2 February 2023

NCC Group plc
Unaudited interim results for the period ended 30 November 2022

Next chapter of NCC Group's strategy with investment for enhanced growth; robust H1 with market headwinds impacting current trading

NCC Group plc (LSE: NCC, "NCC Group" or "the Group"), a leading independent provider of global cyber security and resilience services, reports its interim results for the 6 months to 30 November 2022 ("the half year", "HY", "H1 2023", "the period").

Strategic highlights

- The next chapter of NCC Group's strategy is based on four pillars underpinned by **Insight**, **Intelligence** and **Innovation** across all our organisation:

    - **Our clients** – focusing on the fastest growing sectors – specifically those which are highly-regulated and most exposed to cyber risk, including financial services, Technology, Media and Telecoms (TMT), Government and public sector, infrastructure and industrials companies

    - **Our capabilities** – broader service portfolio addressing the full cyber security lifecycle, including:
        - continuing to invest in our core technical assurance capabilities, such as **continuous, always on** cyber threat detection and penetration testing
        - maintaining high quality of **Incident Response services** to help clients at their critical moments
        - further development of our **global managed services** offering, increasing Annual Recurring Revenues (ARR)
        - building an **additional Consulting & Implementation Services proposition** to help C-suite confidently meet increasing cyber security requirements

    - **Global delivery** - **transitioning from an international to a fully global business**, building a global delivery organisation with new leadership tasked with developing the best skills through flexible resourcing, including offshore delivery and operations centre, with implementation in FY24

    - **Differentiated brands** – launching distinct and relevant brands in FY24, Cyber Security & Software Resilience, growing market profile and visibility with C-suite and target buyers

    In addition, we will continue with:

    - Ongoing strategic review of our Software Resilience division and other core and non-core assets, as evidenced by our recent disposal of our legacy DDI Assurance business in December 2022 for £5.8m (of which £3.8m is contingent consideration)

    - Rationalisation of property estate to ensure the business has the appropriate operational footprint over time

- Strategic medium-term revenue growth targets will be:

    - Mid-teens revenue growth in Cyber Security over the medium term following phased implementation of the strategic initiatives over FY23-FY24

    - Sustainable single digit revenue growth in Software Resilience

- The implementation of the Group's strategic initiatives is expected to require additional investment in FY23 of c.£5m. The strategic initiatives are expected to give rise to underlying net returns on investments from FY24 onwards

- This investment will be complemented by acquisitions in new markets, products and capabilities where it makes strategic and financial sense. A new four-year enlarged £162.5m multi-currency revolving credit facility signed in December 2022, enables this investment

Financial highlights

- Group revenue grew +10.2% at constant currency [1] (+17.7% actual rates), driven by North America and UK & APAC Assurance

- Group gross margin (%) decreased -1.5% pts due to a decline in Assurance of -2.1% pts due to lower utilisation and the reinstatement of NCC Conferences that gave rise to a direct and indirect cost

- Group operating profit and profit before taxation increased by +27.7% and +22.6% respectively

- The Group remains prudently leveraged at 1.0x, with net debt excluding lease liabilities of £54.8m following cash conversion of 91.0% (H1 2022: 74.7%)

	H1 2023	H1 2022	Change at actual rates	Change at constant currency [1]
Revenue (£m)	**176.6**	150.1	17.7%	10.2%
Assurance (£m)	**145.0**	123.2	17.7%	10.8%
Software Resilience (£m)	**31.6**	26.9	17.5%	7.5%
Gross margin (%)	**40.9%**	42.4%	(1.5% pts)	
Adjusted EBITDA [1] (£m)	**26.7**	26.1	2.3%	
margin [1] (%)	***15.1%***	*17.4%*	*(2.3% pts)*	
Operating profit (£m)	**12.9**	10.1	27.7%	
margin (%)	***7.3%***	*6.7%*	*0.6% pts*	
Profit before taxation (£m)	**10.3**	8.4	22.6%	
Basic EPS (pence)	**2.5p**	1.9p	31.6%	
Adjusted basic EPS [1] (pence)	**4.3p**	4.4p	(2.3%)	
Net debt excluding lease liabilities [1] (£m)	**(54.8)**	(74.2)	19.4	
Cash conversion [1] (%)	**91.0%**	74.7%	16.3% pts	
Interim dividend (pence)	**1.50**	1.50	-	

Footnote
1: See Note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. Further information is also contained within the Financial Review and the Glossary of terms.

Divisional highlights

Assurance

- Robust revenue growth of +10.8% at constant currency [1] (+17.7% actual rates), building on H2 2022 revenue growth momentum in North America and UK & APAC

  - North America grew at +16.1% constant currency [1] (+34.5% actual rates)
  - UK and APAC grew +12.0% constant currency [1] (+12.8% actual rates)
  - Europe declined -2.8% constant currency [1] (-1.6% actual rates)

- Q1 2023 and Q2 2023 Assurance revenue increased by +5.4% and +15.5% at constant currency [1] respectively driven by North America and UK & APAC

Software Resilience

- Revenue increased +7.5% at constant currency [1] (+17.5% actual rates) before considering the prior period fair value adjustment of £2.7m, giving rise to revenue decline of -1.6% at constant currency [1] (+6.8% actual rates)

- Reorganisation of North American sales team led to a decline in Q1 2023 of -4.5% at constant currency [1], however Q2 2023 increased by +1.2% against the same comparator period (after considering the prior period fair value adjustment of £2.7m)

- IPM sales team now integrated into one North American team, new Managing Director and Finance Director onboarded to drive operational review and contribution to operating profit

- As previously announced, full contribution of annualised £5m cost saving from operational review to come through in FY24 following phased system integration improvements, with net c.£2m identified and being delivered in FY23

Outlook and interim dividend

Current trading

- Since the beginning of H2 2023 we have experienced a lengthening of the sales cycle, which is leading to delays in buying decisions, work commencement and therefore revenue recognition, particularly in North America and the UK

- Given the customer behaviour we are experiencing, 2023 Group revenues are expected to increase YoY by only single-digits (at constant currency [1]) and still expecting to grow in H2 2023:

    - Assurance revenue increasing YoY by high single-digits
    - Software Resilience revenue (allowing for the prior period revenue fair value adjustment) declining YoY by c.1%

- As a result of the current market conditions, we are experiencing a reduction in our utilisation rates and attrition. We are therefore accelerating the implementation of our strategy and reshaping the business, with a proposed reduction in headcount in the near term

- Due to the macro-economic backdrop, and the savings arising from the actions to reshape the business, we expect FY23 Adjusted operating profit to be around £52m, before the investment we are making this year to implement the next chapter of our strategy

Strategic actions

- The Board remains confident in the medium-term prospects for the cyber market and these strategic actions will position the business to capitalise when the market improves

- Accordingly, the Board remains committed to implementing the next chapter of our strategy to enhance future growth through:

    - Reshaping our global delivery and operational model, with a proposed c.7% reduction of our global headcount announced today, mostly in the UK and North America. This gives rise to a material one-off implementation cost (c.£4m) in H2 FY23 that is expected to be treated as an individual significant item

    - Strategic investments of c.£5m in H2 FY23 to implement the 4 strategic growth pillars including enhancing our global delivery model by implementing an offshore delivery and operations centre in FY24. The strategic initiatives will give rise to underlying net returns on investments from FY24 onwards

- As result, we expect FY23 Adjusted operating profit to be around £47m (after the impact of FY23 strategic investments)

- We expect this investment to deliver our strategy will result in low to mid-teens Cyber Security revenue growth and an improvement in gross margins in FY24 due to the impact of increased utilisation and the new offshoring capability. Our expectations for Adjusted operating profit in FY24 are therefore unchanged

- In the medium term we believe our Cyber Security business can achieve mid-teens revenue growth and mid-teens Adjusted operating profit margins

Dividend

- Unchanged interim dividend of 1.50p (H1 2022: 1.50p) per ordinary share declared, as the Board prioritises investment in the new strategy

Mike Maddison, Chief Executive Officer, commented:

"The Group has delivered solid, double-digit growth in the first half of the year, building on our technical expertise and track record working with the world's leading brands and Government organisations. Despite the very evident global economic headwinds we are confident that the next chapter of our strategy will deliver a business positioned to fully capitalise on increasingly complex cyber challenges, and one that will be resilient in dynamic markets.

Our strategy, powered by a focus and investment in insights, intelligence and innovation across the organisation, will deliver enhanced growth in the medium term with a client-centric go-to-market model, market-leading capabilities & broader end-to-end offerings, efficiencies through global delivery and differentiated brands.

I look forward to working with my leadership team to deliver enhanced growth and drive greater market visibility of NCC Group in Boardrooms and Governments globally, to deliver on our purpose of creating a more secure digital future."

Analyst presentation briefing and Q & A session

A briefing for analysts will be held today at 9am at the offices of H/Advisers Maitland, 3 Pancras Square, London N1C 4AG. The briefing can be accessed via the following: https://www.investis-live.com/nccgroup/63bd67f8dfe1c21200130aa1/lkjub

Enquiries

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About NCC Group plc

Our purpose and vision following our launch of the next chapter of our strategy is as follows:

Purpose: Creating a more secure digital future

Vision: To be a Global leader in providing cyber security and escrow services recognised for client centricity and the technical depth and breadth of our capability. Famous for our people and a culture that reflects professionalism, teamwork and respect with a relentless focus on quality and our contribution to the development of the industry and our impact on wider society.

NCC Group is trusted by over 14,000 customers worldwide to protect their most critical assets from the ever-changing threat landscape. With the company's knowledge, experience and global footprint, it is best placed to help organisations assess, develop and manage their cyber resilience posture. To support its purpose, NCC Group continually invests in research and innovation, and is passionate about developing the next generation of cyber scientists. With c.2,500 colleagues in 12 countries, NCC Group has a significant market presence in North America, Europe and the UK, and a footprint in Asia Pacific with offices in Australia, Japan and Singapore.

Cautionary note regarding forward-looking statement

This announcement includes statements that are forward-looking in nature. Forward-looking statements involve known and unknown risks, assumptions, uncertainties and other factors which may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as required by the Listing Rules, Disclosure and Transparency Rules and applicable law, the Group undertakes no obligation to update, revise or change any forward-looking statements to reflect events or developments occurring on or after the date such statements are published.

The next chapter of NCC Group's strategy

Our history

NCC Group has a rich heritage and a talented team of people around the world, with the passion and technical ability that enables us to deliver great results for our clients, as we protect and secure their digital assets. This has enabled us to grow continuously in a highly competitive market while continually attracting top talent.

Operating in a dynamic market

NCC Group operates in a dynamic market in the form of increasingly complex ecosystems and regulatory backdrop, constantly evolving cyber threats, and an increasing pace of technological change. All of which means the needs of our buyers are constantly changing, and market demand is forecast to grow.

The next chapter

To that end, today we are announcing the next chapter of our strategy; double down on our core strengths, invest in scaling these strengths to serve more clients in those sectors where we know we can succeed, and expand our service offering to address additional needs of the clients who already know and trust us.

The next chapter of NCC Group's strategy is therefore based on four pillars; **our clients**, **our capabilities**, **global delivery** and **differentiated brands** all underpinned by **Insight**, **Intelligence** and **Innovation** across our organisation:

Our clients

There is a client need to focus on the fastest growing sectors – specifically those which are highly-regulated and most exposed to cyber risk, including financial services, Technology, Media and Telecoms (TMT), Government and public sector, infrastructure and industrials companies.

For example, we have a greater opportunity if we can continue bringing the knowledge developed in Financial Services (FS) clients in the UK, to the large and growing market in North America. This is a huge market where we have a track record and credibility to win a lot more work. The increasing regulatory requirements on FS companies also provide an opportunity for us to grow further in the UK and Europe.

We are also developing a partnership and alliance ecosystem to expand our routes to market. By investing in our sales efforts and focusing on these sectors we believe we can deliver significant growth based on the increasing awareness of the threat to clients and our track record of addressing their needs.

Our capabilities

To enhance our growth potential, we need to invest in our cyber security capabilities. We will maintain our high quality of Incident Response services to help clients at their critical moments.

We also see a significant opportunity to enhance the suite of managed services we offer to meet the needs of clients and increase our ARR. We have already developed an XDR proposition, which forms the next generation of intrusion detection services, that launched in the UK and is now starting to be rolled out globally.

