27 September 2023

NCC Group plc
Preliminary unaudited results for the year ended 31 May 2023

NCC Group plc (LSE: NCC, "NCC Group" or "the Group"), a leading independent provider of global cyber security and resilience services, reports its full year results for the 12 months to 31 May 2023 ("the full year", "FY", "2023", "the year").

Highlights

	Unaudited 2023	2022	Change at actual rates	Change at constant currency [1]
Revenue (£m) [1]	**335.1**	314.8	6.4%	1.5%
Assurance (Cyber Security) (£m) [1]	**270.8**	258.5	4.8%	0.1%
Software Resilience (£m) [1]	**64.3**	56.3	14.2% [2]	7.5% [2]
Gross margin (%)	**39.4%**	42.1%	(2.7% pts)	
Adjusted operating profit [1]	**28.8**	48.1	(40.1%)	
Operating profit	**1.9**	34.7	(94.5%)	
(Loss)/profit before taxation (£m)	**(4.3)**	31.0	n/m	
Basic EPS (pence)	**(1.5p)**	7.4p	n/m	
Adjusted basic EPS [1] (pence)	**6.1p**	10.8p	(43.5%)	
Net debt excluding lease liabilities [1]	**49.6**	52.4	(5.3%)	
Cash conversion [1] (%)	**102.9%**	101.9%	1.0% pts	
Final Dividend	**3.15p**	3.15p	-	

Footnotes:
1: Revenue at constant currency, Adjusted operating profit, Adjusted basic EPS, Net debt excluding lease liabilities and cash conversion are Alternative Performance Measures (APMs) and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items, including a reconciliation to statutory information.

2: Excludes the impact of the fair value revenue adjustment on 2022 comparator (£4.4m). Following the acquisition of IPM in the prior period, goodwill and intangible assets were recognised amounting to £68.6m and £92.6m respectively. Management was required to recognise all assets and liabilities at fair value, giving rise to a fair value adjustment on the level of deferred revenue acquired of £12.1m. This had resulted in a downward adjustment to the book value of IPM's deferred revenues reflecting the fair value of service still to be delivered. If the fair value adjustment had not applied, revenue would be £4.4m higher for the 12 months ended 31 May 2022. On this basis, management disclose unaudited proforma revenue information to show the consequential impact on the Group and Software Resilience results for the year ended 31 May 2023. See Note 3 for an explanation of unaudited proforma Revenue. Unaudited proforma Revenue is an APM and not a IFRS measure.

n/m: not meaningful

FY23 results

- Assurance (Cyber Security) revenues in line with prior year at constant currency (Actual rates: c.+5% growth) at £270.8m
    - H1 growth was c.+11% at constant currency [1] (Actual rates: c.+18%). H2 decline of c.-10% at constant currency [1] (Actual rates: c.-7%) driven predominantly by reduction in spend by North American technology clients and to a lesser extent by Global Professional Services in the UK
    - Global Professional Services H1 growth of c.+10% at constant currency [1] (Actual rates: c.+19%), with full year decline of c. -3% at constant currency [1] (Actual rates: c.+2% growth). H2 decline of c. -16% at constant currency [1] (Actual rates: c. -13%)
    - Global Managed Services H1 growth of c.+11% at constant currency [1] (Actual rates: c.+13%), with full year growth of c.+12% at constant currency [1] (Actual rates: c.+16% growth). H2 growth of c. +14% at constant currency [1] (Actual rates: c. +18%)
- Software Resilience (Escrow) showed unaudited proforma revenue [2] decline of c.-0.5% at constant currency [1], after considering the prior year fair value revenue adjustment (£4.4m) (Actual rates: c.+6% growth) to £64.3m, with:
    - H1 decline of -1.6% at constant currency [1] (Actual rates: +6.8%) however H2 growth of c.0.6% at constant currency [1] (Actual rates: c.+5%)
    - New leadership team (appointed in November 2022) starting to deliver momentum, consistency in quarterly growth, price rises, and realisation of efficiency contribution targeted at the time of the May 2022 operational review

- Gross margin percentage decreased by 2.7% pts to 39.4% due to:

    - Reduce revenue contribution from Global Professional Services within Assurance (Cyber Security) and the consequential impact on direct utilisation decreasing by -10% against a backdrop of lower attrition
    - Offset by an improvement in Software Resilience revenue contribution

- Operating profit declined by 94.5% to £1.9m due to:

    - Reduced trading performance in Assurance (Cyber Security) offset by an improvement in Software Resilience profitability which was driven by improved operating efficiency, as targeted at the time of the May 2022 operational review

    - Recognition of Individually Significant Items (SIs) of £14.7m (of which £9.8m related to the impairment of North American Goodwill within the Assurance (Cyber Security) business)

- Loss before taxation of £4.3m after increased finance costs of £2.5m due to an increase in borrowing following the IPM acquisition and an increase in base interest rates. All of the above, resulted in a Basic EPS of (1.5p) (2022: 7.4p) and Adjusted basic EPS [1] of 6.1p (2022: 10.8p).

- Continued strong cash conversion [1] of c. 103%. Net debt (excluding leases) of c.£50m, leverage (excluding leases) of 1.4x. During December 2022, we secured a new four-year £162.5m multi-currency revolving credit facility

- Final dividend of 3.15p maintained for FY23

FY24 current trading

- Current trading in line with expectations with:

    - Cost efficiencies across Assurance (Cyber Security) and corporate functions already being realised
    - Global Professional Services sales orders stabilised, no material clients lost, however North America revenue performance experienced in H2 FY23 is currently annualising through H1 FY24 giving rise to YoY double digit Q1 revenue decline
    - YoY double digit Q1 revenue growth in Global Managed Services
    - YoY single digit Q1 revenue growth in Software Resilience against a low comparator

Outlook

- The Board expects FY24 to be a period of considerable change for the Group, targeting a modest improvement in Group Adjusted Operating profit [1] in both the Assurance (Cyber Security) and Software Resilience businesses

  In Assurance (Cyber Security):

    - We expect low single digit revenue growth arising from stronger performance in high value Managed Services, including XDR. This will offset the annualisation of the sales declines in North American and UK Professional Services experienced during H2 FY23.

    - Identified various cost efficiencies across Assurance (Cyber Security) and corporate functions as announced in the June 2023 trading update and are on track to meet these.

  In Software Resilience:

    - We expect revenue growth in low single digits, underpinned by sustainable actions successfully taken on pricing and sales execution. The operating profit growth will be delivered net of in-year systems investments that will realise newly identified contribution efficiencies of c.£1m from FY25 onwards.

- The Board is confident that continued execution of the strategy will deliver double-digit revenue growth and mid-teens operating profit margins from FY26 onwards

Strategy

- Execution of the *Next Chapter* strategy progressing well following key leadership appointments with deep industry recognised expertise
- New global delivery and operations centre opened in Manila in September 2023
- New distinct brand for our Software Resilience business will roll out early in 2024 and will be revealed at our FY23 results presentation

Mike Maddison, Chief Executive Officer, commented:

"While the market conditions we announced in our March Trading Update have impacted our FY23 revenue performance and profitability, we are confident about the medium-term growth drivers for cyber security and that continued progress on strategic actions will position the business to deliver greater growth and profitability in the years ahead.

