks disclosure and the viability statement and to consider the Directors' statement 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. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: ▪ Our Brexit knowledge: We considered the Directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks. ▪ Sensitivity analysis: When addressing recoverability of goodwill in respect of Fox-IT and capitalised software and development costs as intangible assets and other areas that depend on forecasts, we compared the Directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. ▪ Assessing transparency: As well as assessing individual disclosures as part of our procedures on recoverability of goodwill in respect of Fox-IT and capitalised software and development costs as intangible assets we considered all of the Brexit-related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. OUR RESULTS As reported under recoverability of goodwill in respect of Fox-IT and capitalised software and development costs as intangible assets, we found the resulting estimates and related disclosures of the outcome of the impairment assessment in the valuation of goodwill and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

	The risk	Our response
GOING CONCERN Refer to pages 33 to 37 (principal risks and uncertainties), page 36 (viability statement), page 118 (accounting policies).	**DISCLOSURE QUALITY** The Financial Statements explain how the Board has formed a judgment that it is appropriate to adopt the going concern basis of preparation for the Group and parent Company. That judgment is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the Financial Statements. The risks most likely to adversely affect the Group's and Company's available financial resources over this period were: ▪ The impact of Brexit on market demand; ▪ Increased pressure from competitors; and ▪ Adverse fluctuations in foreign exchange rates. There are also less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.	Our procedures included: ▪ Key dependency assessment: Assessed sufficiency of the Group's resources to repay the debt falling due in at least the 12 months from the date of approval of the Financial Statements by assessing the Group's cash flow forecasts and key assumptions within the forecasts. ▪ Funding assessment: We inspected key correspondence with finance providers to ascertain the committed level of financing, any related covenant requirements, and the attitude of the lender to any required refinancing. ▪ Historical comparisons: Assessing the Group's forecasting accuracy by comparing actual results in the year to what was previously forecast for the year. ▪ Sensitivity analysis: We considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively. ▪ Benchmarking assumptions: Critically evaluating the cash flow forecast assumptions particularly in relation to growth rate to assess if these are realistic, achievable and consistent with external and internal information and other matters identified in the course of the audit. ▪ Assessing transparency: Assessing the completeness and accuracy of the matters covered in the going concern disclosure particularly in relation to the sensitivity of the outcome of the cash flow forecasts and compliance with covenants. **OUR RESULTS** We found the going concern disclosure without any material uncertainty to be acceptable (2018 result: acceptable).

	The risk	Our response
RECOVERABILITY OF GOODWILL IN RESPECT OF FOX-IT (£63.1m; 2018: £63.1m). Refer to page 63 (Audit Committee Report), page 119 (accounting policies) and pages 133-135 (financial disclosures).	FORECAST-BASED VALUATION Due to the inherent uncertainty involved in forecasting and discounting future cash flows which are the basis of the assessment of recoverability, the outcome could vary significantly if different assumptions were applied in the model. This risk is specifically related to the cash generating units (CGUs) for Fox-IT where there is minimal headroom on the carrying value of goodwill. The effect of these matters is that, as part of our risk assessment, we determined that the value in use of Fox-IT has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Financial Statements as a whole, and possibly many times that amount. The Financial Statements (note 13) disclose the sensitivity estimated by the Group.	Our procedures included: ▪ Historical comparison: Assessing the Group's forecasting accuracy by comparing actual results in the year to what was previously forecast for the year. Critically evaluated the assumptions for future growth, with regard to actual growth rates in previous years. ▪ Benchmarking assumptions: Critically evaluating the risk adjusted discount rates, having regard for market observable data with regards to risk-free rates and returns on equity for comparator companies. We also evaluated the assumptions for cost inflation and the terminal growth rate. ▪ Our sector experience: Using our valuation specialists and our discount rate tool to determine an appropriate discount rate adjusted for forecasting risk and comparing this to the rate used by the Group. ▪ Comparing valuations: Comparing the sum of the discounted cash flows to the Group's market capitalisation adjusted for debt to assess the reasonableness of the value in use calculations. ▪ Sensitivity analysis: Performing breakeven analysis on the key assumptions. ▪ Assessing transparency: Assessing the completeness and accuracy of the Group's disclosures and ensuring that the disclosure reflects the impact of reasonably possible changes in key assumptions on the amount of impairment. OUR RESULTS We found the carrying value of the goodwill related to Fox IT to be acceptable (2018 result: acceptable).
CAPITALISATION OF SOFTWARE AND DEVELOPMENT COSTS AS INTANGIBLE ASSETS (Carrying value £5.2m (2018: £5.1m)). Refer to page 63 (Audit Committee Report), page 119 (accounting policies) and pages 133-135 (financial disclosures).	ACCOUNTING TREATMENT The Group capitalises internal and external costs in respect of software and development projects. The Group has also capitalised costs in relation to the finance and operational systems upgrades that represent substantial improvements to these assets. The Directors apply judgment in the classification of expenditure as capital in nature rather than ongoing operational expenditure. FORECAST-BASED VALUATION 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 timing and amount of capital expenditure, customer sign-up rates and related cost of sales, and discount rates applied to future cash flows require significant estimation and judgment.	Our procedures included: ▪ Testing application: Agreeing a sample of costs to supporting documentation to understand the nature of the items and evaluate the appropriateness. This included discussions with project teams, agreeing a sample of project team members' capitalised hours to timesheets and assessing whether major projects are commercially viable by reference to existing and future orders and assessing whether there are indicators of impairment. ▪ Historical comparison: Assessing the Group's forecasting accuracy by comparing actual results in the period to what was previously forecast for the year for each significant project to assess whether an impairment is required. ▪ Assessing transparency: Assessing the adequacy of the Group's disclosures about the capitalised software and development intangible assets and the degree of estimation involved in assessing their recoverability. OUR RESULTS We found the carrying value of the capitalised software and development costs to be acceptable (2018 result: acceptable).

	The risk	Our response
ASSURANCE REVENUE RECOGNITION IN THE CUT-OFF PERIOD (Total Assurance revenue £212.7m; 2018: £193.9m). Refer to page 64 (Audit Committee Report), pages 121 to 122 (accounting policies) and pages 127-128 (financial disclosures).	FY19/FY20 SALES Incentives and pressures relating to meeting market expectations increase the risk of fraudulent premature revenue recognition. There is a heightened risk around the cut-off point at the year-end with regards to ensuring revenue (including deferred and accrued income) is recognised in the correct accounting period, particularly where projects are ongoing at the year-end.	Our procedures included: ▪ Test of details: Agreeing a sample of revenue transactions within the cut-off period to supporting documentation to assess whether these have been recorded in the correct accounting period. This included specific testing of a sample of items held in accrued and deferred income at the year-end. ▪ Analytic sampling: Using data and analytics tools we searched for unusual account combinations involving revenue. ▪ Test of details: Using the output from our analytic sampling, we have performed testing over the identified sample. This included enquiry to understand the nature and substance of the transaction and obtaining supporting documentation for the journal. ▪ Assessing transparency: Assessing the adequacy of the Group's disclosures around revenue recognition. OUR RESULTS We found the amount of Assurance revenue to be acceptable (2018 result: acceptable).
RECOVERABILITY OF INVESTMENTS IN SUBSIDIARIES (£60.8m; 2018: £60.8m). Refer to page 121 (accounting policy) and page 153 (financial disclosures).	LOW RISK, HIGH VALUE The carrying amount of the parent Company's investments in subsidiaries represents 28% (2018: 27%) of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgment. However, due to their materiality in the context of the parent Company Financial Statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.	Our procedures included: ▪ Test of detail: Comparing the carrying amount of investments with the relevant subsidiaries' draft balance sheet as at 31 May 2019 to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. ▪ Assessing subsidiary audits: Assessing the work performed by the subsidiary audit team on a sample of those subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets. ▪ Our sector experience: For the investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected value of the business based on its value in use. OUR RESULTS We found the carrying value of the investments in subsidiaries to be acceptable (2018 result: acceptable).

3 OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the Group Financial Statements as a whole was set at £0.95m (2018: £0.80m), determined with reference to a benchmark of Group profit before taxation normalised to exclude Individually Significant Items as disclosed in note 6 of £21.4m (2018: £17.3m), of which it represents 4.4% (2018: 4.6%).

Materiality for the parent Company Financial Statements as a whole was set at £0.90m (2018: £0.60m), determined with reference to a benchmark of Company total assets, of which it represents 0.4% (2018: 0.3%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £47,000 (2018: £40,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

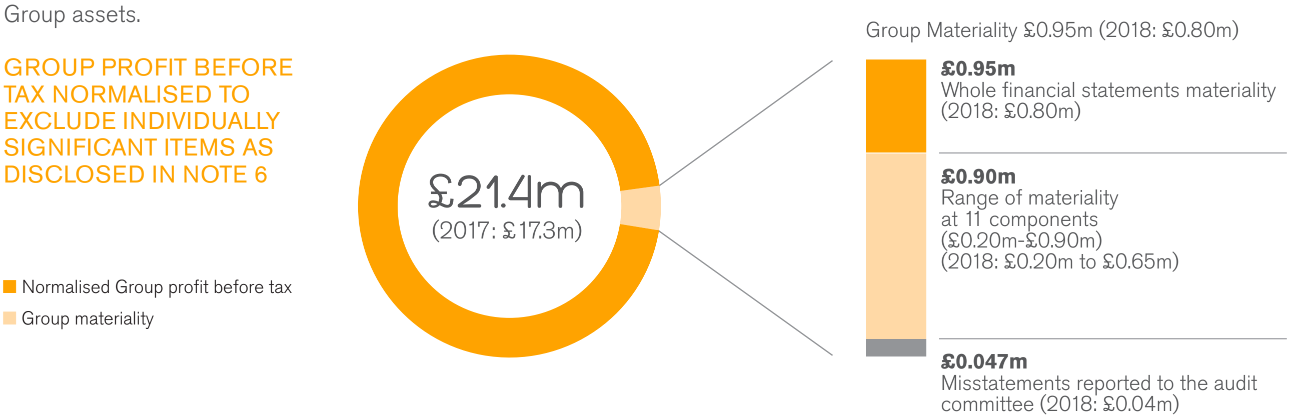
Of the Group's 23 (2018: 22) reporting components, we subjected 11 (2018: 11) to full scope audits for Group purposes. We conducted reviews of financial information (including enquiry) at a further four (2018: three) non-significant components as these components were not individually financially significant enough to require an audit for Group reporting purposes but a review was performed to provide further coverage over the Group's results.

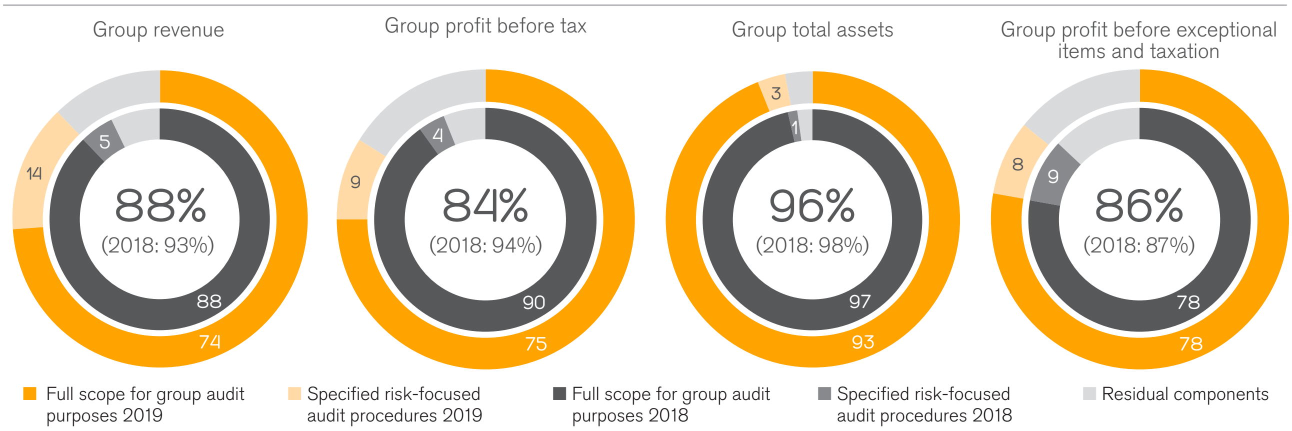
The components within the scope of our work accounted for 88% (2018: 93%) of total Group revenues, 85% (2018: 94%) of Group profit before taxation and 95% (2018: 98%) of total Group assets.

The remaining 12% of total Group revenue, 15% of Group profit before tax and 5% of total Group assets is represented by eight reporting components, none of which individually represented more than 1% of total Group revenue, Group profit before tax or total Group assets. For these residual 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.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £0.20m to £0.65m, having regard to the mix of size and risk profile of the Group across the components. The work on one of the 23 components (2018: one of the 22 components) was performed by component auditors and the rest, including the audit of the parent Company, was performed by the Group team. The Group team performed procedures on the items excluded from normalised Group profit before taxation.

The Group team visited one (2018: one) component location in Delft, Netherlands (2018: Delft, Netherlands) to assess the audit risk and strategy. Telephone conference meetings were also held with these component auditors. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditors.





4 WE HAVE NOTHING TO REPORT ON GOING CONCERN

The Directors have prepared the Financial Statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the Financial Statements ('the going concern period').

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditors' report is not a guarantee that the Group and the Company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:

- We have anything material to add or draw attention to in relation to the Directors' statement in note 1 to the Financial Statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least 12 months from the date of approval of the Financial Statements; or
- The related statement under the Listing Rules set out on page 95 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5 WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT AND ACCOUNTS

The Directors are responsible for the other information presented in the Annual Report and Accounts together with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our Financial Statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

STRATEGIC REPORT AND DIRECTORS' REPORT

Based solely on our work on the other information:

- We have not identified material misstatements in the strategic report and the Directors' report;
- In our opinion, the information given in those reports for the financial year is consistent with the Financial Statements; and
- In our opinion, those reports have been prepared in accordance with the Companies Act 2006.

DIRECTORS' REMUNERATION REPORT

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

DISCLOSURES OF PRINCIPAL RISKS AND LONGER-TERM VIABILITY

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

- The Directors' confirmation within the Viability statement on page 36 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- The principal risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- The Directors' explanation in the Viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our Financial Statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

CORPORATE GOVERNANCE DISCLOSURES

We are required to report to you if:

- We have identified material inconsistencies between the knowledge we acquired during our Financial Statements 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 section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the 11 provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6 WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- Adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7 RESPECTIVE RESPONSIBILITIES

DIRECTORS' RESPONSIBILITIES

As explained more fully in their statement set out on page 95, the Directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditors' report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

IRREGULARITIES – ABILITY TO DETECT

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Financial Statements from our general commercial and sector experience, and through discussion with the Directors and other management (as required by auditing standards).

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to component audit teams of relevant laws and regulations identified at Group level, with a request to report on any indications of potential existence of non-compliance with relevant laws and regulations (irregularities) in these areas, or other areas directly identified by the component team.

The potential effect of these laws and regulations on the Financial Statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the Financial Statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Financial Statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Financial Statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the Financial Statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8 THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

Mick Davies
SENIOR STATUTORY AUDITOR
for and on behalf of KPMG LLP, Statutory Auditors
Chartered Accountants
One St Peter's Square
Manchester
M2 3AE

25 July 2019

Consolidated income statement

for the year ended 31 May 2019

	Notes	2019 Adjusted [2] £m	2019 Adjusting items [2] £m	2019 Statutory £m	2018 (restated [1]) Adjusted [2] £m	2018 (restated [1]) Adjusting items [2] £m	2018 (restated [1]) Statutory £m
Continuing operations							
Revenue	4	**250.7**	**–**	**250.7**	233.0	–	233.0
Cost of sales	4	**(148.9)**	**–**	**(148.9)**	(137.1)	–	(137.1)
Gross profit	4	**101.8**	**–**	**101.8**	95.9	–	95.9
Administration expenses [3]	4	**(68.1)**	**(14.2)**	**(82.3)**	(65.1)	(17.3)	(82.4)
Operating profit	4	**33.7**	**(14.2)**	**19.5**	30.8	(17.3)	13.5
Net finance costs	9	**(1.7)**	**–**	**(1.7)**	(1.5)	(0.3)	(1.8)
Profit before taxation	7	**32.0**	**(14.2)**	**17.8**	29.3	(17.6)	11.7
Taxation	10	**(6.5)**	**2.2**	**(4.3)**	(6.6)	7.1	0.5
Profit from continuing operations		**25.5**	**(12.0)**	**13.5**	22.7	(10.5)	12.2
Loss from discontinued operations, net of tax	5	**–**	**–**	**–**	–	(5.5)	(5.5)
Profit for the year attributable to the owners of the Company		**25.5**	**(12.0)**	**13.5**	22.7	(16.0)	6.7
Earnings per share	12						
Basic EPS – continuing				**4.9p**			4.4p
Diluted EPS – continuing				**4.8p**			4.4p
Basic EPS – discontinuing				**–**			(2.0)p
Diluted EPS – discontinuing				**–**			(2.0)p
Basic EPS – all operations				**4.9p**			2.4p
Diluted EPS – all operations				**4.8p**			2.4p

Consolidated statement of comprehensive income

for the year ended 31 May 2019

	2019 £m	2018 (restated [1]) £m
Profit for the year attributable to the owners of the Company	**13.5**	6.7
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss (net of tax)		
Foreign exchange translation differences	**1.5**	0.3
Total comprehensive income for the year (net of tax) attributable to the owners of the Company	**15.0**	7.0

The accompanying notes 1 to 33 are an integral part of these consolidated Financial Statements.

1 See note 1 for further details on the restatement of comparative information due to the retrospective application of IFRS 15.
2 See note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. See note 3 for a reconciliation to statutory information.
3 Administrative expenses includes £0.4m (2018: £0.7m) of credit losses on financial assets.