As regulatory cyber security requirements increase, we will invest in building a Consulting Services proposition to help the C-suite address the increasing threat to Operational Technology, such as Internet of Things devices and networks. We are opening our first Client Experience Centre in Cheltenham, UK, bringing to life our proposition within the Golden Valley, which we will launch in the next financial year.

We have a traditional base in Technical Assurance services, and we will continue to invest in innovating these capabilities, including our continuous, always-on testing proposition.

Global delivery
We will transition from an international to a fully global business, building a global delivery organisation with new leadership tasked with developing the best skills with flexible resourcing.

To fully develop and scale-up our capabilities, we will be investing further in our global delivery model, setting up our teams to think and act globally under a new leadership structure. The best resources from across the firm will be brought together into expert teams, irrespective of geographic locations.

Following the recent set up of nearshore hubs in Spain and Portugal, we have identified a shortlist of offshore locations for a delivery and operations centre, with implementation in FY24.

As clients look for a trusted partner with the expertise to help them navigate the fast changing and risk-laden world of cyber security, we will ensure we are well positioned with the range of services and advice they need.

Differentiated brands
In FY24, we will be launching distinct brands for the Group's two businesses, Cyber Security and Software Resilience.

A new CMO was appointed in January 2023 responsible for the delivery of a coordinated Marketing, Communications, Brand and Public Affairs strategy. We will develop differentiated, stand-out brands for Cyber Security and Software Resilience, leverage our insight and build a sustained buyer programme activity to engage C-suite. We will invest in brand and broader marketing activity to increase visibility in our chosen markets and verticals, with target buyers and influencers.

Software Resilience and other portfolio reviews
In addition, to the above we will continue with our ongoing strategic review of Software Resilience business and of other core and non-core assets, as evidenced by our recent disposal of our legacy DDI Assurance business in December 2022 for cash consideration of £5.8m (of which £3.8m is contingent consideration). We are also developing a rationalisation plan for our property estate to ensure the business has the appropriate operational footprint to support our global delivery capability and our net zero journey.

Strategic medium growth targets and cost of investment
We will now aim to enhance our revenue growth by setting medium targets as follows:

- Mid-teens revenue growth in Cyber Security over the medium term following phased implementation of the strategic initiatives over FY23-FY24.

- Sustainable single digit revenue growth for Software Resilience

The implementation of the Group's strategic initiatives is expected to require additional investment in FY23 of c.£5m. The strategic initiatives will give rise to underlying net returns on investments from FY24 onwards. This investment will be complemented by acquisitions in new markets, products and capabilities where it makes sense to do so.

Refinancing of borrowing facilities to support future strategy and growth
In December 2022, we secured a new four-year £162.5m multi-currency revolving credit facility. This replaces our existing £100m multi-currency revolving credit facility and the remaining \$46.7m of the original \$70m term loan that was maturing in June 2024.

Key terms of the new facility are:

- £162.5m multi-currency revolving credit facility maturing December 2026
- Additional £75m uncommitted accordion option
- Increase to leverage covenant from 2.5x to 3.0x with an additional acquisition spike to 3.5x for the first twelve months of any acquisition
- Weighted average interest rate of the facility is lower and payable on a ratchet mechanism, with a margin payable above SONIA & SOFR in the range of 1.00% to 2.25% depending on the level of the Group's leverage. The current interest rate is 5.35%.
- Existing arrangement fees of £0.6m have been written off in December 2022. New arrangement fees of £1.7m will be amortised over the new four-year term to December 2026.

Business review

Operational review

We ended FY22 with good momentum and a strong pipeline. However, we experienced a slower Q1 FY23 due to the not unusual seasonality, and the direct and indirect impact of hosting our in-person global NCC Conferences in June 2022 for first time since 2019, events that demonstrate their long-term value to the Group. We experienced a stronger Q2 FY23 with underlying growth in North America and UK & APAC.

Since the beginning of H2 2023 we have experienced a lengthening of the sales cycle, which is leading to delays in buying decisions, work commencement and therefore revenue recognition, particularly in North America and the UK. We are also experiencing lower attrition, resulting in a higher than planned headcount. Given the client behaviour we are experiencing, and our forthcoming strategic initiatives, we are therefore accelerating the reshaping of our global delivery and operational model.

Robust trading performance that benefited from underlying growth in North America and UK & APAC Assurance and the first full year of IPM contract renewals

Group revenues increased by +10.2% (H1 2022: +14.2%) on a constant currency basis [1] and at +17.7% (H1 2022: +10.7%) at actual rates.

Assurance

In our Assurance business, the North American and UK and APAC Assurance businesses grew on a constant currency basis [1] by +16.1% and +12.0% respectively (+34.5% and +12.8% at actual rates). This growth accelerated during the second quarter, as the Group experienced Q2 2023 Assurance revenue growth of +15.5% at constant currency [1] driven by North America and UK & APAC. However, our EU region decreased -2.8% on a constant currency basis [1] (-1.6% at actual rates) due a decline in our Nordic Region.

Global Professional Services grew by +10.4% to £111.1m on a constant currency basis [1] (+18.7% at actual rates) with delivered day rates increasing by +5.4% (H1 2022: +1.7%). We experienced a net increase of 61 technical heads (H1 2022: 152) and lower attrition of 14.9% (H1 2022: 21.5%) compared to the level typical of our industry.

Global Managed Services (GMS) grew by +10.7% to £32.2m on a constant currency basis [1] (+13.4% at actual rates). New XDR service global sales orders for the forthcoming years increased 139% from £3.8m in H1 2022 to £9.1m for H1 2023 (2022: £11.6m).

Software Resilience

In our Software Resilience division, following the completion of the acquisition of IPM in June 2021, we experienced our first full year of IPM contract renewals. This contributed to overall growth in the division of +7.5% on a constant currency basis [1] compared to the same comparative six-month period (+17.5% at actual rates). However, considering the prior period fair value revenue adjustment (£2.7m) to these potential contract renewals, total Software Resilience revenue decreased by -1.6% at constant currency [1] (+6.8% actual rates). The prior year fair value adjustment in relation to deferred revenue of £2.7m is no longer relevant to FY23 statutory results, as the adjustment has unwound following the renewal of IPM contracts or completion of verification services.

From a momentum perspective, the reorganisation of North American sales team led to a decline in Q1 2023 of -4.5% at constant currency [1], however Q2 2023 increased by +1.2% against the same comparator period (after considering the prior period fair value adjustment of £2.7m).

A new Managing Director and Finance Director have now been onboarded to drive the operational review contribution to operating profit. As previously announced, full saving contribution of annualised £5m from operational review is to come through in FY24 following phased system integration improvements, with net c.£2m identified for FY23.

Footnote

1: See Note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. Further information is also contained within the Financial Review and the Glossary of terms.

Group profitability
Gross profit increased by +13.5% to £72.3m (H1 2022: £63.7m) with gross margin percentage decreasing to 40.9% (H1 2022: 42.4%. 2022: 42.1%). The -1.5% pts gross margin (%) decrease due to lower utilisation within Assurance.

Operating profit for the period increased by +27.7% to £12.9m (H1 2022: £10.1m) as the above increase in gross profit was partially offset by an increase in overheads, which will support future growth, and a return to normalised levels of non-client travel. Our performance also incurred the cost and trading impact of hosting our in person global NCC Conferences in June 2022 for the first time since 2019 (due to Covid-19), estimated to amount to a total direct and indirect impact of c.£5m year-on-year. These events allow colleague collaboration, which leads to insights and innovation.

Profit before taxation increased by +22.6% after an increase in borrowing costs following the acquisition of IPM in June 2021 and due to the variable rate of interest cost increasing due to the macro-economic environment.

Basic EPS increased +31.6% and adjusted EPS declined -2.3%.

NCC Group and sustainability
For FY23, we selected three areas of focus based on the critical elements of our growth strategy. With the launch of the new strategy, we are preparing to undertake a materiality assessment to validate or improve our approach to Environment, Social and Governance (ESG):

- Creating an inclusive and diverse workplace
- Reducing our impact on the environment
- Being an ethical, responsible employer and supply chain partner

Environment
We have started preparing to map our Net Zero journey – a significant element being a clear and responsible estates strategy, improved data collection, working with landlords and undertaking supplier surveys to understand our Scope 3 emissions. We are conducting an independent audit of our FY22 Task Force on Climate-Related Financial Disclosures (TCFD) report to understand the gaps that need to be addressed, noting that financial modelling is a specific area of expertise, which we are seeking advice on.

Social
We launched our global Giving Back programme this year, which has four key components:

- Colleagues are given one day paid leave per calendar year to dedicate to a local charity/good cause that is of importance to them personally
- Colleagues can apply for matched giving, up to the value of £500 per annum, for funds they have personally raised for registered charities
- Giving Back colleague resource group is a network of colleagues across the world who organise events locally, sharing and learning from each other in support of their local communities
- Sponsorship – enables colleagues to get involved in skills-based giving back, as well as partnerships with agencies and organisations, which encourage people with diverse and or disadvantaged backgrounds into cyber.

The Women's International Network has partnered with Henpicked (menopause workplace experts) and is working towards accreditation as a Menopause Friendly Workplace. The People team, working with our Neurodiversity colleague resource group has signed up to Neurodiversity in Business to further the support we offer current and future colleagues – making NCC Group a place where everyone is welcome and can be successful.

Governance
We successfully completed our ISO 27001 and 9001 external audits, which covered our operations in Copenhagen and our global functions including Learning & Development, IT Networks and Procurement. Annual compliance training was conducted during September 2022 with 100% of eligible colleagues completing within the timeline. We appointed Planet Mark to undertake UK government's mandatory Energy Savings Opportunity Scheme (ESOS) assessments of our UK properties, which further supports our TCFD requirements, as well as conforming with UK Environment Agency regulations.

Board composition
Over the past year, we have taken significant strides to improve the diversity around our Board table and completed the successful recruitment of two new independent non-executive directors. On 1 February 2023, Chris Batterham the Chair of the Audit Committee stepped down from his role as Chair and was replaced by Lynn Fordham (who joined us on 1 September 2022). At the same time, Julie Chakraverty (who joined us on 1 January 2022), became the Senior Independent Non-executive Director. Chris will continue to be an independent non-executive Director until our Annual General Meeting in November 2023, at which point he will step down from the Board after eight and a half years of service.

Outlook and interim dividend

Current trading

- Since the beginning of H2 2023 we have experienced a lengthening of the sales cycle, which is leading to delays in buying decisions, work commencement and therefore revenue recognition, particularly in North America and the UK

- Given the customer behaviour we are experiencing, 2023 Group revenues are expected to increase YoY by only single-digits (at constant currency [1]) and still expecting to grow in H2 2023:

    - Assurance revenue increasing YoY by high single-digits
    - Software Resilience revenue (allowing for the prior period revenue fair value adjustment) declining YoY by c.1%

- As a result of the current market conditions, we are experiencing a reduction in our utilisation rates and attrition. We are therefore accelerating the implementation of our strategy and reshaping the business, with a proposed reduction in headcount in the near term

- Due to the macro-economic backdrop, and the savings arising from the actions to reshape the business, we expect FY23 Adjusted operating profit to be around £52m, before the investment we are making this year to implement the next chapter of our strategy

Strategic actions

- The Board remains confident in the medium-term prospects for the cyber market and these strategic actions will position the business to capitalise when the market improves

- Accordingly, the Board remains committed to implementing the next chapter of our strategy to enhance future growth through:

    - Reshaping our global delivery and operational model, with a proposed c.7% reduction of our global headcount announced today, mostly in the UK and North America. This gives rise to a material one-off implementation cost (c.£4m) in H2 FY23 that is expected to be treated as an individual significant item

    - Strategic investments of c.£5m in H2 FY23 to implement the 4 strategic growth pillars including enhancing our global delivery model by implementing an offshore delivery and operations centre in FY24. The strategic initiatives will give rise to underlying net returns on investments from FY24 onwards

- As result, we expect FY23 Adjusted operating profit to be around £47m (after the impact of FY23 strategic investments)

- We expect this investment to deliver our strategy will result in low to mid-teens Cyber Security revenue growth and an improvement in gross margins in FY24 due to the impact of increased utilisation and the new offshoring capability. Our expectations for Adjusted operating profit in FY24 are therefore unchanged

- In the medium term we believe our Cyber Security business can achieve mid-teens revenue growth and mid-teens Adjusted operating profit margins

