










MAKING THE WORLD A SAFER PLACE

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2014 PERFORMANCE HIGHLIGHTS

FINANCIAL

12%

Group revenue increased by 12% (2013: 13%) to £110.7m (2013: £99.2m). On a constant currency basis 15%

24%

Group adjusted operating margin* remained strong at 24% (2013: 24%)

£26.0M

Adjusted Group operating profit* grew by 9% to £26.0m (2013: £23.9m) after £2.1m of expenses relating to Domain Services and .trust

£24.1M

Reported operating profit £24.1m (2013: £19.8m)

£25.3M

Group adjusted pre-tax profit* £25.3m (2013: £23.0m)

11%

Adjusted fully diluted earnings per share* up 11% to 9.3p (2013: 8.4p)

13%

Total dividend up 13% to 3.5p (2013: 3.1p)

120%

Cash conversion ratio was 120% of operating profit (2013: 116%)

*Operating profit is adjusted for amortisation of acquired intangibles of £2.1m (2013: £3.6m), exceptional items of £1.3m profit (2013: £0.3m profit) and share based payment charges of £1.1m (2013: £0.8m). Pre-tax profit is adjusted for these items and the unwinding of the discount on the acquisitions' contingent consideration of £0.1m (2013: £0.2m). The Directors believe the adjusted measures better reflect the on-going performance of the business.

OPERATIONAL

13%

Assurance Division saw strong revenue growth of 13% (2013: 18%)

7%

Group Escrow revenue grew by 7% (2013: 2%)

OUTLOOK FOR 2014/2015

The Group's global reach and product range provides a platform for sustained long term growth and value

£18.0M

Group Escrow renewals forecast at £18.0m (2013: £17.9m)

£2.9M

Group Escrow verification order book £2.9m (2013: £2.3m)

£32.1M

Assurance Testing order book and renewals up 5% to £32.1m (2013: £30.7m)

New secure Internet domain, .trust, launched within new business division, Domain Services

ABOUT NCC GROUP

NCC GROUP IS A GLOBAL INFORMATION ASSURANCE SPECIALIST PROVIDING ORGANISATIONS WORLDWIDE WITH EXPERT ESCROW AND VERIFICATION, SECURITY TESTING, WEBSITE PERFORMANCE, SOFTWARE TESTING AND DOMAIN SERVICES.

Through an unrivalled suite of services, the Group provides organisations globally with an end to end information security solution that provides them with peace of mind that their most important assets are protected and operating as they should be at all times.

As the cyber arms race and technology revolution continues to outpace the ability of organisations to cope with the plethora of security, performance and availability issues, NCC Group is one of the best placed organisations to help manage the risk and limit the threat.

NCC Group is passionate about changing the shape of the Internet and making it a safer place to be and its knowledge, experience, capability and global footprint provides the capability to achieve it. The organisation from top to bottom is committed to ensuring that clients have access to a total information assurance solution that works for them.

NCC Group operates three main complementary divisions, NCC Group Escrow, NCC Group Assurance and NCC Group Domain Services from 20 offices across the UK, mainland Europe, North America and Australia providing comprehensive end-to-end information assurance for over 15,000 organisations worldwide.

ABOUT NCC GROUP

NCC Group Escrow

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

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

The Group is one of the world's leading and most established software escrow providers, with over 30 years' experience and protects over 15,000 organisations worldwide with the most comprehensive escrow solutions available. The expertise contained within the Escrow Division, along with the credentials, offerings, global scale and reputation is unparalleled.

NCC Group Assurance

Cyber Security Consultancy Services.

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

Through expert security and penetration testing, forensic services, incident response, compliance advice, vulnerability research and logical and physical audits, the Group helps organisations strengthen their position in the cyber arms race by assisting them in identifying risk and formulating a robust security strategy.

With one of the world's largest security testing teams, the Group delivers over 20,000 testing days per year to 1,750 organisations worldwide. The Group's global presence offers clients skilled and experienced expert services, complemented by a world-renowned research team.

Website Performance & Load Testing.

Essential websites, software and infrastructure that support an organisation do not just need protection from malicious attacks, they also need guaranteed performance levels. Flaws in code can prevent software from operating at optimum level and spikes in online traffic can throw websites offline.

From customer-facing websites to internal software applications, the Group provides comprehensive testing, monitoring and business analysis services, ensuring appropriate quality and performance is being delivered. Whether an organisation needs extra resources or tools to help test their environment, the Group provides a level of service to suit the risks they face.

Currently NCC Group tests over 17.5 million web pages and 875 million objects per week for over 550 clients worldwide.

ABOUT NCC GROUP

NCC Group Domain Services

NCC Group is committed to making the Internet a safer place by providing the safest neighbourhood or 'gated community' on the Internet, creating a unique combination of operational, legal and technological innovations for both enterprises and consumers alike.

NCC Group Domain Services will offer a unique domain that will provide a safer, trustworthier Internet for all. User uncertainty is completely removed by using *.trust* which guarantees the website can only be owned, operated and controlled by the organisation the user or customer believes it to be.

As part of the agreement to use *.trust*, each customer will agree to adopt the highest appropriate security practices and protocols to ensure that customer data and transactions are safe. These policies, which were created in conjunction with over 30 of the world's most important Internet founders, financial, retail and social media operators are aimed at creating a seamless and safe experience once a user decides to browse or email a *.trust* domain.

NCC GROUP BELIEVES
THAT UNLESS THE INTERNET
UNDERGOES A RADICAL CHANGE,
END USERS WILL ONLY BE ABLE
TO SAFELY TRANSACT WITH
ORGANISATIONS IN A .TRUST
ENVIRONMENT.

An aerial night photograph of a city, likely London, with a prominent red overlay on the right side. The city lights are visible, and the red overlay covers the right half of the image, creating a dramatic effect. The text is placed within the white area on the right.

A GLOBAL REACH

NCC Group operates three main complementary divisions, NCC Group Escrow, NCC Group Assurance and NCC Group Domain Services from 20 offices across the UK, mainland Europe, North America and Australia providing comprehensive end-to-end information assurance for over 15,000 organisations worldwide.

CHAIRMAN'S STATEMENT

Results and strategic progress

For each of the last 15 years I have set out how NCC Group has achieved year after year consistent growth. This report is no exception as we have seen again a year of tangible progress, strategically, operationally and financially. Both trading divisions have continued to grow organically and the newly launched Domain Services division continues to develop its tools and services to provide a safer Internet to corporates and consumers.

Our markets are continuing to evolve quickly and accordingly we are very actively innovating and creating new services to address the numerous emerging opportunities. Innovation, creation, research and development are the key touchstones of the Group's development and growth.

Our Escrow business has developed a new SaaS (Software as a Service) offering for our customers running their systems in the cloud, which offers excellent value and the strongest protection available in the global market today.

Cyber security is evolving and growing at an unstoppable pace. We now live in a world in which it is almost impossible to operate without technology as it controls all aspects of life. By being innovative and using our experience and skills, NCC Group's aim is to deliver a safer and more secure Internet world in which to navigate and transact.

In line with our acquisition strategy, we have added another small independent security testing company to complement our geographical presence. FortConsult, based in Denmark is one of the leading Nordic security testing service providers. Its addition will increase our footprint in mainland Europe and also provide our customers with one-stop testing services across Europe.

Two years ago, we took the strategic decision to develop a third division providing domain services as part of our vision to create a safer Internet for all. We have invested heavily in the newly formed NCC Group Domain Services division. We acquired the new generic top level domain *.trust*, subject to ICANN delegation processes, to help accelerate the delivery of the full service. Progress continues to be on time and budget, indeed the service was launched at the beginning of the current financial year on 20 June 2014. The development of the Domain Services division promises to be an exciting development for the Group and one where we anticipate strong returns in future years.

Our strategy is to develop our three complementary divisions both organically and by acquisition and deliver excellent service and value for money to our customers, which will drive growth across the Group.

IN THE LAST 12 MONTHS GROUP REVENUES GREW ORGANICALLY BY 12% TO £110.4M (2013: £99.2M).

Adjusted pre-tax profits and adjusted fully diluted earnings per share were up to £25.3m (2013: £23.0m) and 9.3p (2013: 8.4p) respectively post Domain Services. The Group continues to be highly cash generative with operating cash conversion representing 120% of operating profit (2013: 116%).

CHAIRMAN'S STATEMENT

Dividends

Reflecting the Board's commitment to the shareholders and following our progressive dividend policy, which at least tracks earnings growth, a final dividend of 2.36p is recommended by the Board, making a total for the year of 3.50p, up 13%. If approved at the Annual General Meeting, the dividend will be paid on 26 September 2014 to shareholders on the register at the close of business on 29 August 2014. The ex-dividend date will be 27 August 2014.

Board composition and diversity

We have a strong and balanced Board, with a range of complementary skills to support the strategic and operational direction of the Group. As a Group we recognise the importance of diversity and our Board members have a wide range of skills and experiences from a variety of business backgrounds. Last year we unsuccessfully endeavoured to further strengthen the team with an additional Non-Executive Director to provide further capability to deliver our strategy. We will initiate another search in the new financial year.

Board effectiveness

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

Governance

The Board takes its responsibility to maintain sound governance seriously. It is committed to high standards of corporate governance and supports the principles laid down in The UK Corporate Governance Codes published in September 2012 by the Financial Reporting Council ("Code").

The Corporate Governance Report together with the Audit Committee Report, Nomination Committee Report and the Directors' Remuneration Report on pages 41 to 82 describe how the principles of the Code are applied by the Group and reports on the Group's compliance with the Code's provisions.

CHAIRMAN'S STATEMENT

Employees

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

The Group now employs 869 people across the world, supplemented by a further 122 associates. Details of the Group's diversity policy can be found on page 27.

Outlook

Across the Group the year has started well.

Group Escrow renewals are forecast to be £18.0m (2013: £17.9m) and the verification order book is £2.9m (2013: £2.3m), of which £0.9m (2013: £0.7m) relates to Escrow Europe and Escrow US.

The Assurance division's order books are £25.3m (2013: £24.2m) and with this, it forecasts £6.8m (2013: £6.5m) of monitoring renewals for the coming financial year.

Domain Services' *.trust* domain was formally launched on 20 June 2014. At the time that this annual report was published, we anticipated that this division will have revenues of about £1m in the current financial year. We expect it will report losses in its first year of operations but move into profitability in the second financial year.

THE OUTLOOK FOR NCC GROUP REMAINS EXTREMELY PROMISING. WITH OUR STRONG MARKET POSITION AND WIDENING RANGE OF NEW PRODUCTS AND SERVICES TO ADDRESS GROWING MARKETS, THE BOARD IS CONFIDENT THAT THE GROUP CAN CONTINUE TO DELIVER SUSTAINABLE GROWTH AND ENHANCED SHAREHOLDER VALUE.



A stylized, handwritten signature of Paul Mitchell in white ink on a red background.

PAUL MITCHELL
Non-Executive
Chairman
5 August 2014

THE STRATEGIC REPORT

OUR STRATEGY - DELIVERING SUSTAINED GROWTH BASED ON INNOVATION AND STABILITY

NCC Group is a global information assurance specialist providing organisations worldwide with expert escrow and verification, cyber security consultancy, web performance, software testing and domain services.

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

The Group operates in three distinct but complementary divisions; Escrow, Assurance and Domain Services, which do not cross sell directly but do share information, intelligence and relationships to ensure that the appropriate products in our portfolio are introduced to our clients.

All divisions are tasked with and measured on providing the best client service allied to offering appropriate services to help mitigate risk. The Group is cautiously acquisitive and will remain so, looking for complementary small to medium sized businesses that either further strengthen our market position, geographic presence and/or extend the service offering.

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

THE STRATEGIC REPORT

Escrow

The Escrow Division is the cornerstone of the Group. The fundamentals of the Group are fully encapsulated in the product, which is based around the very highest standards of customer care and equitable treatment to both customers in the contractual relationship.

Escrow offers a high value product for a low, in comparison, investment. Due to its importance to clients, it provides the Group with good recurring revenues along with good margins.

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

The Group is committed to developing its escrow proposition further by providing new innovative solutions to evolve with the market. To date this has seen investments in SaaS and ICANN escrow solutions.

Assurance

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

Apart from determining security weaknesses, the Group is also committed to making the Internet a safer place for the world to populate. Whilst combatting the threat of cyber crime is a clearly stated objective, so is finding a safe way for the world to navigate, communicate and transact on the Internet. Accordingly, the Division's strategy is to constantly demand the generation of new ideas and initiatives to fulfil this.

However, whilst not all ideas make it to product development or design, each is critically, technically and commercially appraised before any financial commitment is made.

To allow this creativity to flow there is a requirement that the organisation is committed to remaining independent, product agnostic and not to be a reseller of third parties products, software or services. Equally this extends to not providing white label solutions for third parties to resell or to enter into any strategic alliances that could in any way appear to compromise the Group's objectivity or independence.

Integrity and credibility, alongside technical capability, are the leading cultural values of the Group and the fundamental underpinning of the Group's strategy to innovate, create and make safe. This will ensure the Group remains an independent, unbiased organisation and maintains its place as the trusted provider of choice in the security services marketplace.

As much of the work carried out by the Group is research based, the decision was taken to be equitable and ethical in our disclosure policies. Research paid for by third parties and our customers will not be disclosed unless requested by the paying organisation. Self-funded research by us will always be provided to the organisation that it affects in full, free of charge and without disclosure until such time as the vulnerability has been resolved, provided that it is done in a reasonable timeframe. However, the caveat applies that if it presents a threat to life or to the general public's online security, and the third party is unwilling to remediate the issue, a full disclosure will be made.

THE STRATEGIC REPORT

Domain Services

This Division has been created as a result of the Assurance Division fulfilling its strategic objective of innovating a service that will provide a safer Internet. Utilising the forthcoming changes in the domain world, the concept of creating a secure gated community from within which its occupants will be able to offer its users the missing vital Internet component, *.trust*, was born.

The strategic objective of the Division was first to create internationally accepted policies and procedures that set security standards at the highest level achievable for organisations, as well as creating a mechanism that allows continuous monitoring against those standards to ensure that the clients' environments offer that level of security.

More importantly, as only the rightful owner of a domain can buy a domain or any iteration of it, the opportunity for criminals to use it to cyber spoof or cyber squat is eradicated within the generic top level domain (gTLD). It is against this backdrop that the Group now aims to offer this service through its domain *.trust* to a select number of global organisations.

Although the Group will continue to invest heavily in the current year, the roll out of the *.trust* domain to invited organisations will be starting shortly.

The business model is based around high renewal rates, good margins and the highest standard of customer service. The take on of new customers will be slow and cautious ensuring that the transition to *.trust* has been successful before embarking on the next one.

The long term strategy is that Domain Services and Assurance will develop a symbiotic relationship as the opportunities to cross sell Assurance services increases as the *.trust* community grows.

Business performance measures

The Group manages the business using the KPI's shown in the table to the right. Reporting is daily, weekly and monthly and has different levels of granularity according to each manager's responsibility. The provision of accurate and quick management information has always been integral to the Group.

KPI	31 May 2014	31 May 2013	% Change
Group revenue	£110.7m	£99.2m	12%
Group Escrow revenue	£30.5m	£28.5m	7%
Group Assurance revenue	£80.2m	£70.7m	13%
Escrow operating profits	£18.1m	£16.7m	8%
Assurance operating profits	£14.0m	£12.0m	17%
Adjusted operating profits	£26.0m	£23.9m	9%
Corporate overheads	£4.0m	£3.6m	11%
Adjusted profit before tax	£25.3m	£23.0m	10%
Reported profit before tax	£23.2m	£18.8m	23%
Adjusted basic earnings per share	9.49p	8.60p	10%
Group Escrow margins	59%	59%	-
Group Assurance margins	18%	17%	3%
Escrow termination rates	12%	12%	-
Group headcount including associates	991	931	6%
Assurance headcount	590	503	17%
Escrow headcount	158	151	5%
Net debt	£23.6m	£25.3m	(7%)
Cash conversion ratio	120%	116%	3%

THE STRATEGIC REPORT

BUSINESS AND FINANCIAL REVIEW FOR 2014

Group revenue

Overall for the financial year ended 31 May 2014 the Group increased revenue by 12% to £110.7m (2013: £99.2m) with the revenue split being 49%:51% (2013: 48%:52%) between the first and second halves of the year.

On a constant currency basis, the Group revenue growth would have been 15% as both the dollar and euro remained weak against the pound. Due to the natural hedging through the intercompany loans, the impact on the Group's operating profits was minimal with a charge of £0.1m being taken. The Group does not speculate against currency fluctuations.

Group Escrow now accounts for 28% of the Group's revenue (2013: 29%) as the Assurance business saw faster organic growth and benefitted from acquisitions.

The Group's recurring income remained significant. In Escrow UK over 88% of all contracts renewed (2013: 88%). Assurance saw 76% of its revenues renewed (2013: 77%), this now represents 46% of all customers (2013: 52%). In addition, 91% (2013: 91%) of the performance monitoring revenues renewed and are recurring.

The increasing number of customers who are renewing in Assurance has resulted in renewing Assurance customers' expenditure increasing from £68,821 to £73,225 with total average customer spend increasing to £44,689 from £38,425.

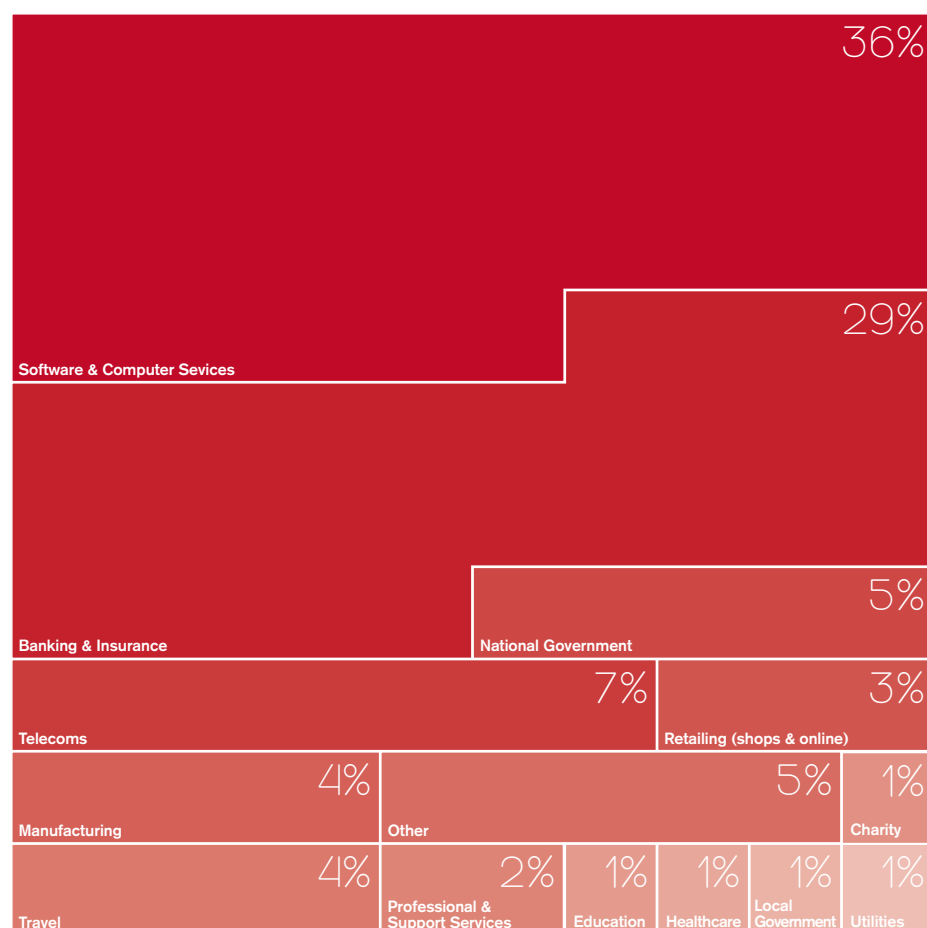
**GROUP REVENUE
INCREASED
12% TO £110.7M**
(2013: £99.2m)

THE STRATEGIC REPORT

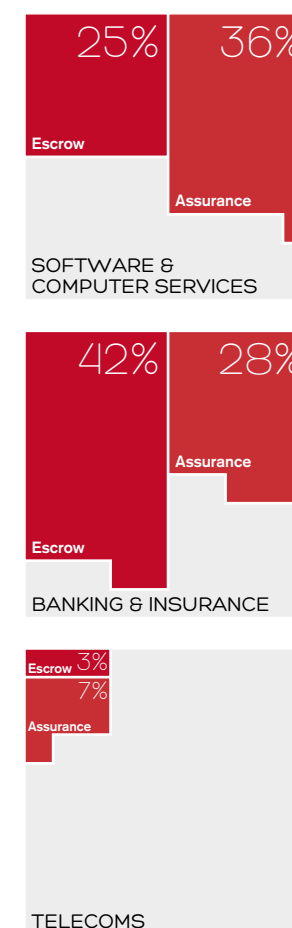
Group revenue by geography and market sector

In the year 60% (2013: 64%) of revenue, £66.4m (2013: £63.1m) was derived from the UK. Europe contributed £10.5m (2013: £7.7m) with the Rest of the World revenue increasing strongly to £33.8m (2013: £28.4m), some 31% of Group revenue.