I am pleased to report that since the launch of our Next Chapter strategy in February 2023, the Group has delivered foundational components of strategic change to create a more agile and resilient business, improve profitability and deliver shareholder value. I am grateful to all my NCC Group colleagues for their unwavering commitment and energy as we execute our plan to capitalise on the enduring opportunities in our markets, particularly given the material cost savings that we are realising in the business.

We have fortified our leadership team in key areas with high-calibre individuals with deep cyber industry expertise, accelerated the diversification of our client base across our fastest growing sectors, launched our new global delivery and operations centre in Manila and will reveal today a new distinct brand for our Software Resilience business, which will give us a clearer, simpler proposition with which to increase our presence in this market".

Analyst presentation briefing and Q & A session:

A briefing for analysts will be held today at 9am at The London Stock Exchange – 10 Paternoster Square, London, EC4M 7LS. The briefing can also be viewed online via the following link (pre registration required): https://www.lsegissuerservices.com/spark/NCCGroup/events/5dee2e8d-129d-4814-9d7e-0f9bf8faa483

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About NCC Group plc:

NCC Group is a people-powered, tech-enabled global cyber security and software escrow business.

Driven by a collective purpose to create a more secure digital future, c2,000 colleagues across Europe, North America and Asia Pacific harness their collective insight, intelligence and innovation to deliver cyber resilience for over 14,000 clients across the public and private sector globally.

With decades of experience and a rich heritage, NCC Group is committed to developing sustainable solutions that continue to meet clients' current and future cyber security challenges.

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.

Chief Executive Officer Review

An ever-changing market

There is only one certainty in our industry: change.

I have worked in this space since the 1990s when "computing security" was a niche specialism. Today, Cyber Security is high on the risk registers of every enterprise and government in the world, and this industry will continue to change as Cyber Security becomes even more fundamental to societies and economies. Our lives are becoming more digitally connected each year, cyber criminals and nation states are constantly innovating and improving their attack capabilities, and AI and quantum computing have the potential to cause paradigm shifts that will reverberate around the globe.

As a business we have to be alive to the pace of this change. If we stand still, we will be left behind.

Our next chapter strategy is designed to address this challenge head on, creating an organisation that gets ahead of its market drivers with foundations that are fit for today and the future. It is relentlessly focused on clients and our ability to address the issues they face.

It sees us become even more globally integrated, while confidently telling our story with an energised, simplified brand. This is why – even against the backdrop of a challenging year – I am so optimistic about where we are heading.

NCC Group exists to make the world safer and more secure. This purpose remains unchanged. But the market has changed around us, so as a business we must adapt.

A client-centric approach

When I joined NCC Group I was immediately struck by the breadth and depth of our technical expertise. It is truly world class. Our insight, innovation and intelligence are respected globally.

This expertise sits at our core. However, we have to unlock its potential by harnessing it to create solutions that are designed around the needs of our clients.

This starts with clarity around the markets we serve. It's why our strategy sees us focus on our fastest growing sectors – specifically those which are highly regulated and most exposed to cyber risk, like financial services, industrials and technology. We will build deeper relationships at the C-level within those businesses to give us the opportunity to move beyond transactional sales and into the position of trusted advisor. We have brilliant individuals in our business who are already working at this level, but we will invest in the right talent to enable scale.

With that in place, we can properly unlock the potential of our expertise and be a true end-to-end Cyber Security services partner that can deliver business outcomes.

In practice, this means rather than simply testing a client's infrastructure annually, we'll also work with them to address the security vulnerabilities we discover. Rather than providing a one-off incident response to a client following a cyber-attack, we'll provide consultancy and remediation after the event to enable greater resilience – and then manage their Cyber Security operations 24/7.

This is why we are making targeted investments into specific capabilities – like building out our consulting team and enhancing our Managed Services offering. It is all driven by our target customers and their needs.

We will have all the constituent parts to continually create these customer journeys. Our strategy sees us knit them together to ensure consistent, consultative client relationships globally – all powered by our unrivalled technical expertise.

True global delivery

As our industry continues to change, the way we deliver work is changing too. A standard penetration test – the evaluation of software or hardware to identify security vulnerabilities – is carried out in a very different way now to how it was 15 years ago. We are now more efficient, there is more automation, and we can test on a much larger scale.

The need for us to continually adapt was underlined during the pandemic. A significant amount of testing that previously took place on site at secure client locations was being delivered remotely. It showed that some low-level testing could be done in a different way, and at a lower cost.

Fast forward to 2023 and the cost cutting across the industry, and layoffs led by North American West Coast tech firms accelerated this move and we felt this acutely. Clients still need this service, but they want it delivered in a more cost-effective way.

This shift has informed our strategic focus on global delivery and flexible resourcing. We can get better at using capabilities in our Dutch business for client work in New York or harnessing our UK expertise for an Australian assignment. Our delivery has been too local and rigid in the past.

It's been a driving factor in our decision to open in September 2023 an offshore delivery and operations centre. Some of the best Cyber Security talent in the world is found in emerging markets – I've seen that first hand throughout my career – and this investment will mean we can harness that talent and complement it with our existing colleagues to be more flexible to our clients' needs.

We are trusted by governments and the most highly regulated organisations to test and manage their security. There will always be demand for in-market talent to work on sensitive, complex programmes of work. Our new delivery and operations centre simply means we can expand our capabilities and provide more value for our clients.

Communicating with impact

We also have an opportunity to better tell our story and explain the value we offer.

We provide counsel to governments around the world on high level Cyber Security issues. We are handpicked by the most significant businesses globally to protect their digital assets. We are trusted by critical national infrastructure providers to secure their systems and keep them running.

This trust has been created through our insight, intelligence and innovation. It has taken years to build. It enables us to act as a convenor of decision makers – on policy, regulation and the macro forces affecting our collective ability to secure our digital future.

This credibility and track record should form the core of our messaging. We have a unique position in the market. As a client, this is what you gain access to when you engage with us. Yet we have been reluctant to talk about it.

We are going to seize this opportunity, with our new Chief Marketing Officer bringing together our global marketing, communications and public affairs team to deliver on this strategy. It starts through the creation of distinct and relevant brands for Cyber Security and Software Resilience, with clearer, simpler propositions. From here we will focus on boosting our profile through marketing programmes designed around the C-suite in our target sectors. We will become more present, more active and bolder in our marketing and communications.

Financial performance summary

It's been a challenging year for the Group with a decline in the rate of revenue growth and overall profitability. Our revenue performance and profitability suffered from the market dynamics within Cyber Security. In particular, the Group experienced buying decision delays and cancellations in the North American tech sector and to a lesser extent in our UK market, effecting our Global Professional Services revenue and overall gross profit performance. These headwinds have further reinforced the need to accelerate the implementation of our next chapter of the Group strategy.

Group revenues increased by +1.5% on a constant currency basis [1] and +6.4% (2022: +16.4%) at actual rates. After considering the prior year Software Resilience fair value revenue adjustment (£4.4m) [2], Group revenues were flat at constant currency [1] (+4.8% at actual rates).

In our Cyber Security business, the Europe and UK and APAC businesses grew on a constant currency basis [1] by +3.9% and +3.0% respectively (+6.6% and +3.3% at actual rates), whereas our North American business declined -4.9% on a constant currency basis [1] (+5.5% at actual rates) following the decline in tech sector spend.