Dividend

- Unchanged interim dividend of 1.50p (H1 2022: 1.50p) per ordinary share declared, as the Board prioritises investment in the new strategy

Financial review

Overview of financial performance

	H1 2023				H1 2022			
	Assurance £m	**Software Resilience £m**	**Central and head office £m**	**Group £m**	Assurance £m	Software Resilience £m	Central and head office £m	Group £m
Revenue	**145.0**	**31.6**	**–**	**176.6**	123.2	26.9	–	150.1
Cost of sales	**(95.8)**	**(8.5)**	**–**	**(104.3)**	(78.8)	(7.6)	–	(86.4)
Gross profit	**49.2**	**23.1**	**–**	**72.3**	44.4	19.3	–	63.7
Gross margin %	***33.9%***	***73.1%***	**–**	***40.9%***	*36.0%*	*71.7%*	–	*42.4%*
Administrative expenses [2]	**(34.9)**	**(8.8)**	**(1.9)**	**(45.6)**	(26.8)	(9.9)	(0.9)	(37.6)
Adjusted EBITDA [1]	**14.3**	**14.3**	**(1.9)**	**26.7**	17.6	9.4	(0.9)	26.1
Depreciation and amortisation	**(3.8)**	**(0.2)**	**(2.2)**	**(6.2)**	(3.6)	(0.1)	(2.2)	(5.9)
Amortisation of acquired intangibles	**(2.0)**	**(3.1)**	**–**	**(5.1)**	(2.0)	(4.9)	–	(6.9)
Share-based payments	**(1.3)**	**(0.1)**	**(1.1)**	**(2.5)**	(1.5)	(0.2)	(0.6)	(2.3)
Individually Significant Items (note 5)	**–**	**–**	**–**	**–**	–	(0.9)	–	(0.9)
Operating profit	***7.2***	***10.9***	**(5.2)**	**12.9**	*10.5*	3.3	(3.7)	10.1
Operating margin %	***5.0%***	***34.5%***	***n/a***	**7.3%**	*8.5%*	*12.3%*	*n/a*	*6.7%*
Finance costs				**(2.6)**				*(1.7)*
Profit before taxation				**10.3**				*8.4*
Taxation				**(2.7)**				*(2.6)*
Profit after taxation				**7.6**				*5.8*
EPS								
Basic EPS				**2.5p**				*1.9p*
Adjusted EPS				**4.3p**				*4.4p*

Footnotes:

1: See Note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. Further information is also contained within the Financial Review and the Glossary of terms.

2: Administrative expenses excludes depreciation and amortisation, amortisation of acquired intangibles, Share-based payments and individual significant items.

We have delivered another period of robust financial results as we manage inflationary pressures and still invest for future growth.

Group revenues increased by +10.2% (H1 2022: +14.2%) on a constant currency basis [1] and at 17.7% (H1 2022: 10.7%) at actual rates.

In our Assurance business, the North American and UK and APAC Assurance businesses grew on a constant currency basis [1] by +16.1% and +12.0% respectively (+34.5% and +12.8% at actual rates). This growth accelerated during the second quarter, as the Group experienced Q2 2023 Assurance revenue growth of +15.5% at constant currency [1] driven by North America and UK & APAC. However, our EU region decreased -2.8% on a constant currency basis [1] (-1.6% at actual rates) due a decline in our Nordic Region.

Global Professional Services grew by +10.4% to £111.1m on a constant currency basis [1] (+18.7% at actual rates) with delivered day rates increasing by +5.4% (H1 2022: +1.7%). We experienced a net increase of 61 technical heads (H1 2022: 152) and lower attrition of 14.9% (H1 2022: 21.5%) compared to the level typical of our industry.

Global Managed Services (GMS) grew by +10.4% to £32.2m on a constant currency basis [1] (+13.4% at actual rates). New XDR service global sales orders for the forthcoming years increased 139% from £3.8m in H1 2022 to £9.1m for H1 2023 (2022: £11.6m).

In our Software Resilience division, following the completion of the acquisition of IPM in June 2021, we experienced our first full year of IPM contract renewals which contributed to overall growth in the division of +7.5% on a constant currency basis [1] compared to the same comparative six-month period (17.5% at actual rates). However, considering the prior period Software Resilience fair value revenue adjustment (£2.7m) to these potential contract renewals, total Software Resilience revenue decreased by -1.6% at constant currency [1] (+6.8% actual rates).

Gross profit increased by 13.5% to £72.3m (H1 2022: £63.7m) with gross margin percentage decreasing to 40.9% (H1 2022: 42.4%. 2022: 42.1%). The 1.5% pts gross margin (%) decrease due to lower utilisation within Assurance.

Total administrative expenses have increased by 10.8% to £59.4m (H1 2022 £53.6m). This was mostly due to an increase in people and training costs arising from inflationary pressures and further investment (including XDR set up) to support the business of £4.5m. Other higher costs include non-client travel and office costs (including the impact of our NCC Conferences) of £2.6m, marketing £0.5m, offset by a reduction in depreciation and amortisation (including amortisation on acquisition intangibles) of £1.5m and individual significant items of £0.9m.

Operating profit for the period has increased by 27.7% (H1 2022: £10.1m) following the above increase in gross profit offset by an increase in overheads noted above. Our performance also incurred the indirect trading cost hosting our in person global NCC Conferences in June 2022 for the first time since 2019, estimated to amount to a total direct and indirect impact of c.£5m year-on-year.

Profit before taxation increased by 22.6% after an increase in borrowing costs following the acquisition of IPM in June 2021 and the variable rate of interest cost increasing due to the macro-economic environment.

Profit for the period increased by 31.0% to £7.6m resulting in an 31.6% increase in the basic EPS to 2.5p and diluted EPS to 2.4p (H1 2022: basic and diluted 1.9p). Adjusted basic EPS [1] amounted to 4.3p (H1 2022: 4.4p).

On 30 November 2022, our cash conversion [1] was 91.0% (H1 2022: 74.7%). Net debt excluding lease liabilities [1] amount to £54.8m (H1 2022: £74.2m).

Our Balance Sheet remains strong, we have continued to demonstrate effective cash management and have recently secured a new four-year £162.5m multi-currency revolving credit facility replacing our existing £100m multi-currency revolving credit facility and $70m term loan, which was maturing in June 2024. The new facility now matures in December 2026 and includes an additional £75m uncommitted accordion option. In addition, we also secured an increase to our leverage covenant from 2.5x to 3.0x with an additional acquisition spike to 3.5x for the first twelve months of any acquisition. The weighted average margin of the facility also decreased and is payable on a ratchet mechanism above SONIA & SOFR in the range of 1.00% to 2.25% depending on the level of the Group's leverage. The current interest rate is 5.35%.

The Board is declaring an unchanged interim dividend of 1.50p per ordinary share (H1 2022: 1.50p). This represents a dividend equal to that paid in the prior period as the Board is conscious of the need to invest in new strategy.

Alternative Performance Measures (APMs)

Throughout this Financial Review, certain APMs are presented. The APMs used by the Group are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, IFRS measures. This presentation is also consistent with the way that financial performance is measured by management and reported to the Board, and the basis of financial measures for senior management's compensation scheme and provides supplementary information that assists the user in understanding the financial performance, position and trends of the Group.

We believe these APMs provide readers with important additional information on our business and this information is relevant for use by investors, securities analysts and other interested parties as supplemental measures of future potential performance. However, since statutory measures can differ significantly from the APMs and may be assessed differently by the reader, we encourage you to consider these figures together with statutory reporting measures noted. Specifically, we would note that APMs may not be comparable across different companies and that certain profit related APMs may exclude recurring business transactions (e.g., acquisition related costs and certain share-based payment charges) that impact financial performance and cash flows.

As the Group manages internally its performance on an adjusted earnings basis (before Individually Significant Items, amortisation of acquired intangibles and share-based payments), which management believes represents the underlying trading of the business; adjusted EPS is disclosed as an APM. This APM is reconciled to statutory earnings and statutory basic EPS.

The Group has the following APMs/non-statutory measures:

- Adjusted EBITDA (reconciled in Note 3)
- Adjusted operating profit (reconciled in Note 3)
- Adjusted basic EPS (pence) (reconciled in Note 8)
- Net debt excluding lease liabilities (reconciled in Note 3)
- Net debt (reconciled in Note 3)
- Cash conversion which includes Adjusted EBITDA (reconciled in Note 3)
- Constant currency revenue (reconciled in Note 3)

The above APMs are consistent with those reported for the year ended 31 May 2022 except for the removal of Group revenue and Software Resilience revenue (both excluding IPM acquisition) which have been removed now that the Group has comparable data following the acquisition in June 2021. One further APM to those reported for the period ended 30 November 2021 (cash conversion excluding the IPM acquisition) has also been removed following the acquisition in June 2021.

The Group also reports certain geographic regions on a constant currency basis to reflect the underlying performance considering constant foreign exchange rates period on period. This involves translating comparative numbers to current period rates for comparability to enable a growth factor to be calculated. As these measures are not statutory revenue numbers, management considers these to be APMs; see Note 3 for further details and certain reconciliations to statutory measures.

Further detail is included within the Glossary of terms to the Financial Statements that provides supplementary information that assists the user in understanding these APMs/non-statutory measures.

Financial summary

Summary Income Statement [1]:

£m	H1 2023	H1 2022	% Change
Revenue	**176.6**	150.1	17.7%
Cost of sales	**(104.3)**	(86.4)	20.7%
Gross profit	**72.3**	63.7	13.5%
Depreciation and amortisation	**(6.2)**	(5.9)	5.1%
Administrative expenses	**(45.6)**	(37.6)	21.3%
Individually significant items	–	(0.9)	n/a
Acquired intangible amortisation	**(5.1)**	(6.9)	(26.1%)
Share based payments	**(2.5)**	(2.3)	8.7%
Operating profit [2]	**12.9**	10.1	27.7%
Finance costs	**(2.6)**	(1.7)	52.9%
Profit before taxation [2]	**10.3**	8.4	22.6%
Taxation [2]	**(2.7)**	(2.6)	3.8%
Profit for the period [2]	**7.6**	5.8	31.0%
EPS [2]			
Basic	**2.5p**	1.9p	31.6%
Diluted	**2.4p**	1.9p	26.3%

Revenue summary:

	H1 2023 £m	H1 2022 £m	% change at actual rates	**H1 2023 £m**	Constant Currency [1] H1 2022 £m	% change at constant currency [1]
Assurance	**145.0**	123.2	17.7%	**145.0**	*130.9*	*10.8%*
Software Resilience	**31.6**	26.9	17.5%	**31.6**	*29.4*	*7.5%*
Total revenue	**176.6**	150.1	17.7%	**176.6**	*160.3*	*10.2%*

After considering the prior year Software Resilience fair value revenue adjustment (£2.7m), Software Resilience revenue decreased by -1.6% at constant currency [1] (+6.8% actual rates). This gives rise to total revenue increasing by +8.3% at constant currency [1] (+15.6% actual rates).

Divisional performance

Assurance

The Assurance division accounts for 82.1% of Group revenue (H1 2022: 82.1%) and 68.0% of Group gross profit (H1 2022: 69.7%).

Assurance revenue analysis – by originating country:

	H1 2023 £m	H1 2022 £m	% change at actual rates	**H1 2023 £m**	Constant Currency [1] H1 2022 £m	% change at constant currency [1]
UK & APAC	**61.6**	54.6	*12.8%*	**61.6**	*55.0*	*12.0%*
North America	**59.2**	44.0	*34.5%*	**59.2**	*51.0*	*16.1%*
Europe	**24.2**	24.6	*(1.6%)*	**24.2**	*24.9*	*(2.8%)*
Total Assurance revenue	**145.0**	123.2	*17.7%*	***145.0***	*130.9*	*10.8%*

Assurance revenue increased by +10.8% on a constant currency basis [1] and at +17.7% at actual rates. UK & APAC increased by +12.0% on a constancy currency basis [1] (+12.8% at actual rates) supported by growth in professional services. North America grew by +16.1% on a constant currency basis [1] (+34.5% at actual rates), whilst Europe experienced a decline of -2.8% on a constant currency basis [1] (-1.6% at actual rates) due to a decline in the Nordic region.

Q1 2023 and Q2 2023 Assurance revenue increased by +5.4% and +15.5% at constant currency [1] respectively driven by North America and UK & APAC.