Consolidated balance sheet

at 31 May 2019

	Notes	**2019 £m**	2018 (restated [1]) £m
Non-current assets			
Goodwill	13	**189.4**	187.2
Other intangible assets	13	**41.8**	52.8
Property, plant and equipment	14	**16.9**	19.4
Investments	15	**0.3**	0.4
Deferred tax assets	18	**1.1**	4.5
Total non-current assets		**249.5**	264.3
Current assets			
Inventories	16	**0.7**	0.8
Trade and other receivables	17	**61.6**	66.0
Consideration receivable on disposals	22	**–**	1.5
Current tax receivable		**0.6**	–
Cash and cash equivalents	23	**34.9**	21.2
Total current assets		**97.8**	89.5
Total assets		**347.3**	353.8
Current liabilities			
Trade and other payables	19	**31.6**	35.7
Borrowings	23	**5.0**	–
Current tax payable		**–**	1.3
Provisions	20	**2.7**	2.6
Consideration on acquisitions	22	**–**	11.9
Deferred revenue	21	**36.2**	30.6
Total current liabilities		**75.5**	82.1
Non-current liabilities			
Borrowings	23	**50.1**	49.0
Deferred tax liability	18	**5.4**	9.8
Provisions	20	**5.5**	6.3
Total non-current liabilities		**61.0**	65.1
Total liabilities		**136.5**	147.2
Net assets		**210.8**	206.6
Equity			
Issued capital	26	**2.8**	2.8
Share premium	26	**149.8**	149.5
Merger reserve	26	**42.3**	42.3
Retained earnings	26	**(12.0)**	(14.4)
Currency translation reserve	26	**27.9**	26.4
Total equity attributable to equity holders of the parent		**210.8**	206.6

The accompanying notes 1 to 33 are an integral part of these consolidated Financial Statements.

These Financial Statements were approved and authorised for issue by the Board of Directors on 24 July 2019. They were signed on its behalf by:

Adam Palser
CHIEF EXECUTIVE OFFICER

24 July 2019

Tim Kowalski
CHIEF FINANCIAL OFFICER

24 July 2019

1 See note 1 for further details on the restatement of comparative information due to the retrospective application of IFRS 15.

Consolidated cash flow statement

for the year ended 31 May 2019

Cash flow from operating activities (includes continuing and discontinued operations)	Notes	2019 £m	2018 (restated [1]) £m
Profit for the year		**13.5**	6.7
Adjustments for:			
Depreciation	14	**5.6**	6.5
Share-based payments	25	**1.7**	0.2
Amortisation of acquired intangible assets	13	**9.0**	9.4
Amortisation of internally developed intangible assets and software	13	**4.4**	5.9
Net financing costs		**1.7**	1.8
Foreign exchange		**0.2**	–
Individually Significant Items (non-cash impact)	6	**3.6**	3.5
Profit on disposal of investments		**(0.1)**	–
Loss on disposal of subsidiaries	5	**–**	6.4
Loss on sale of plant and equipment		**0.2**	–
Research and development tax credits		**(0.3)**	–
Income tax expense/(credit)		**4.3**	(0.6)
Decrease in provisions		**(2.5)**	–
Cash inflow for the year before changes in working capital		**41.3**	39.8
Decrease/(increase) in trade and other receivables		**6.0**	(4.8)
Decrease in inventories		**0.1**	–
Increase in trade and other payables		**0.5**	4.5
Cash generated from operating activities before interest and taxation		**47.9**	39.5
Interest paid		**(1.7)**	(1.8)
Taxation paid		**(6.4)**	(4.7)
Net cash generated from operating activities		**39.8**	33.0
Cash flows from investing activities			
Purchase of property, plant and equipment		**(3.0)**	(7.7)
Software and development expenditure		**(6.1)**	(5.0)
Acquisition of businesses	22	**(10.9)**	(3.1)
Net proceeds from sale of subsidiaries and investments	15, 22	**1.8**	9.9
Cash disposed of from sale of subsidiaries		**–**	(0.7)
Net cash used in investing activities		**(18.2)**	(6.6)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital	26	**0.3**	1.5
Drawdown of borrowings		**13.0**	7.5
Repayment of borrowings		**(8.6)**	(12.9)
Equity dividends paid	11	**(12.9)**	(12.8)
Net cash used in financing activities		**(8.2)**	(16.7)
Net increase in cash and cash equivalents		**13.4**	9.7
Cash and cash equivalents at beginning of year		**21.2**	12.3
Effect of foreign currency exchange rate changes		**0.3**	(0.8)
Cash and cash equivalents at end of year	23	**34.9**	21.2

Reconciliation of net change in cash and cash equivalents to movement in net debt [2]		2019 £m	2018 £m
Net increase in cash and cash equivalents		**13.4**	9.7
Change in net debt resulting from cash flows		**(4.4)**	5.4
Effect of foreign currency on cash flows		**0.3**	(0.8)
Foreign currency translation differences on borrowings		**(1.7)**	1.6
Change in net debt [2] during the year		**7.6**	15.9
Net debt [2] at start of year		**(27.8)**	(43.7)
Net debt [2] at end of year	3	**(20.2)**	(27.8)

The accompanying notes 1 to 33 are an integral part of these consolidated Financial Statements.

1 See note 1 for further details on the restatement of comparative information due to the retrospective application of IFRS 15.
2 See note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. See note 3 for a reconciliation to statutory information.

Consolidated statement of changes in equity

for the year ended 31 May 2019

	Notes	Issued share capital £m	Share premium £m	Merger reserve £m	Currency translation reserve £m	Retained earnings £m	Total £m
Balance at 1 June 2017 previously reported		2.8	148.0	42.3	26.1	(7.1)	212.1
Change in accounting policies in respect of IFRS 15 (net of tax)	1	–	–	–	–	(1.4)	(1.4)
Balance at 1 June 2017 (restated [1])		2.8	148.0	42.3	26.1	(8.5)	210.7
Profit for the year (restated [1])		–	–	–	–	6.7	6.7
Foreign currency translation differences		–	–	–	0.3	–	0.3
Total comprehensive income for the year (restated [1])		–	–	–	0.3	6.7	7.0
Transactions with owners recorded directly in equity							
Dividends to equity shareholders	11	–	–	–	–	(12.8)	(12.8)
Current and deferred tax on share-based payments	10	–	–	–	–	0.2	0.2
Shares issued	26	–	1.5	–	–	–	1.5
Total contributions by and distributions to owners		–	1.5	–	–	(12.6)	(11.1)
Balance at 31 May 2018 (restated [1]) and 1 June 2018		2.8	149.5	42.3	26.4	(14.4)	206.6
Profit for the year		**–**	**–**	**–**	**–**	**13.5**	**13.5**
Foreign currency translation differences		**–**	**–**	**–**	**1.5**	**–**	**1.5**
Total comprehensive income for the year		**–**	**–**	**–**	**1.5**	**13.5**	**15.0**
Transactions with owners recorded directly in equity							
Dividends to equity shareholders	11	**–**	**–**	**–**	**–**	**(12.9)**	**(12.9)**
Share-based payments	25	**–**	**–**	**–**	**–**	**1.7**	**1.7**
Current and deferred tax on share-based payments	10	**–**	**–**	**–**	**–**	**0.1**	**0.1**
Shares issued	26	**–**	**0.3**	**–**	**–**	**–**	**0.3**
Total contributions by and distributions to owners		**–**	**0.3**	**–**	**–**	**(11.1)**	**(10.8)**
Balance at 31 May 2019		**2.8**	**149.8**	**42.3**	**27.9**	**(12.0)**	**210.8**

The accompanying notes 1 to 33 are an integral part of these consolidated Financial Statements.

1 See note 1 for further details on the restatement of comparative information due to the retrospective application of IFRS 15.

Company balance sheet

at 31 May 2019

Company no: 4627044

	Notes	2019 £m	2018 £m
Non-current assets			
Goodwill	13	**14.4**	14.4
Investments in subsidiary undertakings	32	**60.8**	60.8
Total non-current assets		**75.2**	75.2
Current assets			
Intercompany receivables	17	**141.4**	153.8
Cash and cash equivalents	23	**0.2**	0.1
Total current assets		**141.6**	153.9
Total assets		**216.8**	229.1
Net assets		**216.8**	229.1
Equity			
Issued capital	26	**2.8**	2.8
Share premium	26	**149.8**	149.5
Merger reserve	26	**42.3**	42.3
Retained earnings	26	**21.9**	34.5
Total equity		**216.8**	229.1

The accompanying notes 1 to 33 are an integral part of these Financial Statements.

These Financial Statements were approved and authorised for issue by the Board of Directors on 24 July 2019. They were signed on its behalf by:

Adam Palser
CHIEF EXECUTIVE OFFICER

24 July 2019

Tim Kowalski
CHIEF FINANCIAL OFFICER

24 July 2019

Company cash flow statement

for the year ended 31 May 2019

	Notes	2019 £m	2018 £m
Cash flow from operating activities			
Profit for the year	27	**0.3**	15.5
Cash inflow for the year before changes in working capital		**0.3**	15.5
Decrease/(increase) in intercompany balances		**12.4**	(4.3)
Net cash generated from operating activities		**12.7**	11.2
Cash flows from investing activities		**–**	–
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital	26	**0.3**	1.5
Equity dividends paid	11	**(12.9)**	(12.8)
Net cash used in financing activities		**(12.6)**	(11.3)
Net increase/(decrease) in cash and cash equivalents		**0.1**	(0.1)
Cash and cash equivalents at beginning of year		**0.1**	0.2
Cash and cash equivalents at end of year		**0.2**	0.1

The accompanying notes 1 to 33 are an integral part of these Financial Statements.

Company statement of changes in equity

for the year ended 31 May 2019

	Notes	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total £m
Balance at 1 June 2017		2.8	148.0	42.3	31.7	224.8
Profit for the year		–	–	–	15.5	15.5
Total comprehensive income for the year		–	–	–	15.5	15.5
Transactions with owners recorded directly in equity						
Dividends to equity shareholders	11	–	–	–	(12.8)	(12.8)
Increase in subsidiary investment for share-based charges		–	–	–	0.1	0.1
Shares issued	26	–	1.5	–	–	1.5
Total contributions by and distributions to owners		–	1.5	–	(12.7)	(11.2)
Balance at 31 May 2018 and 1 June 2018		2.8	149.5	42.3	34.5	229.1
Profit for the year		**–**	**–**	**–**	**0.3**	**0.3**
Total comprehensive income for the year		**–**	**–**	**–**	**0.3**	**0.3**
Transactions with owners recorded directly in equity						
Dividends to equity shareholders	11	**–**	**–**	**–**	**(12.9)**	**(12.9)**
Shares issued	26	**–**	**0.3**	**–**	**–**	**0.3**
Total contributions by and distributions to owners		**–**	**0.3**	**–**	**(12.9)**	**(12.6)**
Balance at 31 May 2019		**2.8**	**149.8**	**42.3**	**21.9**	**216.8**

The accompanying notes 1 to 33 are an integral part of these Financial Statements.

Notes to the financial statements

for the year ended 31 May 2019

1 ACCOUNTING POLICIES

BASIS OF PREPARATION

NCC Group plc (the Company) is a company incorporated in the UK, with its registered office at XYZ Building, 2 Hardman Boulevard, Manchester, M3 3AQ. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as 'the Group'). The principal activity of the Group is the provision of independent advice and services to customers through the supply of escrow and cyber assurance services. 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 24 July 2019.

Both the parent Company and the Group Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU) and Article 4 of the IAS regulation. The parent Company Financial Statements have also been prepared in accordance with the provisions of the Companies Act 2006. On publishing the parent Company Financial Statements here together with the Group Financial Statements, the Company is also 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.

BREXIT

Management has reviewed the potential impact of Brexit on the Financial Statements. As the Group's operations around the world include business entities based in continental Europe management believes the Group is structurally resilient to any disruption caused by Brexit. The main risks to the Group from Brexit are any reduction in demand from an economic slowdown and real or perceived differences in data protection standards which impact our global ways of working. On this basis, management has concluded that the impact should be limited; this includes any impact on the IFRS 9 Expected Credit Loss model. Further details have been included in note 17 to the consolidated Financial Statements. Management also notes no changes to this assessment from a post balance sheet event perspective.

APPLICATION OF SIGNIFICANT NEW EU - ENDORSED ACCOUNTING STANDARD - IFRS 9 'FINANCIAL INSTRUMENTS'

BACKGROUND AND ADOPTION

The Group has adopted IFRS 9. The application of IFRS 9's impairment requirements as at 1 June 2017 resulted in a reallocation of the existing impairment provision between ageing classifications only, and additional disclosures related to the ageing of the provision, as disclosed within note 17 to the consolidated Financial Statements.

IFRS 9 introduces new requirements for the following areas:

- the classification and measurements of financial assets and financial liabilities;
- impairment of financial assets; and
- general hedge accounting.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing financial assets and the contractual cash flow characteristics. The Group has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at fair value through profit or loss (FVTPL). The Directors of the Company reviewed and assessed the Group's existing financial assets and liabilities based on the facts and circumstances upon transition and concluded that the initial application of IFRS 9 has had no impact on classification and measurement, apart from the impairment of financial assets noted below.

IMPAIRMENT OF FINANCIAL ASSETS

The only impact on the consolidated Financial Statements is in relation to the impairment of trade receivables within financial assets.

IFRS 9 requires an Expected Credit Loss (ECL) model as opposed to an Incurred Credit Loss (ICL) model under previous accounting policies (IAS 39 'Financial Instruments: Recognition and Measurement'). The ECL model requires the Group to account for lifetime ECL and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. On this basis, it is no longer necessary for a default event to have occurred before credit losses are recognised. As a consequence of this change, credit losses are recognised earlier than under IAS 39. IFRS 9 requires the Group to assess the risk profile of its trade and other receivables.

The Group analysed the risk profile of trade and other receivables based on past experience and an analysis of the receivables current financial position, adjusted for specific factors, general economic conditions of the industry in which the receivables operate, and assessment of both the current and the forecast direction of conditions at the reporting date.

The Group has performed the calculation of ECL separately for each business unit and rebutted the assumption under IFRS 9 that all debts that are over 30 days past the due date should have a credit allowance due to the inherent credit risk on certain specific receivables.

GENERAL HEDGE ACCOUNTING

On the basis the Group does not hedge account, there has been no impact on the Group.

APPLICATION OF SIGNIFICANT NEW EU - ENDORSED ACCOUNTING STANDARD - IFRS 15 'REVENUE FROM CONTRACTS WITH CUSTOMERS'

BACKGROUND AND ADOPTION

IFRS 15 impacts the amount, timing and recognition of revenue and certain associated costs, as well as related disclosures.

The Group has implemented IFRS 15 in the current year and has applied the fully retrospective approach meaning the comparative year has been restated and there has been a one-off cumulative debit to retained earnings relating to transition at 1 June 2017 of £1.4m (net of tax).

IFRS 15 requires the Group to apportion revenue earned from contracts with customers to performance obligations the Group has with its customers.

This is done through applying a five-step model defined in the standard:

1. Identify the contract with the customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

In addition to the changes to revenue recognition described above, IFRS 15 also provides guidance in relation to certain costs incurred obtaining a contract or fulfilling the contract with the customer, requiring such costs to be deferred over time.

The Group put in place a team to assess the impact of IFRS 15 to determine appropriate accounting policies, and implement appropriate systems and processes so as to be able to calculate opening adjustments and maintain ongoing IFRS 15 compliant financial records/disclosures. Assessment was also given to other matters, such as implications for employee remuneration, tax, forecasting and covenant compliance.

KEY CHANGES IN ACCOUNTING POLICY

The key effects of the application of IFRS 15 are as follows:

- For Escrow, the initial set-up exercise is not considered to be a distinct service, and as a result, these fees are now recognised with the rest of the contract with revenue being recognised over time.
- For Assurance, set-up fees charged in respect of initial work and configuration of equipment to allow customers to benefit from a monitoring contract are not considered to be a distinct service and as a result this revenue is now recognised over time with the revenue for the monitoring activity.

In both cases performance obligations are considered to be satisfied over time as the performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The above key effects have given rise to a restatement of deferred revenue as outlined below, with no restatements to accrued income.

PRACTICAL EXPEDIENTS

The Group has applied the following practical expedients on the application of IFRS 15:

Area	Qualitative assessment of the impact
Completed contracts have not been restated that begin and end within the same annual reporting period	Significant benefit in application due to the high number of contracts within the Group
Completed contracts that have variable consideration have used the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods	Incident response contracts are variable in duration due to the unknown emerging cyber risk. On this basis, the expedient simplifies the application of IFRS 15
For all reporting periods before the transition date, the Group has not disclosed the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount of revenue	Significant benefit in application due to the high number of contracts within the Group
Cost to obtain a contract that lasts less than one year has been expensed immediately	Significant benefit in application due to the high number of contracts within the Group
Contracts with similar terms and features have been treated on a portfolio basis as opposed to individual assessment	Significant benefit in application due to the large range of small contracts with identical terms and conditions
Significant financing component within contracts	Limited relevance due to the nature of contracts

CONSOLIDATED INCOME STATEMENT FINANCIAL IMPACT

Segmental analysis 2018	Assurance £m	Escrow £m	Central & Head Office £m	Group £m
Revenue:				
Revenue previously reported	194.4	38.8	–	233.2
Adjustment on application of IFRS 15	(0.5)	0.3	–	(0.2)
Revenue restated	**193.9**	**39.1**	**–**	**233.0**
Adjusted operating profit:				
Adjusted operating profit [1] previously reported	17.0	21.6	(7.6)	31.0
Adjustment on application of IFRS 15	(0.5)	0.3	–	(0.2)
Adjusted operating profit [1] restated	**16.5**	**21.9**	**(7.6)**	**30.8**
Operating profit:				
Operating profit previously reported				13.7
Adjustment on application of IFRS 15				(0.2)
Operating profit restated				**13.5**
Profit before taxation:				
Profit before taxation previously reported				11.9
Adjustment on application of IFRS 15				(0.2)
Profit before taxation restated				**11.7**
Profit for the year attributable to the owners of the Company:				
Profit for the year previously reported				6.9
Adjustment on application of IFRS 15				(0.2)
Profit for the year attributable to the owners of the Company restated				**6.7**

1 See note 1 for further details on the restatement of comparative information due to the retrospective application of IFRS 15.