Global Professional Services declined by -3.1% to £199.3m on a constant currency basis [1] (+2.0% at actual rates) with delivered day rates increasing by +7.5% (2022: +2.1%) and direct utilisation decreasing by -10.0% pts. Global Managed Services (GMS) grew by +12.4% to £67.8m (2022: +6.7%) on a constant currency basis [1] (+15.7% at actual rates). New XDR service global sales orders for the forthcoming years increased +72.5% from £11.6m in 2022 to £20.0m in 2023.

In our Software Resilience business, 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] to £64.3m (+14.2% at actual rates). However, considering the prior year Software Resilience fair value revenue adjustment (£4.4m), total Software Resilience revenue (on an unaudited pro forma basis [2]) decreased by -0.5% at constant currency [1] (+5.9% at actual rates). Our Escrow-as-a-Service (EaaS), our cloud-based escrow proposition, generated sales orders of £4.8m, an increase of 38% compared to the prior year (2022: £3.4m). It's therefore pleasing to see that our new leadership team (appointed in November 2022) is starting to deliver momentum, consistency in quarterly growth, price rises, and realisation of efficiency contribution targeted at the time of the May 2022 operational review.

Gross profit decreased by -0.5% to £132.0m (2022: £132.6m) with gross margin percentage decreasing to 39.4% (2022: 42.1%). The 2.7% pts gross margin (%) decrease was due to the revenue performance of the Cyber Security business and the consequential impact on direct utilisation decreasing by -10% against a backdrop of lower attrition (15.5%).

Total administrative expenses have increased by 32.9% (£32.2m) to £130.1m (2022: £97.9m). This was mostly due to an increase in Individual Significant Items of £13.8m and an increase in people and training costs arising from inflationary pressures and further investment (including XDR set up) to support the business of c.£6.5m. Other higher costs include an increase in non-client travel and office costs (including the impact of our NCC Conferences) of c.£5m, depreciation and amortisation (including amortisation on acquisition intangibles) of c.£3m, marketing c.£1m and foreign exchange c.£1m.

Footnotes:

1: Revenue at constant currency is an Alternative Performance Measures (APMs) and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items, including a reconciliation to statutory information.

2: See Note 3 for an explanation of unaudited proforma total Revenue and a revenue adjustment of £4.4m to 2022 Revenue. Unaudited proforma total Revenue is an APM and not a IFRS measure.

Adjusting items to operating profit of £26.9m (2022: £13.4m) consists of amortisation of acquired intangibles (£10.0m), share-based payments (£2.2m) and Individually Significant Items (£14.7m). The Group has recognised an overall operating profit of £1.9m (2022: £34.7m), a decrease of -94.5%. As the Group manages its performance internally at an Adjusted operating profit [1] level, Adjusted operating profit [1] decreased by -40.1% to £28.8m (2022: £48.1m). This information which shows a decline in Cyber Security gross profit and overall profitability and an improvement in Software Resilience gross profit and overall profitability is disclosed below and reconciled to profit after taxation:

	Unaudited 2023				2022			
	Cyber Security £m	**Software Resilience £m**	**Central and head office £m**	**Group £m**	Cyber Security £m	Software Resilience £m	Central and head office £m	Group £m
Revenue	**270.8**	**64.3**	**–**	**335.1**	258.5	56.3	–	314.8
Cost of sales	**(184.7)**	**(18.4)**	**–**	**(203.1)**	(166.2)	(16.0)	–	(182.2)
Gross profit	**86.1**	**45.9**	**–**	**132.0**	92.3	40.3	–	132.6
Gross margin %	***31.8%***	***71.4%***	**–**	***39.4%***	*35.7%*	*71.6%*	–	*42.1%*
Administrative expenses [2]	**(70.7)**	**(14.7)**	**(5.2)**	**(90.6)**	(53.2)	(17.5)	(2.7)	(73.4)
Adjusted EBITDA [1]	**15.4**	**31.2**	**(5.2)**	**41.4**	39.1	22.8	(2.7)	59.2
Depreciation and amortisation [3]	**(8.5)**	**(0.6)**	**(3.5)**	**(12.6)**	(7.2)	(0.8)	(3.1)	(11.1)
Adjusted Operating profit [1]	**6.9**	**30.6**	***(8.7)***	**28.8**	31.9	22.0	(5.8)	48.1
Amortisation of acquired intangibles	**(1.2)**	**(5.8)**	***(3.0)***	**(10.0)**	(0.9)	(4.8)	(2.9)	(8.6)
Share-based payments	**(1.6)**	**(0.1)**	**(0.5)**	**(2.2)**	(2.1)	(0.3)	(1.5)	(3.9)
Individually Significant Items	**(12.3)**	**(2.4)**	**–**	**(14.7)**	–	(0.9)	–	(0.9)
Operating (loss)/profit	***(8.2)***	***22.3***	**(12.2)**	**1.9**	*28.9*	*16.0*	(10.2)	*34.7*
Operating margin %	***(3.0%)***	***34.7%***	**n/a**	**0.6%**	*11.2%*	*28.5%*	*n/a*	*11.0%*
Finance costs				**(6.2)**				*(3.7)*
(Loss)/profit before taxation				**(4.3)**				*31.0*
Taxation				**(0.3)**				*(8.0)*
(Loss)/profit after taxation				**(4.6)**				*23.0*
EPS								
Basic EPS				**(1.5p)**				*7.4p*
Adjusted basic EPS [1]				**6.1p**				*10.8p*

Footnotes:

1 Adjusted EBITDA, Adjusted operating profit and Adjusted basic EPS are Alternative Performance Measures (APMs) and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items.

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

3 Depreciation and amortisation excludes amortisation of acquired intangibles.

Individually Significant items (ISIs) incurred during the year amounted to £14.7m. These items are represented mainly by an impairment in Goodwill of £9.8m for the North American Assurance business following the recent reduction in spend by technology clients and £4.2m in relation to fundamental reorganisation costs as we reshaped the Group to implement the next chapter of the Group's strategy. The impairment of North American Goodwill has been recognised based on the annual assessment of circumstances as at 31 May 2023. ISIs also include costs associated with the strategic review of our Software Resilience business (£3.0m) and an impairment of Goodwill (£3m) relating to our Danish business following its reorganisation. These were partially offset by a profit on disposal of our DDI business (£4.7m).

Profit before taxation decreased -113.9% to a loss of £4.3m (2022: profit of £31.0m) following the above revenue and gross profit performance, increased ISIs (mainly the impairment of North American Assurance Goodwill) and increased borrowing costs. Consequently, profit after taxation decreased -120.0% to a loss of £4.6m (2022: profit of £23.0m) giving rise to a basic EPS of (1.5p) (2022: 7.4p); Adjusted basic EPS [1] amounts to 6.1p (2022: 10.8p).

At 31 May 2023, our cash conversion [1] was 102.9% (2022: 101.9%). Net debt [1] amounts to £79.6m (2022: £85.0m). Net debt excluding lease liabilities [1] amounts to £49.6m (2022: £52.4m). Total borrowings (including lease liabilities) offset by cash and cash equivalents amounts to £79.6m (2022: £85.0m).

A global leader

We have faced a number of challenges this year. We've had to make some difficult decisions to ensure we are set up to achieve our purpose – to create a more secure digital future.