Assurance revenue analysed by type of service/product line:

	H1 2023 £m	H1 2022 (restated *) £m	% change at actual rates	**H1 2023 £m**	Constant Currency [1] H1 2022 (restated *) £m	% change at constant currency [1]
Global Professional Services (GPS)	**111.1**	93.6	*18.7%*	**111.1**	*100.6*	*10.4%*
Global Managed Services (GMS)	**32.2**	28.4	*13.4%*	**32.2**	*29.1*	*10.7%*
Product Sales (own and third party)	**1.7**	1.2	*41.7%*	**1.7**	*1.2*	*41.7%*
Total Assurance revenue	**145.0**	123.2	*17.7%*	**145.0**	*130.9*	*10.8%*

* H1 2022 has been restated to present assurance revenue by type of service/product line to be consistent with amounts reported to management. Revenue of £2.7m has been re-presented within GPS rather than Product Sales.

Global Professional Services grew by +10.4% to £111.1m on a constant currency basis [1] (+18.7% at actual rates) with delivered day rates increasing by +5.4%.

Global Managed Services (GMS) grew by +10.7% to £32.2m on a constant currency basis [1] (+13.4% at actual rates).

Assurance gross profit is analysed as follows:

	H1 2023 £m	**H1 2023 % margin**	H1 2022 £m	H1 2022 % margin	% pts change
UK & APAC	**22.9**	***37.2%***	22.4	*41.0%*	*(3.8% pts)*
North America	**16.6**	***28.0%***	14.1	*32.0%*	*(4.0% pts)*
Europe	**9.7**	***40.1%***	7.9	*32.1%*	*8.0% pts*
Assurance gross profit and % margin	**49.2**	***33.9%***	44.4	*36.0%*	*(2.1% pts)*

Gross margins declined -3.8% pts in UK & APAC following investment in technical capacity, inflationary pressures, lower utilisation combined with lower technical attrition. In Europe, the margin increased by 8.0% pts due to the recognition of historic project cost compensation of £1.5m. Excluding this one-off item, the margin would have increased 3.8%.

Software Resilience

The Software Resilience division accounts for 17.9% of Group revenues (H1 2022: 17.9%) and 32.0% of Group gross profit (H1 2022: 30.3%).

Software Resilience revenue analysis – by originating country:

On a statutory basis	**H1 2023 £m**	H1 2022 £m	% change at actual rates	**H1 2023 £m**	Constant Currency [1] H1 2022 £m	% change at constant currency [1]
UK	**12.3**	12.6	*(2.4%)*	**12.3**	*12.7*	*(3.1%)*
North America	**17.3**	12.3	*40.7%*	**17.3**	14.7	17.7%
Europe	**2.0**	2.0	–	**2.0**	*2.0*	–
Total Software Resilience revenue	**31.6**	26.9	*17.5%*	**31.6**	*29.4*	*7.5%*

After considering the prior year Software Resilience fair value revenue adjustment (£2.7m), total Software Resilience revenue on a like for like basis decreased by -1.6% at constant currency [1] (+6.8% actual rates).

Software Resilience revenues analysed by service line:

On a statutory basis	**H1 2023 £m**	H1 2022 £m	% change at actual rates	**H1 2023 £m**	Constant Currency [1] H1 2022 £m	% change at constant currency [1]
Software Resilience contracts	**21.3**	18.7	*13.9%*	***21.3***	*20.6*	*3.4%*
Verification services	**10.3**	8.2	*25.6%*	***10.3***	*8.8*	*17.0%*
Total Software Resilience revenue	**31.6**	26.9	*17.5%*	***31.6***	*29.4*	*7.5%*

After considering the prior year Software Resilience fair value revenue adjustment (£2.7m), Software Resilience contracts revenue on a like for like basis decreased by -7.8% at constant currency [1] (+0.5% actual rates). Verification services increased by +14.4% at constant currency [1] (+22.6% actual rates) mainly due to an increase in North America verification services. The prior year fair value adjustment in relation to deferred revenue of £2.7m is no longer relevant to FY23 statutory results, as the adjustment has unwound following the renewal of IPM contracts or completion of verification services.

Gross margin is analysed as follows:

	H1 2023 £m	**H1 2023 % margin**	H1 2022 £m	H1 2022 % margin	% pts change
UK	**8.4**	***68.3%***	8.9	*70.6%*	*(2.3% pts)*
North America	**13.4**	***77.5%***	9.0	*73.2%*	*4.2% pts*
Europe	**1.3**	***65.0%***	1.4	*70.0%*	*(5.0% pts)*
Software Resilience gross profit and % margin	**23.1**	***73.1%***	19.3	*71.7%*	*1.4% pts*

After considering the prior year Software Resilience fair value revenue adjustment (£2.7m), Software Resilience gross profit decreased by -1.2% pts with North America decreasing by -0.5% pts due to continued investment to enable Software Resilience to achieve sustainable revenue growth.

Individually Significant Items

During the period, the Group has incurred no Individually Significant Items (ISIs) (H1 2022: £0.9m). These prior period items relate to the acquisition of the IPM business. Certain near-term strategic actions may give rise to material one-off implementation costs in H2 2023/FY24.

Finance costs

Finance costs for the period were £2.6m compared to £1.7m in H1 2022 due to an increase in borrowing costs following the IPM acquisition. Finance costs include lease financing costs from IFRS 16 of £0.5m (H1 2022: £0.6m). Finance costs for H2 2023 are expected to increase to c.£4.5m due to base rate increases and the write off of existing arrangement fees (£0.6m). The new facility entered in December 2022, incurred arrangements fees of £1.7m that will be amortised over the new facility maturing in December 2026.

Taxation
The Group's effective statutory tax rate is 26.2% (H1 2022: 31.0%, 2022: 25.8%). The reduction in the tax rate from H1 2022 to H1 2023 is due to the derecognition of a deferred tax asset on tax losses in certain overseas territories in H1 2022. The Group's adjusted tax rate is 25.7% (H1 2022: 27.0%, 2022: 24.5%).

The effective rate remains above the UK standard rate of corporation tax, reflecting the origin of a reasonable proportion of Group profits in overseas territories with higher tax rates than the UK.

Earnings per share (EPS)

	H1 2023	H1 2022
Statutory		
Basic EPS	**2.5p**	1.9p
Diluted EPS	**2.4p**	1.9p
Adjusted [1]		
Basic EPS	**4.3p**	4.4p
Weighted average number of shares (million)		
Basic	**309.4**	309.2
Diluted	**313.1**	311.2

Cash flow and net debt [1]
The table below summarises the Group's cash flow and net debt [1]:

	H1 2023 £m	H1 2022 £m
Operating cash inflow before movements in working capital	**24.8**	19.0
Decrease/(increase) in trade and other receivables	**1.0**	(4.0)
Increase in inventories	**(0.1)**	–
(Decrease)/increase in trade and other payables	**(1.4)**	4.5
Cash generated from operating activities before interest and taxation	**24.3**	19.5
Interest element of lease payments	**(0.5)**	(0.6)
Finance interest paid	**(1.7)**	(0.7)
Taxation paid	**(3.5)**	(0.9)
Net cash generated from operating activities	**18.6**	17.3
Purchase of property, plant and equipment	**(1.6)**	(2.4)
Software and development expenditure	**(2.1)**	(1.3)
Acquisition of trade and assets as part of a business combination	**(1.0)**	(152.8)
Equity dividends paid	**(9.8)**	(9.8)
Repayment of lease liabilities (principal amount)	**(3.8)**	(2.4)
Purchase of own shares	**(0.5)**	(0.2)
Proceeds from the issue of ordinary share capital	**0.1**	0.5
Net movement	**(0.1)**	(151.1)
Opening net (debt)/cash [1]	**(52.4)**	83.3
Non-cash movements (release of deferred issue costs)	**(0.2)**	(0.2)
Foreign exchange movement	**(2.1)**	(6.2)
Closing net debt excluding lease liabilities [1]	**(54.8)**	(74.2)
Lease liabilities	**(29.3)**	(32.2)
Closing net debt [1]	**(84.1)**	(106.4)

Net (debt)/cash [1] can be reconciled as follows:

	H1 2023 £m	H1 2022 £m
Cash and cash equivalents	**44.0**	50.2
Borrowings (net of deferred issue costs)	**(98.8)**	(124.4)
Net debt excluding lease liabilities [1]	**(54.8)**	(74.2)
Lease liabilities	**(29.3)**	(32.2)
Net debt [1]	**(84.1)**	(106.4)

The calculation of the cash conversion ratio [1] is set out below:

	H1 2023 £m	H1 2022 £m	% change/ % pts
Net operating cash flow before interest and taxation (A)	**24.3**	19.5	24.6%
Adjusted EBITDA [1] (B)	**26.7**	26.1	2.3%
Cash conversion ratio [1] (%) (A)/(B)	**91.0%**	74.7%	16.3% pts

1: See Note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. Further information is also contained within the Financial Review and the Glossary of terms.

The increase in tax paid is mainly due to the historic Spanish tax payments and the phasing of US tax payments.

Net cash capital expenditure during the period was £3.7m (H1 2022: £3.7m [2]) which includes tangible asset expenditure of £1.6m (H1 2022: £2.4m) and capitalised software and development costs of £2.1m (H1 2022: £1.3m). Acquisition of trade and assets as part of a business combination of £1.0m relates to the further consideration payable in relation to the Adelard acquisition that occurred on 20 April 2022 following novation of contracts in H1 2023.

Dividends

Total dividends of £9.8m were paid in the period (H1 2022: £9.8m), which represented the final dividend for FY22 of 3.15p. The Board is declaring an unchanged interim dividend of 1.50p per ordinary share (H1 2022: 1.50p).

This represents a dividend equal to that paid in the prior period as the Board is conscious of the need to invest in new strategy.

The interim dividend of approximately £4.7m will be paid on 17 March 2023, to shareholders on the register at the close of business on 17 February 2023. The ex-dividend date is 16 February 2023.

Principal risks and uncertainties

The Board has reconsidered the principal risks and uncertainties published at the full year 2022. The following risks and uncertainties are those that the Directors believe could have the most significant impact on the Group's business and remain unchanged from the year end:

- **Business strategy** – a poor strategy or ineffective execution of a strategy could have a material negative impact on the Group's financial performance and value. It would potentially weaken the Group compared to its competitors and risk the Group's established position in the marketplace.
- **Management of strategic change** – poor change management could lead to ineffective implementation of projects that then cost more to deliver, take longer to deliver and result in fewer benefits being realised (or all three). Poor delivery of change could ultimately impair business performance.
- **Global pandemic - Covid-19** – the potential impact of a pandemic globally is closed offices, people who are unwell and unable to work for periods of time and a slow-down in business from our clients.
- **Availability of critical information systems** – if the Group's critical systems failed, this could affect the Group's ability to provide services to our customers.
- **Attracting and retaining appropriate colleague capacity and capability** – loss of key colleagues or significant colleague turnover could result in a lack of necessary expertise or continuity to execute the Group's strategy. An inability to attract and retain sufficient high calibre colleagues could become a barrier to the continued success and growth of NCC Group.
- **Information security risk (including cyber risk)** – failure to maintain control over customer, colleague, commercial and/or operational data could lead to a range of impacts, including reputational damage. The misuse of personal data, for example without the customer's consent, or retaining data for longer than is necessary, may also result in reputational harm, regulatory investigations and potential fines.
- **Quality of Management Information Systems (MIS) and internal business processes** – suboptimal business decision making, and performance as key financial performance data is not available or trusted.
- **Quality and Security Management Systems** – the risk of the Group failing to retain a core standard, e.g., 9001, 27001 or PCI, with a consequential loss of key customer accounts or ability to operate.

- **International trade (formerly post-Brexit)** – there remains some uncertainty around the detail of EU regulatory changes as these are finalised and specifically the finalisation of trade negotiations and the wider world, which may impact some of the services delivered by the Group, which fall under export control regulations.

- **Sustainability** – non-compliance with the Group's frameworks related to ESG will impact on our ability to display robust working practices, grounded in good working practice, which take account of our environment, people and communities. This in turn could impact on our ability to develop and maintain business relationships and may lead to the loss of key customer accounts and shareholder investment.

- **Climate change** – inability to deliver TCFD reporting requirements resulting in loss of investor confidence.

Directors' responsibility statement

The responsibility statement below has been prepared in connection with the Group's condensed interim financial statements for the period ended 30 November 2022. We confirm that to the best of our knowledge:

- The condensed set of consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK.