Notes to the financial statements

for the year ended 31 May 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FINANCIAL IMPACT

	2018		
	Previously reported £m	**Adjustment on application of IFRS 15 £m**	**Restated balance £m**
Total comprehensive income for the year (net of tax) attributable to the owners of the Company	7.2	(0.2)	7.0

EARNINGS PER SHARE FINANCIAL IMPACT

	2018		
	Previously reported	**Adjustment on application of IFRS 15**	**Restated balance**
Statutory profit from - continuing operations (£m)	12.4	(0.2)	12.2
Statutory profit from - all operations (£m)	6.9	(0.2)	6.7
Adjusted [1] profit from continuing operations (£m)	22.9	(0.2)	22.7
Basic weighted average number of shares in issue (m)	277.0	–	277.0
Dilutive effect of share options (m)	2.3	–	2.3
Dilutive weighted average shares in issue (m)	279.3	–	279.3

	2018		
	Previously reported pence	**Adjustment on application of IFRS 15 pence**	**Restated balance pence**
Basic earnings per ordinary share			
Statutory - continuing operations	4.5	(0.1)	4.4
Statutory - all operations	2.5	(0.1)	2.4
Adjusted [1]	8.3	(0.1)	8.2

	2018		
	Previously reported pence	**Adjustment on application of IFRS 15 pence**	**Restated balance pence**
Diluted earnings per ordinary share			
Statutory - continuing operations	4.4	–	4.4
Statutory - all operations	2.5	(0.1)	2.4
Adjusted [1]	8.2	(0.1)	8.1

CONSOLIDATED CASH FLOW STATEMENT FINANCIAL IMPACT

	2018		
	Previously reported £m	**Adjustment on application of IFRS 15 £m**	**Restated balance £m**
Profit for the year	6.9	(0.2)	6.7
Operating cash inflow before movements in working capital	40.0	(0.2)	39.8
Increase in trade and other receivables	(5.0)	0.2	(4.8)
Cash generated from operating activities before interest and taxation	39.5	–	39.5

1 See note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. See note 3 for a reconciliation to statutory information.

CONSOLIDATED BALANCE SHEET FINANCIAL IMPACT

2017	May 2017 (as reported) £m	Adjustment on application of IFRS 15 £m	Restated balance £m
Deferred revenue	(35.6)	(1.4)	(37.0)
Net assets	212.1	(1.4)	210.7
Retained earnings	7.1	1.4	8.5

2018	May 2018 (as reported) £m	Adjustment on application of IFRS 15 £m	Restated balance £m
Deferred revenue	(29.0)	(1.6)	(30.6)
Net assets	208.2	(1.6)	206.6
Retained earnings	12.8	1.6	14.4

FUTURE ACCOUNTING DEVELOPMENTS – IFRS 16 LEASES

TRANSITION APPROACH

The Group will adopt this standard for the year ending 31 May 2020 under a modified retrospective approach.

The Group has a variety of operating leases within the consolidated financial statements. The accounting for operating leases in particular will change when IFRS 16 is implemented.

STRUCTURE AND STATUS OF IFRS 16 IMPLEMENTATION PROJECT

The Group commenced an implementation project during the year ended 31 May 2019, whereby management performed a feasibility impact of the proposed standard.

Following this feasibility review, management has implemented specific governance around the project culminating in the development of an in-house central depositary platform for leases.

The platform and its control environment will continue to be developed as the Group transitions to IFRS 16 during the year ending 31 May 2020.

IMPLICATIONS OF IFRS 16

Following a detailed review by management of the implications of IFRS 16, the following can be noted:

- A number of lease contracts currently disclosed within the financial statements, which currently give rise to recurring expenses within operating expenses, will be recognised on the balance sheet as a 'right of use asset' for the year ending 31 May 2020;
- A corresponding lease liability (current and non-current), reflecting the Group's commitment to pay consideration to third parties under these contracts, will also be recognised, increasing the Group's net debt although the net cash flow profile remains the same for the Group;
- The Group will depreciate the right of use assets through the Income Statement over the shorter of the assets' useful lives and the assessed lease term;
- The Group will recognise interest on the liability using the rate of interest implicit in the lease or, if the interest rate implicit in the lease cannot be determined, the Group's incremental borrowing rate as adjusted for a specific risk adjustment. Interest will be charged to finance costs; and
- The profile of the overall expense in profit and loss will change as the interest expense will be more front-loaded compared to a straight-line operating lease rental expense.

Specifically, for management to conclude on whether a contract contains a lease, the following has been considered:

- Whether there is an identified asset that the Group has the right to obtain substantially all the economic benefits from;
- Whether the Group has the right to direct how and for what purpose the asset is used;
- Whether the Group has the right to operate the asset without the supplier having the right to change those operating instructions; and
- Whether the Group has designed the asset in a way that predetermines how and for what purpose the asset will be used.

In addition, management has also considered other salient factors in the assessment of the standard such as:

- The length of assessed lease term taking into account the non-cancellable period of the lease including periods covered by an option to extend or an option to terminate if the Group is reasonably certain to exercise either option; and
- The applicability of interest rate implicit in the lease or the Group's incremental borrowing rate, as adjusted for a specific risk adjustment.

Following the above assessment, management has concluded that the following items that are currently classified as operating leases will be recognised in the financial statements using the new requirements:

- Certain properties;
- Equipment leases, including printers; and
- Motor vehicles.

The Group does not lease any server equipment in relation to the provision of Escrow services.

EXEMPTIONS AND PRACTICAL EXPEDIENTS TO BE APPLIED AND TAKEN

Management has reviewed available exemptions contained within IFRS 16 and concluded not to apply the low value or short-life exemptions. In addition, the Group plans to offset the onerous leases under IAS 37 immediately before transition as opposed to performing an impairment review under IAS 36.

INDICATIVE FINANCIAL IMPACT

As shown in note 28, at 31 May 2019, the Group had approximately £36m of non-cancellable operating lease commitments. It is expected that the application of this standard will have a significant impact on the Group's Financial Statements.

Indicatively, the changes can be summarised as having the following effect on the opening consolidated financial position as at 1 June 2019:

- Assets and liabilities will increase by £29.0m to £31.0m primarily reflecting the rental property portfolio of the Group;
- Assets will be offset by an onerous lease provision of approximately £4m; and
- EBITDA will increase in year one by £5.0m to £7.0m reflecting the reclassification of rental payments to interest and depreciation charges. Net profit is unaffected over the lifetime of a lease.

Deferred taxation will arise on the transition adjustment at 1 June 2019 of £0.5m to £1.0m and a movement of £0.2m to £0.5m during the year ended 31 May 2020, giving rise to a net deferred tax asset of £0.7m to £1.5m as at 31 May 2020.

As discussed in note 23, the Group has recently renegotiated its banking facilities. The debt covenants on the Group's borrowing facilities will be unaffected by the application of IFRS 16 as the covenant calculations are based on the accounting principles in place prior to 1 January 2019. The IFRS 16 changes are not expected to impact the interest paid by the Group for its banking facilities. The overall net cash flow for the Group will be unaffected by IFRS 16 other than operating cash outflows (excluding interest costs) relating to leases being reclassified as financing outflows. Interest costs relating to the lease will be disclosed within interest paid.

NEW AND AMENDED ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

At the date of authorisation of these consolidated Financial Statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and, in some cases, had not yet been adopted by the European Union:

- IFRS 3 'Business Combinations'
- IFRS 11 'Joint Arrangements'
- IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'
- IAS 12 'Income Taxes'
- IAS 19 'Employee Benefits'
- IAS 28 'Investment in Associates and Joint Ventures'
- IAS 39 'Financial Instruments: Recognition and Measurement'

These IFRSs are not expected to have a material impact on the Group's consolidated financial position or performance of the Group.

BASIS OF MEASUREMENT

The consolidated Financial Statements have been prepared on the historical cost basis except for consideration payable on acquisitions, the revaluation of certain financial instruments and investments.

FUNCTIONAL AND PRESENTATION CURRENCY

The Group and Company Financial Statements are presented in millions of Pounds Sterling (£m) because that is the currency of the principal economic environment in which the Group operates.

GOING CONCERN

The Directors have acknowledged the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting', published in September 2014.

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 6 to 43.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Executive Officer and Chief Financial Officer Reviews on pages 12 to 31. In addition, note 24 to the Financial Statements includes the Group's policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposures to credit risk and liquidity risk.

The Directors have reviewed the trading, cash flow forecasts and forecast covenants of the Group as part of their going concern assessment and have taken into account reasonable downside sensitivities (including a 'no-deal' Brexit scenario) 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 a period of at least 12 months.

Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

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

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 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 remeasured 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.

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.

Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Intercompany transactions and balances between subsidiaries are eliminated on consolidation.

INTANGIBLE ASSETS AND GOODWILL

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

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 as 'development costs' if the product or process is technically and commercially feasible and the Group has the technical ability and sufficient resources to complete development. In addition, that future economic benefits are probable and 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.

SOFTWARE COSTS

The Group capitalises 'software costs' in accordance with the criteria of IAS 38. Software costs comprise two elements: IT licences for periods of one year or more, and the third party and internal employee time costs for internal system developments. Capitalised costs are initially measured at cost and amortised on a straight-line basis over the licence term or the period for which the developed system is expected to be in use as a business platform.

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. Software costs are stated at cost less accumulated amortisation and less accumulated impairment losses.

OTHER INTANGIBLE ASSETS

Expenditure on internally generated goodwill 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, is recognised in the Income Statement as an expense as incurred.

AMORTISATION

Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful economic 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 three and ten years
Software	– between one and seven years
Capitalised development costs	– between three and five years

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities, in respect of financial instruments, are recognised in the Group balance sheet when the Group becomes a party to the contractual provisions of the instrument.

CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES

Classification of financial assets is generally based on the business model in which the financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at amortised cost if it is held with the objective of collecting the contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All other financial assets are measured at fair value through other comprehensive income or the Income Statement.

FINANCIAL ASSETS AT AMORTISED COST

TRADE AND OTHER RECEIVABLES

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as financial assets measured at amortised cost.

Under the IFRS 9 'Expected Credit Loss' model, a credit event (or impairment 'trigger') no longer needs to occur before credit losses are recognised.

The Group analyses the risk profile of trade receivables based on past experience and an analysis of the receivable's current financial position, potential for a default event to occur, adjusted for specific factors, general economic conditions of the industry in which the receivables operate and assessment of both the current and the forecast direction of conditions at the reporting date. A default event is considered to occur when information is obtained that indicates that a receivable is unlikely to be paid to the Group.

Credit risk is regularly reviewed by management to ensure the expected credit loss (ECL) model is being appropriately applied. The Group has performed the calculation of ECL separately for each business unit and rebutted the assumption under IFRS 9 that all debts that are over 30 days past the due date should have a credit allowance.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

FINANCIAL LIABILITIES AT AMORTISED COST

TRADE PAYABLES

Trade payables are other financial liabilities initially measured at fair value and subsequently measured at amortised cost.

IMPAIRMENT OF 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, (CGUs). 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 the Income Statement. 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.

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in note 31 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 economic lives of each part of an item of plant and equipment as follows:

Computer equipment	– between three and five years
Plant and equipment	– between three and five years
Furniture	– between three and five years
Fixtures and fittings	– term of the lease
Motor vehicles	– four years

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 is presented net of VAT and other sales-related taxes. Revenue is measured based on the consideration specified in a contract with a customer. The application of this policy in each of the operating segments is as follows.

ASSURANCE

The Assurance division groups its revenue into four types of revenue streams.

i) Technical Security Consulting (TSC)

TSC, is the Group's core professional service. The contract terms range from time and materials (based upon consultants' time and expenses upon completion of work) and short-term discreet statements of work, whereby the customer benefits gradually over the period over which the work is performed, unless there is a set deliverable.

Revenue is recognised on an input basis to measure the satisfaction of performance obligations over time. This is done 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, whether fixed price or on a time and materials basis.

Where a contract has multiple performance obligations, revenue is recognised separately as each performance obligation is satisfied.

Provisions are made for any losses on uncompleted contracts expected to be incurred after the balance sheet date.

The Group operates on certain terms and conditions which allow the Group to recover any abortive revenue from its customer in the event that a customer terminates a contract before the contract or deliverable is complete. On this basis, the Group will have recognised revenue on an input basis.

For certain services, where there are set-up activities with a higher proportion of costs incurred at that stage, and the activity creates a separate performance obligation with the customer receiving immediate benefit from the activity, then an appropriate proportion of revenue is recognised. Where there is no separate performance obligation and benefit, the costs of the set-up activities are recognised over the life of the service contract in line with the revenue on the basis that the Group has an enforceable right to payment for performance to a specific date.

ii) Risk Management Consulting

These services focus on the business risks of cyber.

Revenue is recognised on the same basis outlined for Technical Security Consulting.

iii) Managed Detection and Response (MDR)

These services provide operational cyber defence, incident response, scanning, simulation and managed security operations centres (SOCs). Services are typically for an extended delivery duration where the customer derives continual benefit over the contract length. Contract lengths vary from one to three years.

Revenue is recognised over the length of the contract as the performance obligation is satisfied over time.

Services include set-up fees which are charged in respect of initial work and configuration of equipment to allow customers to benefit from a monitoring contract over a period of time. These fees are not considered to be a distinct service, and as a result, this revenue is recognised over time with the revenue for the monitoring activity.

iv) Product sales (own manufactured and resale of third party products)

Revenue is recognised when control of the product is transferred to the customer. This occurs upon delivery under the contractual terms. On certain sales of third-party products, the control of the product is considered to pass from the vendor to the end customer and in these cases the Group acts as an agent, and hence only records a commission on sale as opposed to gross revenue and costs of sale.

ESCROW

The Escrow division groups its revenue into two main types of income streams.

i) Escrow contract services

These services securely maintain in 'escrow' the long-term availability of business-critical software and applications while protecting the intellectual property rights (IPR) of technology partners.

Revenue is recognised on the provision of an escrow service over a period of time, usually at least a year and potentially up to three years. Such revenue is recognised on a straight-line basis over the life of the service delivery agreement on the basis that benefit is consumed by the customer evenly over the period. Initial set-up fees are recognised over time as they are not considered a distinct service.

ii) Verifications and other Escrow services

These services verify source code, provide a fully managed secure service and result validation.

Revenue is recognised on completion of the related services which are typically delivered over a short period of time (typically a matter of weeks). These include SAAS services and ICANN services.

ACCRUED INCOME

Accrued income represents the Group's rights to consideration for work completed but not billed at the reporting date. Remaining balances are transferred to receivables when the rights become unconditional.

DEFERRED REVENUE

Deferred revenue represents advanced consideration received from customers, for which revenue is recognised over time.

DETERMINATION AND PRESENTATION OF OPERATING SEGMENTS

The Group determines and presents operating segments based on the information that is provided to the Board, which acts as the Group's chief operating decision-maker (CODM) 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 CODM to make decisions about resources to be allocated to the segment and to assess its performance.

The Group reports its business in two key segments: the Escrow division and the Assurance division. Within the Escrow division we manage some aspects of the day-to-day business on a geographical basis and this allows us to disclose revenue and operating profit for those geographies. However, while we can manage and disclose some aspects of those as individual operating segments, they are all managed under the Escrow division's senior executive team. That team takes the decisions on resource allocation, product development, marketing and areas for focus and investment. For this reason, the Escrow division is regarded as the appropriate reporting segment with additional operating segment disclosures presented to give the user of the accounts a further level of granularity.

Within the Assurance division, all activities are under one Assurance management team for strategic and resource allocation decision-making.

ALLOCATION OF CENTRAL COSTS

Some costs are collected and managed in one location but are actually incurred on behalf of multiple operating segments or reporting segments. These costs are then allocated to the reporting segments. The allocation is based on logical or activity driven cost algorithms. The allocation is necessary to give an accurate picture of the consumption of resources by each reporting segment.

INDIVIDUALLY SIGNIFICANT ITEMS

The Group separately identifies items as individually significant if the item is considered unusual by its nature or scale, and is of such significance that separate disclosure is relevant to understanding the Group's financial performance and therefore requires separate presentation in the Financial Statements in order to fairly present the financial performance of the Group. Such items are referred to as 'Individually Significant Items' and are described in note 6.

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded using the appropriate monthly exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rate 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 retranslated at the exchange rate ruling at the balance sheet date. The income statements of overseas subsidiary undertakings are translated at the weighted average exchange rates for the financial year. Gains and losses arising on the retranslation of overseas subsidiary undertakings are taken to the currency translation reserve. They are released to the Income Statement upon disposal of the subsidiary to which they relate.

OPERATING LEASE 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 PENSIONS

The Group operates a defined contribution pension scheme. The assets of the scheme are kept separate 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 payments 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. They are treated as an adjusting item (see note 3).

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. 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 remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense within the Income Statement.

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 is recognised in respect of that subsidiary in its consolidated Financial Statements with the corresponding credit being recognised directly in equity.

HOLIDAY OR VACATION PAY

The Group recognises a liability in the balance sheet for any earned but not yet taken holiday entitlement for staff.

Earned holiday is calculated on a straight-line basis over a holiday year which can vary by business unit. Taken holiday is based on actually taken holiday. Any movement in the liability between the opening and closing balance in the year is recorded as an employee cost or a reduction in employee costs in the Income Statement in the year.

BORROWINGS

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, 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 FINANCE COSTS

Net finance costs are recognised within the Income Statement in the year in which they are incurred.

TAXATION

Taxation on the profit or loss for the year comprises current and deferred taxation. Taxation 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 TAXATION

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.

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 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.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

A non-current asset or a group of assets containing a non-current asset (a disposal group) is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year.

On initial classification as held for sale, non-current assets and disposal groups are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to the Income Statement. The same applies to gains and losses on subsequent remeasurement although gains are not recognised in excess of any cumulative impairment loss. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Company's accounting policies. Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

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

2 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

GROUP

The preparation of Financial Statements requires management to exercise judgment in applying the Group's accounting policies. Different judgments would have the potential to change the reported outcome of an accounting transaction or statement of financial position. It also requires the use of estimates 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 ongoing basis, with changes recognised in the period in which the estimates are revised and in any future periods affected. The table below shows those areas of critical accounting judgments and estimates that the Directors consider material and that could reasonably change significantly in the next year. In some cases, the accounting area requires both an accounting judgment and an estimate.