The reaction of our colleagues during this period has been remarkable and I am very grateful. The resilience and commitment they have shown in the circumstances has been inspiring. And it's this resilience which provides the foundations for us to execute our strategy and make NCC Group the global leader in Cyber Security and Escrow services.

We will emerge as a more confident and sustainable business built around the needs of our clients – one that is set up to adapt to our ever-changing industry.

This confidence is already starting to emerge as our strategic roadmap (Clients, Our capabilities, Global Delivery and Differentiated brands) begins to yield tangible results. Our relentless focus on being a global, agile and client focused business led by my new leadership team with recognised deep cyber industry experience, is resonating with our stakeholders. I'm particularly proud of the efforts of a multi-disciplinary team, who have enabled our new global operations and delivery centre in Manila to launched in September 2023. Not only do we have a fully staffed business ready to go, led by Saira Acuna, who previously ran our sales and client experience team in the APAC region, but we've also won work that we wouldn't previously have won as a result.

This is just one example of the progress being made across the strategy and if we continue to execute on what we said we would do – the future is bright.

FY24 current trading

- Current trading in line with expectations with:
    - Cost efficiencies across Cyber Security and corporate functions already being realised
    - Global Professional Services sales orders stabilised, no material clients lost, however North America revenue performance experienced in H2 FY23 is currently annualising through H1 FY24 giving rise to YoY double digit Q1 revenue decline
    - YoY double digit Q1 revenue growth in Global Managed Services
    - YoY single digit Q1 revenue growth in Software Resilience against a low comparator

Outlook

- The Board expects FY24 to be a period of considerable change for the Group, targeting a modest improvement in Group Adjusted Operating profit driven by both the Cyber Security and Software Resilience businesses

In Cyber Security:

- We expect low single digit revenue growth driven by stronger performance in high value Managed Services, including XDR. This will offset the annualisation of the sales declines in North American Professional Services and UK Professional Services experienced during H2 FY23.
- Identified various cost efficiencies across Assurance (Cyber Security) and corporate functions as announced in the June 2023 trading update and are on track to meet these.

In Software Resilience:

- We expect revenue growth in low single digits, underpinned by sustainable actions successfully taken on pricing and sales execution. The operating profit growth will be delivered net of in-year systems investments that will realise newly identified contribution efficiencies of c.£1m from FY25 onwards.

- The Board is confident that continued execution of the strategy will deliver double-digit revenue growth and mid-teens operating profit margins from FY26 onwards

Strategy

- Execution of the *Next Chapter* strategy progressing well following key leadership appointments with deep industry recognised expertise
- New global delivery and operations centre opened in Manila in September 2023
- New distinct brand for our Software Resilience business will roll out early in 2024 and will be revealed at our FY23 results presentation today

Financial review

Overview of financial performance

	Unaudited 2023				2022			
	Cyber Security £m	**Software Resilience £m**	**Central and head office £m**	**Group £m**	Cyber Security £m	Software Resilience £m	Central and head office £m	Group £m
Revenue	**270.8**	**64.3**	**–**	**335.1**	258.5	56.3	–	314.8
Cost of sales	**(184.7)**	**(18.4)**	**–**	**(203.1)**	(166.2)	(16.0)	–	(182.2)
Gross profit	**86.1**	**45.9**	**–**	**132.0**	92.3	40.3	–	132.6
Gross margin %	***31.8%***	***71.4%***	**–**	***39.4%***	*35.7%*	*71.6%*	–	*42.1%*
Administrative expenses [2]	**(70.7)**	**(14.7)**	**(5.2)**	**(90.6)**	(53.2)	(17.5)	(2.7)	(73.4)
Adjusted EBITDA [1]	**15.4**	**31.2**	**(5.2)**	**41.4**	39.1	22.8	(2.7)	59.2
Depreciation and amortisation [3]	**(8.5)**	**(0.6)**	**(3.5)**	**(12.6)**	(7.2)	(0.8)	(3.1)	(11.1)
Adjusted Operating profit [1]	**6.9**	**30.6**	***(8.7)***	**28.8**	31.9	22.0	(5.8)	48.1
Amortisation of acquired intangibles	**(1.2)**	**(5.8)**	***(3.0)***	**(10.0)**	(0.9)	(4.8)	(2.9)	(8.6)
Share-based payments	**(1.6)**	**(0.1)**	**(0.5)**	**(2.2)**	(2.1)	(0.3)	(1.5)	(3.9)
Individually Significant Items	**(12.3)**	**(2.4)**	**–**	**(14.7)**	–	(0.9)	–	(0.9)
Operating (loss)/profit	***(8.2)***	**22.3**	**(12.2)**	**1.9**	*28.9*	*16.0*	(10.2)	*34.7*
Operating margin %	***(3.0%)***	***34.7%***	**n/a**	**0.6%**	*11.2%*	*28.5%*	*n/a*	*11.0%*
Finance costs				**(6.2)**				*(3.7)*
(Loss)/profit before taxation				**(4.3)**				*31.0*
Taxation				**(0.3)**				*(8.0)*
(Loss)/profit after taxation				**(4.6)**				*23.0*
EPS								
Basic EPS				**(1.5p)**				*7.4p*
Adjusted basic EPS [1]				**6.1p**				*10.8p*

Footnotes:

1 Adjusted EBITDA, Adjusted operating profit and Adjusted basic EPS are Alternative Performance Measures (APMs) and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items.

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

3 Depreciation and amortisation excludes amortisation of acquired intangibles.

2023 has been a challenging year for the Group, as our expected Revenue performance and consequently our gross profit and overall profitability suffered from market volatility within Cyber Security in H2 2023 after a strong H1 2023. In particular, the Group experienced buying decision delays and cancellations in the North American tech sector and to lesser extent our UK market for Global Professional Services.

Encouragingly, no material clients have been lost, however this sharp market correction had a direct impact on our revenue, direct utilisation, gross profit and ultimately our profitability due to the level of employee costs in the business and recognition of Individually Significant items that mainly relate to the impairment of North American Assurance Goodwill. These headwinds have further reinforced the need to implement the next chapter of our Group strategy and identify cost efficiencies across Cyber Security and corporate functions, achieving FY24 savings and full annualised contribution from FY25 onwards.

Turning back in detail to our FY23 performance, Group revenues increased by +1.5% (2022: +17.9%) on a constant currency basis [1] and at +6.4% (2022: +16.4%) at actual rates. After considering the prior year Software Resilience fair value revenue adjustment (£4.4m), Group revenues were flat at constant currency [1] (+5.1% at actual rates).

In our Cyber Security business, the Europe, and UK and APAC Cyber Security businesses grew on a constant currency basis [1] by +3.9% and +3.0% respectively (+6.6% and +3.3% at actual rates). Whereas our North American business declined -4.9% on a constant currency basis [1] (+5.5% at actual rates) following the decline in tech sector spend.

Global Professional Services declined by -3.1% to £199.3m on a constant currency basis [1] (+2.0% at actual rates) with delivered day rates increasing by +7.5% (2022: +2.1%) and direct utilisation decreasing by -10.0% pts. Global Managed Services (GMS) grew by +12.4% to £67.8m (2022: +6.7%) on a constant currency basis [1] (+15.7% at actual rates). We experienced a net decrease of -107 technical heads (2022: +271) and lower attrition of 15.5% (2022: 20.9%) compared to the level typical of our industry.