- The interim management report includes a fair review of the information required by:

  - DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  - DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Half Year Report is approved and authorised for issue on behalf of the Board on 2 February 2023 by:

Mike Maddison Chief Executive Officer	**Tim Kowalski** Chief Financial Officer

Consolidated income statement [1]
For the period ended 30 November 2022

	Notes	**H1 2023 £m**	H1 2022 £m
Revenue	4	**176.6**	150.1
Cost of sales	4	**(104.3)**	(86.4)
Gross profit	4	**72.3**	63.7
Administrative expenses			
Depreciation and amortisation		**(11.3)**	(12.8)
Other administrative expenses		**(48.1)**	(39.9)
Individually Significant Items		–	(0.9)
Total administrative expenses		**(59.4)**	(53.6)
Operating profit	4	**12.9**	10.1
Finance costs		**(2.6)**	(1.7)
Profit before taxation		**10.3**	8.4
Taxation	6	**(2.7)**	(2.6)
Profit for the period attributable to the owners of the Company		**7.6**	5.8

Earnings per ordinary share	8		
Basic EPS		**2.5p**	1.9p
Diluted EPS		**2.4p**	1.9p

Consolidated statement of comprehensive income
For the period ended 30 November 2022

	H1 2023 £m	H1 2022 £m
Profit for the period attributable to the owners of the Company	**7.6**	5.8
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss (net of tax)		
Cash flow hedges – effective portion of changes in fair value	**–**	(0.1)
Foreign exchange translation differences	**9.8**	8.1
Total other comprehensive income	**9.8**	8.0
Total comprehensive income for the period (net of tax) attributable to the owners of the Company	**17.4**	13.8

Footnotes for condensed interim Financial Statements

1: See Note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items, including a reconciliation to statutory information. Further information is also contained within the Glossary of terms.

Consolidated balance sheet

For the period ended 30 November 2022

	Notes	30 November 2022 £m	30 November 2021 £m	31 May 2022 £m
Non-current assets				
Goodwill	9	**272.0**	259.2	266.1
Intangible assets	9	**120.2**	113.3	118.6
Property, plant and equipment		**12.5**	12.7	12.9
Right-of-use assets		**19.6**	21.2	22.0
Investments		**0.3**	0.3	0.3
Deferred tax asset		**1.2**	1.3	1.4
Total non-current assets		**425.8**	408.0	421.3
Current assets				
Inventories		**1.0**	1.1	0.9
Trade and other receivables		**77.2**	77.2	77.7
Derivative financial instruments		**–**	–	0.2
Current tax receivable		**2.5**	3.7	3.1
Cash and cash equivalents		**44.0**	50.2	73.2
Assets classified as held for sale	11	**2.2**	–	–
Total current assets		**126.9**	132.2	155.1
Total assets		**552.7**	540.2	576.4
Current liabilities				
Trade and other payables		**53.8**	45.1	48.3
Borrowings	10	**19.5**	17.6	18.5
Lease liabilities		**4.5**	5.3	5.4
Current tax payable		**5.7**	4.8	7.4
Derivative financial instruments		**0.4**	–	–
Contingent consideration		**1.0**	–	1.9
Provisions		**1.7**	0.6	2.7
Contract liabilities - deferred revenue		**53.3**	55.4	61.7
Liabilities classified as held for sale	11	**1.1**	–	–
Total current liabilities		**141.0**	128.8	145.9
Non-current liabilities				
Borrowings	10	**79.3**	106.8	107.1
Lease liabilities		**24.8**	26.9	27.2
Deferred tax liabilities		**1.5**	1.2	1.6
Provisions		**0.9**	2.0	0.8
Contract liabilities - deferred revenue		**2.3**	2.0	0.6
Total non-current liabilities		**108.8**	138.9	137.3
Total liabilities		**249.8**	267.7	283.2
Net assets		**302.9**	272.5	293.2
Equity				
Share capital		**3.1**	3.1	3.1
Share premium		**224.1**	223.7	224.0
Merger reserve		**42.3**	42.3	42.3
Currency translation reserve		**44.9**	28.4	35.1
Retained earnings		**(11.5)**	(25.0)	(11.3)
Total equity attributable to equity holders of the parent		**302.9**	272.5	293.2

These financial statements were approved and authorised for issue by the Board of Directors on 2 February 2023 and were signed on its behalf by:

Mike Maddison
Chief Executive Officer

Tim Kowalski
Chief Financial Officer

Consolidated cash flow statement
For the period ended 30 November 2022

Cash flow from operating activities	Notes	H1 2023 £m	H1 2022 £m
Profit for the period		**7.6**	5.8
Adjustments for:			
Depreciation of property, plant and equipment		**2.2**	1.9
Depreciation of right of use assets		**3.0**	2.7
Share-based payments		**2.5**	2.3
Cash-settled share-based payments		–	(0.3)
Amortisation of customer contracts and relationships		**5.1**	6.9
Amortisation of software and development costs		**1.0**	1.3
Impairment of right-of-use assets		–	0.1
Lease financing costs		**0.5**	0.6
Other financing costs		**2.0**	1.2
Foreign exchange		**(0.6)**	–
Acquisition of businesses – transaction costs		–	(6.4)
Individually significant items (non-cash impact)		–	0.9
Termination of leases		**(0.1)**	–
Research and development UK tax credits		**(0.2)**	(0.2)
Research and development US tax credits		**(0.1)**	(0.1)
Income tax expense		**2.8**	2.7
Decrease in provisions		**(0.9)**	(0.4)
Cash inflow for the period before changes in working capital		**24.8**	19.0
Decrease / (increase) in trade and other receivables		**1.0**	(4.0)
Decrease in inventories		**(0.1)**	–
(Decrease) / increase in trade and other payables		**(1.4)**	4.5
Cash generated from operating activities before interest and taxation		**24.3**	19.5
Interest element of lease payments		**(0.5)**	(0.6)
Other interest paid		**(1.7)**	(0.7)
Taxation paid		**(3.5)**	(0.9)
Net cash generated from operating activities		**18.6**	17.3
Cash flows from investing activities			
Acquisition of trade and assets as part of a business combination		**(1.0)**	(152.8)
Purchase of property, plant and equipment		**(1.6)**	(2.4)
Software and development expenditure		**(2.1)**	(1.3)
Net cash used in investing activities		**(4.7)**	(156.5)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital		**0.1**	0.5
Purchase of own shares		**(0.5)**	(0.2)
Principal element of lease payments		**(3.8)**	(2.4)
Drawdown of borrowings (net of deferred issue costs)		–	100.7
Repayment of borrowings		**(31.2)**	(15.7)
Issue costs related to borrowings		–	(0.6)
Equity dividends paid	7	**(9.8)**	(9.8)
Net cash generated (used in) / from financing activities		**(45.2)**	72.5
Net decrease in cash and cash equivalents		**(31.3)**	(66.7)
Cash and cash equivalents at beginning of period		**73.2**	116.5
Effect of foreign currency exchange rate changes		**2.1**	0.4
Cash and cash equivalents at end of the period		**44.0**	50.2

Reconciliation of net change in cash and cash equivalents to movement in net (debt)/cash [1]

	H1 2023 £m	H1 2022 £m
Net decrease in cash and cash equivalents	**(31.3)**	(66.7)
Change in net debt [1] resulting from cash flows (net of deferred issue costs)	**31.2**	(85.0)
Interest incurred on borrowings	**1.7**	0.7
Interest paid on borrowings	**(1.7)**	(0.7)
Non-cash movement (release of deferred issue costs)	**(0.2)**	(0.2)
Issue costs related to borrowings	**–**	0.6
Effect of foreign currency on cash flows	**2.1**	0.4
Foreign currency translation differences on borrowings	**(4.2)**	(6.6)
Change in net debt [1] during the period	**(2.4)**	(157.5)
Net (debt)/cash [1] at start of period excluding lease liabilities	**(52.4)**	83.3
Net debt [1] at end of period excluding lease liabilities	**(54.8)**	(74.2)
Lease liabilities	**(29.3)**	(32.2)
Net debt [1] at end of period	**(84.1)**	(106.4)

Consolidated statement of changes in equity

For the period ended 30 November 2022

	Share Capital £m	Share Premium £m	Hedging reserve £m	Merger Reserve £m	Currency Translation Reserve £m	Retained Earnings £m	Total £m
Balance at 1 June 2022	3.1	224.0	–	42.3	35.1	(11.3)	293.2
Profit for the period	–	–	–	–	–	7.6	7.6
Other comprehensive income for the period	–	–	–	–	9.8	–	9.8
Total comprehensive income for the period	–	–	–	–	9.8	7.6	17.4
Transactions with owners recorded directly in equity							
Dividends to equity shareholders	–	–	–	–	–	(9.8)	(9.8)
Share-based payments	–	–	–	–	–	2.5	2.5
Purchase of own shares	–	–	–	–	–	(0.5)	(0.5)
Shares issued	–	0.1	–	–	–	–	0.1
Total contributions by and distributions to owners	–	0.1	–	–	–	(7.8)	(7.7)
Balance at 30 November 2022	**3.1**	**224.1**	–	**42.3**	**44.9**	**(11.5)**	**302.9**

	Share Capital £m	Share Premium £m	Hedging reserve £m	Merger Reserve £m	Currency Translation Reserve £m	Retained Earnings £m	Total £m
Balance at 1 June 2021	3.1	223.2	(0.8)	42.3	20.3	(21.9)	266.2
Profit for the period	–	–	–	–	–	5.8	5.8
Other comprehensive income for the period	–	–	(0.1)	–	8.1	–	8.0
Total comprehensive income for the period	–	–	(0.1)	–	8.1	5.8	13.8
Transactions with owners recorded directly in equity							
Dividends to equity shareholders	–	–	–	–	–	(9.8)	(9.8)
Transfer from hedging reserve	–	–	0.9	–	–	(0.9)	–
Share-based payments	–	–	–	–	–	1.8	1.8
Shares issued	–	0.5	–	–	–	–	0.5
Total contributions by and distributions to owners	–	0.5	0.9	–	–	(8.9)	(7.5)
Balance at 30 November 2021	**3.1**	**223.7**	–	**42.3**	**28.4**	**(25.0)**	**272.5**

	Notes	Share capital £m	Share premium £m	Hedging reserve £m	Merger reserve £m	Currency translation reserve £m	Retained earnings £m	Total £m
Balance at 1 June 2021		3.1	223.2	(0.8)	42.3	20.3	(21.9)	266.2
Profit for the year		–	–	–	–	–	23.0	23.0
Other comprehensive income for the year		–	–	(0.1)	–	–	–	(0.1)
Foreign currency translation differences		–	–	–	–	14.8	–	14.8
Total comprehensive income for the year		–	–	(0.1)	–	14.8	23.0	37.7
Transactions with owners recorded directly in equity								
Dividends to equity shareholders	7	–	–	–	–	–	(14.4)	(14.4)
Transfer hedging reserve to retained earnings		–	–	0.9	–	–	(0.9)	–
Share-based payments		–	–	–	–	–	3.2	3.2
Tax on share-based payments		–	–	–	–	–	(0.3)	(0.3)
Shares issued		–	0.8	–	–	–	–	0.8
Total contributions by and distributions to owners		–	0.8	0.9	–	–	(12.4)	(10.7)
Balance at 31 May 2022		3.1	224.0	–	42.3	35.1	(11.3)	293.2

Notes to the unaudited condensed interim financial statements

1 Accounting policies

Basis of preparation

NCC Group plc (the Company) is a company incorporated in the UK, with its registered office at XYZ Building, 2 Hardman Boulevard, Manchester, M3 3AQ. The Groups' unaudited condensed interim financial statements consolidated those of the Company and its subsidiaries (together referred to as the Group). The principal activity of the Group is the provision of independent advice and services to customers through the supply of Cyber Assurance and Software Resilience services.

The Groups' unaudited condensed interim financial statements for the six months ended 30 November 2022 (H1 2023), have been prepared on the going concern basis in accordance with IAS 34 'Interim Financial Reporting' as adopted for use in the UK. The unaudited condensed interim financial statements have been prepared on the historical cost basis, except for consideration payable on acquisitions that is measured at fair value. The condensed interim financial statements are presented in Pound Sterling (£m) because that is the currency of the principal economic environment in which the Company operates. The unaudited condensed interim financial statements were approved by the Directors on 2 February 2023 and were not independently reviewed by the Group's auditors.