Accounting area	Accounting Judgment?	Accounting Estimate?
Carrying value of intangible assets (including goodwill)	Yes	Yes
Individually Significant Items	Yes	No
Loss-making contract	Yes	Yes
Capitalisation of development costs	Yes	No

2.1 JUDGMENTS

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated Financial Statements are as follows.

CARRYING VALUE OF INTANGIBLE ASSETS – ASSESSMENT OF CGUs

A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Identification of a CGU does involve judgment. The Directors have reviewed the continuing applicability of the judgments made in the prior year in determining the CGUs within the Group and in allocating goodwill to these CGUs. Accordingly, the UK MSS (Accumuli) CGU has been incorporated into the Assurance CGU as its operations have been subsumed into the UK Assurance division following its acquisition.

INDIVIDUALLY SIGNIFICANT ITEMS (ISIs)

The Group categorises certain items as ISIs on the basis of management judgment. These judgments have regard to the Group's approach to materiality as set out on page 65 of the Audit Committee Report. Some items are deemed material because of scale, some because of their nature or frequency of occurrence, and others through a combination of both. These judgments can be significant not only in changing the Group's Adjusted [1] results (refer to note 3) but can also have a significant impact on senior management and executive reward which in some cases are linked to Adjusted [1] results as opposed to GAAP results (as set out in note 3).

To the extent that they relate to provisions for future costs or income this also involves a degree of judgment on the appropriate level of provision (such as in onerous property leases).

CAPITALISATION OF DEVELOPMENT COSTS

Development activities involve a plan or design for the production of new or substantially improved products or processes. Judgment is required in determining whether the project is technically and commercially feasible; judgment is required in assessing the future economic benefit. Such judgments are inherently subjective and can have a material impact on determining the viability of the project and ultimately whether the costs should be capitalised.

2.2 ESTIMATION UNCERTAINTIES

Information about estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying values of assets and liabilities within the next financial year are addressed below.

CARRYING VALUES OF INTANGIBLE ASSETS (INCLUDING GOODWILL, ACQUIRED INTANGIBLE ASSETS AND CAPITALISED SOFTWARE AND DEVELOPMENT COSTS)

The Group has significant balances relating to goodwill at 31 May 2019 as a result of acquisitions of businesses in previous years. The carrying value of goodwill at 31 May 2019 is £189.4m (2018: £187.2m). Goodwill balances are tested annually for impairment. Tests for impairment are primarily based on the calculation of a value in use for each CGU. Acquired intangibles and capitalised development and software costs are also allocated to CGUs. The carrying value of acquired intangible assets and capitalised software and development costs at 31 May 2019 is £41.8m (2018: £52.8m).

This involves the preparation of discounted cash flow projections, which require significant estimates of both future operating cash flows and an appropriate risk-adjusted discount rate.

The commercial viability of individually capitalised development project costs is also part of the overall assessment of carrying values.

Future cash flow estimates are made up of two critical estimates: the rate of revenue growth and the associated rate of cost growth (or, in other words, EBITDA [1] improvement, or contraction if costs grow at a different rate from revenue).

The calculation of an appropriate discount rate to apply to the future cash flow estimate is itself an estimate. While some aspects of discount rate calculations can be more mechanical in nature (such as using the 30-year gilt yield as a proxy for the risk-free rate) others, such as entity or sector-specific risk adjustments, rely more on management estimates. The discount rate is also a key component in assessing the Terminal Value which is often an important part of any valuation. Sensitivity analysis on what are regarded as reasonably possible changes is provided in note 13.

LOSS-MAKING CONTRACT

Some aspects of the Group's revenue derive from relatively long-term contracts. While this is in respect of a very limited number of contracts, the risk of loss on such long-term contracts could have a significant impact. On an annual basis, the Group performs a review of long-term contracts and where appropriate has recognised a provision for the remaining loss on these contracts. In such situations project managers use established methodologies to estimate the percentage completion of a project and hence the amount of revenue that should have been recognised to date. In some cases, long-term contract revenue is signed off by reference to meeting customer agreed milestones, in which case the degree of estimation can be lower. Furthermore, identifying whether or not an as yet incomplete contract will be loss-making over its life includes estimates of future costs to complete. This inevitably includes judgments on unknown contingencies, labour rates and future prices.

COMPANY

There are no critical accounting judgments or key sources of estimation uncertainty.

3 ALTERNATIVE PERFORMANCE MEASURES (APMs) AND ADJUSTING ITEMS

The consolidated Financial Statements include APMs as well as statutory measures. These APMs used by the Group are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, Generally Accepted Accounting Practice (GAAP) measures. All APMs relate to the current year results and comparative periods where provided.

1 See note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. See note 3 for a reconciliation to statutory information.

This presentation is also consistent with the way that financial performance is measured by management, reported to the Board, the basis of financial measures for senior management's compensation schemes and provides supplementary information that assists the user in understanding the financial performance, position and trends of the Group. At all times the Group aims to ensure that the Annual Report and Accounts give a fair, balanced and understandable view of the Group's performance, cash flows and financial position. IAS 1 'Presentation of Financial Statements', requires the separate presentation of items that are material in nature or scale in order to allow the user of the accounts to understand underlying business performance.

The APMs were the same as those that applied to the audited consolidated Financial Statements for the year ended 31 May 2018 and the unaudited interim Financial Statements for the period ended 30 November 2018. See below for reconciliation of adjusted information to statutory information and refer to the Glossary on pages 155 to 156 for comprehensive descriptions of all APMs, including their relevance in providing supplementary information that assists the user to understand better the financial performance, position and trends of the Group.

Performance is based on adjusted operating profit [2], defined as operating profit or loss before adjusting items, as presented to the CODM.

Adjusting items are:

- Individually Significant Items;
- Share-based payments;
- Amortisation of acquired intangibles;
- Profit on disposal of investment;
- Unwind on discount on acquisition consideration; and
- Historic R&D prior year tax credits.

RECONCILIATION OF ADJUSTED INFORMATION TO STATUTORY INFORMATION

The following table includes details of adjusting items and reconciles adjusted information to Statutory information for continuing operations:

Year ended 31 May 2019 – continuing operations	**Revenue £m**	**Gross profit £m**	**EBITDA £m**	**Depreciation and amortisation £m**	**Operating profit £m**	**Profit before taxation £m**	**Taxation £m**	**Profit from continuing operations £m**
Adjusted	**250.7**	**101.8**	**43.7**	**(10.0)**	**33.7**	**32.0**	**(6.5)**	**25.5**
Individually Significant Items (note 6)	**–**	**–**	**(3.6)**	**–**	**(3.6)**	**(3.6)**	**0.5**	**(3.1)**
Share-based payments (note 25)	**–**	**–**	**(1.7)**	**–**	**(1.7)**	**(1.7)**	**(0.1)**	**(1.8)**
Amortisation of acquired intangibles	**–**	**–**	**–**	**(9.0)**	**(9.0)**	**(9.0)**	**1.8**	**(7.2)**
Profit on disposal of investment (note 15)	**–**	**–**	**0.1**	**–**	**0.1**	**0.1**	**–**	**0.1**
Statutory	**250.7**	**101.8**	**38.5**	**(19.0)**	**19.5**	**17.8**	**(4.3)**	**13.5**

Year ended 31 May 2018 – continuing operations (restated [1])	Revenue £m	Gross profit £m	EBITDA £m	Depreciation and amortisation £m	Operating profit £m	Profit before taxation £m	Taxation £m	Profit from continuing operations £m
Adjusted	233.0	95.9	42.9	(12.1)	30.8	29.3	(6.6)	22.7
Individually Significant Items (note 6)	–	–	(7.6)	–	(7.6)	(7.6)	1.5	(6.1)
Share-based payments (note 25)	–	–	(0.3)	–	(0.3)	(0.3)	0.4	0.1
Amortisation of acquired intangibles	–	–	–	(9.4)	(9.4)	(9.4)	3.8	(5.6)
Unwind of discount on acquisition consideration (note 9)	–	–	–	–	–	(0.3)	–	(0.3)
R&D prior-year tax credits	–	–	–	–	–	–	1.4	1.4
Statutory	233.0	95.9	35.0	(21.5)	13.5	11.7	0.5	12.2

Amortisation of acquired intangibles represents amortisation of customer contracts and relationships arising from acquisitions as disclosed in note 13 to the consolidated Financial Statements.

R&D prior-year tax credits relate to a significant historic R&D tax claim in North America which was recognised in 2018.

During the year ended 31 May 2019, cash adjusting items were £nil (2018: £1.8m).

1 See note 1 for further details on the restatement of comparative information due to the retrospective application of IFRS 15.
2 See note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. See note 3 for a reconciliation to statutory information.

NET DEBT [2]

Net debt [2] is set out below:

	2019 £m	2018 £m
Cash and cash equivalents (note 23)	**34.9**	21.2
Borrowings (note 23)	**(55.1)**	(49.0)
Net debt [2]	**(20.2)**	(27.8)

CASH CONVERSION RATIO [2]

The calculation of the cash conversion ratio [2] is set out below:

Continuing and discontinued	2019 £m	2018 £m
Cash generated from operating activities before interest and taxation (A)	**47.9**	39.5
Adjusted EBITDA [2] (B)	**43.7**	43.8
Cash conversion ratio [2] (%) (A)/(B)	**109.6%**	90.2%

4 SEGMENTAL INFORMATION

The Group is organised into the following two (2018: two) reportable segments: Assurance and Escrow. The two reporting segments provide distinct types of service. Within each of the reporting segments the operating segments provide a homogeneous group of services. The operating segments are grouped into the reporting segments on the basis of how they are reported to the Chief Operating Decision-Maker (CODM) for the purposes of IFRS 8: 'Operating Segments', which is considered to be the Board of Directors of NCC Group plc. Operating segments are aggregated into the two reportable segments based on the types and delivery methods of services they provide, common management structures, and their relatively homogeneous commercial and strategic market environments. Performance is measured based on reporting segment profit, which comprises adjusted operating profit [2]. Interest and tax are not allocated to business segments and there are no intra-segment sales.

Segmental analysis 2019	**Assurance £m**	**Escrow £m**	**Central & Head Office £m**	**Group £m**
Revenue	**212.7**	**38.0**	**–**	**250.7**
Cost of sales	**(139.2)**	**(9.7)**	**–**	**(148.9)**
Gross profit	**73.5**	**28.3**	**–**	**101.8**
Gross margin %	**34.6%**	**74.5%**	**–**	**40.6%**
General administration expenses allocated [2]	**(50.9)**	**(9.3)**	**(7.9)**	**(68.1)**
Adjusted operating profit [2]	**22.6**	**19.0**	**(7.9)**	**33.7**
Adjusting items [2]				**(14.2)**
Operating profit				**19.5**

Segmental analysis 2018 (Restated [1])	Assurance £m	Escrow £m	Central & Head Office £m	Group £m
Revenue	193.9	39.1	–	233.0
Cost of sales	(127.9)	(9.2)	–	(137.1)
Gross profit	66.0	29.9	–	95.9
Gross margin %	34.0%	76.5%	–	41.2%
General administration expenses allocated [2]	(49.5)	(8.0)	(7.6)	(65.1)
Adjusted operating profit [2]	16.5	21.9	(7.6)	30.8
Adjusting items [2]				(17.3)
Operating profit				13.5

1 See note 1 for further details on the restatement of comparative information due to the retrospective application of IFRS 15.
2 See note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. See note 3 for a reconciliation to statutory information.

Revenue is disaggregated by primary geographical market, by category and timing of revenue recognition as follows:

	2019 £m	2018 (Restated [1]) £m
Revenue by originating country		
UK	**114.9**	117.7
North America	**83.8**	68.7
Europe and RoW	**52.0**	46.6
Total revenue from continuing operations	**250.7**	233.0
Revenue from discontinued operations	**–**	21.5
Total revenue	**250.7**	254.5

	2019 £m	2018 (Restated [1]) £m
Revenue by category		
Services	**244.5**	223.7
Products	**6.2**	9.3
Total revenue from continuing operations	**250.7**	233.0
Timing of revenue recognition		
Services and products transferred over time	**63.1**	58.8
Services and products transferred at a point in time	**187.6**	174.2
Total	**250.7**	233.0

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

5 DISCONTINUED OPERATIONS

In the prior financial year, the Group sold Web Performance and Software Testing, both part of the Assurance division but not aligned to the core cyber security activities of the division. The tables below provide an analysis of these discontinued operations.

Loss of discontinued operations	2019 £m	2018 £m
Revenue	**–**	21.5
Cost of sales	**–**	(17.2)
Gross profit	**–**	4.3
General administrative expenses	**–**	(3.6)
Share-based payments	**–**	0.1
Operating profit	**–**	0.8
Loss of discontinued operations		
Loss on sale of discontinued operations before tax	**–**	(6.4)
Loss on discontinued operations before tax	**–**	(5.6)
Taxation	**–**	0.1
Loss on discontinued operations after tax	**–**	(5.5)

Effect of discontinued operations on assets and liabilities	2019 £m	2018 £m
Intangible assets	**–**	6.2
Plant and equipment	**–**	0.5
Trade and other receivables	**–**	4.5
Cash and cash equivalents	**–**	0.7
Trade and other payables	**–**	(5.8)
Net assets	**–**	6.1

1 See note 1 for further details on the restatement of comparative information due to the retrospective application of IFRS 15.

Summary of loss on disposal of subsidiary	2019 £m	2018 £m
Consideration received or receivable:		
Cash consideration	–	11.3
Carrying amount of net assets disposed of	–	(6.1)
Elimination of goodwill	–	(10.2)
Professional fees and other costs	–	(1.4)
Loss on disposal before taxation	–	(6.4)
Taxation	–	–
Loss on disposal after taxation	–	(6.4)

6 INDIVIDUALLY SIGNIFICANT ITEMS [1]

The Group separately identifies items as Individually Significant Items. Each of these is considered by the Directors to be sufficiently unusual in terms of nature or scale so as not to form part of the underlying performance of the business. They are therefore separately identified and excluded from adjusted results (as explained in note 3).

Individually Significant Items (ISIs)	2019 £m	2018 £m
SGT – legacy systems accelerated amortisation (net of R&D tax credit)	(3.8)	–
Loss-making contract	–	(2.5)
Revisions to deferred and contingent consideration (note 24)	0.8	(0.6)
Restructuring costs	–	(1.6)
Onerous leases and other property-related costs	(0.6)	(2.7)
Market-related costs	–	(0.2)
Total ISIs – continuing operations	(3.6)	(7.6)

SGT – LEGACY SYSTEMS ACCELERATED AMORTISATION

As part of the transformation projects underway across the Group, the Group has accelerated amortisation on legacy systems in advance of new systems coming into effect. The charge is a large, one-off transaction which will not be repeated in coming years, and therefore, was deemed to be an ISI. The charge is net of an R&D tax credit.

LOSS-MAKING CONTRACT

In the prior year, a loss-making contract was identified by management, whereby it was considered that significant additional effort would be required to satisfy the contractual commitments that has led the contract to be loss-making over its lifetime. The Group has a very small number of long-term contracts and hence this is a very unusual occurrence for the Group. It was therefore deemed, both in terms of its unusual nature and size, that it should be treated as an ISI.

REVISIONS TO DEFERRED AND CONTINGENT CONSIDERATION

The revisions to deferred and contingent consideration represent changes to amounts payable by the Group on the purchase of overseas subsidiaries, as well as foreign exchange differences on that consideration. Due to the size of the movement and that there was no connection to the underlying performance of the business, this has been treated as an ISI.

RESTRUCTURING COSTS

Restructuring costs arose due to a prior-year Strategic Review and hence are treated as an ISI given the one-off nature of the Strategic Review and the level of the costs incurred.

ONEROUS LEASES AND OTHER PROPERTY-RELATED COSTS

Following a review of the UK property portfolio and capacity requirements, management has identified three onerous property leases. The amount provided for represents the forecasted discounted net cash flows.

In the prior year, onerous property leases arose on a vacant property and an unused floor in the Manchester head office. In the current year, the Directors have decided to vacate another floor in the head office. In addition, in the prior year, costs included dual running costs of the Manchester head office, prior to occupancy.

These costs are treated as an ISI because they arise in connection with unoccupied properties and this is not considered to be part of the underlying performance of the business.

1 See note 1 for further details on the restatement of comparative information due to the retrospective application of IFRS 15.

MARKET-RELATED COSTS

Market-related costs in the prior year were in respect of the shareholder circular and exercise to remediate a number of invalid dividends. This exercise completed successfully at the September EGM. The correction of invalid dividends being paid in the prior year by means of a shareholder circular is a highly unusual occurrence and hence while small in scale was deemed not to form part of the underlying business performance.

7 EXPENSES AND AUDITORS' REMUNERATION

Continuing activities	2019 £m	2018 £m
Profit before taxation is stated after charging/(crediting):		
Amounts receivable by auditors and their associates in respect of:		
Audit of these financial statements	**0.2**	0.2
Audit of financial statements of subsidiaries pursuant to legislation	**0.1**	0.1
Total audit [1]	**0.3**	0.3
Depreciation of property, plant and equipment (note 14)	**5.6**	6.5
Amortisation of development costs (note 13)	**1.7**	2.7
Amortisation of software costs (note 13)	**2.7**	2.9
Amortisation of acquired intangibles (note 13)	**9.0**	9.4
Accelerated amortisation of software costs (included within ISIs) (note 13)	**4.3**	–
R&D tax credit relating to accelerated amortisation of software costs (included within ISIs)	**(0.5)**	–
Cost of inventories recognised as an expense	**0.6**	1.1
Foreign exchange losses	**0.2**	0.6
Operating lease rentals charged:		
– Hire of property, plant and equipment	**6.2**	5.8
Research and development expenditure	**0.4**	0.5
Profit on disposal of investment (note 15)	**(0.1)**	–
Loss on disposal of plant and equipment	**–**	0.1

1 The only non-audit service provided by the auditors was the half-year review for which the fee was £17,500 (2018: £17,500).

8 STAFF NUMBERS AND COSTS

Directors' emoluments are disclosed in the Remuneration Committee report. Total aggregate emoluments of the Directors in respect of 2019 were £1.6m (2018: £1.2m). Employer contributions to pensions for Executive Directors for qualifying periods were nil (2018: nil). The aggregate net value of share awards granted to the Directors in the period was £0.7m (2018: £0.3m). 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, no share options were exercised by Directors (2018: nil).