Global Managed Services (GMS) grew by +12.4% to £67.8m (2022: +6.7%) on a constant currency basis [1] (+15.7% at actual rates). New XDR service global sales orders for the forthcoming years increased +72.5% from £11.6m in 2022 to £20.0m in 2023.

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] to £64.3m (+14.2% at actual rates). However, considering the prior year Software Resilience fair value revenue adjustment (£4.4m) to these potential contract renewals, total Software Resilience revenue decreased by -0.5% at constant currency [1] (+5.9% actual rates). Escrow-as-a-Service (EaaS), our cloud escrow proposition, generated sale orders of £4.7m, an increase of 38% compared to the prior year (2022: +£3.4m).

Gross profit decreased by -0.5% to £132.0m (2022: £132.6m) with gross margin percentage decreasing to 39.4% (2022: 42.1%). The 2.7% pts gross margin (%) decrease was due to the revenue performance of the Cyber Security business and lower direct utilisation (61.6%).

Total administrative expenses have increased by 32.9% (£32.2m) to £130.1m (2022: £97.9m). This was mostly due to an increase in Individual Significant Items of £13.8m and an increase in people and training costs arising from inflationary pressures and further investment (including XDR set up) to support the business of c.£6.5m. Other higher costs include an increase in non-client travel and office costs (including the impact of our NCC Conferences) of c.£5m, depreciation and amortisation (including amortisation on acquisition intangibles) of c.£3m, marketing c.£1m and foreign exchange c.£1m.

Operating profit for the year has decreased by 94.5% to £1.9m (2022: £34.7m) following the above decrease in gross profit (£0.6m) and the 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, of which c.£2.3m related directly to the conferences (non-client travel costs).

Individually Significant Items incurred during the year amounted to £14.7m. These items are represented mainly by an impairment in Goodwill of £9.8m for the North American Assurance business following the recent reduction in spend by North American technology clients and £4.2m in relation to fundamental reorganisation costs as we reshape the Group to implement the next chapter of the Group's strategy. The impairment of North American Assurance Goodwill has been recognised based on the annual assessment of circumstances as at 31 May 2023. ISIs also include costs associated with the strategic review of our Software Resilience business (£3.0m) and an impairment of Goodwill (£3.0m) relating to our Danish business following its reorganisation. These were partially offset by a profit on disposal of our DDI business (£4.7m).

Profit before taxation decreased by 113.9% to a loss of £4.3m (2022: profit of £31.0m) following the above revenue and gross profit performance, recognition of ISIs and after an increase in borrowing costs following the acquisition of IPM in June 2021. The variable rate of interest cost increased due to the macro-economic environment and the write off of existing arrangement fees (£0.6m) following the scheduled refinance in December 2022.

Consequently, the profit for the year decreased by -120.0% to a loss of £4.6m (2022: profit of £23.0m) resulting in a material decrease in the basic EPS to (1.5p) and diluted EPS to (1.5p) (2022: basic and diluted 7.4p). Adjusted basic EPS [1] amounted to 6.1p (2022: 10.8p).

On 31 May 2023, our cash conversion [1] was 102.9% (2022: 101.9%). Net debt excluding lease liabilities [1] amount to £49.6m (2022: £52.4m). Total borrowings (including lease liabilities) offset by cash and cash equivalents amounts to £79.6m (2022: £85.0m).

Our Balance Sheet and facility headroom remains strong, during December 2022 we secured a new four-year £162.5m multi-currency revolving credit facility. This replaced 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. The new facility now matures in December 2026 and includes a £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 average interest rate for the year was 4.54% and is currently 6.27% following recent changes to base interest rates.

The Board is declaring an unchanged final dividend of 3.15p per ordinary share (2022: 3.15p). This represents a dividend equal to that paid in the prior year as the Board is conscious of the need to invest in new strategy and manage its net debt accordingly following the challenging year.

Alternative Performance Measures (APMs)

Throughout this Financial Review, certain APMs are presented. These APMs used by the Group are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, Generally Accepted Accounting Practice (GAAP) measures. All APMs relate to the current year results and comparative periods where provided.

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 schemes and provides supplementary information that assists the user in understanding the financial performance, position and trends of the Group. At all times, the Group aims to ensure that the Annual Report and Accounts give a fair, balanced and understandable view of the Group's performance, cash flows and financial position. IAS 1 'Presentation of Financial Statements' requires the separate presentation of items that are material in nature or scale in order to allow the user of the accounts to understand underlying business performance.

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 at an Adjusted operating profit level (before Individually Significant Items, amortisation of acquired intangibles and share-based payments), which management believes represents the underlying trading of the business; this information is still disclosed as an APM within this Annual Report. This APM is reconciled to statutory operating profit, together with the consequently Adjusted basic EPS (before amortisation of acquisition intangibles, share-based payments and Individually Significant Items and tax effect thereon) to 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 11)
- 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 excluding IPM acquisition which have been removed now that the Group has comparable data 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.

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:

£m	Unaudited 2023	2022	% Change
Revenue	**335.1**	314.8	6.4%
Cost of sales	**(203.1)**	(182.2)	11.5%
Gross profit	**132.0**	132.6	(0.5%)
Depreciation and amortisation [2]	**(12.6)**	(11.1)	13.5%
Administrative expenses [3]	**(90.6)**	(73.4)	23.4%
Adjusted operating profit [1]	**28.8**	48.1	(40.1%)
Individually significant items	**(14.7)**	(0.9)	1533.3%
Acquired intangible amortisation	**(10.0)**	(8.6)	16.3%
Share based payments	**(2.2)**	(3.9)	(43.6%)
Operating profit	**1.9**	34.7	(94.5%)
Finance costs	**(6.2)**	(3.7)	67.6%
(Loss)/profit before taxation	**(4.3)**	31.0	(113.9%)
Taxation	**(0.3)**	(8.0)	(96.3%)
(Loss)/profit for the year	**(4.6)**	23.0	(120.0%)
EPS			
Basic EPS	**(1.5p)**	7.4p	(120.3%)
Adjusted Basic EPS [1]	**6.1p**	10.8p	(43.5%)

Footnotes:

1 Adjusted operating profit and Adjusted basic EPS are Alternative Performance Measures (APMs) and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items.

2 Depreciation and amortisation excludes acquired intangible amortisation.

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

Revenue summary:

	Unaudited 2023 £m	2022 £m	% change at actual rates	Unaudited 2023 £m	Constant Currency [1] 2022 £m	% change at constant currency [1]
Cyber Security	**270.8**	258.5	4.8%	**270.8**	*270.5*	*0.1%*
Software Resilience	**64.3**	56.3	14.2%	**64.3**	*59.8*	*7.5%*
Total revenue	**335.1**	314.8	6.4%	**335.1**	*330.3*	*1.5%*

After considering the prior year Software Resilience fair value revenue adjustment (£4.4m), Software Resilience revenue decreased by -0.5% at constant currency [1] (+5.9% actual rates). This gives rise to total revenue increasing by +0.1% at constant currency [1] (+5.1% actual rates).

Divisional performance

Cyber Security

The Cyber Security division accounts for 80.8% of Group revenue (2022: 82.1%) and 65.2% of Group gross profit (2022: 69.6%).