The Group continued to have minimal reliance on any one customer or sector. Within Assurance the largest customer represents 6% of Assurance revenue which is 4% of Group revenue. The largest customer in Escrow is 1% of total Escrow revenue.



Top three sectors by Division



THE STRATEGIC REPORT

Escrow

The Group's Escrow businesses have always been and will continue to be, the cornerstone of NCC Group's profitability. They produce a substantial margin and very strong cash conversion as well as a high degree of recurring revenue, due to the consistent contract renewal rates of over 88%.

The Escrow division increased revenue by 7% to £30.5m (2013: £28.5m) and profitability grew by 8% to £18.1m (2013: £16.7m) with the UK contributing 81% (2013: 81%).

Group Escrow recurring revenue renewals, grew to £17.9m (2013: £17.7m). Group Verification revenues grew by 23% in the year to £7.5m (2013: £6.1m).

Escrow UK. Escrow UK revenue was £22.5m (2013: £20.9m). This 8% growth in revenue (2013: 3%) was delivered through contract growth and verifications, with only a limited amount coming from the effects of the price increase.

Escrow UK recurring revenues increased to £12.8m (2013: £12.4m) and terminations remain below 12%.

Escrow Europe and Escrow US. Escrow US revenues grew by 5% to £4.7m (2013: £4.4m) and Escrow Europe revenues grew by 3% to £3.3m (2013: £3.2m).

Escrow UK now has 103 employees (2013: 96), Escrow Europe has 17 employees (2013: 17) and the North American Escrow businesses have 38 employees (2013: 38).

Assurance

The Assurance division is divided into two areas, cyber security consultancy services and web performance and load testing, with all services being provided as NCC Group in the UK. In North America cyber security consultancy services are sold by iSEC or Matasano, NCC Group Companies.

Cyber security consultancy and testing includes penetration and application security testing, operational response, forensics and managed monitoring along with the compliance based services such as social engineering, card and information security standards and security auditing. Web performance testing involves continuously monitoring the performance and load capability of organisations' websites.

Assurance now accounts for 72% (2013: 71%) of Group revenues with total divisional revenues increasing by 13% to £80.2m (2013: £70.7m) and profitability growing by 17% to £14.0m (2013: £12.0m). The acquisition of FortConsult had less than a percentage point impact on organic growth, as it was only owned for one month of the reported period.

Cyber security consultancy and testing revenues grew 15% to £71.0m (2013: £61.9m) whilst also ensuring that utilisation rates remained suitably low to combat any staff retention issues. The business unit employs 521 employees globally (2013: 444) and uses 122 associates.

Web Performance had a recurring revenue rate of 91% (2013: 91%), which continues its strong track record of client retention. The challenge facing this business unit will be to complete the product developments and derive revenues from them in the new financial year. During the year the business area grew by 5%. The business unit employs 69 employees globally (2013: 59).

THE STRATEGIC REPORT

Domain Services - creating a safer Internet - *.trust*

In May 2012, the Group applied to register a gTLD, *.secure*, as part of the ICANN programme to create a new set of gTLDs, so as to create a universal environment for end users to operate and navigate the Internet with complete safety and security.

The Group established a new wholly owned subsidiary, in California, to develop the critical infrastructure and know-how to deliver this project. The Group also decided to create a best in class registrar to serve Group customers directly.

Up to the end of the financial year, the Group has invested in total £8.3m in this project, of which £5.0m has been capitalised. During the financial year, the Group invested a total of £5.6m (2013: £2.3m) in the project of which £2.1m (2013: £1.2m) has been expensed, as the costs were in respect of sales and marketing.

The Group acquired the rights to the gTLD *.trust*, subject to ICANN delegation processes and procedures, during the year in order to provide the platform from which the service will be launched during the first half of the new financial year, subject to ICANN process delays or slippages that may occur.

The initial application for a gTLD *.secure* remains in contention as the Group was one of two companies who applied for it. This will be resolved during the next financial year and in accordance with ICANN rules.



THE STRATEGIC REPORT

Profitability and margins

NCC Group continues to generate strong margins and adjusted Group operating profit grew by 9% to £26.0m (2013: £23.9m), including operational expenditure of £2.1m in Domain Services and excluding the amortisation of acquired intangibles, exceptional items and share-based charges as set out in the table to the right.

Despite the increased percentage of revenue from the non-escrow businesses and the effects of the Domain Services operational expenditure, overall adjusted operating margins remained strong at 24% (2013: 24%).

The Escrow division's operating margins remained strong at 59% (2013: 59%) whilst the Assurance division improved its operating margins due to close cost control and pricing to 18% (2013: 17%).

In May 2012 the Board reported the complete suspension of the implementation of the Group's new fully integrated IT system. Contained within exceptional items in 2014 are one off legal charges of £0.3m.

	2014	2013
	£000	£000
Reported profit before tax	23,211	18,758
Amortisation of acquired intangible assets	2,116	3,612
Share based payments	1,108	760
Exceptional items	(1,268)	(261)
Unwinding of discount on contingent consideration	120	167
Adjusted profit before tax	25,287	23,036
Net financing costs	741	902
Adjusted operating profit	26,028	23,938
 Reported operating profit	 24,072	 19,827

Adjusted Group pre-tax profit improved to £25.3m (2013: £23.0m) after an interest charge of £0.7m.

The Group's reported pre-tax profit was £23.2m (2013: £18.8m), after the inclusion of the unwinding of the discount on the acquisitions' contingent consideration, amortisation of acquired intangible assets, share based payment charges and the exceptional items.

THE STRATEGIC REPORT

Taxation

The Group's effective tax rate is 22% (2013: 23%), which is marginally below the average standard UK rate of 23% (2013: 24%). The effective tax rate remains low due to the continued investment in Domain Services and the US tax treatment of these costs.

Earnings per share

The adjusted basic earnings per share from continuing operations increased 10% to 9.5p (2013: 8.6p). The table shows the effect on the Group's basic earnings per share of the amortisation of acquired intangibles, share based payment charges, unwinding of the discount on the contingent consideration for acquisitions and the effect of the exceptional items.

	2014	2013
	Pence	Pence
Basic EPS as per the income statement	8.7	7.0
Amortisation of acquired intangibles	0.8	1.3
Exceptional items	(0.5)	(0.1)
Unwinding of the discount on the contingent consideration of the acquisitions	0.1	0.1
Share based payments	0.4	0.3
Adjusted basic EPS	9.5	8.6

The adjusted fully diluted earnings per share from continuing operations increased 11% to 9.3p (2013: 8.4p) whilst reported fully diluted earnings per share was 8.6p (2013: 6.9p).

THE STRATEGIC REPORT

Dividends

The Board is recommending a final dividend of 2.36p per ordinary share, making a total for the year of 3.50p. This represents cover of 2.7 times (2013: 2.8 times) based on basic adjusted earnings per share from continuing operations. Since the Group's flotation in July 2004, the dividend has increased from 0.42p, a compound annual growth rate of 27%.

Cash

The Group continues to be highly cash generative with an operating cash flow before interest and tax of £28.9m (2013: £23.0m), which gives a cash conversion ratio of 120% of operating profit before interest and tax (2013: 116%). It is expected as the mix of business continues to change due to the increase in Assurance revenues, the percentage will be between 100% and 110%.

After accounting for net cash outflows of £4.3m for acquisitions and contingent acquisition payments, the Group ended the year with net debt of £23.6m (2013: £25.3m).

Total capital expenditure remained tightly controlled at £10.8m (2013: £4.9m) which includes the Group's continued investment (£3.5m) in Domain Services.

In the current financial year, during the implementation phase of Domain Services, the Group will continue to invest heavily in the project and expects to spend some £5.0m on capital expenditure. In the next financial year to May 2016, the investment programme is expected to drop to some £1.6m and thereafter to approximately £0.5m.

The Group's banking facility with the Royal Bank of Scotland, which provides a £40m revolving credit facility and a £5m overdraft, runs until July 2016. Interest on the facility is charged between 1.5% and 2.25% over LIBOR based on the Group's net debt/EBITDA ratio.

The facility provides the Group with the necessary capacity to meet its current acquisition objectives, although this is regularly reviewed to ensure that unnecessary fees are not incurred due to non-utilisation. The Group was utilising 64% of the facility at the year-end.

**A FINAL DIVIDEND
OF 2.36p PER
ORDINARY SHARE**

THE STRATEGIC REPORT

YEAR END OUTLOOK

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

The start to the year sees Group Escrow renewals at £18.0m up from £17.9m in the year to 31 May 2013 and a verification order book of £2.9m of which £0.9m relates to Escrow Europe and Escrow US.

The Assurance division order books have improved to £25.3m (2013: £24.2m) and have £6.8m (2013: £6.5m) of monitoring renewals forecast for the current financial year.

Domain Services continues to develop its systems, processes and policies, with a view to being able to offer a service to its customers through *.trust* from the first half of the current financial year. This complex development is on time and budget but will always remain subject to ICANN timetable delays, although it is currently thought that the go live date of October is likely to be achieved. The expectation is that there will be at least 20 customers signed up by the end of the financial year 2015 and 70 by 31 May 2016.

As stated on 20 June 2014, the Board expects Domain Services to generate revenue in the current financial year of £1.0m, increasing to around £5.0m in the following financial year. The Group expects a divisional operating loss in the order of some £4.3m in the current financial year. However, this division is anticipated to make a positive contribution in the financial year to May 2016 with a divisional margin target of approximately 25% thereafter.

IN SUMMARY THE OUTLOOK FOR NCC GROUP REMAINS VERY GOOD, THE ECONOMIC UPLIFT WILL HELP ALL BUSINESSES AND THE PROGRESS MADE BY THE DOMAIN SERVICES DIVISION TO DATE SUGGESTS THAT IT WILL BECOME A SIGNIFICANT CONTRIBUTOR IN THE COMING YEARS.

PRINCIPAL RISKS AND UNCERTAINTIES

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

The Operational Board carries out a full in depth review of the Company's risk register annually. The risk register is then reviewed by the Audit Committee for an independent and objective assessment before being circulated to the Board. Day to day risks faced by the Company are mitigated by management processes and procedures embedded in the Group's Quality system.

The following table sets out the principal operational risks and uncertainties facing the business, their potential impact and the principal mitigating factors.

THE STRATEGIC REPORT

Principal risks and uncertainties

Risk Areas	Potential Impact	Mitigation
Information Technology	NCC Group is exposed to the risks that the IT systems on which it relies fail and/or that sensitive data held by the Group is lost or stolen.	NCC Group has appropriate controls in place in order to mitigate the risk of systems failure and data loss, including systems back-up procedures and disaster recovery plans and also has appropriate malware protection, network security controls and encryption of mobile devices.
Loss of Key Management	Loss of key management resulting in a lack of necessary expertise or continuity to execute strategy.	Existing key management, new hires or management teams that are recruited through acquisitions are tied in through rewarding career structures and attractive salary packages, which include participation in share schemes. In addition, succession plans have been developed or are being developed for key members of the management team, including through acquisitions, which are regularly reviewed.
Recruitment & Retention	An inability to attract and retain sufficient high-calibre employees could become a barrier to the continued success and growth of NCC Group.	This is mitigated with a clear human resources (HR) strategy, which is aligned to the business strategy and focused on attracting, developing and retaining the best people for NCC Group. It is underpinned by consistent and continuous assessment and management of employees and excellent opportunities for further career training and development. In addition, there is a continual review of compensation and benefits to ensure sector and geographic competitiveness.
Damage to Reputation	Failing to maintain discipline and meet customer expectations on project delivery, testing assignments or source code handling could result in damage to reputation, loss of repeat business and potentially lead to litigation and/or claims against NCC Group.	NCC Group operates a system of policies and procedures which are regularly audited as part of the quality system. These, combined with comprehensive management oversight, the risk management process, project reviews and customer feedback, mitigate the risk to successful service and project delivery. All staff are trained regularly and backups taken wherever possible before testing assignments begin.
Acquisitions	A failure to execute, complete and successfully integrate targeted, value-enhancing acquisitions represents a risk to growth.	The Board remains committed to making value enhancing acquisitions. The process adopted by the Board in identifying and completing such acquisitions is well established and includes a robust due diligence and integration planning process.

THE STRATEGIC REPORT

Principal risks and uncertainties

Risk Areas	Potential Impact	Mitigation
Competitive Environment	New lower priced competitors could enter the marketplace.	Emphasis is put on providing a high quality, efficient service. Discussion groups are held regularly to ensure new opportunities to improve or extend the Group's existing product and service offerings are taken.
Investing in New Areas	A new product or service area could require significant investment and take time to deliver a return or deliver disappointing returns.	Major new services are only introduced after extensive review and consideration. All new significant investments require Board approval.
Ethical Breaches	A substantive ethical breach and/or non-compliance with laws or regulations could potentially lead to damage to NCC Group's reputation, fines, litigation and claims for compensation.	NCC Group has a number of measures in place across the Group to mitigate this risk, including: Anti-Bribery and Gifts Policies, a Code of Ethics, a Competition Policy statement, segregation of duties, management oversight, financial and operational controls and regular staff training.
Economic Environment	There could be a significant downturn in the economy.	As the business is global it is not based on the economy of just one area in the world. Whilst a major recession could impact assurance work, the effect on the escrow business should be less as the failure of businesses highlights the need for escrow.
Failure to Protect Intellectual Property	Loss of competitive advantage.	Patents are applied for where appropriate and intellectual property is only disclosed under a licence agreement or confidentiality agreement.

THE STRATEGIC REPORT

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

The principal financial risks faced by the Group are:

- **Credit Risk.** This is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.
- **Liquidity Risk.** This is the risk that the Company will not be able to meet its financial obligations as they fall due. The Group manages liquidity risks by regular reviews of forecast cash flows in line with contractual maturities of financial liabilities and the revolving credit facility available. Forecast cash flows are reported to the Board on a monthly basis.
- **Currency Risk.** The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities. The Group's management review the size and probable timing of settlement of all financial assets and liabilities denominated in foreign currencies.
- **Interest Rate Risk.** The Group and Company finances its operations through a mixture of retained profits and bank borrowings. The Group borrows and invests surplus cash at floating rates of interest based upon bank base rates.

On behalf of the Board



An aerial night photograph of London, showing the city's lights reflecting on the River Thames. The Tower Bridge is prominently featured in the lower center, illuminated with white and blue lights. The city skyline extends into the distance, with numerous buildings lit up. The overall scene is a vibrant display of urban illumination.

OUR PEOPLE

People are at the heart of the Group's business and the support and involvement of the talented individuals who form its team is vital to the continued success of the Group overall.

The Group now employs 869 people across the world, supplemented by a further 122 associates.

CORPORATE SOCIAL RESPONSIBILITY

STAKEHOLDERS

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

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

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

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

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

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

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

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

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

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

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

CORPORATE SOCIAL RESPONSIBILITY

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

Approximately 79% of our employees are male and 21% female. In our senior leadership team, approximately 78% of the team are male and 22% female whilst on our Board, 80% of the Directors are male and 20% female.

The Board recognises the need to positively support gender diversity in a technology business, which has traditionally and historically attracted more men. Whilst this is desirable, the root causes stem from the teaching of IT and Technology in our schools and colleges where it is historically seen as an all male preserve.

The Group is endeavouring to engage with local schools to help educate and instil the benefits and opportunities of careers in IT and cyber security for all genders.

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

The Group has its own football team that plays weekly and organises two charitable football tournaments every year involving teams from the local business community. NCC Group also has a very active track cycling club, cricket team and running club and for the more cerebral a book club.

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

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

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

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

CORPORATE SOCIAL RESPONSIBILITY

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

The current corporate charity is The Christie Charitable Fund and this year the Group raised money for a new mobile chemotherapy unit for the North West region to enable patients to receive treatment closer to home.

As part of the fundraising efforts the Group launched the On the Road to Recovery campaign and the Group's Chief Executive Officer, Rob Cotton, embarked on a mammoth cycling challenge. He and eight local business leaders tackled the five most iconic Alpine stages of the Tour De France back-to-back and raised more than £300k for the campaign.

The Road to Recovery campaign also included a series of fundraising challenges from a star-studded comedy event to numerous fitness and endurance events such as the Manchester 10k and the Wilmslow Half Marathon.

The Group believes in community and charitable support and as importantly likes to encourage its staff to do the same.

This year the company has continued to sponsor five local junior football teams by buying their football kit and trophies to encourage children to take an interest in sport and keeping fit.

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

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

Suppliers. The Group's policy is to pay suppliers in accordance with terms and conditions agreed when orders are placed. Although the Group does not follow any code or standard on payment policy, where terms have not been specifically agreed, invoices dated in one calendar month are paid close to the end of the following month. At 31 May 2014, the Group had an average of 52 days purchases outstanding in trade creditors (2013: 50 days).

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

CORPORATE SOCIAL RESPONSIBILITY

ENVIRONMENT AND SUSTAINABILITY

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

The Group sought third party advice for initiatives that could be implemented and followed as well as for staff education to ensure that they are thinking about the environment both in work and at home.

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

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

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

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

Initiatives that have been put in place:

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

CORPORATE SOCIAL RESPONSIBILITY

Greenhouse Gas Emissions

This section includes our mandatory reporting of greenhouse gas emissions pursuant to the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 ("The Regulations").

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

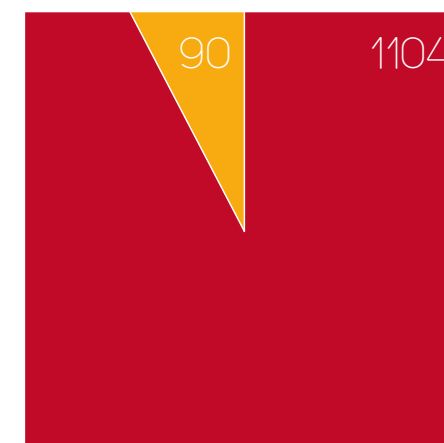
The method we have used to calculate GHG emissions is the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), together with the latest emission factors from recognised public sources including, but not limited to, Defra, the International Energy Agency, the US Energy Information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

The reported emissions cover all our offices globally but exclude the recent acquisition, FortConsult A/S which was acquired in May 2014. Our emissions cover scope 1 and scope 2 and we have used revenue as the intensity ratio as it best reflects the size and scale of the business. Our aim is to reduce the overall carbon intensity for the Group by at least 10% over the next three years.

Global Greenhouse gas emissions data

	2014	2013
Absolute carbon emissions (tCO ₂ e)	1194	1370
Group Revenue (£m)	110.7	99.2
Carbon intensity for whole Group	10.8	13.8
Year on year change	(3.0)	-

Total CO₂e by emission type



- Electricity, heat and cooling purchased for own use
- Combustion of fuel

On behalf of the Board



GOVERNANCE

BOARD OF DIRECTORS

The plc and Executive Board comprises the following Directors.