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

	Number of employees	
	2019	2018
Operational	**1,380**	1,361
Administration	**343**	274
Total	**1,723**	1,635

The aggregate payroll costs of these persons were as follows:

	2019 £m	2018 £m
Wages and salaries	**133.2**	127.2
Share-based payments (note 25)	**1.7**	0.3
Social security costs	**13.0**	13.3
Other pension costs (note 30)	**6.6**	5.7
Total payroll costs	**154.5**	146.5

9 NET FINANCING COSTS

	2019 £m	2018 £m
Interest payable on bank loans and overdrafts	**1.7**	1.5
Unwinding discount on deferred and contingent consideration	**–**	0.3
Net financing costs	**1.7**	1.8

The unwinding of discount on deferred and contingent consideration payable relates to future payments for the historical acquisitions of subsidiary companies where the future payments have been discounted to their present value.

10 TAXATION

RECOGNISED IN THE INCOME STATEMENT

	2019 £m	2018 £m
Current tax expense		
Current year	**2.1**	2.4
Adjustment to tax expense in respect of prior periods	**1.3**	(0.6)
Impact of prior-year US R&D tax credits	**(0.5)**	(0.2)
Foreign tax	**2.3**	1.8
Total current tax	**5.2**	3.4
Deferred tax expense		
Origination and reversal of temporary differences	**0.3**	(2.1)
Movement in tax rate	**0.1**	(0.6)
Recognition of previously unrecognised deductible timing differences	**–**	1.3
Impact of prior-year US R&D tax credits	**(0.7)**	(2.3)
Adjustment to tax expense in respect of prior periods	**(0.6)**	(0.2)
Total deferred tax	**(0.9)**	(3.9)
Tax expense/(credit) on continuing operations	**4.3**	(0.5)

RECONCILIATION OF EFFECTIVE TAX RATE

	2019 £m	2018 £m
Profit before taxation	**17.8**	11.7
Current tax using the UK corporation tax rate of 19% (2018: 19%)	**3.4**	2.2
Effects of:		
Items not taxable for tax purposes	**0.6**	0.1
Adjustment to tax charge in respect of prior periods	**0.7**	0.4
Impact of prior-year US R&D tax credits	**(1.2)**	(2.5)
Differences between overseas tax rates	**1.3**	1.4
Movements in temporary differences not recognised	**(0.6)**	(1.5)
Movement in tax rate	**0.1**	(0.6)
Total tax expense/(credit) on continuing operations	**4.3**	(0.5)

Current and deferred tax recognised directly in equity was a credit of £0.1m (2018: credit of £0.2m). The UK Government enacted Finance Act 2016 in September 2016 including provisions to reduce the main rate of corporation tax to 17% with effect from 1 April 2020. Accordingly, the UK deferred tax balances have been revalued in these accounts where relevant.

The United States Tax Cuts and Jobs Act was enacted on 22 December 2017 and included several provisions that impact NCC Group, notably a reduction in the US federal rate of corporate income tax from 35% to 21% (effective 1 January 2018).

TAX UNCERTAINTIES

The tax expense/(credit) reported for the current year and prior year are affected by certain positions taken by management where there may be uncertainty over future benefit. The most significant source of uncertainty arises from US R&D tax credits relating to historical periods with £2.3m of credits utilised in 2019 (2018: £1.3m). Uncertainty arises as a result of a degree of subjectivity with such claims and because the statute of limitations has not expired.

11 DIVIDENDS

	2019 £m	2018 £m
Dividends paid and recognised in the year	**12.9**	12.8
Dividends per share paid and recognised in the year	**4.65p**	4.65p
Dividends per share proposed but not recognised in the year	**3.15p**	3.15p

The proposed final dividend for the year ended 31 May 2019 of 3.15p per ordinary share on approximately 277.8m ordinary shares (approximately £8.8m) was approved by the Board on 24 July 2019 and will be recommended to shareholders at the AGM on 25 September 2019. The dividend has not been included as a liability as at 31 May 2019. The payment of this dividend will not have any tax consequences for the Group.

12 EARNINGS PER ORDINARY SHARE (EPS)

Earnings per ordinary share are shown on a Statutory and an Adjusted [2] basis to assist in the understanding of the performance of the Group.

	2019 £m	2018 (restated [1]) £m
Statutory earnings - continuing operations	**13.5**	12.2
Statutory earnings - all operations	**13.5**	6.7
Adjusted [2] profit from continuing operations (note 3)	**25.5**	22.7

	Number of shares m	Number of shares m
Basic weighted average number of shares in issue	**277.8**	277.0
Dilutive effect of share options	**1.5**	2.3
Diluted weighted average shares in issue	**279.3**	279.3

For the purposes of calculating the dilutive effect of share options, the average market value is based on quoted market prices for the period during which the options are outstanding.

	2019 pence	2018 (restated [1]) pence
Basic earnings per ordinary share		
Statutory - continuing operations	**4.9**	4.4
Statutory - all operations	**4.9**	2.4
Adjusted [2]	**9.2**	8.2

	2019 pence	2018 (restated [1]) pence
Diluted earnings per ordinary share		
Statutory - continuing operations	**4.8**	4.4
Statutory - all operations	**4.8**	2.4
Adjusted [2]	**9.1**	8.1

1 See note 1 for further details on the restatement of comparative information due to the retrospective application of IFRS 15.
2 See note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. See note 3 for a reconciliation to statutory information.

13 GOODWILL AND OTHER INTANGIBLE ASSETS

GROUP

		Other intangible assets			
	Goodwill £m	Software £m	Development costs £m	Customer contracts and relationships £m	Total £m
Cost:					
At 1 June 2017	264.9	20.2	19.3	87.0	391.4
Additions – internally developed	–	2.5	2.5	–	5.0
Disposal of subsidiaries	(9.8)	(3.0)	(10.9)	0.1	(23.6)
Effects of movements in exchange rates	(1.7)	–	–	(0.5)	(2.2)
At 31 May 2018	**253.4**	**19.7**	**10.9**	**86.6**	**370.6**
Additions – internally developed	**–**	**4.6**	**1.8**	**–**	**6.4**
Effects of movements in exchange rates	**2.2**	**–**	**–**	**0.5**	**2.7**
At 31 May 2019	**255.6**	**24.3**	**12.7**	**87.1**	**379.7**
Accumulated amortisation and impairment losses:					
At 1 June 2017	(66.2)	(11.2)	(9.1)	(37.3)	(123.8)
Charge for year	–	(2.9)	(2.7)	(9.4)	(15.0)
Disposals of subsidiaries	–	2.1	6.0	(0.1)	8.0
Effects of movements in exchange rates	–	–	–	0.2	0.2
At 31 May 2018	**(66.2)**	**(12.0)**	**(5.8)**	**(46.6)**	**(130.6)**
Charge for year [1]	**–**	**(7.0)**	**(1.7)**	**(9.0)**	**(17.7)**
Effects of movements in exchange rates	**–**	**–**	**–**	**(0.2)**	**(0.2)**
At 31 May 2019	**(66.2)**	**(19.0)**	**(7.5)**	**(55.8)**	**(148.5)**
Net book value:					
At 31 May 2018	187.2	7.7	5.1	40.0	240.0
At 31 May 2019	**189.4**	**5.3**	**5.2**	**31.3**	**231.2**

1 Charge for the year includes accelerated amortisation of £4.3m (included within ISIs).

CASH GENERATING UNITS (CGUs)

Goodwill and intangible assets are allocated to CGUs in order to be assessed for potential impairment. CGUs are defined by accounting standards as the lowest level of asset groupings that generate separately identifiable cash inflows that are not dependent on other CGUs. The Directors have reviewed the continuing applicability of the judgments made in the prior year in determining the CGUs within the Group and in allocating goodwill to these CGUs. Accordingly, the UK MSS (Accumuli) CGU amounting to £14.1m has been incorporated into the UK Assurance CGU as its operations have been subsumed into the UK Assurance division following its acquisition. Comparatives have therefore been re-presented to allocate the carrying value of goodwill to the respective CGU. The assessment of CGUs is a key accounting judgment as set out in note 3 of the consolidated Financial Statements.

The CGUs and the allocation of goodwill to those CGUs is shown below:

Cash generating units	**Goodwill 2019 £m**	Goodwill 2018 (re-presented) £m
UK	**22.9**	22.9
North America	**8.4**	8.0
Europe and RoW	**7.3**	7.4
Total Escrow	**38.6**	38.3
UK: professional services	**47.1**	47.1
North America: professional services	**28.2**	27.0
North America: Payment Software Company Inc	**10.0**	9.5
North America: Virtual Security Research LLC	**2.4**	2.2
Europe and RoW: Fox-IT	**63.1**	63.1
Total Assurance	**150.8**	148.9
Total Group	**189.4**	187.2

IMPAIRMENT REVIEW

Goodwill is tested for impairment annually at the level of the CGU to which it is allocated. In each of the tests carried out during 2019, the recoverable amount of the CGUs concerned was measured on a value-in-use basis (VIU). VIU represents the present value of the future cash flows that are expected to be generated by the CGU to which the goodwill is allocated.

Capitalised development and software costs are included in the CGU asset bases when performing the impairment review. Capitalised development projects and software intangible assets are also considered, on an asset-by-asset basis, for impairment where there are indicators of impairment. During the year, management carried out a detailed review of the capitalised product portfolio and, based on cash flow projections for the respective projects, concluded that no impairment was required.

VIU calculations are an area of material management estimation as set out in note 3 to the consolidated Financial Statements. These calculations require the use of estimates, specifically: pre-tax cash flow projections; long-term growth rates; and a pre-tax discount rate. Further detail in relation to these key assumptions used in the Group's goodwill annual impairment review are as follows:

PRE-TAX CASH FLOW PROJECTIONS

Pre-tax cash flow projections are based on the Group's budget for the forthcoming financial year and long-term three-year strategic plans, which have both been approved by the Board.

Assumptions have then been applied for expected revenue, margin growth, overheads and EBITDA [1] for the subsequent five years from the end of 2023 and 2024. EBITDA [1] is considered a proxy for operating cash flow before changes in working capital. Pre-tax cash flow projections also include assumptions on working capital and capital expenditure requirements for each CGU.

These assumptions are based on management's experience of growth and knowledge of the industry sectors, markets and the Group's internal opportunities for growth and margin enhancement. The projections beyond five years into perpetuity use an estimated long-term growth rate.

Forecast working capital and capital expenditure included within the pre-tax cash flow projections are based on management's expectations of future expenditure required to support the Group and current run rate requirements.

The EBITDA [1] margin % growth rate represents the average growth over five years and is considered a critical estimate by management. The table below summarises the EBITDA [1] margin % growth for each CGU:

	EBITDA Margin % Growth 2019	EBITDA Margin % Growth 2018
Escrow UK	**(4.9%)**	(0.2%)
Escrow North America	**1.6%**	3.5%
Escrow Europe and RoW	**2.1%**	(5.9%)
Assurance UK: professional services	**0.6%**	6.3%
Assurance North America: professional services	**4.2%**	3.3%
Assurance North America: Payment Software Company Inc	**(4.0%)**	2.6%
Assurance North America: Virtual Security Research LLC	**(5.5%)**	(6.6%)
Assurance Europe and RoW: Fox-IT	**10.0%**	12.8%

The EBITDA [1] margin % growth for Fox-IT is considered by management to be appropriate for the specific industry to which the CGU operates, albeit above the long-term average growth rate of the country. Management believes this specific growth rate is more appropriate, as the CGU operates in a high-growth industry.

LONG-TERM GROWTH RATES

To forecast growth beyond the detailed cash flows into perpetuity, a long-term average growth rate of 1.7% (2018: 2.5%) has been used for EBITDA [1]. This represents management's best estimate of a long-term annual growth rate aligned to an assessment of long-term GDP growth rates. A higher sector-specific growth rate would be a valid alternative estimate. A different set of assumptions may be more appropriate in future years dependent on changes in the macroeconomic environment. These rates are not greater than the published International Monetary Fund average growth rates in gross domestic product for the next five-year period in each relevant territory in which the CGUs operate.

1 See note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. See note 3 for a reconciliation to statutory information.

PRE-TAX DISCOUNT RATES

Discount rates can change relatively quickly for reasons both inside and outside of management's control. Those outside management direct control or influence include changes in the Group's Beta, changes in risk-free rates of return and changes in Equity Risk Premia. In context, the estimated changes in risk-free rates and the Group's Beta from last year to this have reduced all of the CGU discount rates by approximately 2.5% (2018: reduction 0.5%) except for the discount rate in relation to Fox-IT that has reduced due to specific risk factors.

The discount rates are determined using a capital asset pricing model and reflect current market interest rates, relevant equity and size risk premiums and the risks specific to the CGU concerned. On this basis, specific discount rates are used for each CGU in the VIU calculation and the rates reflect management's assessment on the level of relative risk in each respective CGU. The table below summarises the pre-tax discount rates used for each CGU:

	Pre-tax discount rate 2019	Pre-tax discount rate 2018
Escrow UK	**9.4%**	12.1%
Escrow North America	**10.6%**	13.4%
Escrow Europe and RoW	**9.2%**	12.3%
Assurance UK: professional services	**9.6%**	11.9%
Assurance North America: professional services	**10.6%**	13.4%
Assurance North America: Payment Software Company Inc	**12.0%**	13.4%
Assurance North America: Virtual Security Research LLC	**11.9%**	13.4%
Assurance Europe and RoW: Fox-IT	**13.9%**	14.3%

SENSITIVITY ANALYSIS

Sensitivity analysis has been performed in respect of certain scenarios where management considers a reasonably possible change in key assumptions could occur. A reasonably possible change in key assumptions could occur as follows:

- EBITDA [1] (as a proxy for operating cash flow before changes in working capital) is the primary cash flow driver, and a key contributor to VIU. EBITDA [1] growth assumptions were sensitised by a 10% annual fall to perpetuity, as this is considered by management as a reasonably possible change due to the estimation uncertainty relating to cost reduction and revenue growth assumptions.
- The discount rate for each CGU: both factors inside and outside of management's control impact the discount rate and 1% is considered a reasonably possible change in assumption due to changing market conditions.

The outcome of this analysis indicated that there is headroom in most CGUs except, as in the prior year, for Fox-IT where a reasonably possible change in the key assumptions would cause the carrying value of the CGUs to fall below the recoverable amount as follows:

	Fox-IT
Carrying value of assets (goodwill, development and software costs)	**£78.1m**
Total VIU	**£87.0m**
Surplus over carrying value of assets	**£8.9m**
Assumptions used in the VIU calculation:	
EBITDA [1] margin (average)	**25.8%**
Change required in EBITDA [1] value for VIU to fall below the carrying amount	**7.0%**
Pre-tax discount rate	**13.9%**
Change required in the discount rate for VIU to fall below the carrying amount	**0.9%**

COMPANY

The goodwill of £14.4m (2018: £14.4m) represents a transfer from investments of the value attributable to the continuing Assurance business, assets and liabilities of RandomStorm Limited, which was hived up to a fellow NCC Group subsidiary company, NCC Group Security Services Limited, in June 2016.

1 See note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. See note 3 for a reconciliation to statutory information.

14 PROPERTY, PLANT AND EQUIPMENT

	Computer equipment £m	Plant and equipment £m	Fixtures and fittings £m	Motor vehicles £m	Total £m
Cost:					
At 1 June 2017	23.8	0.1	19.6	0.4	43.9
Additions	2.3	0.1	5.3	–	7.7
Disposals	(8.8)	–	(4.3)	–	(13.1)
Movement in foreign exchange rates	–	–	(0.2)	–	(0.2)
At 31 May 2018	**17.3**	**0.2**	**20.4**	**0.4**	**38.3**
Additions	**2.7**	**0.1**	**0.3**	**–**	**3.1**
Disposals	**(0.4)**	**–**	**(0.2)**	**(0.2)**	**(0.8)**
Movement in foreign exchange rates	**–**	**–**	**0.3**	**–**	**0.3**
At 31 May 2019	**19.6**	**0.3**	**20.8**	**0.2**	**40.9**
Depreciation:					
At 1 June 2017	(16.9)	–	(8.5)	(0.1)	(25.5)
Charge for year	(3.9)	(0.2)	(2.3)	(0.1)	(6.5)
Disposals	8.0	–	4.3	–	12.3
Movement in foreign exchange rates	1.2	–	(0.4)	–	0.8
At 31 May 2018	**(11.6)**	**(0.2)**	**(6.9)**	**(0.2)**	**(18.9)**
Charge for year	**(3.3)**	**(0.1)**	**(2.2)**	**–**	**(5.6)**
Disposals	**0.3**	**–**	**0.2**	**0.1**	**0.6**
Movement in foreign exchange rates	**–**	**–**	**(0.1)**	**–**	**(0.1)**
At 31 May 2019	**(14.6)**	**(0.3)**	**(9.0)**	**(0.1)**	**(24.0)**
Net book value:					
At 31 May 2018	5.7	–	13.5	0.2	19.4
At 31 May 2019	**5.0**	**–**	**11.8**	**0.1**	**16.9**

15 INVESTMENTS

	Group 2019 £m	Group 2018 £m
Interest in unlisted shares	**0.3**	0.4

The investment in unlisted shares relates to a 3.35% ordinary shareholding in an unlisted company acquired as part of the Accumuli acquisition. The investment's carrying value at acquisition date was considered appropriate to use as the fair value. The Directors consider there has been no change in the year.

During the year, the Group disposed of Tracks Inspector B.V, a 35% shareholding for £0.2m, giving rise to a profit on disposal of £0.1m. Tracks Inspector B.V, was not equity accounted as the Group did not have significant influence or control over the entity.

16 INVENTORY

	Group 2019 £m	Group 2018 £m
Goods for resale	**0.7**	0.8

The Group holds stock of certain critical components for key customers in relation to our own product sales (as opposed to third party products). The carrying value of inventory is expected to be recovered or settled within one year.

17 TRADE AND OTHER RECEIVABLES

Current	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Trade receivables	36.7	40.8	–	–
Prepayments	8.4	7.2	–	–
Contract costs	1.2	–	–	–
Other receivables	0.6	0.9	–	–
Contract assets - accrued income	14.7	17.1	–	–
Amounts owed by Group undertakings	–	–	141.4	153.8
Total	**61.6**	66.0	**141.4**	153.8

Contract costs represent costs relating to future performance obligations and benefits to the customer.