Cyber Security revenue analysis – by originating country:

	Unaudited 2023 £m	2022 £m	% change at actual rates	Unaudited 2023 £m	Constant Currency [1] 2022 £m	% change at constant currency [1]
UK & APAC	**118.4**	114.6	*3.3%*	**118.4**	115.0	*3.0%*
North America	**99.3**	94.1	*5.5%*	**99.3**	104.4	*(4.9%)*
Europe	**53.1**	49.8	*6.6%*	**53.1**	51.1	*3.9%*
Total Cyber Security revenue	**270.8**	258.5	*4.8%*	**270.8**	270.5	*0.1%*

Cyber Security revenue increased by +0.1% on a constant currency basis [1] and at +4.8% at actual rates. UK & APAC increased by +3.0% on a constancy currency basis [1] (+3.3% at actual rates). North America declined by -4.9% on a constant currency basis [1] (increased +5.5% at actual rates) due to buying decision delays and cancellations in the North American tech sector, while Europe experienced an increase of +3.9% on a constant currency basis [1] (+6.6% at actual rates).

Turning to the performance between each half of the financial year, the following revenue analysis by originating country demonstrates the growth in H1 2023 compared to a decline in H2 2023 following buying decision delays and cancellations in the North American tech sector and the UK Market within Global Professional Services.

	Unaudited H1 2023 £m	Unaudited H1 2022 £m	% change at actual rates	**Unaudited H1 2023 £m**	Unaudited Constant Currency [1] H1 2022 £m	% change at constant currency [1]
UK and 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 Cyber Security revenue	**145.0**	123.2	*17.7%*	**145.0**	130.9	*10.8%*

	Unaudited H2 2023 £m	Unaudited H2 2022 £m	% change at actual rates	**Unaudited H2 2023 £m**	Unaudited Constant currency [1] H2 2022 £m	% change at constant currency [1]
UK and APAC	**56.8**	60.0	*(5.3%)*	**56.8**	60.0	*(5.3%)*
North America	**40.1**	50.1	*(20.0%)*	**40.1**	53.4	*(24.9%)*
Europe	**28.9**	25.2	*14.7%*	**28.9**	26.2	*10.3%*
Total Cyber Security revenue	**125.8**	135.3	*(7.0%)*	**125.8**	139.6	*(9.9%)*

Cyber Security revenue analysed by type of service/product line:

	Unaudited 2023 £m	2022 (restated *) £m	% change at actual rates	**Unaudited 2023 £m**	Constant Currency [1] 2022 (restated *) £m	% change at constant currency [1]
Global Professional Services (GPS)	**199.3**	195.4	*2.0%*	**199.3**	205.6	*(3.1%)*
Global Managed Services (GMS)	**67.8**	58.6	*15.7%*	**67.8**	60.3	*12.4%*
Product Sales (own and third party)	**3.7**	4.5	*(17.8%)*	**3.7**	4.6	*(19.6%)*
Total Cyber Security revenue	**270.8**	258.5	*4.8%*	**270.8**	270.5	*0.1%*

* Restated to present revenue by category to be consistent with amounts reported to management. Revenue of £6.4m has been re-presented within GMS rather than product sales.

Global Professional Services declined by -3.1% to £199.3m on a constant currency basis [1] (+2.0% at actual rates) with delivered day rates increasing by +7.5% and direct utilisation decreasing by -10.0% pts. The decline was mainly due to buying decision delays and cancellations in the North American tech sector and our UK market.

Global Managed Services (GMS) grew by +12.4% to £67.8m on a constant currency basis [1] (+15.7% at actual rates) with new XDR service global sales orders for the forthcoming years increasing 72.5% YoY.

Turning to the performance between each half of the financial year, the following revenue analysis by type of service/product line demonstrates the growth in H1 2023 compared to a decline in H2 2023 following buying decision delays and cancellations in the North American tech sector and the UK Market with Global Professional Services.

	Unaudited H1 2023 £m	Unaudited H1 2022 £m	% change at actual rates	**Unaudited H1 2023 £m**	Unaudited Constant Currency [1] H1 2022 £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 Cyber Security revenue	**145.0**	123.2	*17.7%*	**145.0**	130.9	*10.8%*

	Unaudited H2 2023 £m	Unaudited H2 2022 £m	% change at actual rates	**Unaudited H2 2023 £m**	Unaudited Constant currency [1] H2 2022 £m	% change at constant currency [1]
Global Professional Services (GPS)	**88.2**	101.8	(13.4%)	**88.2**	105.0	(16.0%)
Global Managed Services (GMS)	**35.6**	30.2	17.9%	**35.6**	31.2	14.1%
Product Sales (own and third party)	**2.0**	3.3	(39.4%)	**2.0**	3.4	(41.2%)
Total Cyber Security revenue	**125.8**	135.3	*(7.0%)*	**125.8**	139.6	*(9.9%)*

Cyber Security gross profit is analysed as follows:

	Unaudited 2023 £m	**2023 % margin**	2022 £m	2022 % margin	% pts change
UK & APAC	**40.3**	***34.0%***	46.4	*40.5%*	*(6.5% pts)*
North America	**26.1**	***26.3%***	29.8	*31.7%*	*(5.4% pts)*
Europe	**19.7**	***37.1%***	16.1	*32.3%*	*4.8% pts*
Cyber Security gross profit and % margin	**86.1**	***31.8%***	92.3	*35.7%*	*(3.9% pts)*

Gross margins declined -3.9% pts following investment in technical capacity, inflationary pressures, lower utilisation combined with lower technical attrition.

Turning to the performance between each half of the financial year, the following gross profit analysis by originating country further demonstrates the performance between H1 2023 and H2 2023 compared to the corresponding periods in the prior year.

	Unaudited H1 2023 £m	**H1 2023 % margin**	Unaudited 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*
Cyber Security gross profit and % margin	**49.2**	***33.9%***	44.4	*36.0%*	*(2.1% pts)*

Gross margins in Europe 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%.

	Unaudited H2 2023 £m	**H2 2023 % margin**	Unaudited H2 2022 £m	H2 2022 % margin	% pts change
UK & APAC	**17.4**	***30.6%***	24.0	*40.0%*	*(9.4% pts)*
North America	**9.5**	***23.7%***	15.7	*31.3%*	*(7.6% pts)*
Europe	**10.0**	***34.6%***	8.2	*32.5%*	*2.1% pts*
Cyber Security gross profit and % margin	**36.9**	***29.3%***	47.9	*35.4%*	*(6.1% pts)*

Software Resilience

The Software Resilience division accounts for 19.2% of Group revenues (2022: 17.9%) and 34.8% of Group gross profit (2022: 30.4%).

Software Resilience revenue analysis – by originating country:

	Unaudited 2023 £m	2022 £m	% change at actual rates	**Unaudited 2023 £m**	Constant Currency [1] 2022 £m	% change at constant currency [1]
UK	**25.8**	25.4	1.6%	**25.8**	25.4	1.6%
North America	**34.5**	26.8	28.7%	**34.5**	30.2	14.2%
Europe	**4.0**	4.1	(2.4%)	**4.0**	4.2	(4.8%)
Total Software Resilience revenue	**64.3**	56.3	14.2%	**64.3**	59.8	7.5%

After considering the prior year Software Resilience fair value revenue adjustment (£4.4m) [2], Software Resilience revenue decreased by -0.5% at constant currency [1] (+5.9% actual rates).