PAUL MITCHELL
Non-Executive
Chairman

Paul Mitchell was appointed Non-Executive Chairman of NCC Group in 1999. He is Non-Executive senior partner of Rickitt Mitchell & Partners Limited, a corporate financial advisory firm based in Manchester.

He is also a Non-Executive Chairman of Styles & Wood Group plc and a Non-Executive Director of Little Green Paint Company Limited.

He is a qualified Chartered Accountant.

*Chairman of Nomination Committee and
Member of Remuneration Committee*



ROB COTTON
Chief Executive

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

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

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

Member of Nomination Committee



ATUL PATEL
Group Finance
Director

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

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

GOVERNANCE



**DEBBIE
HEWITT MBE**
Senior Independent
Non-Executive
Director

Debbie Hewitt joined NCC Group in September 2008 as a Non-Executive Director. She has an MBA, is a Fellow of the Chartered Institute of Personnel Development and was awarded an MBE for services to Business and the Public Sector in 2011.

She is Non-Executive Chairman of Moss Bros plc, HR Owen plc, White Stuff Ltd and Evander Group Ltd and Non-Executive Director of Redrow plc, Domestic and General Group plc and BGL Group Limited.

Chair of Remuneration Committee, Member of Audit and Nomination Committees



**THOMAS
CHAMBERS**
Non-Executive
Director

Thomas Chambers joined NCC Group in September 2012. Thomas was CFO of smartphone operating systems developer Symbian Limited from 2001 until its sale to Nokia Oyj in 2009, and prior to that, CFO of DSL provider First Telecom.

He is a Chartered Accountant and has held roles with Kleinwort Benson, the European Bank for Reconstruction and Development and Price Waterhouse. He is also Non-Executive Chairman at recruitment company Propel Ltd and a Non-Executive Director of Kings Arms Yard VCT plc and Niu Solutions Ltd.

Chair of Audit Committee, Member of Remuneration and Nomination Committees

GOVERNANCE

SENIOR MANAGEMENT

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

ASSURANCE



**ROGER
RAWLINSON**
Group Managing
Director,
Assurance

Roger Rawlinson is responsible for the operational management of the Group's Assurance Division.

He has worked for NCC Group for over 20 years in a variety of testing and consultancy roles and was appointed a Director in 2004.



**ROB
HORTON**
European
Managing Director,
Assurance

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

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

ESCROW



**DANIEL
LIPTROTT**
Managing Director,
Escrow and Group
General Counsel

Daniel Liptrott 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 2011 he had been the Group's outside counsel at Eversheds LLP and has 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.

GOVERNANCE

DOMAIN SERVICES



PETE STOCK
Managing Director,
Domain Services

Pete Stock is responsible for the development of the Domain Services division based in San Francisco. He joined the Group upon the acquisition of SDLC in 2010 and in 2011 became responsible for the management, development and continued growth of the Escrow division until 31 May 2014.

Pete was the Managing Director of SDLC from its formation in 2001 through to its successful integration into the Group.

CORPORATE



FELICITY BRANDWOOD
Group Company
Secretary and
Operational
Director

Felicity Brandwood, a qualified solicitor, was appointed Company Secretary in 1999 and has been a member of the Operational Board since 2006.

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

GOVERNANCE - 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 2014.

Principal activities

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

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

Strategic report

Pursuant to sections 414A-D Companies Act 2006, the business review has been replaced with a strategic report, which can be found on pages 11 to 24. This report sets out the development and performance of the Group's business during the financial year, the position of the Group at the end of the year and a description of the principal risks and uncertainties facing the Group.

GOVERNANCE - DIRECTORS' REPORT

UK Corporate Governance Code

The Company's statement on corporate governance can be found in the Corporate Governance Report, the Audit Committee Report, the Nomination Committee Report and the Directors' Remuneration Report on pages 41 to 82. The Corporate Governance Report, the Audit Committee Report, the Nomination Committee Report and the Directors' Remuneration Report form part of this Directors' Report and are incorporated into it by reference.

Results and dividends

The Group's and Company's audited Financial Statements for the financial year ended 31 May 2014 are set out on pages 84 to 153.

The Directors propose a final dividend of 2.36p per ordinary share which, together with the interim dividend of 1.14p per ordinary share paid on 21 February 2014, makes a total dividend of 3.50p for the year.

The final dividend will, if approved by shareholders at the Annual General Meeting (AGM), be paid on 26 September 2014 to shareholders on the register at the close of business on 29 August 2014. The ex-dividend date will be 27 August 2014.

Going concern

The Directors consider that the Group has adequate financial resources and has access to sufficient borrowing facilities to continue operating for the foreseeable future. Accordingly, as detailed in note 1 to the Financial Statements (Basis of preparation), the Directors continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Post balance sheet events

There have been no balance sheet events that either require adjustment to the Financial Statements or are important in the understanding of the Company's current position.

GOVERNANCE - DIRECTORS' REPORT

Major shareholders

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

Shareholder	Number of ordinary shares notified	Percentage of ordinary share capital notified
Montanaro Asset Management	23,378,098	11.2%
Liontrust Asset Management	23,167,585	11.1%
Mawer Investment Management	22,958,485	11.0%
Legal & General Investment Management	16,991,139	8.2%
Henderson Global Investors	8,720,184	4.2%
SEB Asset Management (Stockholm)	7,153,843	3.4%
Aviva Investors	6,611,009	3.2%

There were no notifications received under DTR 5 between 31 May 2014 and 5 August 2014.

Share capital and control

At the Company's Annual General Meeting held on 12 September 2013, the Directors were granted authority to allot up to 69,219,472 ordinary shares representing approximately a third of the Company's issued share capital. In addition, the Directors were granted authority to allot a further 69,219,472 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.

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

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

Details of the movements of the authorised and called up share capital of the Company are set out in note 21 to the financial statements.

GOVERNANCE - DIRECTORS' REPORT

Authority to purchase own shares

At the Company's Annual General Meeting held on 12 September 2013, shareholders renewed the Company's authority to make market purchases of up to 20,765,841 ordinary shares representing approximately 10% of the issued share capital. At the 2014 Annual General Meeting, shareholders will be asked to give a similar authority.

After taking into account the effects on earnings per share and the interests of shareholders generally, on 30 May 2014 the Company purchased 600,000 ordinary shares in the market to be held in Treasury against the future crystallising LTIP liabilities that will fall due to the Executive Directors and Senior Management in July 2014.

Directors

Details of the Company's current Directors, together with brief biographical details are set out on pages 31 to 32.

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

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

Directors' remuneration

The Remuneration Committee, on behalf of the Board, has adopted a policy that aims to attract and retain the Directors needed to run the Group successfully. Details of the Directors' remuneration is set out in the Remuneration Report on pages 58 to 82.

Directors' interests

Directors' interests in shares and share options in the Company are detailed in the Directors' Remuneration Report set out on pages 58 to 82.

Directors' and officers' insurance and indemnities

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

The deeds were in force during the course of the financial year ended 31 May 2014 for the benefit of the Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

Corporate Social Responsibility

The Corporate Social Responsibility report on pages 26 to 30 provides an update on the Group's policies and activities in respect of its wider stakeholders, employees, clients, suppliers, charities and the community, environmental, ethical and health and safety issues.

During the year the Company made no political donations (2013: £Nil).

GOVERNANCE - DIRECTORS' REPORT

Greenhouse gas emissions

The Board is committed to maintaining the environment and limiting wherever possible its greenhouse gas emissions, this is covered on page 30 in the Corporate Social Responsibility report.

Change of control

Within the Group's revolving credit facility, the lender has the right to demand immediate payment of any outstanding balances upon a change of control of the Group following a takeover bid.

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

Disclosure of information to auditors

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

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

Annual General Meeting

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

On behalf of the Board



An aerial night photograph of a city skyline, likely New York City, with a prominent red overlay that traces a path through the city. The lights of the buildings and streets are visible against the dark sky.

CONTINUALLY INNOVATING

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

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

GOVERNANCE - CORPORATE GOVERNANCE REPORT

The Board is committed to good corporate governance principles and practices. In respect of the year ended 31 May 2014, NCC Group has been in full compliance with the provisions of the Corporate Governance Code published by the Financial Reporting Council in September 2012 except as stated in the below.

Provision A.3.1. The Company did not comply with the requirement that the Chairman meets the independence criteria set out below (page 46 and note 25 to the financial statements).

Provision B.2.1. During the period the company did not comply with the requirement that the Board should establish a Nomination Committee of which the majority of members should be independent Non-Executive Directors. The Senior Non-Executive Director does however have the casting vote.

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

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

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

The Board review was positive, with useful ideas being generated, which will be acted upon in the forthcoming year. It is recognised that the Board needs constantly to develop its knowledge and skills so that it can respond to evolving market conditions and new business challenges and opportunities. The recruitment of a third independent Non-Executive Director has been given high priority for the new financial year and an additional independent recruitment agent is in the process of being appointed. The new Non-Executive Director will become a member of the Nomination Committee, which will ensure the majority of the Committee members are independent Non-Executive Directors.

GOVERNANCE - CORPORATE GOVERNANCE REPORT

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

Responsibilities

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

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

The Audit Committee.

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

The Nomination Committee.

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

The Remuneration Committee.

The Remuneration committee is responsible for determining the remuneration of the Executive Directors and approving the remuneration of senior managers.

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

- Developing the annual operating plan;
- Monitoring the performance of the different divisions of the Company against the plan;
- Carrying out a formal risk review process;
- Reviewing the Company's policies and procedures;
- Prioritisation and allocation of resources; and
- Overseeing the day to day running of the Company.

GOVERNANCE - CORPORATE GOVERNANCE REPORT

OPERATION OF GOVERNANCE FRAMEWORK

Role of the Board

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

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

GOVERNANCE - CORPORATE GOVERNANCE REPORT

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

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

The Board normally meets on a monthly basis. During the year, the Board met on twelve scheduled occasions. The attendance of individual Directors at the scheduled Board meetings is shown in the table to the right. The Non-Executive Directors are contracted to spend a minimum of 24 days per annum on NCC Group affairs and on average spent 30 days on Company business during the year.

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

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

GOVERNANCE - CORPORATE GOVERNANCE REPORT

Composition of the Board

The Board currently comprises two Executive Directors and three Non-Executive Directors. During the year, an external recruitment company was retained with a brief to help the Company find an additional Non-Executive Director to complement the Board. Three candidates were interviewed and one offer was made to a candidate however the offer was not accepted so the search for a suitable additional independent Non-Executive Director with appropriate skills is continuing.

The proportion of women Directors and Officers of the Board currently stands at 33% and women in senior management positions across the Group account for 21% as a whole. The Company's policy is to find, develop and keep a diverse workforce at all levels and it is committed to developing a culture where women can retain senior positions.

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

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

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

The Senior Independent Director.

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

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

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

GOVERNANCE - CORPORATE GOVERNANCE REPORT

Independence of the Chairman and the Non-Executive Directors

After careful review, the Board has concluded that Debbie Hewitt and Thomas Chambers are independent. In coming to this assessment the Board considered the character of the individuals concerned and the fact that neither 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/fees;
- Has close family ties with advisors, other Directors or senior management of the Group that could reasonably be expected to cause a conflict;
- Holds cross-directorships or has significant links with other Directors through involvement with other companies or bodies;
- Represents a significant shareholder; or
- Has served on the NCC Group Board for more than nine years from the date of their first election.

The Board recognises that the Chairman does not comply with this assessment as he has served as Chairman for 15 years and so does not meet the requirements for the Chairman to be independent. The Board has considered this and has put safeguards in place where this could impact his role. For areas where independence is deemed to be key to any decision making, the Senior Non-Executive Director is able to assume that position of responsibility where necessary and has the casting vote.

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

Conflicts of interest

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

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

GOVERNANCE - CORPORATE GOVERNANCE REPORT

Board Effectiveness

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

A detailed questionnaire on the performance of the Board was also circulated to all members of the Board for completion. A summary of the results and the resulting recommendations were then prepared and circulated to the Board. The main outcome of the evaluation was to put focus on the Board's main objectives for the coming year in particular the Group's recruitment of a new Non-Executive Director, succession planning in general, strategy planning and the best ways to take advantage of the opportunities for growth in the US.

Areas of strength included the performance of the Committees, the open and inclusive culture and the quality of information circulated to the Board.

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

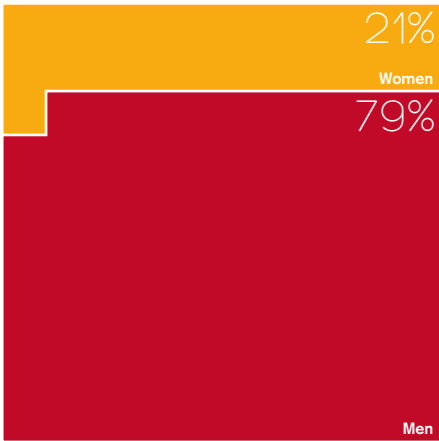
The Non-Executive Directors provide a strong independent element on the Board and are well placed to constructively challenge and help develop proposals on strategy and succession planning. Between them they bring an extensive and broad range of experience to the Group and this will be extended by the appointment of an additional Non-Executive Director when a candidate with suitable complementary skills is found.

GOVERNANCE - CORPORATE GOVERNANCE REPORT

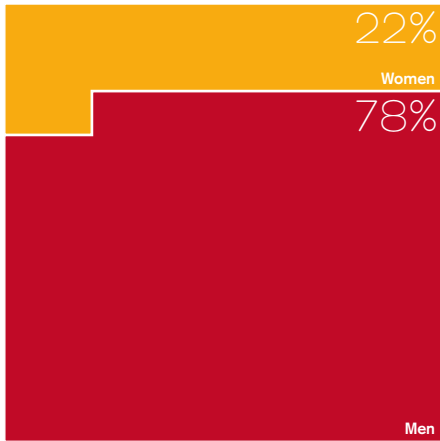
Diversity

The Board values the aims and objectives of the Davies report on women on boards. When considering appointments to the Board and other senior executive positions a thorough review of the skills, experience and knowledge of the candidates is carried out and appointments made on merit and appropriateness. At present 20% of the Directors on the Board are women. Given the relatively small size of the Board it would not seem appropriate to impose specific formulaic targets but it is the Company's intention to increase the gender and ethnic diversity of the Board and senior management team as opportunities arise.

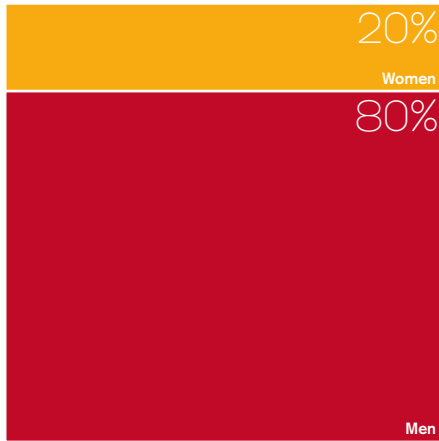
Total



Senior management



Board



GOVERNANCE - AUDIT COMMITTEE REPORT

Composition

The Audit Committee is chaired by Thomas Chambers, a Chartered Accountant, who has previously worked as the CFO of two telecommunications companies and held roles with Kleinwort Benson and Price Waterhouse. He is therefore considered by the Board to have the recent and relevant experience required by the UK Corporate Governance Code 2012. The other member of the Committee is the senior independent Non-Executive Director, Debbie Hewitt, who has a wide range of relevant business experience.

Meeting frequency and attendance

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

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

Meetings attended	
Thomas Chambers	4/4
Debbie Hewitt	4/4

GOVERNANCE - AUDIT COMMITTEE REPORT

The Audit Committee's objectives and responsibilities

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

The Terms of Reference are reviewed annually and have been updated to reflect the recent changes to the UK Corporate Governance Code 2012, requiring a determination of whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable.

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

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

GOVERNANCE - AUDIT COMMITTEE REPORT

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

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

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

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

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

Revenue recognition

The Group has defined its revenue recognition policies for each of its revenue streams in line with IAS18 Revenue. The contracts entered into by the Group are of limited complexity and variety, although there are a large number of transactions.

The Group has three main types of revenue, Assurance, Escrow and Website Monitoring.

For Assurance, the results of partially completed fixed price or time and materials contracts are dealt with on a percentage completion basis according to the number of days worked and include the profit or loss earned on work completed to the balance sheet date. All contracts are short term and for a duration of less than a year.

Provisions are made for any losses incurred or expected to be incurred on partially completed contracts after the balance sheet date.

For Escrow, revenue is deferred and released to the income statement on a straight-line basis over the life of the agreement on the basis that the performance is deemed to fall evenly over the contract period. All agreements are for one year.

For Website Monitoring, fees are attributed to the setup of new contracts after which revenue is deferred and released to the income statement on a straight-line basis over the life of the agreement on the basis that the performance is deemed to fall evenly over the contract period. All agreements are for one year.

Management operate a number of key controls in relation to recording revenue. All incomplete Assurance projects are reviewed on a monthly basis and provisions made for any losses expected on uncompleted contracts.

Due to the predictable nature of Escrow and Website Monitoring income, actual revenue is compared to expected revenues on a monthly basis and management investigates differences.

The Committee has reviewed the papers prepared by management regarding the revenue recognition policies adopted in comparison to the requirements of IAS18 Revenue.

Revenue recognition is identified as an area of audit focus by our external auditors, KPMG, who compared management's revenue recognition papers to the requirements of IAS18 Revenue, and performed detailed substantive testing and analytical procedures, which enabled them to assess whether the revenue recognition policy adopted had been appropriately complied with. The outcome of this work was then reported to the Committee.

GOVERNANCE - AUDIT COMMITTEE REPORT

Software and development costs

The Group is undertaking a number of development projects aimed at producing new products and services whilst there is also the ongoing investment in the Group's finance systems. As a result total costs of £7.5m have been capitalised in the year.

A key part of this investment has been the continued development of the *.trust* top level domain services business. This has been a key initiative for the Group and significant progress has been made towards bringing this product to market. As a result of this investment, costs of £3.5m have been capitalised in the year as development spend in accordance with IAS38 whilst the total value of costs capitalised is £5.0m as at 31 May 2014.

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

The Committee has addressed this issue through examining the reports received from management outlining the future plans for the business and its approach to classifying costs as capital in nature. The Committee receives regular updates from the Board regarding project progress and costs incurred. The Committee gains additional comfort that the business plans have received Board approval. This is another area of significant risk for the external auditors who have also obtained and challenged the latest business plans and the treatment of a sample of costs to ensure that only development costs have been capitalised.

Internal audit

The Group again formally considered the need for an Internal Audit function, but was satisfied that for this year it was not necessary as the change in the roles of the different members of the finance team had effectively resulted in an internal audit.

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

KPMG LLP have been engaged to review and report to the Board on programme assurance relating to the implementation of the Group's new IT system, with particular focus on the new finance system.

Additional comfort is drawn from the internal controls and the Quality and Security procedures that are in place to support the regular internal and external audits that are conducted under the Group's ISO 9001 accredited quality assurance process. These current arrangements are deemed sufficient given the structure of the Group's accounting function and the size of the Group, but it will continue to be reviewed each year.

GOVERNANCE - AUDIT COMMITTEE REPORT

Internal controls and risk management

The Board is responsible for establishing and maintaining the Group's system of internal control. Internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed. By their nature however, internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Key elements of the internal control system are described below. These have all been in place throughout the year and up to the date of this report and are reviewed regularly by the Board:

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

GOVERNANCE - AUDIT COMMITTEE REPORT

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

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

The current principal risks and uncertainties to the Group are set out on page 22 to 24.

The Group's risks are monitored by the Committee and then assessed by the Board which sets aside time for in depth discussion of notable risks to the business. This year an in depth discussion has been held into the risks associated with the provision of the new services through the newly formed Domain Services division.