Accrued income represents the Group's rights to consideration for work completed but not billed at the reporting date. Remaining balances are transferred to receivables when the rights become unconditional. No credit losses have been recognised or any changes in performance obligations assessments during 2018 and 2019.

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

GROUP

	Gross 2019 £m	Expected credit losses 2019 £m	Net 2019 £m	Gross 2018 £m	Expected credit losses 2018 (restated [1]) £m	Net 2018 £m
Not past due	25.5	(0.2)	25.3	25.1	(0.1)	25.0
Past due 0–30 days	7.1	(0.1)	7.0	6.8	–	6.8
Past due 31–90 days	3.2	(0.1)	3.1	8.0	(0.1)	7.9
Past due more than 90 days	2.7	(1.4)	1.3	2.3	(1.2)	1.1
Total	**38.5**	**(1.8)**	**36.7**	42.2	(1.4)	40.8

The Company had no trade receivables (2018: £nil).

The movement in the expected credit losses of trade receivables is as follows:

	Group 2019 £m	Group 2018 £m
Balance at 1 June	(1.4)	(0.7)
Charged to the Income Statement	(0.4)	(0.7)
Balance at 31 May	**(1.8)**	(1.4)

1 See note 1 for further details on the restatement of comparative information due to the retrospective application of IFRS 15.

18 DEFERRED TAX ASSETS AND LIABILITIES (GROUP)

Deferred tax assets and liabilities on the consolidated statement of financial position are offset in accordance with IAS 12. A summary of this, offset with significant jurisdictions, is shown below:

	2019				
Assets/(liabilities)	**UK £m**	**US £m**	**Netherlands £m**	**Denmark £m**	**Total £m**
Plant and equipment	**0.4**	**(0.4)**	**0.4**	**–**	**0.4**
Short-term temporary differences	**0.1**	**4.4**	**–**	**–**	**4.5**
Intangible assets	**(1.9)**	**(3.4)**	**(4.9)**	**–**	**(10.2)**
Share-based payments	**0.4**	**0.2**	**–**	**–**	**0.6**
Tax losses	**–**	**–**	**0.1**	**0.3**	**0.4**
Deferred tax asset/(liability)	**(1.0)**	**0.8**	**(4.4)**	**0.3**	**(4.3)**
Analysed as follows:					
Non-current assets	**–**	**0.8**	**–**	**0.3**	**1.1**
Non-current liabilities	**(1.0)**	**–**	**(4.4)**	**–**	**(5.4)**

	2018				
Assets/(liabilities)	UK £m	US £m	Netherlands £m	Denmark £m	Total £m
Plant and equipment	(0.1)	(0.4)	–	–	(0.5)
Short-term temporary differences	0.3	4.2	(1.1)	(0.1)	3.3
Intangible assets	(2.5)	(2.4)	(4.4)	–	(9.3)
Share-based payments	0.5	–	–	–	0.5
Tax losses	0.4	–	–	0.3	0.7
Deferred tax asset/(liability)	(1.4)	1.4	(5.5)	0.2	(5.3)
Analysed as follows:					
Non-current assets	1.2	4.2	(1.1)	0.2	4.5
Non-current liabilities	(2.6)	(2.8)	(4.4)	–	(9.8)

Movement in deferred tax during the year:

	1 June 2018 £m	Recognised in income £m	Exchange differences £m	Recognised in equity £m	Disposals £m	**31 May 2019 £m**
Plant and equipment	(0.5)	0.9	–	–	–	**0.4**
Short-term temporary differences	3.3	1.2	–	–	–	**4.5**
Intangible assets	(9.3)	(0.9)	–	–	–	**(10.2)**
Share-based payments	0.5	–	–	0.1	–	**0.6**
Tax losses	0.7	(0.3)	–	–	–	**0.4**
Total	(5.3)	0.9	–	0.1	–	**(4.3)**

	1 June 2017 £m	Recognised in income £m	Exchange differences £m	Recognised in equity £m	Disposals £m	31 May 2018 £m
Plant and equipment	(1.9)	1.5	–	–	(0.1)	(0.5)
Short-term temporary differences	1.4	1.9	–	–	–	3.3
Intangible assets	(12.3)	2.3	(0.1)	–	0.8	(9.3)
Share-based payments	0.3	0.1	–	0.2	(0.1)	0.5
Tax losses	2.5	(1.8)	–	–	–	0.7
Total	(10.0)	4.0	(0.1)	0.2	0.6	(5.3)

The Group has recognised a deferred tax asset of £0.4m (2018: £0.7m) on tax losses as management considers it probable that future taxable profits will be available against which it can be utilised. The Group has not recognised a deferred tax asset on £11.0m (2018: £10.4m) of tax losses carried forward in North America (£8.6m), Australia (£2.2m) and Singapore (£0.2m) due to current uncertainties over their future recoverability. The Group has recognised a deferred tax asset in respect of R&D tax claims submitted in North America that are expected to be fully utilised within one year.

Included in recognised and unrecognised tax losses are losses of £nil that will expire in 2034 (2018: £0.5m). Other losses may be carried forward indefinitely.

No deferred tax liability is recognised on temporary differences of £0.1m (2018: £nil) 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.

19 TRADE AND OTHER PAYABLES

	Group 2019 £m	Group 2018 £m	**Company 2019 £m**	Company 2018 £m
Trade payables	**7.8**	8.1	**–**	–
Non-trade payables	**5.4**	7.4	**–**	–
Accruals	**18.4**	20.2	**–**	–
Total	**31.6**	35.7	**–**	–

20 PROVISIONS

	Lease incentives £m	Loss-making contract £m	Onerous leases £m	Total £m
Balance as at 1 June 2017	5.0	–	–	5.0
Provisions arising in the year	1.7	2.6	2.4	6.7
Provisions utilised in the year	(0.8)	(1.6)	(0.4)	(2.8)
Balance as at 31 May 2018 and 1 June 2018	5.9	1.0	2.0	8.9
Provisions (released)/created in the year	**(1.8)**	**–**	**2.7**	**0.9**
Provisions utilised during the year	**–**	**(1.0)**	**(0.6)**	**(1.6)**
Balance as at 31 May 2019	**4.1**	**–**	**4.1**	**8.2**
Analysed as follows:				
Non-current	**3.7**	**–**	**1.8**	**5.5**
Current	**0.4**	**–**	**2.3**	**2.7**
Analysed as follows:				
Non-current	5.5	(1.0)	1.8	6.3
Current	0.4	2.0	0.2	2.6

Lease incentives provision of £4.1m represents capital contributions of £2.1m towards fit-out costs on the new Manchester head office building and a rent-free allowance of £2.0m which are being amortised over the period of the lease.

The loss-making contract represents the estimated remaining net lifetime loss on a long-term development and supply contract. This is explained in more detail in note 2. During the year, costs have been incurred to fulfil the contract; these costs are included within other receivables. The contract is expected to be completed in 2021.

In the previous year, onerous lease provisions arose due to vacant premises in Reading (£0.4m) and an unused floor in the Manchester head office building (£1.6m). In the current year, the Directors have decided to vacate another floor in the Manchester head office building (£2.6m). The Directors intend to dispose of the obligations of the Manchester properties under onerous leases during the next two years, and the Reading property within the coming year. A 1% change in the discount rate of the cash outflows does not lead to a material increase in the provision.

21 DEFERRED REVENUE

Deferred revenue represents advanced consideration received from customers, for which revenue is recognised over time. Deferred revenue is analysed as follows:

	Group 2019 £m	Group 2018 (restated [1]) £m
Assurance	**25.1**	14.8
Escrow	**11.1**	15.8
Total	**36.2**	30.6

The above deferred revenue will be allocated to the remaining performance obligations for the year ending as follows:

	2019				2018			
	2020 £m	**2021 £m**	**2022 £m**	**Total £m**	2019 £m	2020 £m	2021 £m	Total £m
Assurance	**24.3**	**0.8**	**–**	**25.1**	14.0	0.7	0.1	14.8
Escrow	**11.0**	**0.1**	**–**	**11.1**	15.8	–	–	15.8
Total	**35.3**	**0.9**	**–**	**36.2**	29.8	0.7	0.1	30.6

22 OUTSTANDING CONSIDERATION ON ACQUISITIONS AND DISPOSALS

ACQUISITIONS

Consideration paid during the year related to the acquisition of Fox-IT, Payment Software Company Inc and Virtual Security Research LLC and amounted to £10.9m (2018: £3.1m).

	2019			2018		
	Deferred £m	**Contingent £m (note 24)**	**Total £m**	Deferred £m	Contingent £m (note 24)	Total £m
Current	**–**	**–**	**–**	9.9	2.0	11.9
Non-current	**–**	**–**	**–**	–	–	–
Total	**–**	**–**	**–**	9.9	2.0	11.9

DISPOSALS

During the year, deferred consideration was received of £1.6m against a 2018 receivable of £1.5m in relation to the disposal of Open Registry S. A, Intellectual Property S.A (C.H.I.P.), Nexperteam CVBA and Sensirius CVBA.

1 See note 1 for further details on the restatement of comparative information due to the retrospective application of IFRS 15.

23 CASH AND CASH EQUIVALENTS AND BORROWINGS

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Cash at bank and in hand	**34.9**	21.2	**0.2**	0.1

Borrowings are analysed as follows:

	Maturity	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Current liabilities					
Secured and interest-bearing bank loan	**2020**	**5.0**	–	**–**	–
Non-current liabilities					
Revolving credit facility	**2020**	**23.5**	10.5	**–**	–
Secured and interest-bearing bank loan	**2020**	**26.6**	38.5	**–**	–
Total borrowings		**55.1**	49.0	**–**	–

The maturity profile is as follows:

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Less than one year	**5.0**	–	**–**	–
1-2 years	**50.1**	5.0	**–**	–
2-3 years	**–**	44.0	**–**	–
Total borrowings	**55.1**	49.0	**–**	–

As at 31 May 2019, the Group had a funding facility comprising a multi-currency revolving credit facility of £80m (2018: £80m), a £20m multi-currency term loan (2018: £20m) and an additional overdraft of £5m (2018: £5m). The term loan amortises at a rate of £2.5m every six months. The interest payable on drawn-down funds ranges from 0.9% to 2.0% above LIBOR subject to the Group's net debt [1] and interest to EBITDA [1] ratios.

As at 31 May 2019, the Group had committed bank facilities of £97.8m (2018: £102.7m), of which £55.1m (2018: £49.0m) had been drawn under these facilities, leaving £42.7m (2018: £53.7m) of undrawn facilities. These existing arrangements were agreed in November 2015 and were due for renewal in November 2020.

On 10 June 2019, the Group renegotiated its existing term loan and multi-currency revolving credit facilities into a new fully revolving credit facility of £100m with a new five-year term up to June 2024 on similar terms (pricing and covenants). Under the new arrangements, the Group can request an additional accordion facility to increase the total size of the revolving credit facility by up to £75m (previously £50m). In addition, the Group has retained its existing overdraft of £5m. Arrangement fees incurred will be amortised over the term accordingly. Historical arrangement fees have been fully amortised.

The fair value of borrowings is not materially different to its amortised cost.

24 FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT

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

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

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

CAPITAL MANAGEMENT

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt [2] divided by total capital. Net debt [2] is calculated as total borrowings 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 [2]. As at 31 May 2019 the Group's gearing ratio was 8.7% (2018: 11.9%).

The contingent consideration on acquisitions reflected the estimated cash outflows and was discounted using a risk-adjusted discount rate in the prior year.

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 2019 the Group and Company had no other financial instruments other than those disclosed below. In addition, no embedded derivatives have been identified. The carrying value of contingent consideration on acquisitions, held at the prior year end, is valued using a level 3 valuation method as defined by IFRS 13 'Fair Value Measurement' and IFRS 9 'Financial Instruments'. 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).
- 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.

	2019			2018 (restated [1])		
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	Level 1 £m	Level 2 £m	Level 3 £m
Investments (note 15)	**–**	**0.3**	**–**	–	0.4	–
Trade receivables (note 17)	**36.7**	**–**	**–**	40.8	–	–
Other receivables (note 17)	**0.6**	**–**	**–**	0.9	–	–
Deferred consideration receivable (note 22)	**–**	**–**	**–**	–	1.5	–
Cash and cash equivalents (note 23)	**34.9**	**–**	**–**	21.2	–	–
Borrowings (note 23)	**–**	**(55.1)**	**–**	–	(49.0)	–
Trade and other payables (note 19)	**(31.6)**	**–**	**–**	(35.7)	–	–
Deferred consideration (note 22)	**–**	**–**	**–**	(9.9)	–	–
Contingent consideration (note 22)	**–**	**–**	**–**	–	–	(2.0)

1 See note 1 for further details on the restatement of comparative information due to the retrospective application of IFRS 15.
2 See note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. See note 3 for a reconciliation to statutory information.

A reconciliation of level 3 fair values is displayed in the following table:

	Contingent consideration
Balance at 1 June 2017	4.1
Unwind of discount	0.1
Payments made	(2.1)
Foreign exchange difference	(0.1)
Balance at 31 May 2018 and 1 June 2018	**2.0**
Payments made	**(1.0)**
Revisions to contingent consideration (notes 6 and 22)	**(0.8)**
Foreign exchange difference	**(0.2)**
Balance at 31 May 2019	**–**

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 2019 £m	Group 2018 £m	**Company 2019 £m**	Company 2018 £m
Trade receivables	**36.7**	40.8	**–**	–
Other receivables	**0.6**	0.9	**41.7**	–
Accrued income	**14.7**	17.1	**1.5**	–
Deferred consideration receivable	**–**	1.5	**–**	–
Cash and cash equivalents	**34.9**	21.2	**–**	–
Total	**86.9**	81.5	**43.2**	–

The maximum exposure to credit risk for trade receivables, other receivables and deferred consideration receivable at the reporting date by geographic region was:

Debtors by geographical segment	**Group 2019 £m**	Group 2018 £m	**Company 2019 £m**	Company 2018 £m
UK	**18.7**	24.9	**–**	–
USA	**11.8**	10.7	**–**	–
Rest of Europe	**5.8**	6.4	**–**	–
Rest of the World	**1.0**	1.2	**–**	–
Total	**37.3**	43.2	**–**	–

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

Debtors by business segment	**Group 2019 £m**	Group 2018 £m	**Company 2019 £m**	Company 2018 £m
Escrow	**7.0**	9.3	**–**	–
Assurance	**30.3**	33.9	**–**	–
Total	**37.3**	43.2	**–**	–

The trade receivables of the Group typically comprise many amounts due from a large number of customers and represent a spread of industry sectors. The largest amount due from a single customer at the reporting date represented 1.9% of total Group receivables (2018: 2.9%). All of the Group's cash is held with financial institutions of high credit rating.

The provisions in respect of trade receivables are used to record expected credit losses. The Group has dedicated credit control teams who regularly review customer debt balances to assess the risk of recovery.

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.

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

At 31 May 2019	Carrying amount £m	Contractual cash flows £m	6 months or less £m	6–12 months £m	1–2 years £m	2+ years £m
Borrowings	**(55.1)**	**(58.4)**	**(3.2)**	**(3.2)**	**(52.0)**	**–**
Trade and other payables	**(31.6)**	**(31.6)**	**(31.6)**	**–**	**–**	**–**
At 31 May 2018						
Borrowings	(49.0)	(52.8)	–	–	(6.4)	(46.4)
Trade and other payables	(35.7)	(35.7)	(35.7)	–	–	–
Deferred consideration	(9.9)	(9.9)	(9.9)	–	–	–
Contingent consideration	(2.0)	(2.0)	–	(2.0)	–	–

The Company has no financial liabilities at 31 May 2019 (2018: £nil).

CURRENCY RISK

The Group is exposed to currency risk on sales, purchases, cash and borrowings that are denominated in a currency other than the respective functional and presentational currency of the Group. The Group's management reviews 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:

	2019					2018				
	Sterling £m	**EUR £m**	**USD £m**	**Other £m**	**Total £m**	Sterling £m	EUR £m	USD £m	Other £m	Total £m
Trade receivables	**14.7**	**4.4**	**15.1**	**2.5**	**36.7**	20.4	5.7	12.0	2.7	40.8
Other receivables	**0.4**	**0.1**	**–**	**0.1**	**0.6**	0.8	0.1	–	–	0.9
Cash and cash equivalents	**8.0**	**12.3**	**10.3**	**4.3**	**34.9**	7.4	2.5	9.8	1.5	21.2
Borrowings	**(23.5)**	**–**	**(31.6)**	**–**	**(55.1)**	(10.5)	–	(38.5)	–	(49.0)
Trade and other payables	**(20.7)**	**(5.7)**	**(2.3)**	**(2.9)**	**(31.6)**	(20.9)	(6.9)	(6.2)	(1.7)	(35.7)
Deferred consideration	**–**	**–**	**–**	**–**	**–**	–	(9.9)	–	–	(9.9)
Contingent consideration	**–**	**–**	**–**	**–**	**–**	–	–	(2.0)	–	(2.0)
Total	**(21.1)**	**11.1**	**(8.5)**	**4.0**	**(14.5)**	(2.8)	(8.5)	(24.9)	2.5	(33.7)

A change in exchange rate of 10% would have an impact of £13.8m (2018: £11.6m) on revenue, £2.4m (2018: £1.7m) on operating profit, £6.5m (2018: £5.0m) on net assets and £3.2m (2018: £3.5m) on borrowings.

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 and Company at the end of the financial year were as follows:

Group	2019 £m	2018 £m
Sterling denominated financial assets	**8.0**	7.4
Euro denominated financial assets	**12.3**	2.5
US dollar denominated financial assets	**10.3**	9.8
Other denominated financial assets	**4.3**	1.5
Total	**34.9**	21.2

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

Company	2019 £m	2018 £m
Sterling denominated financial assets	**0.2**	0.1
Amounts owed by Group undertakings	**141.4**	153.8
Total	**141.6**	153.9

A change of 100 basis points in interest rates would result in a difference in annual pre-tax profit of £0.6m (2018: £0.5m).