The annual financial statements of the Group for the year ended 31 May 2023 will be prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the UK and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority the condensed set of interim financial statements has been prepared applying the accounting policies and presentation that were applied in the company's published consolidated financial statements for the year ended 31 May 2022, which were prepared in accordance with IFRSs as adopted for use in the UK. They do not contain all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended 31 May 2022.

The financial statements of the Group for the year ended 31 May 2022 are available from the Company's registered office, or from the website www.nccgroup.com.

The comparative figures for the financial year ended 31 May 2022 are not the company's statutory accounts for that financial year but are derived from those accounts. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Ukraine conflict

Management has reviewed the potential impact of the Ukraine conflict on the consolidated Financial Statements. The conflict is not considered to have a direct material impact due to the Group having limited direct exposure in the affected region. The conflict has an indirect impact due to the increased risks arising from the global economic impact on inflation and interest rates.

Climate change

The Directors have reviewed the potential impact of Climate change and the TCFD on the condensed interim financial statements. Our overall exposure to physical and transitional climate change is considered low due to the nature of the business and cyber resilience industry.

Going concern

The Directors have acknowledged guidance published in relation to going concern assessments. The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Business Review and Financial Review. The Group's financial position, cash and borrowing facilities are also described within these sections.

The condensed interim financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow and covenant compliance forecasts for the period ending 29 February 2024 which indicate that, taking account of severe but plausible downsides on the operations of the Group and its financial resources, the Group and Company will have sufficient funds to meet their liabilities as they fall due for that period.

The going concern period is required to cover a period of at least 12 months from the date of approval of the Financial Statements and the Directors still consider this 12-month period to be an appropriate assessment period due to the Group's financial position and trading performance and that its borrowing facilities do not expire until December 2026. The Directors have considered whether there are any significant events beyond the 12-month period which would suggest this period should be longer but have not identified any such conditions or events.

On 16 December 2022, the Group agreed a new four-year £162.5m multi-currency revolving credit facility maturing in December 2026 replacing the previous £100m multi-currency revolving credit facility and $70m term loan expiring in June 2024 (of which $23.3m had been repaid on 10 June 2022). On this basis, the group is now financed primarily by this new facility. Under these banking arrangements, the Group can also request (seeking bank approval) an additional accordion facility to increase the total size of the revolving credit facility by up to £75m. This accordion facility has not been considered in the Group's going concern assessment as it requires bank approval and is therefore uncommitted as at the date of approval of these unaudited condensed interim financial statements.

As of 30 November 2022, net debt (excluding lease liabilities)[1] amounted to £54.8m which comprised cash of £44.0m, a drawn revolving credit facility of £60.3m, and the term loan of £39.1m, with borrowings offset by arrangement fees of £0.6m. Headroom on the Group's banking facilities amounts to £83.4m. The Group's day-to-day working capital requirements are met through existing cash resources, the revolving credit facility and receipts from its continuing business activities.

The Group is required to comply with financial covenants for leverage (net debt to Adjusted EBITDA[1]) and interest cover (Adjusted EBITDA [1] to interest charge) that are tested bi-annually on 31 May and 30 November each year. As of 30 November 2022, leverage[1] amounted to 1.0x (H1 2022: 1.3x) and net interest cover[1] amounted to 16.0x (H1 2022: 31.6x) compared to a maximum of 3.0x and a minimum of 3.5x respectively. The terms and ratios are specifically defined in the Group's banking documents (in line with normal commercial practice) and are materially similar to GAAP with the exceptions being net debt excludes IFRS 16 lease liabilities and Adjusted EBITDA [1] excludes amortisation of acquired intangibles, share-based payments and Individually Significant Items. The Group was in compliance with the terms of all its facilities during the period, including the financial covenants on 30 November 2022, and based on forecasts, expects to remain in compliance over the going concern period. In addition, the Group has not sought or is not planning to seek any waivers to its existing facilities.

Although the Group has demonstrated resilience and consistent cash generation, in a challenging environment, the continuing global macro-economic risks could influence the Group's future performance, particularly in relation to cost inflationary pressures. As a result, the base case going concern assessment includes a level of inflationary cost increases together with continued day rate price rises to customers. The Group has not been significantly adversely impacted directly by the Ukraine conflict.

The Group will be implementing a new strategy in H2 FY23, that will require additional investment of c.£5m. The Group anticipates additional investments in FY24 and FY25 to be offset by greater revenues with improvement in operating profit margin over time.

The Directors have prepared several severe but plausible scenarios as follows:

1. The remaining performance of FY23 and the first half of FY24 continues to be similar to that of the equivalent prior period, including the impact on regional and international operations of the Group and a potential reduction in double-digit revenue growth to 9% growth and subsequent impact on margin.

2. Software Resilience performance does not achieve expected single digit revenue growth in all territories and experiences a 1% revenue decline.

3. Further inflationary pressures up to 6% arise over the existing base case going concern assessment of 4% and certain day rate price rises to customers do not occur.

4. Failure of execution of the new strategy and loss of key customers resulting in a reduction in revenue and a consequential impact on profitability and cash generation of £25.1m for the going concern period.

These scenarios have been modelled individually to assess the Group's ability to withstand specific challenges. The Directors do not believe it is plausible for all the above downside scenarios to occur concurrently; however, they have modelled scenarios combining risks (1 and 3) and combining risks (2 and 3) because of the Group's historical Software Resilience performance and current global economic uncertainty. The impact of these severe but plausible scenarios has been reviewed against the Group's projected cash flow position, available committed bank facilities and compliance with financial covenants. These forecasts, including scenarios 1-4 above, show that the Group can operate within its available committed banking facilities, with no forecasted covenant breaches or requirement for facility waivers, and that the Group will have sufficient funds to meet its liabilities as they fall due for that period. Should the scenarios which combines risks (1 and 3) and risks (2 and 3) arise at the same time as the Group incurs additional investment to support the new strategy, mitigating actions would be required to ensure that the Group can meet its liabilities as they fall due, which include a reduction in planned capital expenditure, headcount reduction, freezing pay and recruitment and reducing the dividend paid to shareholders. All the mitigating actions and the timing of the strategic investments included in these forecasts are within the Directors' control.

Having reviewed the current trading performance, forecasts, debt servicing requirements, total facilities and risks, the Directors are confident that the Group will have sufficient funds to continue to meet their liabilities as they fall due for a period of at least 12 months from the date of approval of these consolidated interim Financial Statements, which is determined as the going concern period. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the Group's condensed interim Financial Statements for the period ended 30 November 2022.

There are no other post-Balance Sheet events which the Directors believe impact the going concern assessment.

Individually Significant Items

Individually Significant Items are identified as those items that based on their size and nature and/or incidence are assessed to warrant separate disclosure to provide supplementary information to support the understanding of the Group's financial performance. Individually Significant Items typically comprise costs/profits/losses on material acquisitions/disposals/business exits, fundamental reorganisation/restructuring programmes and other significant one-off events. Individually Significant Items are considered to require separate presentation in the notes to the Financial Statements to fairly present the financial performance of the Group.

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of condensed interim Financial Statements requires management to exercise judgement in applying the Group's accounting policies. Different judgements would have the potential to change the reported outcome of an accounting transaction or Statement of Financial Position. It also requires the use of estimates that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis, with changes recognised in the period in which the estimates are revised and in any future periods affected.

2.1 Critical accounting judgements

No critical accounting judgements have been made in applying accounting policies that have the most significant effects on the amounts recognised in the condensed interim consolidated Financial Statements.

2.2 Key sources of estimation uncertainty

No key sources of estimation uncertainty have been made in applying accounting policies that have the most significant effects on the amounts recognised in the condensed interim consolidated Financial Statements.

3 Alternative Performance Measures (APMs) and adjusting items

The condensed interim financial statements include APMs as well as statutory measures. The APMs used by the Group are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, IFRS measures. This presentation is also consistent with the way that financial performance is measured by management and reported to the Board, and the basis of financial measures for senior management's compensation scheme and provides supplementary information that assists the user in understanding the financial performance, position and trends of the Group.

We believe these APMs provide readers with important additional information on our business and this information is relevant for use by investors, securities analysts and other interested parties as supplemental measures of future potential performance. However, since statutory measures can differ significantly from the APMs and may be assessed differently by the reader, we encourage you to consider these figures together with statutory reporting measures noted. Specifically, we would note that APMs may not be comparable across different companies and that certain profit related APMs may exclude recurring business transactions (e.g., acquisition related costs and certain share-based payment charges) that impact financial performance and cash flows.

As the Group manages internally its performance on an adjusted earnings basis (before Individually Significant Items, amortisation of acquired intangibles and share-based payments), which management believes represents the underlying trading of the business; adjusted EPS is disclosed as an APM. This APM is reconciled to statutory earnings and statutory basic EPS.

The Group has the following APMs/non-statutory measures:

- Adjusted EBITDA (reconciled below)
- Adjusted operating profit (reconciled below)
- Adjusted basic EPS (pence) (reconciled in Note 8)
- Net debt excluding lease liabilities (reconciled below)
- Net debt (reconciled below)
- Cash conversion which includes Adjusted EBITDA (reconciled below)
- Constant currency revenue (reconciled below)

The above APMs are consistent with those reported for the year ended 31 May 2022 except for the removal of Group revenue and Software Resilience revenue (both excluding IPM acquisition) which have been removed now that the Group has comparable data following the acquisition in June 2021. One further APM to those reported for the period ended 30 November 2021 (cash conversion excluding the IPM acquisition) has also been removed following the acquisition in June 2021.

The Group also reports certain geographic regions on a constant currency basis to reflect the underlying performance considering constant foreign exchange rates period on period. This involves translating comparative numbers to current period rates for comparability to enable a growth factor to be calculated. As these measures are not statutory revenue numbers, management considers these to be APMs; see Note 3 for further details and certain reconciliations to statutory measures.

Further detail is included within the Glossary of terms to the Financial Statements that provides supplementary information that assists the user in understanding these APMs/non-statutory measures.

Adjusted EBITDA

The calculation of Adjusted EBITDA is set out below:

	H1 2023 £m	H1 2022 £m
Operating profit	**12.9**	10.1
Depreciation of property, plant and equipment	**2.2**	1.9
Depreciation of right of use assets	**3.0**	2.7
Amortisation of software and development costs	**1.0**	1.3
Amortisation of acquired intangibles	**5.1**	6.9
Individually Significant Items (Note 5)	**–**	0.9
Share-based payments charge	**2.5**	2.3
Adjusted EBITDA	**26.7**	26.1
Depreciation and amortisation (excluding amortisation charge on acquired intangibles)	**(6.2)**	(5.9)
Adjusted operating profit	**20.5**	20.2

Net debt

The calculation of Net debt is set out below:

	H1 2023 £m	H1 2022 £m
Cash and cash equivalents	**44.0**	50.2
Borrowings (net of deferred issue costs)	**(98.8)**	(124.4)
Net debt excluding lease liabilities	**(54.8)**	(74.2)
Lease liabilities	**(29.3)**	(32.2)
Net debt	**(84.1)**	(106.4)

Cash conversion ratio

The calculation of the cash conversion ratio is set out below:

	H1 2023 £m	H1 2022 £m
Net operating cash flow before interest and taxation (A)	**24.3**	19.5
Adjusted EBITDA (B)	**26.7**	26.1
Cash conversion ratio (%) (A)/(B)	**91.0%**	74.7%

Constant currency revenue growth

The following tables show how constant currency revenue growth has been calculated and reconciled to statutory actual rate growth.