External auditor appointment

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

- The experience and expertise of the auditors;
- The scope and planning of the audit and any variations from plan;
- The processes adopted;
- The fees charged;
- Their attitude to and handling of key audit judgments;
- Their ability to communicate effectively; and
- The quality of the final report.

The Group's current auditors, KPMG LLP, have been in place since 1 November 2013. They replaced Ernst & Young LLP following their resignation on 30 October 2013 after failing to agree an audit fee with the Company for the year to May 2014.

The Committee have considered the performance of the external auditors and the reports they have produced and have concluded it is appropriate to recommend to the Board the re-appointment of KPMG LLP as the Group's external auditor for the next financial year.

The choice of external auditor will be reviewed and a formal tender process considered every five years or sooner if the Board considers it appropriate.

GOVERNANCE - AUDIT COMMITTEE REPORT

Auditor's independence

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

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

During this financial year £70,000 (2013: £10,000) non-audit fees were paid to the external auditor. This included programme assurance advice provided to the Company on the implementation of its new computer system. The scope of the work proposed, and related fee, was approved by the Committee in accordance with its terms of reference to ensure that there was no effect on the auditor's independence.

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

Related Party Transactions and other fees approved by the Committee

During the year the Audit Committee approved corporate finance fees payable to Rickitt Mitchell of £85,000 in relation to the successful acquisition of FortConsult A/S in May 2014.

Fair, balanced and understandable

At the request of the Board, the Committee considered whether the 2014 Annual Report and Accounts was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess NCC Group's performance, business model and strategy.

The Committee was satisfied that taken as a whole the Report and Accounts is fair balanced and understandable.



THOMAS CHAMBERS
Chairman,
Audit Committee
5 August 2014

GOVERNANCE - NOMINATION COMMITTEE REPORT

Paul Mitchell, Chairman of the Board is chair of the Nomination Committee. Other members of the Committee are the two independent Non-Executive Directors, Debbie Hewitt and Thomas Chambers and the Chief Executive, Rob Cotton.

Accordingly the Company did not meet the requirement that the Board should establish a Nomination Committee of which the majority of members should be independent Non-Executive Directors. Until a third independent Non-Executive Director is appointed, to correct the Committee's constitution, Debbie Hewitt as the senior independent Non-Executive Director has a casting vote in the event of equality of votes.

The Nomination Committee's objectives and responsibilities

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

- Reviewing the structure of the Board;
- Evaluating the balance of skills, knowledge, experience and diversity on the Board;
- Making recommendations for further recruitment to the Board or proposing changes to the existing Board;
- Reviewing the leadership needs of the Company, both Executive and Non-Executive;
- Succession planning for Directors and other senior executives within the business; and
- Reviewing annually the time required from the Non-Executive Directors.

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

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

All appointments are made on merit and against objective criteria with due regard for the benefits of diversity on the board, including gender. During the year three candidates for the position of Non-Executive Director were introduced by an external search agency The Miles Partnership and interviewed by the Board. The search is continuing for an additional Non-Executive Director.

During the last financial year The Miles Partnership did not provide any other services to the Company and has no connection with the Company.

GOVERNANCE - NOMINATION COMMITTEE REPORT

The Company and the Committee value the aims and objectives of the Davies report on women on boards and support and apply the Group's diversity policy set out on page 27.

No formal measurable objectives for female representation at board level have currently been set as the Committee is committed, while having regard to the diversity policy, to recommend only the most appropriate candidates for appointment to the Board. Currently 33% of the Directors and officers on the board are women.

When a new Director is appointed they will 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.com/en/investor-relations. The terms of reference are reviewed annually and updated when necessary.

Committee Meetings

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

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

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



PAUL MITCHELL
Chairman,
Nomination
Committee
5 August 2014

GOVERNANCE - REMUNERATION COMMITTEE REPORT

STATEMENT BY THE CHAIRMAN OF THE REMUNERATION COMMITTEE

I am pleased to present the Directors' Remuneration Report for the year ended 31 May 2014. This is our first report under the new Remuneration Reporting Regulations.

This has been a busy period for the Committee. We have taken the opportunity to review all aspects of our Remuneration Policy, ensuring we retain our overall philosophy of adopting clear and simple market competitive remuneration and incentive schemes. The alignment of executive remuneration with the objectives of the shareholders has been the principal focus, ensuring remuneration structures are fully attuned to the business strategy.

Consistent with this strategy is the aim of balancing the short, medium and long term remuneration components that will remunerate, motivate and retain the Executives and focus them on delivering long term sustainable growth.

As the business has grown in scale and complexity, the Remuneration Strategy has evolved to reflect the needs of a large multi-national organisation, which is growing organically through significant innovation of products and services and which continues to seek acquisitions in new geographies to widen reach and exploit new opportunities.

In this Annual Statement, which precedes our Directors' Remuneration Policy and Annual Remuneration Report, we have summarised our performance in the year ended 31 May 2014 and how this relates to remuneration decisions and outcomes.

This year has been a good year for the Group and performance has continued to improve. Adjusted operating profits have grown by 13% to £27.4m before the operational expenditure for Domain Services. This is ahead of the market consensus.

This level of performance has been reflected in the performance-related elements of NCC Group remuneration. The Annual Bonus for the year ended 31 May 2014 was based on the satisfaction of stretching Pre-Tax Profit targets and performance over the year resulted in a range from 48% to 39% of basic salary for the Chief Executive and Finance Director respectively. In addition, the strong growth in adjusted EPS over the last three years has resulted in the vesting of 50% of the LTIP awarded in the year ended 31 May 2011.

In 2014 the Committee has undertaken a review of NCC Group's remuneration, to ensure that remuneration remains aligned with the Company's strategy, competitive against market levels of remuneration and in line with NCC Group's risk appetite and that it reflects good corporate governance. As a result of this review and following consultation with major shareholders, the Committee has decided to adopt a number of changes set out below.

Firstly, since the last salary review in the year ended 31 May 2012, NCC Group has grown in the UK and internationally and continues to widen its geographical coverage for its clients. As a result of this growth and continued improving performance, the Committee has decided to award salary increases to the Chief Executive and Finance Director in recognition of the increased scope and complexity of their roles.

Salary increases of 9.3% for the Chief Executive and 4.5% for the Finance Director will be effective from 1 June 2014. As these are the first salary increases for the Executives over the last two years, they represent annualised increases of 4.5% per annum for the Chief Executive and 2.2% per annum for the Finance Director.

GOVERNANCE - REMUNERATION COMMITTEE REPORT

Secondly, from FY 2014/15 it is proposed to increase the annual bonus for the Chief Executive from 65% of salary to 100% of salary, and to increase the bonus for the Finance Director from 68% of salary to 100% of salary. However, to ensure that this increase in short-term incentive opportunity also provides appropriate long-term alignment with shareholder interests and increased retention value, it is proposed to introduce bonus deferral so that 35% of any bonus payment will be deferred in shares for 2 years. The Committee feels that these two changes are appropriate as they bring the annual bonus opportunity from a below market median position to an around market median position and also introduces best practice through the introduction of bonus deferral and clawback.

Finally in line with the Group's policy to reward steady progressive growth and not to incentivise excessive risk taking, the Committee has revised the EPS targets for future LTIP awards and increased the level of vesting at threshold from 0% to 20%. It is the Committee's view that inappropriately high targets can encourage inappropriate risk taking and could jeopardise the long term aims of the Group by resulting in underinvestment in key business areas such as research. As a result, the EPS target range for the next LTIP award has been brought in line with current broker expectations. The revised target range is set out on page 69 of this report. There are already clawback provisions in place for the LTIP.

As a result of the new regulations on Remuneration, this is the first year in which the Directors' Remuneration Report is split in three sections, namely, this Annual Statement, the Directors' Remuneration Policy and the Annual Report on Remuneration.

At the Annual General Meeting in September 2014, the Directors' Remuneration Policy will be put to a binding shareholder vote, which will mean that the Remuneration Committee is not permitted to deviate from the approved policy for three years unless it gains shareholder approval for an amended policy. At the same meeting, the Annual Statement and Annual Report on Remuneration will be put to an advisory vote, which provides shareholders with the opportunity to voice their opinions on how the Committee has implemented the Remuneration Policy.

In conclusion, the year ended 31 May 2014 was another good year of progress for NCC Group and in this context, we look forward to receiving your support on our approach to Remuneration at the Annual General Meeting.



DEBBIE HEWITT MBE
Chair of the
Remuneration
Committee
5 August 2014

GOVERNANCE - REMUNERATION COMMITTEE REPORT

Remuneration Policy Report

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

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

For the purposes of section 226D (6) (b) of the Companies Act 2006, it is intended that the following policy will take effect from the date of the 2014 AGM, which is scheduled to be held on 16 September 2014.

Future Policy Table for Executive Directors

Element	Purpose and link to strategy	Operation (including framework to assess performance)	Maximum opportunity
Salary	Attract, retain and reward.	<p>The Remuneration Committee reviews salaries for Executive Directors annually unless responsibilities change.</p> <p>Pay reviews take into account Group and personal performance and externally benchmarked market data for companies operating in IT services, management consulting and relevant high-tech sectors which although not directly comparable provides an indicative range.</p> <p>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.</p> <p>Any changes are effective from 1 June each year.</p>	<p>Details of current salaries are set out in the Annual Report on Remuneration (page 68).</p> <p>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.</p>
Benefits	Attract, retain and reward.	<p>Benefits in kind include the provision of a car or car allowance, payment of private fuel, car insurances, private medical insurance, life assurance and permanent health insurance.</p> <p>Executive Directors may be invited to participate in the Sharesave Scheme approved by HMRC.</p>	<p>Market competitive benefit level.</p> <p>SAYE Sharesave Scheme subject to HMRC approved limits.</p>

GOVERNANCE - REMUNERATION COMMITTEE REPORT

Future Policy Table for Executive Directors [continued]

Element	Purpose and link to strategy	Operation (including framework to assess performance)	Maximum opportunity
Annual Bonus	Drive and reward sustainable business performance.	<p>Based on a range of stretching targets measured over one year. This may include, but not exclusively, profit measures and strategic objectives.</p> <p>Performance below the minimum performance target results in no bonus.</p> <p>No more than 25% of the maximum opportunity is paid for achievement of the minimum performance target.</p> <p>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.</p> <p>35% of any bonus payment is deferred in shares for two years.</p> <p>Claw back provisions are in place.</p>	Chief Executive 100% of salary. Finance Director 100% of salary.
Long-Term Incentive Plan	Incentivise share ownership and long-term performance in line with Group strategy.	<p>Awards have a performance period of three years.</p> <p>The level of vesting is determined by financial measures appropriate to the strategic priorities of the business, such as EPS and other measures considered appropriate. The Remuneration Committee has the discretion to determine the number of measures to be used.</p> <p>Performance below the minimum performance target results in no vesting. Performance between the minimum and maximum performance targets results in 20% to 100% of the award vesting.</p> <p>Should a change in control of the Group occur, crystallisation of any LTIP awards is within the discretion of the Remuneration Committee.</p> <p>Clawback provisions are in place.</p>	Award over shares with a face value at grant of 100% of salary p.a.
Pension	Attract, retain and reward.	<p>Executive Directors are entitled to a company pension contribution, which is paid into the Group defined contribution personal pension scheme.</p> <p>They can also opt to have the same level of contribution made as a % of salary.</p>	10% of basic salary, providing they make a contribution of not less than 5% of basic salary.

GOVERNANCE - REMUNERATION COMMITTEE REPORT

Choice of performance measures and target setting

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

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

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

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

Differences in pay policy for employees and Executive Directors

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

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

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

GOVERNANCE - REMUNERATION COMMITTEE REPORT

Executive shareholding guidelines

The Committee does not currently insist on a share ownership policy. It considers that at this point, the individual Directors are entitled to make such personal investment decisions as reflects their portfolio of risk. As LTIPs and share option schemes are such a key component of remuneration, it is felt that the potential for a capital return from them is sufficient investment in the Group.

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

Non-Executive Director policy table

Element	Purpose and link to strategy	Operation	Maximum opportunity
Fees	Attract, retain and reward.	<p>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.</p> <p>Fees for the Non-Executive Directors are reviewed every three years.</p>	<p>Current fee levels are set out in the Annual Report on Remuneration page 71.</p> <p>Overall fee limit will be within the £300,000 limit set out in the Company's Articles of Association</p>

GOVERNANCE - REMUNERATION COMMITTEE REPORT

Approach to recruitment

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

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

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

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

Incentive opportunity. The aggregate 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. The Committee has the discretion to set a shareholding guideline for any newly recruited Executive Director.

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

GOVERNANCE - REMUNERATION COMMITTEE REPORT

Transitional arrangements for internal appointments to the Board.

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

Policy on payment for loss of office.

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

Elements of variable remuneration would be treated as follows:

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

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

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

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

All Employee Share Schemes.

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

Approach to service contracts and letters of appointment.

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

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

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

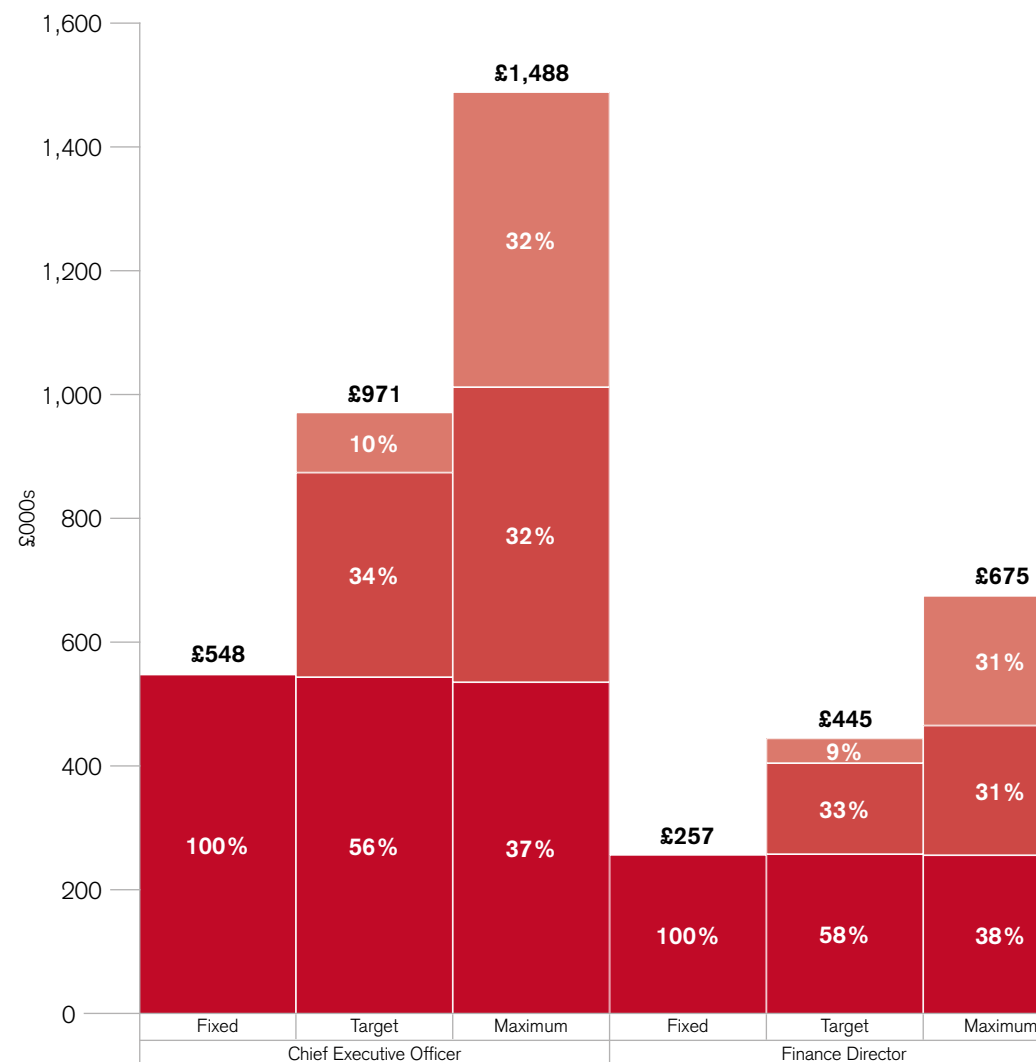
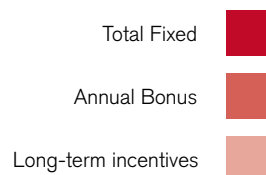
GOVERNANCE - REMUNERATION COMMITTEE REPORT

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 2014/15 salary and benefits based on 2013/14 disclosed benefit amounts.
- **Target.** Fixed remuneration plus target annual bonus opportunity, £329k for the Chief Executive and £146k for the Finance Director, which is equivalent to 70% of salary for the Chief Executive and for the Finance Director plus 20% vesting of the maximum award under the Long-Term Incentive Plan.
- **Maximum.** Fixed remuneration plus maximum annual bonus opportunity, £470k for the Chief Executive and £209k for the Finance Director, which is equivalent to 100% of salary for the Chief Executive and 100% of salary for the Finance Director plus 100% vesting of the maximum award under the Long-Term Incentive Plan which is 100% of salary for both the Chief Executive and Finance Director.



GOVERNANCE - REMUNERATION COMMITTEE REPORT

Statement of consideration of employment conditions elsewhere in the Group

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

How shareholder views are taken into account

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

Key areas of discretion in the remuneration policy

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

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

Legacy arrangements

For the avoidance of doubt, in approving this Policy Report, authority is given to the Company to honour any commitments entered into with current or former Directors before the current legislation on remuneration policies came into force or before an individual became a Director, such as the payment 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 Non-Executive Directorships with the prior agreement of the Board provided it does not conflict with the Group's interests and the time commitment does not impact upon the Executive Director's ability to perform their primary duty. The Executive Directors may retain the fees from external directorships.

GOVERNANCE - REMUNERATION COMMITTEE REPORT

ANNUAL REPORT ON REMUNERATION

The following report will be subject to an advisory vote at the September 2014 AGM. It sets out how NCC Group's remuneration policy will be implemented in 2014/15 and how it has been implemented in 2013/14. This part of the report has been prepared in accordance with Part 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and 9.8.8R of the Listing Rules.

How will remuneration policy be implemented in the year ended 31 May 2015?

Executive Directors' Base Salaries.

Since the last salary review in the year ended 31 May 2012, the business has grown in the UK and internationally and continues to widen its geographical coverage for its clients. As a result of this growth, the Committee has decided to award salary increases to the Chief Executive and Finance Director in recognition of the increased scope and complexity of their roles.

Salary increases of 9.3% for the Chief Executive and 4.5% for the Finance Director will be effective from 1 June 2014. As these are the first salary increases over the last two years, they represent annualised increases of 4.5% per annum for the Chief Executive and 2.2% per annum for the Finance Director. Further detail on these increases is set out to the right.

	Salary to 31 May 2014	Salary to 31 May 2015	% Increase
Chief Executive	£430k	£470k	9.3% (4.5% p.a.)
Finance Director	£200k	£209k	4.5% (2.2% p.a.)

GOVERNANCE - REMUNERATION COMMITTEE REPORT

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

Annual Bonus. The annual bonus maximum for the Chief Executive in 2014/15 will be increased from 65% to 100% of salary, and for the Finance Director will be increased from 68% to 100% of salary. In addition, to ensure that this increased bonus opportunity also results in increased shareholder alignment and provides greater retention value, 35% of any bonus payment will be deferred in shares for two years. These changes will bring the annual bonus opportunity from a below market median position to an around market median position and also introduce elements of best practice through the introduction of bonus deferral and clawback.

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

Profit targets will be disclosed retrospectively in the 2016/17 Annual Report on Remuneration.

Long-term Incentive Plan (LTIP). Awards of 100% of base salary will be made under the LTIP in August 2014 on the same terms as set out in the policy table. The performance conditions are as follows.