Turning again to the performance between each half of the financial year, the following revenue analysis by originating country further demonstrates the performance between H1 2023 and H2 2023 compared to the corresponding periods in the prior year.

	Unaudited H1 2023 £m	H1 2022 £m	% change at actual rates	**Unaudited 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%

	Unaudited H2 2023 £m	H2 2022 £m	% change at actual rates	**Unaudited H2 2023 £m**	Constant currency [1] H2 2022 £m	% change at constant currency [1]
UK	**13.5**	12.8	5.5%	**13.5**	12.7	6.3%
North America	**17.2**	14.5	18.6%	**17.2**	15.5	11.0%
Europe	**2.0**	2.1	(4.8%)	**2.0**	2.2	(9.1%)
Total Software Resilience revenue	**32.7**	29.4	11.2%	**32.7**	30.4	7.6%

Software Resilience revenues analysed by service line:

On a statutory basis	Unaudited 2023 £m	2022 £m	% change at actual rates	Unaudited 2023 £m	Constant Currency [1] 2022 £m	% change at constant currency [1]
Software Resilience contracts	**42.8**	38.1	12.3%	**42.8**	40.4	*5.9%*
Verification services	**21.5**	18.2	18.1%	**21.5**	19.4	*10.8%*
Total Software Resilience revenue	**64.3**	56.3	14.2%	**64.3**	59.8	*7.5%*

After considering the prior year Software Resilience fair value revenue adjustment [2] (£4.4m), Software Resilience contracts revenue on a like for like basis decreased by -4.9% at constant currency [1] (+1.2% actual rates). Verification services increased by +9.7% at constant currency [1] (+16.8% actual rates). The prior year fair value adjustment in relation to deferred revenue of £4.4m 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:

	Unaudited 2023 £m	2023 % margin	Unaudited 2022 £m	2022 % margin	% pts change
UK	**18.2**	***70.5%***	17.7	*69.3%*	*1.2% pts*
North America	**25.0**	***72.5%***	19.8	*74.3%*	*(1.8% pts)*
Europe	**2.7**	***67.5%***	2.8	*68.3%*	*(0.8% pts)*
Software Resilience gross profit and % margin	**45.9**	***71.4%***	40.3	*71.6%*	*(0.2% pts)*

After considering the prior year Software Resilience fair value revenue adjustment (£4.4m) [2], Software Resilience gross profit decreased by -2.2% pts due to continued investment to enable Software Resilience to achieve sustainable revenue growth and profitability.

Turning again to the performance between each half of the financial year, the following gross profit analysis by originating country further demonstrates the performance between H1 2023 and H2 2023 compared to the corresponding periods in the prior year.

	Unaudited H1 2023 £m	H1 2023 % margin	Unaudited H1 2022 £m	H1 2022 % margin	% pts change
UK	**8.4**	***68.3%***	9.0	*71.4%*	*(3.1% pts)*
North America	**12.6**	***72.8%***	8.9	*72.4%*	*0.4% pts*
Europe	**1.3**	***65.0%***	1.4	*70.0%*	*(5.0% pts)*
Software Resilience gross profit and % margin	**22.3**	***70.6%***	19.3	*71.7%*	*1.1% pts*

	Unaudited H2 2023 £m	H2 2023 % margin	Unaudited H2 2022 £m	H2 2022 % margin	% pts change
UK	**9.8**	***72.6%***	8.6	*67.2%*	*5.4% pts*
North America	**12.4**	***72.1%***	11.0	*75.9%*	*(3.8% pts]*
Europe	**1.4**	***70.0%***	1.4	*66.7%*	*3.3% pts*
Software Resilience gross profit and % margin	**23.6**	***72.2%***	21.0	*71.4%*	*0.8% pts*

Individually Significant Items

During the year, the Group has incurred £14.7m in individually Significant Items (ISIs) (2022: £0.9m) as follows:

	Unaudited 2023 £m	2022 £m
North America Cyber Security goodwill impairment	9.8	-
Re-organisation costs arising from strategic actions	4.2	-
Costs associated with strategic review of Software Resilience business and other core and non-core assets	3.0	-
NCC Group A/S goodwill impairment	3.0	-
Profit on disposal of DDI business	(4.7)	-
IPM Software Resilience business deferred income adjustment	(0.6)	-
Costs directly attributable to the acquisition of IPM	-	0.9
Total ISIs	**14.7**	0.9

Individually Significant Items incurred during the year amounted to £14.7m represented mainly by an impairment in Goodwill of £9.8m for the NA Assurance business following the recent reduction in spend by North American technology clients and £4.2m in relation to fundamental reorganisation costs as we reshaped the Group to implement the next chapter of the Group's strategy. Costs associated with the strategic review of our Software Resilience business (£3.0m) and an impairment of Goodwill (£3.0m) relating to our Danish business following its reorganisation were partially offset by a profit on disposal of our DDI business (£4.7m).

Finance costs

Finance costs for the period were £6.2m compared to £3.7m in 2022 due to an increase in borrowing following the IPM acquisition and an increase in base interest rates. Finance costs include lease financing costs from IFRS 16 of £1.1m (2022: £1.2m). Borrowing costs also include the write off of existing arrangement fees (£0.6m) following the refinance in December 2022 to a new facility. 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. The average interest rate for the year was 4.54% and is currently 6.27% following recent changes to base interest rates. Average borrowings during the year amounted to £87.1m.

Taxation

The Group's effective statutory tax rate is (7.0%) (2022: 25.8%). The decrease in tax rate from 2022 to 2023 is due to a number of factors including the non-deductibility impact of goodwill impairment. See note 6 for further details. The Group's adjusted tax rate is 16.4% (2022: 24.5%). The decrease in the adjusted tax rate from 2022 to 2023 is mainly due to a combination of a provision release against the benefit of US R&D tax claims and a prior year credit in relation to the tax treatment of the IPM acquisition.

Earnings per share (EPS)

	Unaudited 2023	2022
Statutory		
Basic EPS	**(1.5p)**	7.4p
Diluted EPS	**(1.5p)**	7.4p
Adjusted [1]		
Basic EPS	**6.1p**	10.8p
Weighted average number of shares (million)		
Basic	**310.4**	309.5
Diluted	**311.2**	310.9

Cash flow and net debt [1]

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

	Unaudited 2023 £m	2022 £m
Operating cash inflow before movements in working capital	**37.9**	49.3
Decrease/(increase) in trade and other receivables	**19.7**	(1.8)
Decrease in inventories	**0.1**	0.2
(Decrease)/increase in trade and other payables	**(15.1)**	12.6
Cash generated from operating activities before interest and taxation	**42.6**	60.3
Interest element of lease payments	**(1.1)**	(1.2)
Finance interest paid	**(4.0)**	(2.1)
Taxation paid	**(5.4)**	(2.2)
Net cash generated from operating activities	**32.1**	54.8
Purchase of property, plant and equipment	**(3.9)**	(5.2)
Software and development expenditure	**(3.4)**	(3.0)
Sale proceeds of business disposal (DDI)	**2.0**	-
Acquisition of trade and assets as part of a business combination	**(1.0)**	(153.0)
Equity dividends paid	**(14.5)**	(14.4)
Repayment of lease liabilities (principal amount)	**(6.1)**	(5.3)
Purchase of own shares	**(0.5)**	-
Proceeds from the issue of ordinary share capital	**0.1**	0.8
Net movement	**4.8**	(125.3)
Opening net (debt)/cash [1]	**(52.4)**	83.3
Non-cash movements (release of deferred issue costs)	**(0.8)**	(0.4)
Foreign exchange movement	**(1.2)**	(10.0)
Closing net debt excluding lease liabilities [1]	**(49.6)**	(52.4)
Lease liabilities	**(30.0)**	(32.6)
Closing net debt [1]	**(79.6)**	(85.0)