Group

	H1 2023 £m	H1 2022 £m	% change at actual rates	H1 2023 £m	Constant currency H1 2022 £m	% change at constant currency
Assurance	**145.0**	123.2	*17.7%*	**145.0**	*130.9*	*10.8%*
Software Resilience	**31.6**	26.9	*17.5%*	**31.6**	*29.4*	*7.5%*
Total revenue	**176.6**	150.1	*17.7%*	**176.6**	*160.3*	*10.2%*

Assurance

Assurance revenue analysis – by originating country:

	H1 2023 £m	H1 2022 £m	% change at actual rates	H1 2023 £m	Constant currency H1 2022 £m	% change at constant currency
UK & APAC	**61.6**	54.6	*12.8%*	**61.6**	*55.0*	*12.0%*
North America	**59.2**	44.0	*34.5%*	**59.2**	*51.0*	*16.1%*
Europe	**24.2**	24.6	*(1.6%)*	**24.2**	*24.9*	*(2.8%)*
Total Assurance revenue	**145.0**	123.2	*17.7%*	**145.0**	*130.9*	*10.8%*

Assurance revenue analysed by type of service/product line:

	H1 2023 £m	H1 2022 (restated *) £m	% change at actual rates	H1 2023 £m	H1 2022 (restated *) £m	% change at constant currency
Global Professional Services (GPS)	**111.1**	93.6	*18.7%*	**111.1**	*100.6*	*10.4%*
Global Managed Services (GMS)	**32.2**	28.4	*13.4%*	**32.2**	*29.1*	*10.7%*
Product Sales (own and third party)	**1.7**	1.2	*41.7%*	**1.7**	*1.2*	*41.7%*
Total Assurance revenue	**145.0**	123.2	*17.7%*	**145.0**	*130.9*	*10.8%*

*H1 2022 has been restated to present assurance revenue by type of service/product line to be consistent with amounts reported to management.

Software Resilience

Software Resilience revenue analysis – by originating country:

	H1 2023 £m	H1 2022 £m	% change at actual rates	**H1 2023 £m**	Constant currency H1 2022 £m	% change at constant currency
UK	**12.3**	12.6	*(2.4%)*	**12.3**	*12.7*	*(3.1%)*
North America	**17.3**	12.3	*40.7%*	**17.3**	14.7	17.7%
Europe	**2.0**	2.0	–	**2.0**	*2.0*	–
Total Software Resilience revenue	**31.6**	26.9	*17.5%*	**31.6**	*29.4*	*7.5%*

Software Resilience revenues analysed by service line:

	H1 2023 £m	H1 2022 £m	% change at actual rates	**H1 2023 £m**	Constant currency H1 2022 £m	% change at constant currency
Software Resilience contracts	**21.3**	18.7	*13.9%*	***21.3***	*20.6*	*3.4%*
Verification services	**10.3**	8.2	*25.6%*	***10.3***	*8.8*	*17.0%*
Total Software Resilience revenue	**31.6**	26.9	*17.5%*	***31.6***	*29.4*	*7.5%*

4 Segmental information

The Group is organised into the following two (H1 2022: two) reportable segments: Assurance and Software Resilience. The two reporting segments provide distinct types of service. Within each of the reporting segments the operating segments provide a homogeneous group of services. The operating segments are grouped into the reporting segments on the basis of how they are reported to the chief operating decision maker (CODM) for the purposes of IFRS 8 'Operating Segments', which is considered to be the Board of Directors of NCC Group plc. Operating segments are aggregated into the two reportable segments based on the types and delivery methods of services they provide, common management structures, and their relatively homogeneous commercial and strategic market environments. Performance is measured based on reporting segment profit, which comprises of Adjusted EBITDA [1] and adjusting items allocated to business segments. Interest and tax are also not allocated to business segments and there are no intra-segment sales.

Segmental analysis H1 2023	**Assurance £m**	**Software resilience £m**	**Central and head office £m**	**Group £m**
Revenue	**145.0**	**31.6**	**–**	**176.6**
Cost of sales	**(95.8)**	**(8.5)**	**–**	**(104.3)**
Gross profit	**49.2**	**23.1**	**–**	**72.3**
Gross margin %	**33.9%**	**73.1%**	**–**	**40.9%**
General administrative expenses	**(34.9)**	**(8.8)**	**(1.9)**	**(45.6)**
Adjusted EBITDA [1]	**14.3**	**14.3**	**(1.9)**	**26.7**
Depreciation and amortisation	**(3.8)**	**(0.2)**	**(2.2)**	**(6.2)**
Amortisation of acquired intangibles	**(2.0)**	**(3.1)**	**–**	**(5.1)**
Share-based payments	**(1.3)**	**(0.1)**	**(1.1)**	**(2.5)**
Individually Significant Items (Note 5)	**–**	**–**	**–**	**–**
Operating profit	**7.2**	**10.9**	**(5.2)**	**12.9**
Finance costs				**(2.6)**
Profit before taxation				**10.3**
Taxation				**(2.7)**
Profit for the year				**7.6**

Segmental analysis H1 2022	Assurance £m	Software resilience £m	Central and head office £m	Group £m
Revenue	123.2	26.9	–	150.1
Cost of sales	(78.8)	(7.6)	–	(86.4)
Gross profit	44.4	19.3	–	63.7
Gross margin %	36.0%	71.7%	–	42.4%
General administrative expenses	(26.8)	(9.9)	(0.9)	(37.6)
Adjusted EBITDA [1]	17.6	9.4	(0.9)	26.1
Depreciation and amortisation	(3.6)	(0.1)	(2.2)	(5.9)
Amortisation of acquired intangibles	(2.0)	(4.9)	–	(6.9)
Share-based payments	(1.5)	(0.2)	(0.6)	(2.3)
Individually Significant Items (Note 5)	–	(0.9)	–	(0.9)
Operating profit	10.5	3.3	(3.7)	10.1
Finance costs				(1.7)
Profit before taxation				8.4
Taxation				(2.6)
Profit for the year				5.8

Revenue is disaggregated by primary geographical market, by category and timing of revenue recognition as follows:

Revenue by originating country	**Assurance £m**	**Software Resilience £m**	**H1 2023 Total £m**	Assurance £m	Software Resilience £m	H1 2022 Total £m
UK & APAC	**61.6**	**12.3**	**73.9**	54.6	12.6	67.2
North America	**59.2**	**17.3**	**76.5**	44.0	12.3	56.3
Europe	**24.2**	**2.0**	**26.2**	24.6	2.0	26.6
Total revenue	**145.0**	**31.6**	**176.6**	123.2	26.9	150.1

Revenue by category	**Assurance £m**	**Software Resilience £m**	**H1 2023 Total £m**	Restated* Assurance £m	Software Resilience £m	Restated* H1 2022 Total £m
Services	**143.3**	**31.6**	**174.9**	122.0	26.9	148.9
Products	**1.7**	**–**	**1.7**	1.2	–	1.2
Total revenue	**145.0**	**31.6**	**176.6**	123.2	26.9	150.1

* H1 2022 has been restated to present revenue by category to be consistent with amounts reported to management. Revenue of £2.7m has been re-presented within services rather than products.

Timing of revenue recognition	**Assurance £m**	**Software Resilience £m**	**H1 2023 Total £m**	Assurance £m	Software Resilience £m	H1 2022 Total £m
Services and products transferred over time	**26.0**	**21.3**	**47.3**	24.1	18.3	42.4
Services and products transferred at a point in time	**119.0**	**10.3**	**129.3**	99.1	8.6	107.7
Total revenue	**145.0**	**31.6**	**176.6**	123.2	26.9	150.1

Segmental analysis H1 2023	**Assurance £m**	**Software Resilience £m**	**Central and head office £m**	**Group £m**
Additions to non-current assets	**2.1**	**0.2**	**1.9**	**4.2**
Reportable segment assets	**74.6**	**190.2**	**287.9**	**552.7**
Reportable segment liabilities	**108.1**	**19.1**	**122.6**	**249.8**

Segmental analysis H1 2022	Assurance £m	Software Resilience £m	Central and head office £m	Group £m
Additions to non-current assets	2.0	160.2	1.7	163.9
Reportable segment assets	78.6	187.9	273.7	540.2
Reportable segment liabilities	103.3	21.9	142.5	267.7

5. Individually Significant Items

The Group separately identifies items as Individually Significant Items. Each of these is considered by the Directors to be sufficiently unusual in terms of nature or scale so as not to form part of the underlying performance of the business. They are therefore separately identified and excluded from adjusted results (as explained in Note 1).

	H1 2023 £m	H1 2022 £m
Costs directly attributable to the acquisition of the IPM Software Resilience business	**–**	0.9
Total ISIs	**–**	0.9

Costs directly attributable to the acquisition of the IPM Software Resilience business

These costs are directly attributable to the material acquisition of the IPM Software Resilience business and are therefore considered to meet the Group's policy for ISIs.

6. Tax

Reconciliation of effective tax rate

	H1 2023 £m	H1 2022 £m
Profit before taxation	**10.3**	8.4
Current tax using the UK corporation tax rate of 20% (H1 2022: 19%)	**2.1**	1.6
Effects of:		
Items not deductible/(assessable) for tax purposes	**–**	0.1
Impact of US R&D tax credits	**(0.1)**	(0.1)
Differences between overseas tax rates	**0.7**	0.4
Movements in temporary differences not recognised	**0.1**	0.7
Movement in tax rate	**(0.1)**	(0.1)
Total tax expense	**2.7**	2.6

Tax charged within the 6 months ended 30 November 2022 has been calculated by applying the effective rate of tax which is expected to apply to the Group for the period ending 31 May 2023 using rates substantively enacted by 30 November 2022 as required by IAS 34 'Interim Financial Reporting'.

The normalised rate of tax of 26.2% (H1 2022: 31.0%) has been calculated using the full year projections and has been applied to profit before taxation for the 6 months ended 30 November 2022.

In the March 2021 budget, the UK government announced that legislation would be introduced in the Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. This legislation was substantively enacted on 24 May 2021 and therefore UK deferred tax balances as at 30 November 2021 and 30 November 2022 are generally measured at a UK tax rate of 25%.

The normalised tax rate of 26.2% was above the UK statutory tax rate for H1 2023 of 20% (H1 2022: 19%). The main factor increasing the tax rate was the origin of a reasonable proportion of Group profits in overseas territories with higher tax rates than the UK.

The tax expense reported for the current year and prior year is affected by certain positions taken by management where there may be uncertainty. The most significant source of uncertainty arises from claims for US R&D tax credits relating to historical periods. Uncertainty arises because of a degree of uncertainty concerning interpretation of US legislation and because the statute of limitations has not expired. For the periods ended 31 May 2017 to 30 November 2022, the aggregate net current tax benefit to the Income Statement relating to the US R&D tax credits is £4.1m (31 May 2022: £4.0m). The gross deferred tax asset relating to the US R&D tax credits is £0.5m (31 May 2022: £0.5m), although due to the uncertainty a partial provision of £0.3m (31 May 2022: £0.3m) has been made against this asset. The gross cumulative amount of US R&D tax credits amounts to £9.6m (31 May 2022: £9.3m) and net cumulative amount of US tax credits amounts to £4.3m (31 May 2022: £4.2m), giving rise to a cumulative provision of £5.3m (31 May 2022: £5.1m). The cumulative provision of £5.3m comprises a deferred tax element (£0.3m) relating to tax credits yet unutilised against US tax and a current tax element (£5.0m) relating to utilised tax credits. The latter provision will unwind as the statute of limitation windows expire for claims made in particular periods. The provision relating to utilised tax credits of £5.0m is expected to unwind as follows: FY23: £1.6m, FY24: £1.2m, FY25: £0.9m, FY26: £0.8m, FY27: £0.3m and FY28: £0.2m.

7. Dividends

	H1 2023	H1 2022
Dividends paid and recognised in the period (£m)	**9.8**	9.8
Dividends per share proposed but not recognised in the period (pence)	**1.50p**	1.50p

8. Earnings per ordinary share (EPS)

Earnings per ordinary share are shown below:

	H1 2023 £m	H1 2022 £m
Statutory earnings (A)	**7.6**	5.8
	Number of shares m	Number of shares m
Weighted average number of shares in issue	**310.4**	309.2
Less: Weighted Average Holdings by Group ESOT	**(1.0)**	–
Basic weighted average number of shares in issue (C)	**309.4**	309.2
Dilutive effect of share options	**3.7**	2.0
Diluted weighted average shares in issue (D)	**313.1**	311.2

For the purposes of calculating the dilutive effect of share options, the average market value is based on quoted market prices for the period during which the options are outstanding.