Growth in adjusted EPS over the period 1 June 2014 to 31 May 2017	% of LTIP award which will vest
Less than 9% per annum	0%
At or above 15% per annum	100%
Between 9% and 15% per annum	Between 20% and 100% on a straight-line basis

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

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

GOVERNANCE - REMUNERATION COMMITTEE REPORT

Non-Executive Directors' Remuneration

Following a review of Non-Executive Director fees against prevailing market fee levels, fees will be increased for the Chairman from 1 June 2014 by c. 15.4%. As his fees have not been increased since 1 June 2010, this increase represents an increase of 3.6% per annum over the last 4 years.

The fees for other Non-Executives reflect a core fee for all Non-Executives then additional fees for those that Chair a Committee and also for the Senior Independent Director. These fees will be increased by c. 13.3%. As these fees have not been increased since 2008, this increase represents an average increase of 2.1% per annum over the last 6 years.

The next review will be in three years in the year ended 31 May 2017.

	Fees Year ended 31 May 2014	Fees Year ended 31 May 2015	% Increase/ (decrease)
Paul Mitchell	65	75	15.4% (3.6%pa)
Debbie Hewitt	45	51	13.3% (2.1%pa)
Thomas Chambers	38	43	13.2% (2.1%pa)

Note: Debbie Hewitt was appointed to the Board in 2008 and Thomas Chambers was appointed to the Board in 2012.

How has remuneration policy been implemented in the year ended 31 May 2014?

This section sets out how remuneration policy was implemented in 2013/14. The key implementation decisions during the year related to:

- Determination of annual bonus outcomes for the 2013/14 performance period;
- Determination of the vesting level of LTIP awards which related to the three year performance period ending on 31 May 2014; and
- The value of awards to be granted under the LTIP, which will vest in 2016 based on a demanding three year EPS performance target.

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

GOVERNANCE - REMUNERATION COMMITTEE REPORT

Single Total Figure of Remuneration (Audited)

The detailed emoluments received by the Executive and Non-Executive Directors for the year ended 31 May 2014 are below. No payments were made for loss of office, and no payments were made to past Directors.

Director £000	Year ended	Base Salary/ Non Executive Director Fees	Benefits ¹	Pension Contributions	Annual Bonus ²	Long-term incentive ³	Other ⁴	Total
		£000	£000	£000	£000	£000	£000	£000
Rob Cotton	31 May 2014	430	31	43	206	360	16	1,086
	31 May 2013	430	30	43	-	615	-	1,118
Atul Patel	31 May 2014	200	27	20	77	156	-	480
	31 May 2013	200	26	20	-	-	-	246
Paul Mitchell	31 May 2014	65	-	-	-	-	-	65
	31 May 2013	65	-	-	-	-	-	65
Debbie Hewitt	31 May 2014	45	-	-	-	-	-	45
	31 May 2013	45	-	-	-	-	-	45
Thomas Chambers ⁵	31 May 2014	38	-	-	-	-	-	38
	31 May 2013	26	-	-	-	-	-	26

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

2. Annual Bonus payments for performance in the relevant financial year. Both Directors waived their right to bonuses in year ended 31 May 2013 which were £138,900 for the Chief Executive, 32% of salary and £52,088 for the Group Finance Director, 26% of salary.

3. Long-term incentive awards vesting under the LTIP. Further detail is set out on page 73.

4. The value of the awards vesting under the SAYE. Further details may be found on page 75.

5. Thomas Chambers was appointed as a Non-Executive Director to the Board on 20 September 2012 at the Annual General Meeting.

GOVERNANCE - REMUNERATION COMMITTEE REPORT

Annual Bonus

For the year ended 31 May 2014 the maximum bonus opportunity for Rob Cotton was £280,000 (65% of salary), and for Atul Patel £135,000 (68%). The actual bonus pay out of £205,609 for Rob Cotton and £77,103 for Atul Patel represented 73% of the maximum opportunity for Rob Cotton and 57% for Atul Patel and was determined by performance against profit targets established at the start of the financial year.

The Committee has determined that performance targets for the year ended 31 May 2014 annual bonus are market sensitive and has committed to disclosing these targets in the 2015/2016 annual report on remuneration.

In line with this policy, we have set out below performance against the profit targets for the year ended 31 May 2012 annual bonus.

		31 May 2012 adjusted Profit Before Tax	31 May 2012 Annual Bonus payments	
			Rob Cotton	Atul Patel
Performance condition	Threshold	£17.6m	£70,000	£26,250
	Target	£19.6m	£200,000	£75,000
	Maximum	£21.6m	£240,000	£105,000
Actual performance		£21.6m	£240,000	£105,000

Bonuses of £138,900 for Rob Cotton and £52,088 for Atul Patel were earned for the year ended 31 May 2013, however both Executive Directors waived their rights to these bonuses.

GOVERNANCE - REMUNERATION COMMITTEE REPORT

Long-term incentive plan vesting

LTIP awards vesting based on performance up to the end of the year ended 31 May 2014 were based on a demanding three year EPS growth performance condition.

Group EPS performance met the performance target, which resulted in 187,813 shares vesting to Rob Cotton and 81,152 shares vesting to Atul Patel. As shown in the table below, this represents 50% of the total award.

Executive	Number of LTIP awards	% of shares vesting	Value of shares vesting
Rob Cotton	374,130	50%	£360,226
Atul Patel	161,658	50%	£155,650

The value shown in the single figure is based on the average share price over March, April and May. Atul Patel joined during the year the above awards were made.

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

	Growth in adjusted EPS over the period 1 June 2011 to 31 May 2014	% of LTIP award which will vest
Performance condition	Less than 10% per annum	0%
	At or above 25% per annum	100%
	Between 10% and 25% per annum	Between 0% and 100% on a straight-line basis
Actual performance	17.5% per annum	50.2%

GOVERNANCE - REMUNERATION COMMITTEE REPORT

Scheme interests awarded during the year (Audited)

LTIP awards granted in the year. On 8 July 2013, Executive Directors were granted awards, which will vest in 2016 subject to the same demanding performance conditions as in previous schemes. The value of these awards will be included in the single figure table in the year ended 31 May 2016 remuneration report following the end of the performance period. The awards are set out below.

Executive	Number of LTIP awards ¹	Basis	Face Value ²	Performance condition	Performance period
Rob Cotton	312,727	100% of base salary	£430,000	Vesting will be determined by growth in adjusted EPS over the performance period.	31 May 2013 to 31 May 2016
Atul Patel	145,454	100% of base salary	£200,000		31 May 2013 to 31 May 2016

1. LTIP awards are structured as nil-cost options.

2. Based on a share price of £1.375, which was the closing mid-market price of the Company's shares on the day before the date of grant.

The performance condition for these awards is set out below:

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

GOVERNANCE - REMUNERATION COMMITTEE REPORT

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

These awards will be included in the other column of the single figure table in the 2014/15 and also in the 2016/17 remuneration reports, once they have vested.

Executive	Date of Grant	Number of Options	Basis	Face Value	Exercise Price	Performance Condition	Vesting Date
Rob Cotton	5 Aug 2013	7,945	£250 per month contribution over a three year period	£11,248 ¹	£1.1327	Awards vest subject to continued employment	October 2016
Atul Patel	4 Aug 2011	10,596	£250 per month contribution over a three year period	£11,274 ²	£0.8516	Awards vest subject to continued employment	October 2014

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

2. Calculated on the price of £1.064, which was the average midmarket share price over the three days preceding the date of grant.

Rob Cotton also exercised options under the SAYE scheme, which matured in October 2013. This award is detailed in the table below and is included in the single figure table on page 71.

Executive	Date of Grant	Number of Options	Basis	Face Value ¹	Exercise Price	Performance Condition	Vesting Date	Share price on date of exercise ²	Value of options on date of exercise ³
Rob Cotton	2 Aug 2010	15,972	£250 per month contribution over a three year period	£10,781	£0.5633	Awards vest subject to continued employment	October 2013	£1.5825	£25,275

1. Calculated on the midmarket price of £0.675, which was the average midmarket price over the three days preceding the date of grant.

2. Midmarket price on 16 October 2013.

3. Net profit was £16,275 after deducting £9,000 saved from salary under plan.

GOVERNANCE - REMUNERATION COMMITTEE REPORT

Directors' interests in shares (Audited)

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

Performance conditions for the above awards

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

LTIP - maximum awards granted

	Date of awards	Maximum number of options granted	Performance period	Exercise period	Share price on date of grant £	Exercise price £ ¹
Rob Cotton	23 July 2010	534,690 ²	3 years	1 year	0.701	Nil
	11 July 2011	374,130	3 years	1 year	1.082	Nil
	9 July 2012	321,492	3 years	1 year	1.337	Nil
	8 July 2013	312,727	3 years	1 year	1.375	Nil
Atul Patel	11 July 2011	161,658	3 years	1 year	1.082	Nil
	9 July 2012	149,532	3 years	1 year	1.337	Nil
	8 July 2013	145,454	3 years	1 year	1.375	Nil

1. Total exercise price of £1.00 on each occasion.

2. 338,458 of these awards vested in 2013. The remainder lapsed.

Summary of maximum awards outstanding

	Total LTIP Options held at 31 May 2013	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 2014
Rob Cotton	1,230,312	312,727	338,458	£1.40	196,232	1,008,349
Atul Patel	311,190	145,454	Nil	-	-	456,644

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

GOVERNANCE - REMUNERATION COMMITTEE REPORT

Share ownership

As set out in the Policy Report, whilst the Committee does not currently insist on a share ownership policy both Executive Directors have large holdings in the Company as do a significant majority of the Operational Directors.

The beneficial and non-beneficial interests of the Directors in the share capital of NCC Group at 31 May 2014 are set out below.

	Interests in ordinary shares		Maximum Share awards subject to performance conditions ¹		Share options ²		Total	
	31 May 2013	31 May 2014	31 May 2013	31 May 2014	31 May 2013	31 May 2014	31 May 2013	31 May 2014
Rob Cotton	10,602,156	5,297,191	1,230,312	1,008,349	15,972	7,945 ²	11,848,440	6,313,485
Atul Patel	30,000	30,000	311,190	456,644	10,596	10,596 ³	351,786	497,240
Paul Mitchell	1,179,600	629,600	-	-	-	-	1,179,600	629,600
Debbie Hewitt	33,990	33,990	-	-	-	-	33,990	33,990
Thomas Chambers	19,000	19,000	-	-	-	-	19,000	19,000

1. These awards represent the outstanding LTIP interests, which are included in the table on page 76.

2. Represents the SAYE scheme interest, which will vest in October 2016.

3. Represents the SAYE scheme interest, which will vest in October 2014.

GOVERNANCE - REMUNERATION COMMITTEE REPORT

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 2014	31 May 2013	% Change
Employee remuneration costs (£m) ¹	56.5m	47.9m	18%
Dividends (£m) ²	6.8m	5.8m	17%

1. Based on the figure shown in note 5 to the Financial Statements.

2. Based on the cash returned to shareholders in the year ended 31 May 2014 through dividends as shown in note 8 to the Financial Statements.

Percentage increase in the remuneration of the Chief Executive

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

Element of remuneration		% increase/(decrease)
Salary	Chief Executive	0%
	Employees	3%
Taxable benefits	Chief Executive (% of salary)	3%
	Employees (% of salary)	-
Annual Bonus	Chief Executive (% of salary)	n/a ¹
	Employees (% of salary)	(9)%

1. Last year the CEO elected to waive his right to an annual bonus payment of £138,900 which means that a % change is not relevant.

GOVERNANCE - REMUNERATION COMMITTEE REPORT

Performance graph and table

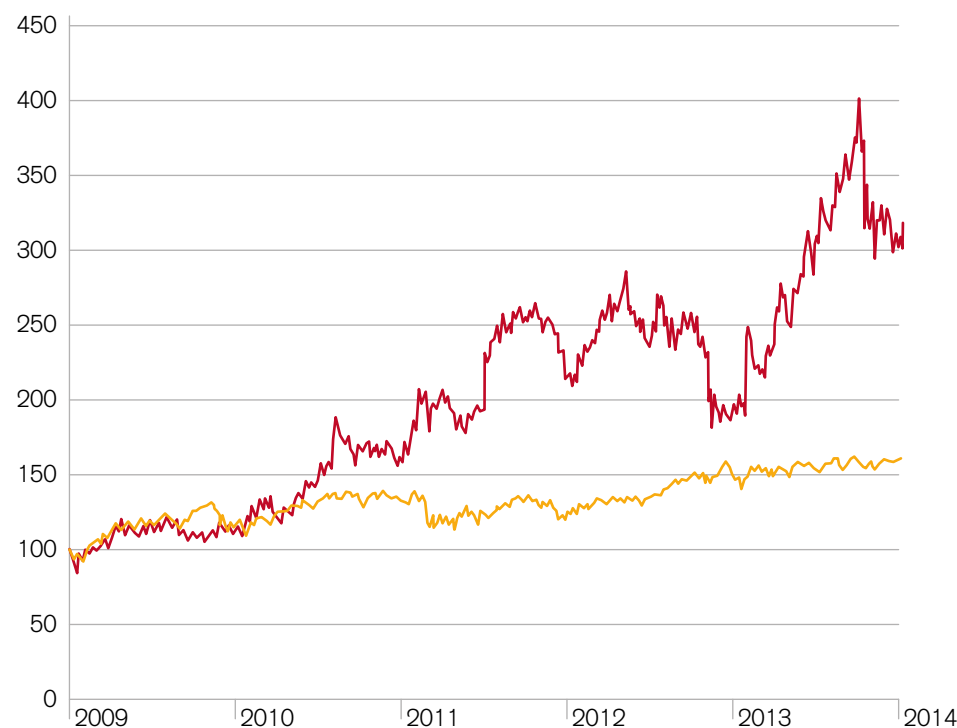
The following graph shows the total shareholder return, with dividends reinvested, from 31 May 2009 against the corresponding changes in hypothetical holding in shares in both the FTSE All Share Index and the FTSE Software and Computer Services Index.

The FTSE All Share and FTSE Software and Computer Services indices both represent broad equity indices' in which the company is a constituent member. Inclusion of the FTSE All Share Index gives a market capitalisation-based perspective, whilst the FTSE Software and Computer Services Index provides an industry sector perspective.

During the year the Company's share price varied between £1.11 and £2.32 and ended the year at £1.8075.

— NCC Group
— FTSE All Share - Price Index

Five-Year Historical TSR Performance Growth in the Value of a Hypothetical £100 Holding Over Five Years FTSE All Share Comparison Based on Spot Value.



The share price was £1.11 on 3 June 2013 and £1.8075 on 30 May 2014 an increase of 63% in the year.

GOVERNANCE - REMUNERATION COMMITTEE REPORT

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

Year Ending	Chief Executive	Total Remuneration (£000)	Annual Bonus (% of max) ¹	Long-term incentives (% of max) ²
31 May 2014	Rob Cotton	£1,085	73%	50%
31 May 2013	Rob Cotton	£1,118	0% ³	63%
31 May 2012	Rob Cotton	£1,074	85%	70%
31 May 2011	Rob Cotton	£1,222	67%	54%
31 May 2010	Rob Cotton	£836	71%	72%

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

2. Shows the number of shares, which vested as a percentage of the maximum number of shares, which could have vested.

3. In 2012/13 Rob Cotton waived his right to a bonus, which would have been equal to 32% of salary. This was equivalent to 50% of the maximum bonus opportunity.

Membership and attendance

The Remuneration Committee membership consists solely of Non-Executive Directors and comprises Debbie Hewitt as Chairman, Paul Mitchell and Thomas Chambers. The Chief Executive and Company Secretary attend the Remuneration Committee by invitation and assist the Committee with its considerations. No Director is involved in setting their personal remuneration plan.

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

Meetings attended	
Debbie Hewitt	4/4
Paul Mitchell	4/4
Thomas Chambers	4/4

Adviser to the committee

During the year, the Committee received advice from New Bridge Street (a trading name of AON) on senior executive remuneration and employee share schemes. Neither New Bridge Street, a member of the Remuneration Consultants Group, nor AON, provided other services to the Company during the period.

The Committee is comfortable that New Bridge Street's advice was objective and independent and the total fee charged in the year was £11,271. The Committee reviews the performance and independence of its advisers on an annual basis.

GOVERNANCE - REMUNERATION COMMITTEE REPORT

Service contracts and letters of appointment

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

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

Dilution

The LTIP has a dilution limit, for new and treasury shares, of 10% of the issued ordinary share capital of the Company in any 10 year period for any share option scheme operated by the Company. As at 31 May 2014 the Company had utilised 18,240,271 (31 May 2013: 17,497,378) ordinary shares through LTIP, SAYE, EMI, CSOP, ISO and ESPP awards counting towards the 10% limit which represents 8.75% (2013: 8.43%) of the issued ordinary share capital of the Company.

GOVERNANCE - REMUNERATION COMMITTEE REPORT

Statement of shareholder voting

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

	Total number of votes	% of votes cast
For	171,739,152	98.4%
Against	2,778,980	1.6%
Total votes cast (for and against excluding withheld votes)	174,518,132	100.0%
Votes withheld ¹	6,041	0.0%
Total votes cast (including withheld votes)	174,524,173	100.0%

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

Approved by the Board and signed on its behalf:





MAKING THE WORLD A SAFER PLACE

NCC Group is committed to making the Internet a safer place by providing the safest neighbourhood on the Internet with *.trust*. As part of the agreement to use *.trust*, each customer will agree to adopt the highest appropriate security practices and protocols to ensure that customer data and transactions are safe.

FINANCIAL STATEMENTS

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

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

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

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

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

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

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

FINANCIAL STATEMENTS

Statement of Directors' responsibilities pursuant to Disclosure and Transparency Rules 4.1.12

Each of the Directors whose names and functions are set out on pages 31 to 32 confirm that, to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with IFRS, as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group.
- The Strategic Report and the Directors' Report include a fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Each Director of the Company as at the date of this report confirms that:

- So far as the Director is aware there is no relevant audit information of which the Company's auditors are unaware; and
- The Director has taken all the steps that he or she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

In addition the Directors, as at the date of this report, consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

By Order of the Board



FINANCIAL STATEMENTS

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

Opinions and conclusions arising
from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of NCC Group plc for the year ended 31 May 2014 set out on pages 91 to 153.

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 2014 and of the Group's profit for the year then ended;
- The Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- The parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risks of material misstatement

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

FINANCIAL STATEMENTS

Recoverability of software and development intangibles (£10.8m)

Refer to page 52 (Audit Committee report), pages 102-103 (accounting policy) and pages 124-126 (financial disclosures)

- **The risk** - The group capitalises internal and external costs in respect of software and development projects. Of the amounts capitalised, £5.0m of the carrying value of intangible assets as at 31 May 2014 relates to the NCC Group Domain Services project, £3.1m relates to Web Performance projects and £1.8m relates to the finance system upgrade. The Group expects to generate revenue from the Domain Services and Web Performance projects during the next financial year and beyond. The Directors apply judgement in assessing whether the system upgrade will be completed successfully and whether sufficient revenue and profitability will be generated by the Domain Services and Web Performance projects to ensure the recoverability of the assets recognised on the balance sheet. The Directors also apply judgement in the classification of spend as capital in nature rather than on-going operational expenditure.
- **Our response** - Our audit procedures included, among others, detailed testing of the inputs into the Group's project forecasts, assessment of the historical accuracy of the Directors' forecasting and of success rates of past projects, and interviews with key operational personnel. Certain of the key inputs, specifically timing of the Internet Corporation for Assigned Names and Numbers ("ICANN") approval for the use of the domain names, customer sign up rates, revenue growth, timing and amount of capital expenditure and cost of sales, all require significant estimation and judgement. For these key inputs we critically assessed the reasonableness of the assumptions with reference to internal and external data. We assessed whether costs had been appropriately capitalised in respect of significant projects by comparison to the recognition criteria of relevant accounting standards for a statistically selected sample. We evaluated the adequacy of the Group's disclosures in respect of the risks inherent in the projects as at the year end date.