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

	2019					2018				
	Sterling £m	**EUR £m**	**USD £m**	**Other £m**	**Total £m**	Sterling £m	EUR £m	USD £m	Other £m	Total £m
Less than one year	**–**	**–**	**(5.0)**	**–**	**(5.0)**	–	(9.9)	(2.0)	–	(11.9)
1–2 years	**(23.5)**	**–**	**(26.6)**	**–**	**(50.1)**	–	–	(5.0)	–	(5.0)
2–3 years	**–**	**–**	**–**	**–**	**–**	(10.5)	–	(33.5)	–	(44.0)
3–5 years	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Trade and other payables	**(20.7)**	**(5.7)**	**(2.3)**	**(2.9)**	**(31.6)**	(20.9)	(6.9)	(6.2)	(1.7)	(35.7)
Total	**(44.2)**	**(5.7)**	**(33.9)**	**(2.9)**	**(86.7)**	(31.4)	(16.8)	(46.7)	(1.7)	(96.6)

25 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 employees, 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 £1.7m (2018: £0.3m). Share-based payments increased during the year; as new schemes have been issued to employees while in the prior-year it was concluded that a number of historic schemes would not meet scheme performance criteria resulting in a reversal of historic charges.

COMPANY SHARE OPTION SCHEME (CSOP) - EQUITY-SETTLED

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

Date of grant	Expected term of options	Exercisable between	Exercise price	2019 number outstanding
July 2012	7 years	July 2015 – July 2022	£1.36	91,896
July 2016	7 years	August 2019 – July 2026	£3.28	149,429
August 2016	7 years	August 2019 – August 2026	£3.37	17,784
August 2018	7 years	August 2021 – August 2028	£2.20	59,085
August 2018	7 years	August 2021 – August 2028	£2.20	31,815

SHARESAVE SCHEMES - EQUITY-SETTLED

The Company operates sharesave schemes, which are available to all UK and Netherlands-based employees and full-time Executive Directors of the Company and its subsidiaries who have worked for a qualifying period.

Date of grant	Expected term of options	Exercisable between	Exercise price	2019 number outstanding
August 2015	3 years	October 2018 – March 2019	£1.87	5,763
August 2016	3 years	October 2019 – March 2020	£2.62	85,873
March 2017	3 years	May 2020 – October 2020	£0.92	880,304
August 2017	3 years	October 2020 – March 2021	£1.56	1,165,540
March 2018	3 years	May 2021 – October 2021	£1.58	93,064
August 2018	3 years	October 2021 – March 2022	£1.75	572,327
March 2019	3 years	May 2022 – October 2022	£0.99	483,766

EMPLOYEE STOCK PURCHASE PLAN - EQUITY-SETTLED

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 in	Exercise price	2019 number outstanding
February 2019	1 year	February 2020	£1.06	723,263

INCENTIVE STOCK OPTION SCHEME (ISO) - EQUITY-SETTLED

Under the ISO Scheme, options granted will be subject to performance criteria. Options will vest if the average EPS growth for the three years following their grant is greater than 10% per annum.

Date of grant	Expected term of options	Exercisable between	Exercise price	2019 number outstanding
July 2016	7 years	July 2019 – July 2026	£3.26	150,496
August 2018	7 years	August 2021 – August 2028	£2.22	9,016

LONG-TERM INVESTMENT PLAN SCHEMES (LTIP) - EQUITY-SETTLED

The vesting condition for the award of the LTIP schemes, related to options granted July 2015 and July 2016 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 9% per annum, none of the award will vest. Between these two points, vesting is determined on a straight-line basis.

Options granted on or after October 2017 have three separate vesting conditions as set out below:

- 60% will vest based on achieving an increase in Group EPS of 9% over three years. If growth is equal to 20% or more per annum then 100% of the award will vest. If, however, growth is less than 9% per annum, none of the award will vest. Between these two points, vesting is determined on a straight-line basis.
- 30% will vest based on achieving a cash conversion ratio [1] expressed as a percentage over the measurement period of greater than 70% per annum on average. If cash conversion [1] is greater than or equal to 80% per annum then 100% of the award will vest. If, however, cash conversion is less than 70% per annum, none of the award will vest. Between these two points, vesting is determined on a straight-line basis.
- 10% will vest based on the Group's Total Shareholder Return (TSR) ranking when measured against the FTSE 250. If the Group's TSR is consistent with the median group, 20% of the award will vest; below this level, none of the award will vest. If the TSR is within the upper quartile or above, 100% of the award will vest; between the median and upper quartile, vesting is determined on a straight-line basis.

1 See note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. See note 3 for a reconciliation to statutory information.

Date of grant	Expected term of options	Exercisable between	Exercise price	2019 number outstanding
July 2016	3 years	June 2019 – August 2019	nil*	353,620
October 2017	3 years	June 2020 – August 2020	nil*	257,224
November 2017	3 years	June 2020 – August 2020	nil*	354,039
January 2018	3 years	June 2020 – August 2020	nil*	178,601
August 2018	3 years	June 2021 – August 2021	nil*	1,065,133

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

RESTRICTED STATE UNIT SCHEMES (RSU) - EQUITY-SETTLED

Options granted related to the RSU schemes on or after October 2017 have three separate vesting conditions as set out below:

- 60% will vest based on achieving an increase in Group EPS of 9% over three years. If growth is equal to 20% or more per annum then 100% of the award will vest. If, however, growth is less than 9% per annum, none of the award will vest. Between these two points, vesting is determined on a straight-line basis.
- 30% will vest based on achieving a cash conversion ratio [1] expressed as a percentage over the measurement period of greater than 70% per annum on average. If cash conversion [1] is greater than or equal to 80% per annum then 100% of the award will vest. If, however, cash conversion is less than 70% per annum, none of the award will vest. Between these two points, vesting is determined on a straight-line basis.
- 10% will vest based on the Group's Total Shareholder Return (TSR) ranking when measured against the FTSE 250 (excluding investment trusts). If the Group's TSR is consistent with the median group, 20% of the award will vest; below this level, none of the award will vest. If the TSR is within the upper quartile or above, 100% of the award will vest; between the median and upper quartile, 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	2019 number outstanding
November 2017	3 years	June 2020 – August 2020	£0.01	199,635
January 2018	3 years	June 2020 – August 2020	£0.01	20,058
August 2018	3 years	June 2021 – August 2021	£0.01	227,501

DEFERRED SHARE SCHEME - EQUITY-SETTLED

Date of grant	Expected term of options	Exercisable between	Exercise price	2019 number outstanding
July 2018	2 year	June 2020 – August 2028	nil*	10,993

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

1 See note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. See note 3 for a reconciliation to statutory information.

PHANTOM SCHEMES - CASH-SETTLED

Phantom schemes were used on a temporary basis during the year ended 31 May 2017 to allow the grant of LTIPs to members of the Executive Committee based in certain overseas locations at a time when the Group's Option Scheme rules were not structured to allow overseas grants. This was remedied in the prior year and no further grants of Phantom Options are expected. The vesting conditions for the award of the Phantom schemes, related to options granted in August 2016, 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.

Options granted on or after October 2017 have three separate vesting conditions as set out below:

- 60% will vest based on achieving an increase in Group EPS of 9%. If growth is equal to 20% or more per annum then 100% of the award will vest. If, however, growth is less than 9% per annum, none of the award will vest. Between these two points, vesting is determined on a straight-line basis.
- 30% will vest based on achieving a cash conversion ratio [1] expressed as a percentage over the measurement period of greater than 70% per annum on average. If cash conversion [1] is greater than or equal to 80% per annum then 100% of the award will vest. If, however, cash conversion is less than 70% per annum, none of the award will vest. Between these two points, vesting is determined on a straight-line basis.
- 10% will vest based on the Group's Total Shareholder Return (TSR) ranking when measured against the FTSE 250 (excluding investment trusts). If the Group's TSR is consistent with the median group 20% of the award will vest; below this level, none of the award will vest. If the TSR is within the upper quartile or above, 100% of the award will vest; between the median and upper quartile, vesting is determined on a straight-line basis.

Date of grant	Expected term of options	Exercisable between	Exercise price	2019 number outstanding
August 2016 [1]	3 years	June 2019 – August 2020	nil*	18,276
October 2017	3 years	June 2020 – October 2021	nil*	113,120
November 2017	3 years	June 2020 – November 2021	nil*	8,189

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

MEASUREMENT OF FAIR VALUES

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 LTIPs and RSUs granted in the current year have introduced a market-based performance criteria of 9%; the Monte Carlo model has been used to calculate the fair value of this proportion of the grant.

1 See note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. See note 3 for a reconciliation to statutory information.

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
CSOP scheme	July 2012	£0.35	£1.36	35%	7 years	2.75%
CSOP scheme	July 2015	£1.45	£2.46	103%	7 years	2.75%
CSOP scheme	July 2016	£0.65	£3.28	31%	7 years	1.50%
CSOP scheme	August 2016	£0.66	£3.37	31%	7 years	1.50%
CSOP scheme	August 2018	£0.63	£2.20	48%	7 years	1.50%
CSOP scheme	August 2018	£0.43	£2.20	48%	7 years	1.50%
Sharesave scheme	August 2015	£1.53	£1.87	103%	3 years	2.75%
Sharesave scheme	August 2016	£0.95	£2.62	31%	3 years	1.50%
Sharesave scheme	March 2017	£0.43	£0.92	46.6%	3 years	1.50%
Sharesave scheme	August 2017	£0.88	£1.56	47.5%	3 years	1.96%
Sharesave scheme	March 2018	£0.76	£1.58	47.8%	3 years	2.20%
Sharesave scheme	August 2018	£0.75	£1.75	48%	3 years	1.50%
Sharesave scheme	March 2019	£0.67	£0.99	53.2%	3 years	1.50%
ESPP scheme	February 2018	£0.40	£1.69	32.4%	1 year	1.82%
ESPP scheme	February 2019	£0.31	£1.06	48.3%	1 year	1.50%
ISO scheme	August 2015	£1.45	£2.46	103%	7 years	2.75%
ISO scheme	February 2016	£1.91	£3.24	103%	7 years	2.75%
ISO scheme	July 2016	£0.64	£3.26	31%	7 years	1.50%
ISO scheme	August 2018	£0.65	£2.22	48.4%	7 years	1.50%
LTIP	July 2014	£1.92	£nil*	32%	3 years	2.75%
LTIP	July 2015	£2.14	£nil*	103%	3 years	2.75%
LTIP	July 2016	£2.75	£nil*	31%	3 years	1.81%
90% of LTIP under Black Scholes	October 2017	£2.22	£nil*	47.5%	3 years	1.96%
10% of LTIP under Monte Carlo	October 2017	£2.20	£nil*	47.5%	3 years	1.96%
90% of LTIP under Black Scholes	November 2017	£2.18	£nil*	47.6%	3 years	1.96%
10% of LTIP under Monte Carlo	November 2017	£2.16	£nil*	47.6%	3 years	1.96%
90% of LTIP under Black Scholes	January 2018	£1.98	£nil*	47.7%	3 years	2.00%
10% of LTIP under Monte Carlo	January 2018	£1.98	£nil*	47.7%	3 years	2.00%
90% of LTIP under Black Scholes	August 2018	£2.09	£nil*	48%	3 years	1.50%
10% of LTIP under Monte Carlo	August 2018	£2.09	£nil*	48%	3 years	1.50%
90% of RSU under Black Scholes	November 2017	£2.17	£0.01	47.6%	3 years	1.96%
10% of RSU under Monte Carlo	November 2017	£2.16	£0.01	47.6%	3 years	1.96%
90% of RSU under Black Scholes	January 2018	£2.16	£0.01	47.7%	3 years	2.00%
10% of RSU under Monte Carlo	January 2018	£2.16	£0.01	47.7%	3 years	2.00%
90% of RSU under Black Scholes	August 2018	£2.09	£0.01	48.1%	3 years	1.50%
10% of RSU under Monte Carlo	August 2018	£2.09	£0.01	48.1%	3 years	1.50%
Deferred shares July 2016	July 2016	£3.14	£nil*	31%	2 years	1.81%
Deferred shares July 2018	July 2018	£1.90	£nil*	55%	2 years	1.50%
Phantom	August 2016	£2.75	£nil*	31%	3 years	1.81%
90% of Phantom under Black Scholes	October 2017	£2.22	£nil*	47.5%	3 years	1.96%
10% of Phantom under Monte Carlo	October 2017	£2.20	£nil*	47.5%	3 years	1.96%
90% of Phantom under Black Scholes	November 2017	£2.18	£nil*	47.6%	3 years	1.96%
10% of Phantom under Monte Carlo	November 2017	£2.16	£nil*	47.6%	3 years	1.96%

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

The expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour. For the options granted in the year ended 31 May 2019, dividend yield assumed at the time of option grant is 2.6% (2018: 2.0%).

RECONCILIATION OF OUTSTANDING SHARE OPTIONS

The options outstanding at 31 May 2019 have an exercise price in the range of £nil to £3.37 (2018: £nil to £3.37) and a weighted average contractual life of three years (2018: three years). The weighted average share price at the time the share options were exercised in the year was £2.01 and the weighted average share price at the time the share options were forfeited in the year was £1.67.

Scheme	Number of instruments as at 1 June 2018	Instruments granted during the year	Options exercised in the year	Forfeitures in the year	**Number of instruments as at 31 May 2019**
CSOP scheme July 2012	98,924	–	(7,028)	–	**91,896**
CSOP scheme August 2015	303,135	–	–	(303,135)	**–**
CSOP scheme July 2016	195,366	–	–	(45,937)	**149,429**
CSOP scheme August 2016	59,280	–	–	(41,496)	**17,784**
CSOP scheme August 2018	–	63,630	–	(4,545)	**59,085**
CSOP scheme August 2018	–	31,815	–	–	**31,815**
Sharesave scheme August 2015	485,578	–	(116,157)	(363,658)	**5,763**
Sharesave scheme August 2016	185,425	–	–	(99,552)	**85,873**
Sharesave scheme March 2017	961,485	–	–	(81,181)	**880,304**
Sharesave scheme August 2017	1,879,497	–	(39,854)	(674,103)	**1,165,540**
Sharesave scheme March 2018	136,087	–	–	(43,023)	**93,064**
Sharesave scheme August 2018	–	712,561	–	(140,234)	**572,327**
Sharesave scheme March 2019	–	486,914	–	(3,148)	**483,766**
ESPP scheme February 2018	351,035	–	(7,505)	(343,530)	**–**
ESPP scheme February 2019	–	723,263	–	–	**723,263**
ISO scheme January 2013	20,338	–	–	(20,338)	**–**
ISO scheme August 2015	129,940	–	–	(129,940)	**–**
ISO scheme February 2016	19,476	–	–	(19,476)	**–**
ISO scheme July 2016	202,709	–	–	(52,213)	**150,496**
ISO scheme August 2018	–	13,524	–	(4,508)	**9,016**
LTIP July 2015	378,289	–	–	(378,289)	**–**
LTIP July 2016	368,808	–	–	(15,188)	**353,620**
LTIP October 2017	349,626	–	–	(92,402)	**257,224**
LTIP November 2017	427,004	–	–	(72,965)	**354,039**
LTIP January 2018	178,601	–	–	–	**178,601**
LTIP August 2018	–	1,093,172	–	(28,039)	**1,065,133**
RSU November 2017	208,053	–	–	(8,418)	**199,635**
RSU January 2018	20,058	–	–	–	**20,058**
RSU August 2018	–	227,501	–	–	**227,501**
Deferred shares July 2016	27,183	–	–	(27,183)	**–**
Deferred shares July 2018	–	10,993	–	–	**10,993**
Phantoms August 2016	19,779	–	–	(1,503)	**18,276**
Phantoms November 2017	113,120	–	–	–	**113,120**
Phantoms October 2017	8,189	–	–	–	**8,189**

Scheme	Number of instruments as at 1 June 2017	Instruments granted during the year	Options exercised in the year	Forfeitures in the year	Number of instruments as at 31 May 2018
Approved EMI scheme August 2007	10,908	–	(10,908)	–	–
Approved EMI scheme February 2008	2,862	–	–	(2,862)	–
CSOP scheme July 2012	110,780	–	(11,856)	–	98,924
CSOP scheme July 2013	14,252	–	(1,589)	(12,663)	–
CSOP scheme August 2015	325,401	–	–	(22,266)	303,135
CSOP scheme July 2016	234,820	–	–	(39,454)	195,366
CSOP scheme August 2016	59,280	–	–	–	59,280
Sharesave scheme August 2014	683,424	–	(670,774)	(12,650)	–
Sharesave scheme August 2015	614,751	–	(413)	(128,760)	485,578
Sharesave scheme August 2016	440,094	–	–	(254,669)	185,425
Sharesave scheme March 2017	1,057,848	–	–	(96,363)	961,485
Sharesave scheme August 2017	–	1,883,769	(4,272)	–	1,879,497
Sharesave scheme March 2018	–	136,087	–	–	136,087
ESPP scheme February 2017	592,592	–	(451,721)	(140,871)	–
ESPP scheme February 2018	–	351,035	–	–	351,035
ISO scheme January 2013	20,338	–	–	–	20,338
ISO scheme January 2014	30,074	–	–	(30,074)	–
ISO scheme January 2015	50,000	–	–	(50,000)	–
ISO scheme August 2015	129,940	–	–	–	129,940
ISO scheme February 2016	19,476	–	–	–	19,476
ISO scheme July 2016	202,709	–	–	–	202,709
LTIP July 2014	308,625	–	–	(308,625)	–
LTIP July 2015	378,289	–	–	–	378,289
LTIP July 2016	377,586	–	–	(8,778)	368,808
LTIP October 2017	–	349,626	–	–	349,626
LTIP November 2017	–	439,853	–	(12,849)	427,004
LTIP January 2018	–	178,601	–	–	178,601
RSU November 2017	–	208,053	–	–	208,053
RSU January 2018	–	20,058	–	–	20,058
Deferred shares July 2015	37,869	–	(37,869)	–	–
Deferred shares July 2016	27,183	–	–	–	27,183
Phantoms August 2016	19,779	–	–	–	19,779
Phantoms November 2017	–	113,120	–	–	113,120
Phantoms October 2017	–	8,189	–	–	8,189

26 CALLED UP SHARE CAPITAL AND RESERVES

Allotted, called up and fully paid	**2019 Number of shares**	2018 Number of shares	**2019 £m**	2018 £m
Ordinary shares of 1p each at the beginning of the year	**277,660,081**	276,510,137	**2.8**	2.8
Ordinary shares of 1p each issued in the year	**170,544**	1,149,944	**–**	–
Ordinary shares of 1p each at the end of the year	**277,830,625**	277,660,081	**2.8**	2.8

During the year, 170,544 (2018: 1,149,944) new ordinary shares of one pence were issued as a result of the exercise of share options. The proceeds of £0.3m (2018: £1.5m) were credited to the share premium account. As at 31 May 2019, no shares were held in treasury (2018: nil).