	H1 2023 pence	H1 2022 pence
Earnings per ordinary share		
Basic (A/C)	**2.5**	1.9
Diluted (A/D)	**2.4**	1.9

Adjusted basic EPS [1] is reconciled as follows:

	H1 2023 £m	H1 2022 £m
Statutory earnings (A) [2]	**7.6**	5.8
Amortisation of acquired intangibles	**5.1**	6.9
Share based payments	**2.5**	2.3
Individually Significant items (Note 5) [2]	–	0.9
Tax effect of above items [2]	**(1.9)**	(2.4)
Adjusted earnings (B) [2]	**13.3**	13.5

	H1 2023 pence	H1 2022 pence
Adjusted earnings per ordinary share		
Basic (B/C)	**4.3**	4.4
Diluted (B/D)	**4.2**	4.3

9. Goodwill and intangible assets

	Goodwill £m	Software £m	Development costs £m	Customer contracts and relationships £m	Intangibles subtotal £m	Total £m
Cost:						
At 1 June 2022	322.1	18.7	12.9	176.8	208.4	530.5
Additions	–	1.9	0.2	–	2.1	2.1
Reclassification[1]	(0.9)	–	–	–	–	(0.9)
Reclassification to assets held for sale	(1.4)	–	–	–	–	(1.4)
Effects of movements in exchange rates	8.2	0.2	0.2	6.8	7.2	15.4
At 30 November 2022	**328.0**	**20.8**	**13.3**	**183.6**	**217.7**	**545.7**
Accumulated amortisation:						
At 1 June 2022	(56.0)	(12.7)	(9.8)	(67.3)	(89.8)	(145.8)
Charge for period	–	(0.4)	(0.6)	(5.1)	(6.1)	(6.1)
Effects of movement in exchange rates	–	–	(0.2)	(1.4)	(1.6)	(1.6)
At 30 November 2022	**(56.0)**	**(13.1)**	**(10.6)**	**(73.8)**	**(97.5)**	**(153.5)**
Net book value:						
At 30 November 2022	**272.0**	**7.7**	**2.7**	**109.8**	**120.2**	**392.2**
At 31 May 2022	**266.1**	**6.0**	**3.1**	**109.5**	**118.6**	**384.7**

	Goodwill £m	Software £m	Development costs £m	Customer contracts and relationships £m	Intangibles subtotal £m	Total £m
Cost:						
At 1 June 2021	238.9	14.5	11.7	73.1	99.3	338.2
Additions	–	1.3	0.2	–	1.5	1.5
On acquisition	68.6	1.2	–	91.4	92.6	161.2
Effects of movements in exchange rates	7.7	–	(0.2)	7.2	7.0	14.7
At 30 November 2021	315.2	17.0	11.7	171.7	200.4	515.6
Accumulated amortisation:						
At 1 June 2021	(56.0)	(11.8)	(9.0)	(57.5)	(78.3)	(134.3)
Charge for period	–	(0.5)	(0.8)	(6.9)	(8.2)	(8.2)
Effects of movement in exchange rates	–	–	0.1	(0.7)	(0.6)	(0.6)
At 30 November 2021	(56.0)	(12.3)	(9.7)	(65.1)	(87.1)	(143.1)
Net book value:						
At 30 November 2021	**259.2**	**4.7**	**2.0**	**106.6**	**113.3**	**372.5**

1 During H1 FY23, a reclassification adjustment of £0.9m has been made between goodwill and deferred revenue in respect of deferred revenue purchased as part of the IPM acquisition.

Impairment

The Group's policy is to test non-financial assets for impairment annually, or if events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The Group has considered whether there have been any indicators of impairment during the 6 months ended 30 November 2022, which would require an impairment review to be performed. The Group has considered indicators of impairment with regard to several factors, including those outlined in IAS 36 'Impairment of assets'. Based upon this review, the Group has concluded that there are no such indicators of impairment as at 30 November 2022.

As part of this review, management has reviewed the key assumptions underlying the valuation process performed during the annual impairment test at 31 May 2022. Indicators assessed include the year-to-date performance of the Group's CGUs against their latest forecast and whether fair value less costs to sell calculations using sustainable earnings and a multiple applied to EBITDA remain appropriate. For further detail on sensitivity analysis performed as at 31 May 2022, please see the 31 May 2022 Annual Report.

10 Borrowings

Borrowings (excluding lease liabilities) are analysed as follows:

	H1 2023 £m	H1 2022 £m
Current liabilities		
Term loan facility (net of deferred issue costs)	**19.5**	17.6
Non-current liabilities		
Revolving credit facility (net of deferred issue costs)	**59.7**	72.1
Term loan facility (net of deferred issue costs)	**19.6**	34.7
Total non-current borrowings (excluding lease liabilities)	**79.3**	106.8
Total borrowings (excluding lease liabilities)	**98.8**	124.4

The RCF is drawn in short to medium-term tranches of debt that are repayable within 12 months of draw-down. These tranches of debt can be rolled over provided certain conditions are met, including compliance with all loan terms. The Group considers that it is highly unlikely it would not be in compliance and therefore be unable to exercise its right to roll-over the debt. The Directors therefore believe that the Group has the ability and the intent to roll-over the drawn RCF amounts when due and consequently has presented the RCF as a non-current liability.

On 12 May 2021, the Group entered into a new Term Loan Facility Agreement. The facility made available under the Facility Agreement (the 'Term Facility') was a $70m amortising term loan facility, to partially fund the acquisition of the IPM Software Resilience business on 7 June 2021. The rate of interest on each loan under the Term Facility is the percentage rate per annum which is equal to the aggregate of a compounded rate based on the secured overnight financing rate (SOFR) administered by the Federal Reserve Bank of New York and the margin (based on a leverage ratchet varying from 1.40% to 2.65% per annum). The Term Facility was due to be repaid in annual instalments with $23.3m repaid on 10 June 2022 a further instalment of $23.3m payable on 10 June 2023 and a final instalment of $23.4m payable on 10 June 2024. Arrangement fees incurred of £0.6m are being amortised over the term. The Term Facility Agreement also contains financial covenants relating to leverage and interest cover and provisions relating to guarantor coverage consistent with the RCF.

In December 2022, we secured a new four-year £162.5m multi-currency revolving credit facility replacing our existing £100m multi-currency revolving credit facility and the remaining $46.7m of the original $70m term loan that was maturing in June 2024.

Key terms of the new facility are:

- £162.5m multi-currency revolving credit facility maturing December 2026
- Additional £75m uncommitted accordion option
- Increase to leverage covenant from 2.5x to 3.0x with an additional acquisition spike to 3.5x for the first twelve months of any acquisition
- Weighted average interest rate of the facility is lower and payable on a ratchet mechanism, with a margin payable above SONIA & SOFR in the range of 1.00% to 2.25% depending on the level of the Group's leverage. The current interest rate is 5.35%.
- Existing arrangement fees of £0.6m have been written off in December 2022. New arrangement fees of £1.7m will be amortised over the new four-year term to December 2026.

Reconciliation of movements in liabilities to cash flows arising from financing activities:

	Six months ended 30 November 2022 £m	Six months ended 30 November 2021 £m
Revolving credit facility/bank term loan:		
Drawdown on facility	**–**	100.7
Repayment of facility	**(31.2)**	(15.7)
Transaction costs	**–**	(0.6)
Release of deferred arrangement fees	**0.2**	0.2
Foreign exchange movement	**4.2**	6.6
Movement in borrowings	**(26.8)**	91.2
IFRS 16 lease liability:		
New leases entered into	**0.8**	–
Lease acquired on acquisition	**–**	0.2
Leases terminated	**(0.1)**	–
Principal element of lease payments	**(3.6)**	(2.4)
Interest element of lease payments	**(0.5)**	(0.6)
Interest cost (non-cash)	**0.5**	0.6
Movement in lease liabilities	**(2.9)**	(2.2)

11 Asset held for sale and post balance sheet event

Under IFRS 5, when certain conditions are met, a disposal group is classified as held for sale. During November 2022, the Group signed Heads of Terms for the disposal of its business for the delivery of managed and professional services in relation to DDI solutions within the Assurance business unit ("DDI business"). At 30 November 2022, the sale of this business was considered highly probable.

Values of the major classes of assets and liabilities classified as held for sale at 30 November 2022, are as follows:

	H1 2023 £m	H1 2022 £m
Assets classified as held for sale		
Goodwill	**1.4**	–
Trade and other receivables	**0.8**	–
Total assets classified as held for sale	**2.2**	–
Liabilities associated with assets classified as held for sale		
Trade and other payables	**(1.1)**	–
Total liabilities associated with assets classified as held for sale	**(1.1)**	–

On 31 December 2022, the Group disposed of its DDI business for cash consideration of £5.8m. Of this amount, £3.8m is contingent on the novation of certain customer contracts. Provisional net assets of £1.2m were disposed of subject to fair value assessment including finalisation of a working capital adjustment.

Glossary of terms - Alternative Performance Measures (APMs)

APMs are the way that financial performance is measured by management and reported to the Board, and the basis of financial measures for senior management's compensation schemes and provide supplementary information that assists the user in understanding the underlying trading results.

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Note reference for reconciliation	Definition, purpose, and considerations made by the Directors
Adjusted operating profit	Operating profit or loss	Operating profit or loss before amortisation of acquired intangibles, share based payments and Individually Significant Items	3	Represents operating profit before amortization of acquired intangibles, share-based payments and Individually Significant Items. This measure is to allow the user to understand the Group's underlying financial performance as measured by management, reported to the Board and used as a financial measure in senior management's compensation schemes. The Directors consider amortisation of acquired intangibles is a non-cash accounting charge inherently linked to losses associated with historical acquisitions of businesses. The Directors consider share-based payments to be an adjusting item on the basis that fair values are volatile due to movements in share price, which may not be reflective of the underlying performance of the Group. Individually Significant Items are items that are considered unusual by nature or scale and are of such significance that separate disclosure is relevant to understanding the Group's financial performance and therefore requires separate presentation in the Financial Statements in order to fairly present the financial performance of the Group.
Adjusted earnings before interest, tax, depreciation, and amortisation (Adjusted EBITDA)	Operating profit or loss	Operating profit or loss, before share-based payments, Individually Significant Items, depreciation and amortisation, finance costs and taxation	3	Represents operating profit before share-based payments, Individually Significant Items, depreciation, and amortisation to assist in the understanding of the Group's performance. Adjusted EBITDA is disclosed as this is a measure widely used by various stakeholders and used by the Group to measure the cash conversion ratio.
Adjusted basic EPS	Statutory basic EPS	Statutory basic EPS before amortisation of acquired intangibles, share based payments, Individually Significant Items, and the tax effect thereon	8	Represents basic EPS before amortisation of acquired intangibles, share based payments and Individually Significant Items This measure is to allow the user to understand the Group's underlying financial performance as measured by management, reported to the Board, and used as a financial measure in senior management's compensation schemes. See further details above in relation to amortisation of acquired intangibles and share based payments.

Net debt excluding lease liabilities	Total borrowings (excluding lease liabilities) offset by cash and cash equivalents		3	Represents total borrowings (excluding lease liabilities) offset by cash and cash equivalents. It is a useful measure of the progress in generating cash, strengthening of the Group Balance Sheet position, overall net indebtedness and gearing on a like-for-like basis. Lease liabilities have been excluded from this APM as this is consistent with measures used in bank covenant calculations. Net debt, when compared to available borrowing facilities, also gives an indication of available financial resources to fund potential future business investment decisions and/or potential acquisitions.
Net debt	Total borrowings (including lease liabilities) offset by cash and cash equivalents		3	Represents total borrowings (including lease liabilities) offset by cash and cash equivalents. It is a useful measure of the progress in generating cash, strengthening of the Group Balance Sheet position, overall net indebtedness and gearing including lease liabilities. Net cash/(debt), when compared to available borrowing facilities, also gives an indication of available financial resources to fund potential future business investment decisions and/or potential acquisitions.
Cash conversion ratio	Ratio % of net cash flow from operating activities before interest and tax divided by operating profit	Ratio % of net cash flow from operating activities before interest and tax divided by adjusted EBITDA	3	The cash conversion ratio is a measure of how effectively operating profit is converted into cash and effectively highlights both non-cash accounting items within operating profit and also movements in working capital. It is calculated as net cash flow from operating activities before interest and taxation (as disclosed on the face of the Cash Flow Statement) divided by adjusted EBITDA for continued and discontinued activities. The cash conversion ratio is a measure widely used by various stakeholders and hence is disclosed to show the quality of cash generation and also to allow comparison to other similar companies.
Constant currency revenue growth rates	Revenue growth rates at actual rates of currency exchange	Retranslation of comparative numbers at current year exchange rates to provide constant currency	3	The Group also reports certain geographic regions on a constant currency basis to reflect the underlying performance taking into account constant foreign exchange rates year on year. This involves translating comparative numbers to current year rates for comparability to enable a growth factor to be calculated.