Revenue recognition (Revenue £110.7m, deferred income £17m, accrued income £7m)

Refer to page 51 (Audit Committee report), page 105 (accounting policy) and pages 110-113 (financial disclosures)

- **The risk** - The Group delivers a range of services to customers. The Company has defined its policies on revenue recognition and the timing of revenue recognition. Contracts entered into by the Group are of limited complexity and variety. However there are a large number of transactions to be processed. As such revenue recognition is an area of audit focus.
- **Our response** - In this area our audit procedures included, among others, critically evaluating the application of the revenue recognition policy with reference to the requirements of relevant accounting standards. We also:
 - Test the model that allocates revenue across periods;
 - Selected a sample of amounts invoiced within close proximity to the year end to consider whether revenue was correctly deferred or accrued as at the balance sheet date based on the underlying contract terms; and
 - Considered the ageing of accrued income balances against our expectation, to identify any issues with performance of obligations.

We also considered the adequacy of the Group's disclosures in respect of revenue recognition.

FINANCIAL STATEMENTS

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

The materiality for the financial statements as a whole was set at £1.1 million. This has been determined with reference to a benchmark of Group profit before tax, which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group. Materiality represents 4.7% of Group profit before tax and 5.0% of Group profit before tax adjusted for exceptional items as disclosed on the face of the consolidated income statement.

We agreed with the Audit Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £55,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Audits for Group reporting purposes were performed by the Group audit team for nine components which have significant operations in the UK and US. In addition, the Group team performed specified audit procedures for two other components in the Netherlands and the US.

These Group procedures covered 96% of total group revenue; 96% of the total profits and losses that made up Group profit before tax; and 97% of total Group assets.

The audits undertaken for Group reporting purposes at the key reporting components of the Group were all performed to materiality levels which ranged between £150,000 and £800,000.

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

In our opinion:

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

FINANCIAL STATEMENTS

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

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

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

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

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

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

Under the Listing Rules we are required to review:

- The directors' statement, set out on page 84, in relation to going concern; and
- The part of the Corporate Governance Statement on pages 41-48 relating to the company's compliance with the nine provisions of the 2012 UK Corporate Governance Code specified for our review.

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

Scope of report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 84, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

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

Chartered Accountants
St James' Square
Manchester
M2 6DS

5 August 2014

CONSOLIDATED GROUP FINANCIAL STATEMENTS



CONSOLIDATED INCOME STATEMENT

For the year ended 31 May 2014

	Notes	2014 £000	2013 £000
Revenue	2	110,661	99,225
Cost of sales		(71,193)	(63,376)
Gross profit		39,468	35,849
Administrative expenses before amortisation of acquired intangible assets, share based payments, impairment losses and exceptional items		(13,440)	(11,911)
Operating profit before amortisation of acquired intangibles, share based payments, impairment losses and exceptional items		26,028	23,938
Amortisation of acquired intangible assets		(2,116)	(3,612)
Share based payments	20	(1,108)	(760)
Exceptional items	3	1,268	261
Total administrative expenses		(15,396)	(16,022)
Operating profit	2	24,072	19,827
Financial income	6	24	18
Finance expense excluding unwinding of discount		(765)	(920)
Net financing costs excluding unwinding of discount		(741)	(902)
Unwinding of discount relating to contingent consideration on business combinations		(120)	(167)
Financial expenses	6	(885)	(1,087)
Net financing costs		(861)	(1,069)
Profit before taxation	4	23,211	18,758
Taxation	7	(5,104)	(4,274)
Profit for the year		18,107	14,484
Attributable to equity holders of the parent company		18,107	14,484
Earnings per share from continuing operations	9		
Basic earnings per share		8.7p	7.0p
Diluted earnings per share		8.6p	6.9p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 May 2014

	2014	2013
	£000	£000
Profit for the period	18,107	14,484
Items that will not be reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss (net of tax)		
Foreign exchange translation differences	(1,968)	876
Total comprehensive income for the period, net of tax	16,139	15,360
Attributable to:		
Equity holders of the parent	16,139	15,360

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 May 2014

	Notes	2014		2013	
		£000	£000	£000	£000
Non-current assets					
Intangible assets	11	110,064		105,680	
Plant and equipment	12	6,244		5,131	
Deferred tax assets	15	2,299		987	
Total non-current assets			118,607		111,798
Current assets					
Trade and other receivables	13	28,691		24,474	
Cash and cash equivalents		11,212		4,589	
Total current assets			39,903		29,063
Total assets			158,510		140,861
Equity					
Issued capital	21	2,085		2,075	
Share premium		23,634		23,086	
Reserve for own shares		(1,075)		-	
Retained earnings		56,003		44,392	
Currency translation reserve		(1,051)		917	
Total equity attributable to equity holders of the parent			79,596		70,470
Non-current liabilities					
Other financial liabilities	18	484		577	
Deferred tax liability	15	2,444		1,048	
Contingent consideration on acquisitions	18	1,001		4,765	
Interest bearing loans	18,19	34,786		29,852	
Total non-current liabilities			38,715		36,242
Current liabilities					
Trade and other payables	16	17,363		12,554	
Contingent consideration on acquisitions	16	2,940		2,177	
Deferred revenue	17	17,207		16,847	
Current tax payable		2,689		2,571	
Total current liabilities			40,199		34,149
Total liabilities			78,914		70,391
Total liabilities and equity			158,510		140,861

These financial statements were approved by the Board of Directors on 5 August 2014 and were signed on its behalf by:

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COMPANY STATEMENT OF FINANCIAL POSITION

At 31 May 2014

	Notes	2014	2013
		£000	£000
Non-current assets			
Investments	26	33,478	32,656
Deferred tax assets	15	-	138
Total non-current assets		33,478	32,794
Current assets			
Other receivables	13	8,009	2,499
Cash and cash equivalents		35	-
Total current assets		8,044	2,499
Total assets		41,522	35,293
Equity			
Issued capital	21	2,085	2,075
Share premium		23,634	23,086
Reserve for own shares		(1,075)	-
Retained earnings		15,803	10,102
Total equity		40,447	35,263
Current liabilities			
Bank overdrafts		-	30
Trade and other payables	16	1,075	-
Total current liabilities		1,075	30
Total liabilities		1,075	30
Total liabilities and equity		41,522	35,293

These financial statements were approved by the Board of Directors on 5 August 2014 and were signed on its behalf by:

www.nccgroup.com



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 May 2014

	Notes	2014 £000	2013 £000
Cash flow from operating activities			
Profit for the year		18,107	14,484
Adjustments for:			
Depreciation charge	12	2,092	1,964
Share based charges (net of national insurance contributions)	20	887	690
Amortisation of intangible assets	11	2,438	3,929
Net financing costs		861	1,069
Loss/(profit) on sale of plant and equipment		10	(27)
Adjustments to contingent consideration	3	(1,894)	(1,239)
Income tax expense		5,104	4,274
Cash inflow for the year before changes in working capital		27,605	25,144
Increase in trade and other receivables		(3,414)	(2,482)
Increase in trade and other payables		4,661	289
Cash generated from operating activities before interest and tax		28,852	22,951
Interest paid		(798)	(791)
Income taxes paid		(4,489)	(2,993)
Net cash generated from operating activities		23,565	19,167
Cash flows from investing activities			
Interest received		24	18
Acquisition of plant and equipment		(3,237)	(1,974)
Software and development expenditure	11	(7,520)	(2,895)
Acquisition of business net of cash acquired	14	(4,249)	(10,455)
Net cash used in investing activities		(14,982)	(15,306)
Cash flows from financing activities			
Purchase of own shares		(2,123)	-
Proceeds from the issue of ordinary share capital		558	294
Draw down of borrowings		6,838	1,157
Equity dividends paid		(6,778)	(5,830)
Net cash used in financing activities		(1,505)	(4,379)
Net increase/(decrease) in cash and cash equivalents	22	7,078	(518)
Cash and cash equivalents at beginning of year		4,589	5,450
Effect of foreign currency		(455)	(343)
Cash and cash equivalents at end of year		11,212	4,589

STATEMENTS OF CHANGES OF EQUITY - GROUP

For the year ended 31 May 2014

	Issued Share capital	Share Premium	Currency Translation reserve	Reserve for own shares	Retained earnings	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 June 2012	343	23,244	41	-	36,730	60,358
Profit for the year	-	-	-	-	14,484	14,484
Foreign currency translation differences	-	-	876	-	-	876
Total comprehensive income for the period	-	-	876	-	14,484	15,360
Transactions with owners recorded directly in equity						
Dividends to equity shareholders	-	-	-	-	(5,830)	(5,830)
Share bonus issue	1,729	(1,729)	-	-	-	-
Share based payment transactions	-	-	-	-	690	690
Current and deferred tax on share based payments	-	-	-	-	(402)	(402)
Shares issued	3	291	-	-	-	294
Purchase of own shares	-	1,280	-	-	(1,280)	-
Total contributions by and distributions to owners	1,732	(158)	-	-	(6,822)	(5,248)
Balance at 31 May 2013	2,075	23,086	917	-	44,392	70,470
Balance at 1 June 2013	2,075	23,086	917	-	44,392	70,470
Profit for the year	-	-	-	-	18,107	18,107
Foreign currency translation differences	-	-	(1,968)	-	-	(1,968)
Total comprehensive income for the period	-	-	(1,968)	-	18,107	16,139
Transactions with owners recorded directly in equity						
Dividends to equity shareholders	-	-	-	-	(6,778)	(6,778)
Share based payment transactions	-	-	-	-	887	887
Current and deferred tax on share based payments	-	-	-	-	443	443
Shares issued	10	548	-	-	-	558
Purchase of own shares	-	-	-	(1,075)	(1,048)	(2,123)
Total contributions by and distributions to owners	10	548	-	(1,075)	(6,496)	(7,013)
Balance at 31 May 2014	2,085	23,634	(1,051)	(1,075)	56,003	79,596

STATEMENTS OF CHANGES OF EQUITY - COMPANY

For the year ended 31 May 2014

	Share capital	Share Premium	Reserve for own shares	Retained earnings	Total
	£000	£000	£000	£000	£000
Balance at 1 June 2012	343	23,244	-	8,841	32,428
Profit for the period	-	-	-	7,681	7,681
Foreign currency translation differences	-	-	-	-	-
Total comprehensive income for the period	-	-	-	7,681	7,681
Transactions with owners recorded directly in equity					
Dividends to equity shareholders	-	-	-	(5,830)	(5,830)
Share based payment transactions	-	-	-	75	75
Increase in subsidiary investment for share based charges	-	-	-	615	615
Share bonus issue	1,729	(1,729)	-	-	-
Shares issued	3	291	-	-	294
Purchase of own shares	-	1,280	-	(1,280)	-
Total contributions by and distributions to owners	1,732	(158)	-	(6,420)	(4,846)
Balance at 31 May 2013	2,075	23,086	-	10,102	35,263
Balance at 1 June 2013	2,075	23,086	-	10,102	35,263
Profit for the period	-	-	-	12,709	12,709
Foreign currency translation differences	-	-	-	-	-
Total comprehensive income for the period	-	-	-	12,709	12,709
Transactions with owners recorded directly in equity					
Dividends to equity shareholders	-	-	-	(6,778)	(6,778)
Share based payment transactions	-	-	-	65	65
Current and deferred tax on share based payments	-	-	-	(69)	(69)
Increase in subsidiary investment for share based charges	-	-	-	822	822
Shares issued	10	548	-	-	558
Purchase of own shares	-	-	(1,075)	(1,048)	(2,123)
Total contributions by and distributions to owners	10	548	(1,075)	(7,008)	(7,525)
Balance at 31 May 2014	2,085	23,634	(1,075)	15,803	40,447

NOTES TO THE FINANCIAL STATEMENTS



NOTES

1 Accounting policies

Basis of preparation

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

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its Group.

Both the parent and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"). On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements. The Company has also taken the exemption in FRS1 5(a) and consequently no statement of cash flows is presented for the Company.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

Basis of measurement

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

Functional and presentation currency

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

NOTES

1 Accounting policies (continued)

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 11 to 24. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Business and Financial Review on pages 14 to 20. In addition, note 19 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The Group funds its strategic acquisitions and meets its day to day working capital requirements via a revolving credit facility of £40m and an overdraft of £5m. This facility was agreed in April 2013 and is not due for renewal until July 2016.

The Group's forecast and projections taking into account reasonably possible changes in trading performance show that the Group is able to operate within the level of this facility and as a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain external economic outlook.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

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

New standards

During the year, the following standards have been adopted for the first time:

IFRS13 - Fair Value Measurement

Amendments to IFRS7 Disclosures - Offsetting Financial Assets and Financial Liabilities

Amendments to IAS32 - Offsetting Financial Assets and Financial Liabilities

The adoption of these standards has not had a material effect on the financial statements of the Group.

Accounting standards not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 May 2014 and have not been applied in preparing these consolidated financial statements. The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's or the Company's financial statements in the period of initial application.

International Accounting Standards (IAS / IFRS)		Effective date
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014
IAS 27	Separate Financial Statements (2011)	1 January 2014
IAS 28	Investments in Associates and Joint Ventures (2011)	1 January 2014

NOTES

1 Accounting policies (continued)

Basis of consolidation

Business combinations

Business combinations are accounted for by applying the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Acquisitions on or after 1 June 2010

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

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

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

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

Any 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 the contingent consideration are recognised in the income statement.

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

Acquisitions before 1 June 2010

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

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

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

NOTES

1 Accounting policies (continued)

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.

Intangible assets and goodwill

Goodwill

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

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

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

Research and development

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

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

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

Other intangible assets

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

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

NOTES

1 Accounting policies (continued)

Subsequent expenditure

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

Amortisation

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

The estimated useful lives are as follows:

Acquired customer contracts and relationships	- between 3 and 10 years
Software	- 3 years
Capitalised development costs	- between 3 and 10 years

Impairment excluding deferred tax assets

Financial assets (including receivables)

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

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

NOTES

1 Accounting policies (continued)

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to Groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment excluding deferred tax assets

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Related party transactions

Details of related party transactions are set out in note 25 to these financial statements.

NOTES

1 Accounting policies (continued)

Plant and equipment

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

Computer equipment	20% - 33%
Plant and equipment	20%
Fixtures and fittings	10% - 20%
Motor vehicles	25%

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

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

Revenue recognition

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

Assurance Testing

The results of partially completed contracts whether fixed price or on a time and materials basis are dealt with on a percentage completion basis according to the number of days worked in comparison to the total contracted number of days by including the profit or loss earned on work completed to the balance sheet date. Provisions are made for any losses on uncompleted contracts expected to be incurred after the balance sheet date. For certain Assurance services, higher set up costs are incurred in the first month of the contract. Where this is the case the revenue associated with this is recognised at the same time as the costs, with the remainder deferred over the life of the contract.

Escrow and Website Monitoring

Other than fees attributable to initial setup of a new project/contract, which is recognised upon completion, maintenance and escrow agreement revenue is deferred and released to the income statement on a straight-line basis over the life of the related agreement, on the basis that the performance is deemed to fall evenly over the contract period.

NOTES

1 Accounting policies (continued)

Determination and presentation of operating segments

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

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

For the year ended 31 May 2014, the Group has three reportable segments (2013: three), Group Escrow, Assurance Testing and Domain Services. Group Escrow, Assurance Testing and Domain Services are the Group's strategic business units offering different services and they are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the CEO (the chief operating decision maker) reviews internal management reports on at least a quarterly basis.

Foreign currencies

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

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

Operating leases payments

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

NOTES

1 Accounting policies (continued)

Employee benefits - defined contribution plans

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

Short-term benefits

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

Share-based payment transactions

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

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

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 in profit or loss.

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

NOTES

1 Accounting policies (continued)

Interest bearing borrowings

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

Net financing costs

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

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

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

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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.

NOTES

1 Accounting policies (continued)

Intra-Group financial instruments

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

Trade and other receivables

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

Cash and cash equivalents

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

Treasury Shares

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

Use of estimates and judgements

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

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

- Note 1 - Revenue recognition
- Note 1 - Assessment of intangible carrying value (including development projects)
- Note 14 - The valuation of intangible assets arising on acquisitions

The areas involving the other sensitive estimates and assumptions that are significant to the financial statements are included in the following notes:

- Note 11 - Key assumptions used in discounted cash flow projections
- Note 14 - Measurement of contingent consideration
- Note 1 - Assessment of intangible assets useful economic lives

NOTES

2 Segmental information

The Group is organised into three operating segments (2013: three) Group Escrow, Assurance Testing and Domain Services each of which is separately reported.

Whilst revenue and profitability are monitored by individual business units within these operational segments it is only at the operating level that resource allocation decisions are made. Performance is measured based on segment profit which comprises segment operating profit excluding amortisation of intangible assets, share based payment charges and exceptional items. Interest and tax are not allocated to business segments and there are no intra-segment sales.

	2014	2013
	£000	£000
Revenue by business segment		
Escrow UK	22,507	20,888
Escrow Europe	3,285	3,180
Escrow USA	4,663	4,449
Total Group Escrow	30,455	28,517
Security Testing, Audit and Compliance	71,034	61,947
Web Performance	9,172	8,761
Total Assurance Testing	80,206	70,708
Domain Services	-	-
Total revenue	110,661	99,225

All revenue is in relation to services provided.

NOTES

2 Segmental information (continued)

	2014	2013
	£000	£000
Operating profit by business segment		
Group Escrow	18,056	16,737
Assurance Testing	14,052	12,022
Domain Services	(2,126)	(1,174)
Segment operating profit	29,982	27,585
Head office costs	(3,954)	(3,647)
Operating profit before amortisation of acquired intangibles, charges for share based payments and exceptional items	26,028	23,938
Amortisation of acquired intangible assets Group Escrow	(1,097)	(712)
Amortisation of acquired intangible assets Assurance Testing	(1,019)	(2,900)
Share based payments	(1,108)	(760)
Operating profit before exceptional items	22,804	19,566
Exceptional items	1,268	261
Operating profit	24,072	19,827

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

NOTES

2 Segmental information (continued)

Assets/(liabilities) by business segment	Assets 2014 £000	Liabilities 2014 £000	Assets 2013 £000	Liabilities 2013 £000
Group Escrow	11,330	(13,381)	13,689	(14,758)
Assurance Testing	38,591	(24,306)	16,006	(7,532)
Domain Services	5,282	(7,272)	1,539	(2,974)
Unallocated	103,307	(33,955)	109,627	(45,127)
Total assets/(liabilities)	158,510	(78,914)	140,861	(70,391)

Unallocated net assets consist of goodwill arising on consolidation, cash, tax payable and other centrally held assets and liabilities.

	Depreciation £000	Capital expenditure £000	Total costs incurred to acquire segmental assets £000
2014			
Group Escrow	294	84	-
Assurance Testing	892	2,359	2,093
Domain Services	23	174	-
Unallocated	883	620	-
Total	2,092	3,237	2,093
2013			
Group Escrow	273	521	-
Assurance Testing	784	805	7,824
Domain Services	2	22	-
Unallocated	905	659	-
Total	1,964	2,007	7,824

NOTES

2 Segmental information (continued)

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

Revenue by geographical origin and destination	2014	2013
	£000	£000
UK	66,366	63,090
Rest of Europe	10,453	7,702
Rest of the World	33,842	28,433
Total revenue	110,661	99,225

The table below provides an analysis of the Group's assets/(liabilities) by geographical market where the assets/(liabilities) are based.

Asset/(liabilities) by geographical segment	Assets 2014	Liabilities 2014	Assets 2013	Liabilities 2013
	£000	£000	£000	£000
UK	105,453	(43,339)	89,001	(33,022)
Rest of Europe	5,272	(3,116)	3,711	(2,087)
Rest of the World	47,785	(32,459)	48,149	(35,282)
Total assets/(liabilities)	158,510	(78,914)	140,861	(70,391)

NOTES

3 Exceptional items

The Group identifies separately items as “exceptional”. These are items which in management's judgement, need to be disclosed by virtue of their size or incidence in order for the user to obtain a proper understanding of the financial information. Subsequent revisions of estimates for items initially recognised as exceptional provisions are recorded as exceptional items in the year that the revision is made.