SHARE PREMIUM

The share premium account records the difference between the nominal amount of shares issued and the fair value of the consideration received. The share premium account may be used for certain purposes specified by UK law, including to write off expenses incurred on any issue of shares and to pay fully paid bonus shares. The share premium account is not distributable but may be reduced by special resolution of the Company's ordinary shareholders and with court approval.

MERGER RESERVE

The merger reserve arose in 2015 from the acquisition of Accumuli plc through a share-for-share exchange in part consideration for the business.

RETAINED EARNINGS

Retained earnings for the Group are made up of accumulated reserves. For the Company, retained earnings are made up of accumulated reserves and are considered distributable reserves.

CURRENCY TRANSLATION RESERVE

The results of overseas operations are translated at the average foreign exchange rates for the year, and their balance sheets are translated at the rates prevailing at the balance sheet date. Exchange differences arising on the translation of opening net assets and results of overseas operations are recognised in the currency translation reserve. All other exchange differences are included in the Income Statement.

27 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit for the year dealt with in the accounts of the parent Company was £0.3m (2018: £15.5m).

28 OTHER FINANCIAL COMMITMENTS

Non-cancellable operating lease rentals are payable as follows:

	2019		2018	
	Land and Buildings £m	**Other £m**	Land and Buildings £m	Other £m
Within one year or less	**5.5**	**0.5**	4.5	0.7
Between one and five years	**15.1**	**0.3**	17.2	0.5
Over five years	**14.2**	**–**	10.3	0.2
Total	**34.8**	**0.8**	32.0	1.4

29 CONTINGENCIES

There are no contingent liabilities not provided for at the end of the financial year. Similarly, there are no contingent assets.

30 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 £6.6m (2018: £5.7m).

For the Company, the pension cost charge for the year represents contributions payable by the Company to the fund and amounted to £nil (2018: £nil).

31 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. There were no other related party transactions during the year.

32 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

Company	Shares in Group undertakings £m
At 1 June 2017	60.7
Increase in subsidiary investment for share-based charges	0.1
At 31 May 2018	**60.8**
At 1 June 2018 and at 31 May 2019	**60.8**

Fixed asset investments are recognised at cost.

The undertakings in which the Company has a 100% interest at 31 May 2019 are as follows:

Subsidiary undertakings	Country of incorporation	Principal activity	Registered office
NCC Group (Solutions) Limited	England and Wales	Holding company	XYZ Building, 2 Hardman Boulevard, Spinningfields, Manchester, M3 3AQ (XYZ)
NCC Services Limited	England and Wales	Escrow and Assurance	XYZ [1]
NCC Group Escrow Limited	England and Wales	Dormant	XYZ [1]
The National Computing Centre Limited	England and Wales	Dormant	XYZ [1]
NCC Group Security Services Limited	England and Wales	Assurance	XYZ [1]
NCC Group Audit Limited	England and Wales	Assurance	XYZ [1]
NCC Group Pte Limited	Singapore	Assurance	20 Collyer Quay, #19-03, Singapore (049319)
NCC Group FZ-LLC	United Arab Emirates	Escrow	Office 30, Building 16, Dubai Internet City, Dubai, UAE
Axzona Limited	Scotland	Dormant	110 Queen Street, Glasgow, G1 3BX
NCC Group Escrow Europe BV	Netherlands	Escrow	Van Heuven Goedhartlaan 13A, 1181LE Amstelveen, The Netherlands
NCC Group Escrow Europe (Switzerland) AG	Switzerland	Escrow	Ibelweg 18A, 6300 Zug, Switzerland
NCC Group GmbH	Germany	Escrow	Leibnizstrasse 1, 85521 Ottobrunn, Germany
FortConsult A/S	Denmark	Assurance	2nd Floor, Svanevej 12, DK–2400 København NV, Denmark
NCC Group UAB	Lithuania	Assurance	Kareiviu g. 11B, 6th Floor, LT 09109, Vilnius, Lithuania
NCC Group Security Services, Inc.	USA	Assurance	123 Mission Street, Suite 900, San Francisco, CA 94105, USA (North America HQ [2])
NCC Group Escrow Associates LLC	USA	Escrow	North America HQ [2]
NCC Group Secure Registrar, Inc.	USA	Domain Services	North America HQ [2]
NCC Group Domain Services, Inc.	USA	Domain Services	North America HQ [2]
NCC Group Inc.	USA	Escrow and Assurance	North America HQ [2]
NCC Group Pty Limited	Australia	Assurance	Level 13, 92 Pitt Street, Sydney NSW 2000, Australia
NCC Group Security Services Corporation	Canada	Assurance	51 Breithaupt Street, Suite 100, Kitchener, Ontario N2H 5G5, Canada
Accumuli Limited	England and Wales	Holding company	Hill House, 1 Little New Street, London, EC4A 3TR (Hill House [3])
Accumuli (Holdings) Limited	England and Wales	Holding company	Hill House [3]
ArmstrongAdams Limited	England and Wales	Assurance	Hill House [3]
Randomstorm Limited	England and Wales	Non–trading	Hill House [3]
Eqalis Limited	England and Wales	Non–trading	Hill House [3]
Accumuli Security Services Limited	England and Wales	Non–trading	Hill House [3]
NCC Group Signify Solutions Limited	England and Wales	Assurance	XYZ [1]
Fujin Technology Limited	England and Wales	Non–trading	Hill House [3]

1 2 Hardman Boulevard, Spinningfields, Manchester, M3 3AQ
2 123 Mission Street, Suite 900, San Francisco, CA 94105, USA
3 Hill House, 1 Little New Street, London, EC4A 3TR
4 Olof Palmestraat 6, 2616 LM Delft, The Netherlands

Subsidiary undertakings	Country of incorporation	Principal activity	Registered office
Accumuli Security Systems Limited	England and Wales	Non–trading	Hill House [3]
Accumuli Security Technology Limited	England and Wales	Non–trading	Hill House [3]
Accumuli Security ASH Limited	England and Wales	Non–trading	Hill House [3]
NCC Group Accumuli Security Limited	England and Wales	Assurance	XYZ [1]
Accumuli B.V.	Netherlands	Holding company	XYZ [1]
Boxing Orange MSS Limited	England and Wales	Dormant	Hill House [3]
Fox-IT Holding B.V.	Netherlands	Assurance	Olof Palmestraat 6, 2616 LM Delft The Netherlands (Fox-IT [4])
Fox-IT Group B.V.	Netherlands	Assurance	Fox-IT [4]
Fox-IT B.V.	Netherlands	Assurance	Fox-IT [4]
Fox-IT Operations B.V.	Netherlands	Assurance	Fox-IT [4]
Fox-IT Crypto B.V.	Netherlands	Assurance	Fox-IT [4]
Payment Software Company Inc.	USA	Assurance	591 West Hamilton Avenue, Suite 200, Campbell, California 95008, USA
Payment Software Company Limited	England and Wales	Assurance	Upper Deck Admirals Quarters, Portsmouth Road, Thames Ditton, Surrey, USA
Virtual Security Research LCC	USA	Assurance	76 Sumner St, 4th Floor, Boston, MA 02110, USA

The undertakings in which the Company holds less than a 100% interest at the year end are as follows:

Undertaking	% interest	Country of incorporation	Principal activity
Deposit AB Escrow Europe	24%	Sweden	Assurance

The Directors consider the above ownership structure and no Board representation gives rise to no significant influence over the undertaking. Accordingly, the undertaking has not been consolidated.

33 POST BALANCE SHEET EVENTS

As at 31 May 2019, the Group had committed bank facilities of £97.8m (2018: £102.7m), of which £55.1m (2018: £49.0m) had been drawn under these facilities, leaving £42.7m (2018: £53.7m) of undrawn facilities. These existing arrangements were agreed in November 2015 and were due for renewal in November 2020.

On 10 June 2019, the Group renegotiated its existing term loan and multi-currency revolving credit facilities into a new fully revolving credit facility of £100m with a new five-year term up to June 2024 on similar terms (pricing and covenants). Under the new arrangements, the Group can request an additional accordion facility to increase the total size of the revolving credit facility by up to £75m (previously £50m). In addition, the Group has retained its existing overdraft of £5m. Arrangement fees incurred will be amortised over the term accordingly. Historical arrangement fees have been fully amortised.

There were no other post balance sheet events.

Glossary of terms - alternative performance measures (APM)

APMs are the way that financial performance is measured by management, reported to the Board, the basis of financial measures for senior management's compensation schemes and provides supplementary information that assists the user in understanding the underlying trading results.

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Note reference for reconciliation	Definition, purpose and considerations made by the Directors
Income Statement measure – continuing operations:				
Adjusted operating profit (EBIT)	Operating profit or loss	Operating profit or loss before adjusting items Adjusting items represent amortisation of acquired intangibles, discount unwind on acquisition consideration, profit on the disposal of investments, individually significant items and share-based payments	3	Represents operating profit before adjusting items to assist in the understanding of the Group's performance. Adjusting items represent amortisation of acquired intangibles, discount unwind on acquisition consideration, profit on the disposal of investments, individually significant items, and share-based payments. The Directors consider amortisation of acquired intangibles is a non-cash accounting charge inherently linked to losses associated with historical acquisitions of businesses in accordance with the Group's adjusting items accounting policy. This APM's purpose is to allow the user to understand the Group's underlying financial performance as measured by management, reported to the Board and used as a financial measure in senior management's compensation schemes. An alternative view could be that the charge should be included in underlying results to reflect the 'cost' of an acquisition in the Income Statement. All things considered, including the similar treatment by comparator companies, the Directors have concluded that this item is an adjusting item. The same principles apply to non-cash unwind of discounts on deferred and contingent acquisition consideration and the profit on the disposal of investments. Individually significant items are items that are considered unusual by nature or scale, and are of such significance that separate disclosure is relevant to understanding the Group's financial performance and therefore requires separate presentation in the financial statements in order to fairly present the financial performance of the Group. The Directors consider share-based payments to be an adjusting item on the basis that fair values are volatile due to movements in share price, which may not be reflective of the underlying performance of the Group.

Glossary of terms – Alternative performance measures (APM)

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Note reference for reconciliation	Definition, purpose and considerations made by the Directors
Earnings before interest, tax, depreciation and amortisation (EBITDA)	Operating profit or loss	Operating profit or loss, before depreciation and amortisation, net finance costs and taxation	3	Represents operating profit before depreciation and amortisation. EBITDA is disclosed as this is a measure widely used by various stakeholders.
Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA)	Operating profit or loss	Operating profit or loss before adjusting items, depreciation and amortisation, net finance costs and taxation	3	Represents operating profit before adjusting items, depreciation and amortisation to assist in the understanding of the Group's performance. Adjusted EBITDA is disclosed as this is a measure widely used by various stakeholders and used by the Group to measure the cash conversion ratio noted below.
Adjusted Profit before taxation	Profit before taxation	Profit before taxation before adjusting items	3	Represents profit before taxation before adjusting items and provides supplementary information on the Group's profitability before taxation.
Adjusted basic EPS	Basic EPS	Basic EPS excluding adjusting items	12	Represents Basic EPS excluding adjusting items and provides supplementary information that assists the user in understanding the underlying trading results.
Balance sheet measure				
Net debt	Total borrowings offset by cash and cash equivalents	Total borrowings offset by cash and cash equivalents	3	Represents total borrowings offset by cash and cash equivalents. It is a useful measure of the progress in generating cash, strengthening of the Group balance sheet position, overall net indebtedness and gearing. Net debt, when compared to available borrowing facilities, also gives an indication of available financial resources to fund potential future business investment decisions and/or potential acquisitions.
Cash flow measure				
Cash conversion ratio	Ratio % of net cash flow from operating activities before interest and taxation divided by operating profit	Ratio % of net cash flow from operating activities before interest and taxation divided by adjusted EBITDA	3	The cash conversion ratio is a measure of how effectively adjusted operating profit (as detailed above) is converted into cash and effectively highlights both non-cash accounting items within operating profit and also movements in working capital. It is calculated as net cash flow from operating activities before interest and taxation (as disclosed on the face of the cash flow statement) divided by adjusted EBITDA for continued and discontinued activities. The cash conversion ratio is a measure widely used by various stakeholders and hence is disclosed to show the quality of cash generation and also to allow comparison to other similar companies.

Glossary of terms - other terms

Other terms	Definition and usage
2016 Code / 2018 Code	Guidance, issued by the Financial Reporting Council in 2016 and updated in 2018, on how companies should be governed, applicable to UK-listed companies including NCC Group plc.
Adjusted	Any result described as adjusted excludes the impact of individually significant items, share–based payments, unwinding of discount on deferred or contingent consideration, amortisation of acquired intangible assets, profit on disposal of investments and any tax on any of these items.
Adjusted Operating Profit Margin	Calculated as adjusted operating profit divided by revenue from continuing activities.
AGM	Annual General Meeting of shareholders of the Company held each year to consider ordinary and special business as provided in the Notice of AGM.
Alternative Performance Measure (APM)	An Alternative Performance Measure (which is denoted in each case or use thereof by a footnote) is a non–GAAP performance metric used by management either internally or externally to present management's view of the underlying business performance. They are not superior to GAAP–based measures and are simply an alternative way of looking at performance. See note 3 for further information.
Board	The Board of Directors of the Company (for more information see pages 48 to 49).
Cash conversion ratio	Calculated as cash generated from operating activities before interest and taxation divided by adjusted EBITDA, expressed as a percentage.
CDO	Cyber Defence Operations
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CISO	Chief Information Security Officer
Company, Group, NCC, we, our or us	We use these terms, depending on the context, to refer to either NCC Group plc, the individual company, or to NCC Group plc and its subsidiaries collectively.
CPO	Chief People Officer
CTO	Chief Technology Officer
Directors/Executive Directors/ Non-Executive Directors	The Directors/Executive Directors and Non–Executive Directors of the Company whose names are set out on pages 48 to 49 of this Report.
EBIT	Earnings before interest and tax.
EBIT Margin %	EBIT Margin % is calculated as follows: Adjusted EBIT divided by revenue.
EBITDA	Earnings before interest, tax, depreciation and amortisation. Calculated as operating profit before individually significant items and adding back depreciation and amortisation charged.
EBITDA Margin %	EBITDA divided by revenue.
EPS	Earnings per share. Profit for the year attributable to equity shareholders of the parent allocated to each ordinary share.
FCA	Financial Conduct Authority
Financial year	For NCC Group this is an accounting year ending on 31 May.
FRC	Financial Reporting Council
Free cash flow	Net cash from operating activities less capital expenditure.
FRS	A UK Financial Reporting Standard as issued by the UK Financial Reporting Council (FRC).
Gross profit	Gross profit is revenue less direct costs of sale. It excludes costs considered to be overheads that are supporting the business as a whole as opposed to a specific revenue item.

Glossary of terms - other terms

Other terms	Definition and usage
Gross margin %/GM %	Calculated as gross profit divided by revenue from continuing activities.
HMRC	Her Majesty's Revenue & Customs, the tax collecting authority of the UK.
IAS or IFRS	An International Accounting Standard or International Financial Reporting Standard, as issued by the International Accounting Standards Board (IASB). IFRS is also used as the term to describe international generally accepted accounting principles as a whole. Financial statements are prepared in accordance with IFRS as adopted by the EU.
Individually Significant Items	Items that the Directors consider to be material in nature, scale or frequency of occurrence that need to be excluded when calculating some non–GAAP performance measures in order to allow users of the Financial Statements to gain a full understanding of the underlying business performance. See note 6 for further information.
KPMG	The Company's external auditors, KPMG LLP.
LTIP	Long Term Incentive Plan established to align the interests of senior and Executive management with those of shareholders. The plan is formally known as the NCC Group Long Term Incentive Plan 2013 (approved by shareholders in 2013).
MD	Managing Director
MDR	Managed Detection and Response
Net debt	Total borrowings offset by cash and cash equivalents.
Ordinary shares	Voting shares entitling the holder to part ownership of a company.
SAYE/Sharesave	Save As You Earn, being a tax efficient scheme to encourage employee share ownership.
Subsidiary	A company or other entity that is controlled by NCC Group.
TSC	Technical Security Consulting
TSR	Total Shareholder Return, which is share price growth plus dividends reinvested (where applicable) over a specified period of time, divided by the share price at the start of the period.

Other information

DIRECTORS

Chris Stone	– Non-Executive Chairman
Adam Palser	– Chief Executive Officer
Tim Kowalski	– Chief Financial Officer (from 23 July 2018)
Brian Tenner	– Chief Financial Officer (until 12 August 2018)
Chris Batterham	– Senior Independent Non-Executive Director
Thomas Chambers	– Non-Executive Director (until 26 September 2018)
Jonathan Brooks	– Non-Executive Director
Mike Ettling	– Non-Executive Director
Jennifer Duvalier	– Non-Executive Director

COMPANY SECRETARY

Suzy Cross

REGISTERED AND HEAD OFFICE

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Manchester
M3 3AQ

REGISTERED NUMBER

4627044
Registered in England and Wales

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ING Bank N.V. London Branch (from 10 June 2019)
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London
EC2R 6DA

REGISTRARS

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BN99 6DA

Financial calendar

Ex-dividend date	5 September 2019
Record date	6 September 2019
AGM	25 September 2019
Dividend payment date	4 October 2019
2020 Half year end	30 November 2019
2020 Interim statement	January 2020
2020 Year end	31 May 2020
2020 Year end trading pre-close statement	June 2020
2020 Preliminary year end statement	July 2020

These dates are provisional and may be subject to change

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