Operating exceptional items	2014	2013
	£000	£000
Legal fees	(334)	(372)
Unused remedial costs	-	219
Acquisition related costs	(292)	(825)
Revision to estimates of contingent consideration (see note 14)	1,894	1,239
Total	1,268	261

Legal fees of £0.3m are primarily in respect of legal advice received in relation to the Groups claim to recover capitalised and other costs incurred as part of the Groups IT system implementation which was terminated in May 2012.

Acquisition related costs of £0.3m (2013: £0.8m) principally consist of professional fees incurred in relation to the acquisitions made during the current and previous years (see note 14).

In accordance with IFRS3, the Directors have re-assessed the fair value of contingent consideration held in respect of business acquisitions and this has resulted in a £1.9m release of provisions held (2013: £1.2m) (see note 14).

NOTES

3 Exceptional items (continued)

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

Exceptional items and acquisition related costs	2014	2013
	£000	£000
Credit in respect of impairment losses and remedial costs	-	-
Credit in respect of legal fees	(77)	(85)
Credit in respect of acquisition related costs	(67)	(83)
Revision to estimates of contingent consideration	-	-
Total	(144)	(168)

NOTES

4 Expenses and auditors' remuneration

	2014	2013
	£000	£000
Profit before taxation is stated after charging/(crediting):		
<i>Amounts receivable by auditors and their associates in respect of:</i>		
Audit of these financial statements	30	27
Audit of financial statements of subsidiaries pursuant to legislation	30	36
Total audit	60	63
Review of interim financial statements	10	8
Other assurance services	60	-
Taxation compliance services	-	2
Total fees	130	73
<i>Depreciation and other amounts written off tangible and intangible fixed assets:</i>		
Owned	2,092	1,964
Amortisation of intangible assets	2,438	3,929
Exchange losses/(gains)	408	(3)
<i>Operating lease rentals charged:</i>		
Hire of property, plant and equipment	2,266	1,687
Other operating leases	984	864
Research and development expenditure	1,796	1,829
Loss/(profit) on disposal of fixed assets	10	(27)

The 2013 Auditor remuneration relates to services provided by the Group's previous Auditors Ernst and Young LLP.

NOTES

5 Staff numbers and costs

Directors' emoluments are disclosed in the Remuneration Committee Report on pages 58 to 82 .

Group

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

Number of employees	2014	2013
Operational	467	386
Administration, sales and marketing	372	335
	839	721

The aggregate payroll costs of these persons were as follows:

	2014	2013
	£000	£000
Wages and salaries	49,774	42,440
Share based payments (note 20)	887	690
Social security costs	4,279	3,918
Other pension costs (note 24)	1,615	856
	56,555	47,904

NOTES

6 Net financing costs

	2014	2013
	£000	£000
Financial income		
Interest on short term deposits	24	18
	24	18
Financial expenses		
Interest payable on bank loans and overdrafts	(680)	(791)
Amortisation of deal fees on term loans	(85)	(129)
Contingent consideration finance expense (see below)	(120)	(167)
	(885)	(1,087)

Contingent consideration related to the acquisition of subsidiary undertakings has been discounted to its present value.

NOTES

6 Net financing costs (continued)

The contingent consideration finance expense of £120,000 (2013: £167,000) relates to the acquisitions of FortConsult A/S, Matasano Security LLC and Intrepidus Group, Inc. The unwinding of the discount on contingent consideration has been treated as a finance expense and is analysed in the table below:

Contingent consideration finance expense	2014	2013
	£000	£000
iSEC Partners Inc	-	12
Matasano Security LLC	61	88
Intrepidus Group, Inc	55	67
FortConsult A/S	4	-
	120	167

The risk adjusted discount rate used was 7% (2013: 3%).

NOTES

6 Net financing costs (continued)

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

Contingent consideration	2014	2013
	£000	£000
Matasano Security LLC	2,210	4,184
Intrepidus Group, Inc	-	2,758
FortConsult A/S	1,731	-
	3,941	6,942

Current liabilities include £2,940,000 (2013: £2,177,000) in respect of contingent considerations (see note 16).

NOTES

7 Taxation

Recognised in the income statement	2014	2013
£000	£000	
Current tax expense		
Current year	4,865	4,499
Adjustment to tax expense in respect of prior periods	(308)	(61)
Foreign tax	474	625
Total current tax	5,031	5,063
Deferred tax (note 15)	73	(789)
Tax in income statement	5,104	4,274
Reconciliation of effective tax rate	2014	2013
	£000	£000
Profit before taxation	23,211	18,758
Current tax using the UK corporation tax rate of 22.67% (2013: 23.83%)	5,263	4,470
Effects of:		
Items not taxable for tax purposes	(328)	(57)
Adjustment to tax charge in respect of prior periods	(435)	(354)
Differences between overseas tax rates	155	122
Movements in temporary differences not recognised	334	71
Effect of rate change	115	22
Total tax expense	5,104	4,274

Current and deferred tax recognised directly in equity was a charge of £443,000 (2013: charge of £402,000).

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and from 21% to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 31 May 2014 has been calculated based on the rates of 21% and 20% substantively enacted at the balance sheet date.

NOTES

8 Dividends

	2014	2013
	£000	£000
Dividends paid and recognised in the year	6,779	5,830
Dividends proposed but not recognised in the year	4,920	4,400
Dividends per share paid and recognised in the year	3.26p	2.81p
Dividends per share proposed but not recognised in the year	2.36p	2.12p

NOTES

9 Earnings per share

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

	2014	2014	2013	2013
	£000	£000	£000	£000
Profit for the year from continuing operations used for earnings per share		18,107		14,484
Amortisation of acquired intangible assets	2,116		3,612	
Exceptional items (note 3)	(1,268)		(261)	
Unwinding of discount (note 6)	120		167	
Share based payments (note 20)	1,108		760	
Tax arising on the above items	(430)		(937)	
		1,646		3,341
Adjusted profit from continuing operations used for adjusted earnings per share		19,753		17,825

	Number of shares	Number of shares
	000s	000s
Basic weighted average number of shares in issue	208,154	207,303
Dilutive effect of share options	3,283	4,132
Diluted weighted average shares in issue	211,437	211,435

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

10 Profit attributable to members of the parent company

The profit for the year dealt with in the accounts of the parent company was £12,709,000 (2013: £7,681,000).

NOTES

11 Intangible assets - Group

	Software	Development costs	Customer contracts and relationships	Goodwill	Total
	£000	£000	£000	£000	£000
Cost:					
At 1 June 2012	7,244	354	19,378	79,329	106,305
Acquisitions through business combinations	-	-	3,958	11,371	15,329
Other acquisitions - internally developed	1,815	1,080	-	-	2,895
Effects of movements in exchange rates	-	23	481	1,489	1,993
At 31 May 2013	9,059	1,457	23,817	92,189	126,522
Acquisitions through business combinations	18	-	634	2,735	3,387
Other acquisitions - internally developed	3,866	3,654	-	-	7,520
Effects of movements in exchange rates	-	(137)	(1,433)	(3,273)	(4,843)
At 31 May 2014	12,943	4,974	23,018	91,651	132,586
Amortisation:					
At 1 June 2012	6,517	-	10,289	-	16,806
Charge for year	317	-	3,612	-	3,929
Effects of movements in exchange rates	-	-	107	-	107
At 31 May 2013	6,834	-	14,008	-	20,842
Charge for year	322	-	2,116	-	2,438
Effects of movements in exchange rates	-	-	(758)	-	(758)
At 31 May 2014	7,156	-	15,366	-	22,522
Net book value:					
At 31 May 2014	5,787	4,974	7,652	91,651	110,064
At 31 May 2013	2,225	1,457	9,809	92,189	105,680

NOTES

11 Intangible assets - Group (continued)

Management have exercised judgement in determining the recoverability of the asset value of software and development costs relating to the creation of new products and services.

The remaining useful economic life of customer contracts and relationships is between 2 and 8 years.

The Group has made an acquisition in the year, details of which are included in note 14.

The Company has no intangible assets.

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

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

Goodwill	2014	2013
	£000	£000
Cash generating units		
Escrow	22,886	22,871
Escrow Europe	6,727	7,071
Escrow USA	6,382	7,045
Total Group Escrow	35,995	36,987
Assurance Testing	47,765	47,312
Web Performance	7,891	7,890
Total Assurance Testing	55,656	55,202
Domain Services	-	-
Total	91,651	92,189

NOTES

11 Intangible assets - Group (continued)

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

Cash flow projections are based on the Group's current two-year plan. The main assumptions underlying that plan relate to customer termination rates and gross margins, which incorporate past experience. Beyond the two-year plan these projections are extrapolated using an estimated long-term growth rate of 2.5% (2013: 1%-2.5%). The growth rates used have been determined as the lower of the nominal GDP rates for the country in which the CGU is based and the long term compound annual growth rate in EBITDA estimated by management. A different set of assumptions may be more appropriate in future years dependent on changes to the macro-economic environment.

The discount rates used have been based on management's calculation of the weighted average cost of capital using the capital asset pricing model to calculate the cost of equity. A range of alpha factors were used to reflect the risk of the cash generating units.

The discount rate has been revised for each CGU to reflect the latest market assumptions for the risk-free rate, the Equity Risk Premium and the net cost of debt. Pre-tax market discount rates of 10.5% - 15.8% (2013:10.2% - 14.7%) have been used in discounting the projected cash flows in respect of the Escrow CGU's and 10.5% - 14.3% for Assurance Testing CGU's (2013:10.9%-16.0%).

The Directors do not believe that a reasonably possible change of assumptions would cause the recoverable amounts to fall below book value for any of the cash generating units due to the significant levels of headroom and prudent assumptions applied by management in forming their assessment.

NOTES

12 Plant and equipment - Group

	Computer equipment £000	Plant and equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost:					
At 1 June 2012	8,986	410	4,650	193	14,239
Additions	1,136	-	717	154	2,007
Disposals	-	-	-	(37)	(37)
Movement in foreign exchange rates	15	-	20	-	35
At 31 May 2013	10,137	410	5,387	310	16,244
Additions	1,832	-	1,331	74	3,237
Acquired as part of business combination	-	-	60	-	60
Disposals	(30)	-	-	-	(30)
Movement in foreign exchange rates	(90)	(1)	(83)	(6)	(180)
At 31 May 2014	11,849	409	6,695	378	19,331
Depreciation:					
At 1 June 2012	6,975	410	1,724	62	9,171
Charge for year	1,342	-	573	49	1,964
Disposals	-	-	-	(31)	(31)
Movement in foreign exchange rates	6	-	3	-	9
At 31 May 2013	8,323	410	2,300	80	11,113
Charge for year	1,429	-	588	75	2,092
Disposals	(26)	-	-	-	(26)
Movement in foreign exchange rates	(75)	(1)	(16)	-	(92)
At 31 May 2014	9,651	409	2,872	155	13,087
Net book value:					
At 31 May 2014	2,198	-	3,823	223	6,244
At 31 May 2013	1,814	-	3,087	230	5,131

The company has no plant and equipment.

NOTES

13 Trade and other receivables

	Group 2014	Group 2013	Company 2014	Company 2013
	£000	£000	£000	£000
Trade receivables	19,614	16,598	-	-
Prepayments and accrued income	9,077	7,876	-	-
Amounts owed by Group undertakings	-	-	8,009	2,499
	28,691	24,474	8,009	2,499

NOTES

14 Acquisitions

FortConsult

On 2nd May 2014 the Group acquired 100% of the share capital of FortConsult A/S for a maximum consideration of £4.0m, of which a maximum of £2.0m has been withheld subject to the achievement of performance criteria specified in the purchase agreement.

The performance conditions are required to be satisfied by 30 April 2015 and 30 April 2016. The contingent consideration is to be paid in July 2015 and July 2016.

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

	Fair values
	£000
Acquiree's identifiable net assets at the acquisition date:	
Plant and equipment	60
Trade and other receivables	803
Cash	239
Creditors & accruals	(410)
Current tax liability	(6)
Deferred tax liability	(217)
Intangible assets purchased	634
Net identifiable assets	1,103
Goodwill on acquisition	2,736
Expected consideration to be paid	3,839
Less purchase consideration withheld	(1,746)
Net cash outflow	2,093
Cash acquired	(239)
Net cash outflow excluding cash acquired	1,854

None of the receivables have been impaired and the full contractual amounts have been collected.

NOTES

14 Acquisitions (continued)

Goodwill of £2.7m has arisen on the acquisition because the purchase price exceeds the fair value of the separately identifiable net assets, liabilities and contingent liabilities acquired. Goodwill represents synergies, business processes and the assembled value of the work force including industry specific knowledge and technical skills. The goodwill is not expected to be deductible for tax purposes.

During the period from acquisition, the Company contributed £275,000 to Group revenue and £86,000 to Group operating profit. It is not practical to disclose what the contribution to Group revenue and profits would have been had the acquisition of FortConsult A/S been completed on the first day of the current period, as financial information was not prepared on an IFRS basis prior to acquisition.

As noted above, as part of the sale and purchase agreement, a contingent consideration was agreed of up to a maximum of £2.0m which is withheld subject to the achievement of performance criteria specified in the purchase agreement and is based on profit growth forecasts and market multiples.

Due to the inherent uncertainties in deriving forecasts the level of contingent consideration is reassessed at each reporting date to reflect revisions to forecasts or differences between forecast and actual performance. The fair value of the contingent consideration of £2.0m is still considered appropriate and is based upon the present value of the future cash flows

During the period, as a result of the acquisitions noted above, total acquisition related costs of £292,000 were incurred (see note 3).

Matasano Security LLC

On 1 August 2012 the Group acquired 100% of the partnership interests of Matasano Security LLC for a maximum consideration of £8.1m, of which up to a maximum of £4.1m was withheld subject to the achievement of performance criteria specified in the purchase agreement. The performance conditions are required to be satisfied by 31 July 2013 and 31 July 2014. The contingent consideration is to be paid in December 2013 and November 2014.

During the period, £1.7m was paid in relation to the part settlement of the contingent consideration due on the acquisition of Matasano Security LLC. The fair value of the remaining contingent consideration of £2.2m is still considered appropriate and is based on the present value of the future cash flows. Management expect the full amount to be payable based upon Matasano's predicted performance.

Intrepidus Group, Inc.

During the period £0.4m has been paid which relates to part of the initial consideration that was deferred for one year.

During the year, the Directors have reassessed the carrying value of the contingent consideration held in respect of Intrepidus Group Inc and as a result of this review the fair value of the contingent consideration decreased to £0.4m from £2.4m to reflect the agreed amount which was paid in final settlement of the agreement. The fair value adjustment is recognised within exceptional administration expenses (see note 3).

During the year ended 31 May 2013, as a result of the acquisitions noted above, total acquisition related costs of £825,000 were incurred (see note 3).

NOTES

15 Deferred tax assets and liabilities

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

Group	Assets		Liabilities		Net	
	2014	2013	2014	2013	2014	2013
		£000		£000		£000
Plant and equipment	-	304	(5)	-	(5)	304
Short term temporary differences	178	266	-	-	178	266
Intangible assets	-	-	(2,439)	(1,048)	(2,439)	(1,048)
Share based payments	579	417	-	-	579	417
Tax losses	1,542	-	-	-	1,542	-
Deferred tax asset/(liability)	2,299	987	(2,444)	(1,048)	(145)	(61)

Movement in deferred tax during the year:

	1 June 2013	Recognised in income	Exchange differences	Recognised in equity	Acquisitions	31 May 2014
	£000	£000	£000	£000	£000	£000
Plant and equipment	304	(308)	-	-	-	(4)
Short term temporary differences	266	(31)	-	-	(57)	178
Intangible assets	(1,048)	(1,282)	48	-	(158)	(2,440)
Share based payments	417	5	-	157	-	579
Tax losses	-	1,543	(1)	-	-	1,542
	(61)	(73)	47	157	(215)	(145)

NOTES

15 Deferred tax assets and liabilities (continued)

	1 June 2012	Recognised in income	Recognised in equity	Acquisitions	31 May 2014
	£000	£000	£000	£000	£000
Plant and equipment	183	121	-	-	304
Short term temporary differences	169	97	-	-	266
Intangible assets	(547)	217	-	(718)	(1,048)
Share based payments	765	384	(732)	-	417
Tax losses	30	(30)	-	-	-
	600	789	(732)	(718)	(61)

The Company has deferred tax assets related to share based payments of £nil (2013: £138,000).

A deferred tax asset of £1,542,000 (2013: £Nil) has been recognised on US losses as management consider it probable that future taxable profits will be available against which they can be utilised.

The Group has not recognised a deferred tax asset on non UK losses of £855,000 (2013: £375,000) due to the uncertainty over recoverability. Included in unrecognised tax losses are losses of £660,000 that will expire in 2034. Other losses may be carried forward indefinitely.

The Group has an unrecognised deferred tax liability of £nil (2013: £nil) which would only arise in the event of the sale of the shares or assets in NCC Group Inc.

As at 31 May 2014 the Group has an unrecognised deferred tax asset of £76,000 in respect of UK short term timing differences and intangible assets (2013: £nil)

As at 31 May 2014, the temporary differences arising from un-remitted earnings of overseas subsidiaries was £1,646,000 (2013: £477,000). No material tax charges are expected to arise if they were to be distributed and therefore a deferred tax liability in respect of unremitted earnings has not been recognised.

NOTES

16 Trade and other payables

	Group 2014	Group 2013	Company 2014	Company 2013
	£000	£000	£000	£000
Trade payables	2,973	2,944	-	-
Contingent consideration on acquisitions	2,940	2,177	-	-
Non trade payables	5,781	4,251	-	-
Accruals	8,609	5,359	1,075	-
	20,303	14,731	1,075	-

17 Deferred revenue

	Group 2014	Group 2013	Company 2014	Company 2013
	£000	£000	£000	£000
Deferred revenue	17,207	16,847	-	-
	17,207	16,847	-	-

Deferred revenue of £12,005,000 (2013: £12,084,000) mainly consists of Escrow agreement revenue that has been deferred to be released to the income statement over the contract term in accordance with the Group's accounting policy.

Deferred revenue of £3,119,000 (2013: £3,252,000) consists of website monitoring and load testing agreement revenue that has been deferred to be released to the income statement over the contract term in accordance with the Group's accounting policy. The remaining deferred revenue of £2,083,000 (2013: £1,511,000) relates to Assurance revenue.

NOTES

18 Non-current liabilities

	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Secured bank loan	34,945	30,080	-	-
Issue costs	(244)	(357)	-	-
Amortisation of issue costs	85	129	-	-
Interest bearing loans	34,786	29,852	-	-
Deferred tax (note 15)	2,444	1,048	-	-
Contingent consideration on acquisitions (note 6)	1,001	4,765	-	-
Other financial liabilities	484	577	-	-
Total non-current liabilities	38,715	36,242	-	-

For more information about the contractual terms of the Group's interesting bearing secured bank loan, which is measured at amortised cost, see note 19.

Other financial liabilities of £484,000 relates to the balance of a rent free period (2013: £577,000) which is released to the income statement over the term of the lease.

NOTES

19 Financial instruments

Financial risk management

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

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

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

Capital management

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total interest bearing loans as shown in the consolidated balance sheet, less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

As at 31 May 2014 the Group's gearing ratio was 22% (2013: 30%).

Financial instruments policy

All instruments utilised by the Company and Group are for financing purposes. The day-to-day financial management and treasury are controlled centrally for all operations.

Fair value of financial instruments

As at 31 May 2014 the Group and Company had no other financial instruments other than those disclosed below. The carrying value of contingent liabilities held at the year end are valued using a level 3 valuation method as defined by IFRS 13 Fair Value measurement, being their fair value with any change in fair value taken to the Statement of Comprehensive Income. All other financial assets and liabilities are valued at amortised cost. There have been no transfers between levels in the year.

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.

NOTES

19 Financial instruments (continued)

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 2014	Group 2013	Company 2014	Company 2013
	£000	£000	£000	£000
Trade receivables	19,614	16,598	-	-
Cash and cash equivalents	11,212	4,589	35	(30)
	30,826	21,187	35	(30)

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

Debtors by geographical segment	Group 2014	Group 2013	Company 2014	Company 2013
	£000	£000	£000	£000
UK	15,188	12,086	-	-
Rest of Europe	1,094	363	-	-
Rest of the World	3,332	4,149	-	-
	19,614	16,598	-	-

NOTES

19 Financial instruments (continued)

Debtors by business segment	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Group Escrow	4,894	5,130	-	-
Assurance Testing	14,720	11,468	-	-
Domain Services	-	-	-	-
	19,614	16,598	-	-

The trade receivables of the Group typically comprise of smaller amounts due from a large number of customers. The Group's customer base, whilst concentrated largely in the UK, represents a spread of industry sectors. The largest amount due from a single customer at the reporting date represented 8% of total Group receivables (2013: 1%). All of the Group's cash is held with financial institutions of high credit rating.

Impairment losses

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

Group	Gross 2014 £000	Impairment 2014 £000	Gross 2013 £000	Impairment 2013 £000
Not past due	11,202	-	10,973	-
Past due 0-30 days	4,723	-	3,804	-
Past due 31-90 days	3,806	(117)	1,475	-
Past due more than 90 days	126	(126)	623	(277)
	19,857	(243)	16,875	(277)

The Company had no trade receivables (2013: £Nil).

NOTES

19 Financial instruments (continued)

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of specific trade receivables. The movement in the allowance for impairment was:

	Group 2014	Group 2013
	£000	£000
Balance at 1 June	277	328
Credit for the year	(34)	(51)
Balance at 31 May	243	277

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amounts owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly. The Group reviews all debt more than 90 days past due and provides for impairment losses, net of any revenue which has been deferred, based on trading experience with that customer. The allowance is all for debts older than 90 days (2013: older than 90 days). The ageing of Group debt and associated impairment loss is reported to the Board on a monthly basis.

NOTES

19 Financial instruments (continued)

Liquidity risk

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

The following are the contractual maturities of financial liabilities, including interest payments of the Group:

	Carrying amount £000	Contractual Cash flows £000	6 months or less £000	6-12 Months £000	1-2 Years £000	2-3 Years £000
At 31 May 2014						
Secured bank borrowings	(34,786)	(34,945)	-	-	-	(34,945)
Trade and other payables	(17,363)	(17,363)	(17,363)	-	-	-
Contingent consideration	(3,941)	(2,210)	-	(2,210)	-	-
At 31 May 2013						
Secured bank borrowings	(29,852)	(30,080)	-	-	-	(30,080)
Trade and other payables	(12,554)	(12,554)	(12,554)	-	-	-
Contingent consideration	(6,942)	(6,942)	(378)	(1,800)	(4,764)	-

The financial liabilities of the Company all have contractual maturities within 6 months (2013: within 6 months).

NOTES

19 Financial instruments (continued)

Currency risk

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

	2014					2013			
	Sterling	Euros	USD	AUD	DKK	Sterling	Euros	USD	AUD
	£000	£000	£000	£000		£000	£000	£000	£000
Loans and receivables	15,188	371	3,219	113	723	12,118	334	3,986	160
Cash and cash equivalents	7,668	1,517	1,683	74	270	2,399	615	1,512	63
Bank borrowings	15,791	-	18,995	-	-	8,222	-	21,630	-
Trade and other payables	14,249	187	6,324	65	479	10,737	159	8,535	65

A change in exchange rates of 10% would not have a significant impact on these financial statements.

NOTES

19 Financial instruments (continued)

Interest rate risk

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

The financial assets of the Group at the end of the financial year were as follows:

	2014	2013
	£000	£000
Sterling denominated financial assets	7,668	2,399
Euro denominated financial assets	1,517	615
US dollar denominated financial assets	1,683	1,512
AU dollar denominated financial assets	74	63
DKK denominated financial assets	270	-
Current trade and other receivables	19,614	16,598
	30,826	21,187

The financial assets of the Company at the end of the financial year were as follows:

	2014	2013
	£000	£000
Sterling denominated financial assets	35	-
Amounts owed by Group undertakings	8,009	2,499
	8,044	2,499

A change of 100 basis points in interest rates would result in a difference in annual pre-tax profit of £300,000 (2013: £300,000).

NOTES

19 Financial instruments (continued)

The financial liabilities of the Group and their maturity profile are as follows:

	2014 £000	2013 £000
Maturity		
Less than 1 year	2,940	2,177
1 to 2 years	1,001	4,765
Sterling denominated 2 to 3 years	15,791	8,222
US dollar denominated 2 to 3 years	18,995	21,630
Current trade and other payables	17,363	12,554
	56,090	49,348

The financial liabilities of the Company and their maturity profile are as follows:

	2014 £000	2013 £000
Maturity		
3 to 4 years	-	30
Current trade and other payables	1,075	-
Sterling denominated financial liabilities	1,075	30

As at 31 May 2014 the Group had a multi-currency revolving credit facility of £40 million (2013: £40 million). The interest payable on drawn down funds ranges from 1.5% to 2.25% above LIBOR subject to the Group's net debt to EBITDA ratio. At the end of May 2014, the effective rate was 1.6% (2013: 1.6%). The revolving credit facility is available until July 2016.

NOTES

20 Share based payments

The Company has a number of share option schemes under which options to subscribe for the Company's shares have been granted to Directors and staff, details of which are illustrated in the tables below. Expected term of options represents the period over which the fair value calculations are based.

On the 18 December 2012, NCC Group plc shareholders approved a bonus issue of ordinary shares of five shares for every one share held. The information provided in the following tables has therefore been presented on the revised basis and the comparative information has been restated.

Approved EMI scheme

Under the Approved EMI Scheme, options granted will be subject to performance criteria. Options will vest if the average EPS growth for the 3 years following their grant is greater than 3% above RPI per annum. The options are to be settled in equity.

Date of grant	Expected term of options	Exercisable between	Exercise Price	2014 Number Outstanding
August 2007	6 years	July 2010 - July 2017	£0.64	28,404
February 2008	6 years	Feb 2011 - Feb 2018	£0.65	79,468

NOTES

20 Share based payments (continued)

CSOP scheme

Under the CSOP Scheme, options granted will be subject to performance criteria. Options will vest if the average EPS growth for the 3 years following their grant is greater than 10% per annum. The options are to be settled in equity.

Date of grant	Expected term of options	Exercisable between	Exercise Price	2013 Number Outstanding
July 2012	6 years	July 2015 - July 2021	£1.36	352,872
July 2013	6 years	July 2016 - July 2022	£1.40	42,756

LTIP Schemes

The vesting condition for the award of the LTIP schemes relates to growth in the Group's EPS over the performance period. If growth is equal to 25% or more per annum then 100% of the award will vest. If, however, growth is less than 10% per annum, none of the award will vest. Between these two points, vesting is determined on a straight line basis. The options are to be settled in equity.

Date of grant	Expected term of options	Exercisable between	Exercise Price	2014 Number Outstanding
Jul 2011	3 years	June 2014 - June 2015	Nil*	1,139,076
Jul 2012	3 years	June 2015 - June 2016	Nil*	908,400
Jul 2013	3 years	June 2016 - June 2017	Nil*	956,361

*The option exercise price is nil however £1 is payable on each occasion of exercise.

NOTES

20 Share based payments (continued)

Sharesave scheme

The Company operates a Sharesave scheme, which is available to all UK based employees and full time Executive Directors of the Company and its subsidiaries who have worked for a qualifying period. All options are to be settled by equity.

Under the scheme the following options have been granted and are outstanding at year end.

Date of grant	Expected term of options	Exercisable between	Exercise Price	2014 Number Outstanding
	£000	£000	£000	£000
August 2011	3.25 years	September 2014 - February 2015	£0.85	380,910
August 2012	3.25 years	September 2015 - February 2016	£1.09	506,040
August 2013	3.25 years	September 2016 - February 2017	£1.13	539,904

Employee Stock Purchase Plan

The Company operates a Stock purchase plan, which is available to all US based employees who have worked for a qualifying period. All options are to be settled by equity.

Under the scheme the following options have been granted and are outstanding at year end.

Date of grant	Expected term of options	Exercisable between	Exercise Price	2014 Number Outstanding
February 2014	1 year	February 2015 – February 2018	£1.7765	81,795

ISO scheme

Under the ISO Scheme, options granted will be subject to performance criteria. Options will vest if the average EPS growth for the 3 years following their grant is greater than 10% per annum. The options are to be settled in equity.

Date of grant	Expected term of options	Exercisable between	Exercise Price	2014 Number Outstanding
January 2013	3 years	January 2016 – January 2019	£1.475	61,014
January 2014	3 years	January 2017 – January 2020	£1.995	45,111

NOTES

20 Share based payments (continued)

The following tables illustrate the number of share options for the schemes.

Scheme	Number of instruments as at 1 June 2013	Instruments granted during the year	Options exercised in the year	Forfeitures in the year	Number of instruments as at 31 May 2014
Approved EMI scheme	14,988	-	(14,988)	-	-
Approved EMI scheme	82,764	-	(54,360)	-	28,404
Approved EMI scheme	156,592	-	(77,124)	-	79,468
CSOP scheme	81,810	-	(81,810)	-	-
CSOP scheme	28,092	-	(28,092)	-	-
CSOP scheme	363,900	-	-	(11,028)	352,872
CSOP scheme	-	42,756	-	-	42,756
Sharesave scheme	637,812	-	(637,812)	-	-
Sharesave scheme	443,526	-	(1,464)	(61,152)	380,910
Sharesave scheme	577,626	-	(594)	(70,992)	506,040
Sharesave scheme	-	608,231	-	(68,327)	539,904
ESPP scheme	62,672	-	(62,672)	-	-
ESPP scheme	-	81,795	-	-	81,795
ISO scheme	81,352	-	-	(20,338)	61,014
ISO scheme	-	45,111	-	-	45,111
LTIP	1,173,462	-	(742,801)	(430,661)	-
LTIP	1,139,076	-	-	-	1,139,076
LTIP	908,400	-	-	-	908,400
LTIP	-	956,361	-	-	956,361

The options outstanding at 31 May 2014 have an exercise price in the range of £Nil to £1.13 (2013: £Nil to £1.36) and a weighted average contractual life of 3 years (2013: 3 years).

The weighted average share price at the time the share options were exercised in the year was £1.61 and weighted average share price at the time the share options were forfeited in the year was £1.45

NOTES

20 Share based payments (continued)

Scheme	Number of instruments as at 1 June 2012	Instruments granted during the year	Options exercised in the year	Forfeitures in the year	Number of instruments as at 31 May 2013
Approved EMI scheme	14,988	-	-	-	14,988
Approved EMI scheme	148,530	-	(65,766)	-	82,764
Approved EMI scheme	162,906	-	(6,314)	-	156,592
CSOP scheme	218,160	-	(136,350)	-	81,810
CSOP scheme	28,092	-	-	-	28,092
CSOP scheme	-	378,600	-	(14,700)	363,900
Sharesave scheme	313,626	-	(313,626)	-	-
Sharesave scheme	744,108	-	(5,502)	(100,794)	637,812
Sharesave scheme	514,818	-	(2,232)	(69,060)	443,526
Sharesave scheme	-	652,638	(318)	(74,694)	577,626
ESPP scheme	-	62,672	-	-	62,672
ISO scheme	-	81,352	-	-	81,352
LTIP	1,416,678	-	(984,816)	(431,862)	-
LTIP	1,173,462	-	-	-	1,173,462
LTIP	1,139,076	-	-	-	1,139,076
LTIP	-	908,400	-	-	908,400

NOTES

20 Share based payments (continued)

The fair value of services received in return for share options is calculated with reference to the fair value of the award on the date of grant. The fair value is spread over the period during which the employee becomes unconditionally entitled to the award, adjusted to reflect actual and expected levels of vesting. Black-Scholes and Binomial models have been used to calculate the fair values of options on their grant date for all options issued after 7 November 2002 which had not vested by 1 January 2005. The assumptions used in the model are illustrated in the table below:

Scheme	Grant Date	Fair value at measurement date	Exercise price	Expected volatility	Option expected term	Risk-free interest rate
EMI	Aug-07	£0.20	£0.64	25%	6 Years	6.00%
EMI	Feb-08	£0.21	£0.65	25%	6 Years	6.00%
CSOP	Aug-12	£0.35	£1.36	35%	6 Years	2.75%
CSOP	Jul-13	£0.25	£1.40	32%	6 Years	2.75%
SAYE	Aug-11	£0.37	£0.85	30%	3.25 Years	3.00%
SAYE	Aug-12	£0.45	£1.09	35%	3.25 Years	2.75%
SAYE	Aug-13	£1.92	£1.13	32%	3.25 Years	2.75%
ESPP	Feb-14	£0.32	£1.78	35%	1 Year	2.75%
ISO	Jan-13	£0.33	£1.48	35%	3 Years	2.75%
ISO	Jan-14	£0.33	£2.00	35%	3 Years	2.75%
LTIP	Jul-11	£1.00	£nil*	30%	3 Years	3.00%
LTIP	Jul-12	£1.25	£nil*	35%	3 Years	2.75%
LTIP	Jul-13	£1.28	£nil*	32%	3 Years	2.75%

* The option exercise price is nil however £1 is payable on each occasion of exercise.

The expected volatility is based on the historical volatility, adjusted for any expected changes to future volatility due to publicly available information. For the options granted in the year ending 31 May 2014, dividend yield assumed at the time of option grant is 2.4% (2013: 2.4%).

A charge of £1,108,000 (2013: £760,000) has been made to administrative expenses in the Group income statement in respect of share based payment transactions, including £221,000 of provision for National Insurance contributions (2013: £70,000). A charge of £65,000 (2013: £77,000) has been made to cost of sales in the Company income statement in respect of share based payment transactions, including £nil provision for National Insurance contributions (2013: £2,000)

NOTES

21 Called up share capital

	Number of shares	2014 £000	2013 £000
Allotted, called up and fully paid			
Ordinary shares of 1p each at the beginning of the year	207,560,838	2,075	343
Ordinary shares of 1p each issued in the year	909,485	10	3
Bonus issue of shares		-	1,729
Ordinary shares of 1p each at the end of the year	208,470,323	2,085	2,075

During the year shares were issued in relation to the exercise of employee share options for a total consideration of £558,000, settled in cash.

As at 31st May 2014, 600,000 shares were held in treasury (2013: nil). The total consideration paid for the shares was £1,075,000, which has been deducted from equity in the period. These shares are held with the sole purpose of the settling any future share based basement obligations.

22 Cash and cash equivalents

	At beginning of year £000	Cash flow £000	Non cash items £000	At end of Year £000
Cash and cash equivalents per balance sheet	4,589	7,078	(455)	11,212
Cash and cash equivalents per cash flow statement	4,589	7,078	(455)	11,212

Non-cash items principally relate to the effects of foreign currency

NOTES

23 Other financial commitments and contingent liabilities

a) Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	2014	2013
	£000	£000
Contracted	-	-

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

	2014		2013	
	Land and Buildings	Other	Land and Buildings	Other
	£000	£000	£000	£000
Within one year or less	2,551	473	2,296	464
Between one and five years	9,244	363	7,508	444
Over five years	4,605	-	3,234	-
	16,400	836	13,038	908

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

NOTES

24 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 £1,615,000 (2013: £856,000). The outstanding contributions at the year-end were £173,000 (2013: £115,000).

For the Company, the pension cost charge for the year represents contributions payable by the Company to the fund and amounted to £nil (2013: £nil).

25 Related party transactions

The Group's key management personnel comprises the Directors of the Group. The Group and Company's transactions with those Directors are disclosed in the Directors' Remuneration Report.

NCC Group's Non Executive Chairman Paul Mitchell is a director of Rickitt Mitchell and Partners Limited and the Group conducted business to the value of £150,000 (2013: £295,000) with Rickitt Mitchell and Partners Limited. Included within the charge is £85,000 relating to advice received in connection with the acquisitions made during the year ended 31 May 2014. Rickitt Mitchell and Partners Limited provide an outsourced acquisition service which facilitates the delivery of acquisition targets which have been identified and approved by the board.

The remaining £65,000 relates to the services of the Non Executive Chairman. Rickitt Mitchell and Partners Limited also held nil 1.0p ordinary shares (2013: 42,000).

NOTES

26 Fixed asset investments

The financial liabilities of the Group and their maturity profile are as follows:

Company	Shares in Group undertakings
	£000
At 1 June 2012	32,041
Increase in subsidiary investment for share based charges	615
At 31 May 2013	32,656
At 1 June 2013	32,656
Increase in subsidiary investment for share based charges	822
At 31 May 2014	33,478

The cost represents the cost of acquiring the whole of the issued share capital of NCC Group (Solutions) Limited and its subsidiary undertakings. Fixed asset investments are recognised at cost.

NOTES

26 Fixed asset investments (continued)

The principal undertakings in which the Company's interest at the year end is 100% are as follows:

Subsidiary undertakings	Country of incorporation	Principal Activity
NCC Group (Solutions) Limited	England and Wales	Escrow & Assurance Services
NCC Services Limited	England and Wales	Escrow & Assurance Services
NCC Group Escrow Limited	England and Wales	Dormant
Artemis Internet Limited	England and Wales	Dormant
NCC Group Employees' Trustees Limited	England and Wales	Employee Benefit Trust
Escrow 4 Software Limited	England and Wales	Dormant
NCC Group Performance Testing Limited	England and Wales	Website Monitoring & Load Testing
NCC Group Security Services Limited	England and Wales	Assurance Services
NCC Group Audit Limited	England and Wales	Audit Compliance
NCC Group SDLC Limited	England and Wales	Software Testing
Axzona Limited	England and Wales	Dormant
NCC Group Escrow Europe BV	Netherlands	Escrow
NCC Group Escrow Europe (Switzerland) AG	Switzerland	Escrow
NCC Group GmbH	Germany	Escrow
FortConsult A/S	Denmark	Assurance Services
FC Holding Lithuania ApS	Denmark	Assurance Services
FC Holding Russia ApS	Denmark	Assurance Services
FortConsult UAB	Lithuania	Assurance Services
FortConsult Rus 000	Russia	Assurance Services
FortConsult 000	Russia	Assurance Services
iSEC Partners Inc	USA	Ethical Security Testing
NCC Group Escrow Associates LLC	USA	Escrow
Matasano Security LLC	USA	Ethical Security Testing
Intrepidus Group, Inc	USA	Ethical Security Testing
Artemis Internet Inc	USA	Domain Security
NCC Group Secure Registrar, Inc.	USA	Domain Security
NCC Group Inc.	USA	Escrow & Assurance Services
NCC Group Pty Limited	Australia	Assurance Services & Website Monitoring

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ROB COTTON

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Finance Director

DEBBIE HEWITT MBE

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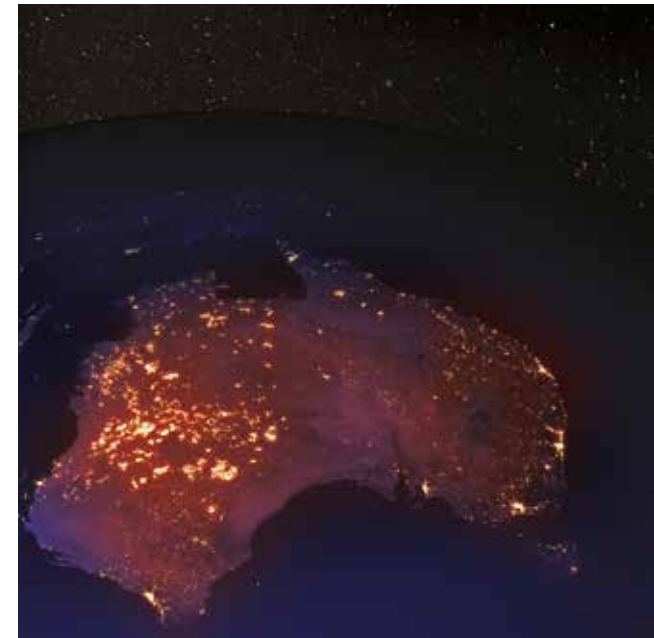


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