Net debt [1] can be reconciled as follows:

	Unaudited 2023 £m	2022 £m
Cash and cash equivalents	**34.1**	73.2
Bank overdraft	**(1.8)**	-
Borrowings (net of deferred issue costs)	**(81.9)**	(125.6)
Net debt excluding lease liabilities [1]	**(49.6)**	(52.4)
Lease liabilities	**(30.0)**	(32.6)
Net debt [1]	**(79.6)**	(85.0)

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

	Unaudited 2023 £m	2022 £m	% change/ % pts
Net operating cash flow before interest and taxation (A)	**42.6**	60.3	(29.4%)
Adjusted EBITDA [1] (B)	**41.4**	59.2	(30,1%)
Cash conversion ratio [1] (%) (A)/(B)	**102.9%**	101.9%	1.0% pts

1 Net debt excluding lease liabilities, net debt and cash conversion and Adjusted EBITDA are Alternative Performance Measures (APMs) and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items.

The increase in tax paid is mainly due to the historic Spanish tax payments (£2.0m) and the phasing of US tax payments.

Net cash capital expenditure during the period was £7.3m (2022: £8.2m) which includes tangible asset expenditure of £3.9m (2022: £5.2m) and capitalised software and development costs of £3.4m (2022: £3.0m).

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.

On 31 December 2022, the Group disposed of its DDI business for consideration of £5.8m, of which £2.0m was satisfied in cash and the remaining £3.8m is contingent on novation of certain customer contracts. £2m has been received post year end and it is expected that the remaining proceeds will be received in FY24.

Borrowings

During December 2022 we secured a new four-year £162.5m multi-currency revolving credit facility. This replaced 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. The new facility now matures in December 2026 and includes an £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. As noted above, the average interest rate for the year was 4.54% and is currently 6.27% following recent changes to base interest rates.

Dividends

Total dividends of £14.5m were paid in the year (2022: £14.4m), which represented the final dividend for FY22 of 3.15p and the interim dividend of 1.50 per ordinary share for FY23 (2022: 1.50p). The Board is declaring an unchanged final dividend of 3.15p per ordinary share (2022: 3.15p).

This represents a dividend equal to that paid in the prior year as the Board is conscious of the need to invest in new strategy and manage its net debt accordingly following the challenging year.

The final dividend of approximately £10m will be paid on 8 December 2023, to shareholders on the register at the close of business on 10 November 2023. The ex-dividend date is 9 November 2023.

Consolidated income statement
for the year ended 31 May 2023

	Notes	Unaudited 2023 £m	2022 £m
Revenue	4	**335.1**	314.8
Cost of sales	4	**(203.1)**	(182.2)
Gross profit	4	**132.0**	132.6
Administrative expenses			
Individually Significant Items	5	**(14.7)**	(0.9)
Depreciation and amortisation		**(22.6)**	(19.7)
Credit losses recognised on financial assets		**1.5**	(0.6)
(Impairment)/reversal of impairment of non-current assets		**(1.1)**	0.1
Other administrative expenses		**(93.2)**	(76.8)
Total administrative expenses		**(130.1)**	(97.9)
Operating profit	4	**1.9**	34.7
Finance costs		**(6.2)**	(3.7)
(Loss)/profit before taxation		**(4.3)**	31.0
Taxation	6	**(0.3)**	(8.0)
(Loss)/profit for the year attributable to owners of the Company		**(4.6)**	23.0
Earnings per ordinary share	8		
Basic EPS		**(1.5)p**	7.4p
Diluted EPS		**(1.5)p**	7.4p

Consolidated statement of comprehensive income/(loss)
for the year ended 31 May 2023

	Unaudited 2023 £m	2022 £m
(Loss)/profit for the year attributable to the owners of the Company	**(4.6)**	23.0
Other comprehensive income/(loss)		
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	**2.4**	14.8
Total other comprehensive income	**2.4**	14.7
Total comprehensive (loss)/income for the year (net of tax) attributable to the owners of the Company	**(2.2)**	37.7

Consolidated balance sheet
at 31 May 2023

	Notes	Unaudited 31 May 2023 £m	31 May 2022 £m
Non-current assets			
Goodwill	9	**255.8**	266.1
Intangible assets	9	**110.9**	118.6
Property, plant and equipment		**12.5**	12.9
Right-of-use assets		**18.6**	22.0
Investments		**0.3**	0.3
Deferred tax asset		**2.9**	1.4
Total non-current assets		**401.0**	421.3
Current assets			
Inventories		**0.8**	0.9
Trade and other receivables		**58.1**	77.7
Contingent consideration receivable		**3.8**	-
Derivative financial instruments		**-**	0.2
Current tax receivable		**3.6**	3.1
Cash and cash equivalents	10	**34.1**	73.2
Total current assets		**100.4**	155.1
Total assets		**501.4**	576.4
Current liabilities			
Trade and other payables		**44.7**	48.3
Bank overdraft	10	**1.8**	-
Borrowings	10	**-**	18.5
Lease liabilities	10	**6.0**	5.4
Current tax payable		**4.2**	7.4
Derivative financial instruments		**0.6**	–
Contingent consideration payable		**1.0**	1.9
Provisions		**1.2**	2.7
Contract liabilities – deferred revenue		**51.6**	61.7
Total current liabilities		**111.1**	145.9
Non-current liabilities			
Borrowings	10	**81.9**	107.1
Lease liabilities	10	**24.0**	27.2
Deferred tax liabilities		**1.4**	1.6
Provisions		**1.5**	0.8
Contract liabilities – deferred revenue		**3.3**	0.6
Total non-current liabilities		**112.1**	137.3
Total liabilities		**223.2**	283.2
Net assets		**278.2**	293.2
Equity			
Share capital		**3.1**	3.1
Share premium		**224.1**	224.0
Merger reserve		**42.3**	42.3
Currency translation reserve		**37.5**	35.1
Retained earnings		**(28.8)**	(11.3)
Total equity attributable to equity holders of the Parent		**278.2**	293.2

Consolidated cash flow statement
for the year ended 31 May 2023

	Notes	Unaudited 2023 £m	2022 £m
Cash flows from operating activities			
(Loss)/profit for the year		**(4.6)**	23.0
Adjustments for:			
Depreciation of property, plant and equipment		**4.5**	3.9
Depreciation of right-of-use assets		**5.7**	5.4
Share-based payments		**2.2**	3.9
Cash settled share-based payments		**-**	(0.5)
Amortisation of customer contracts and relationships	9	**10.0**	8.6
Amortisation of software and development costs	9	**2.4**	1.8
Impairment of goodwill	9	**12.8**	-
Impairment of software costs	9	**0.6**	-
Impairment/(reversal of impairment) of right-of-use-assets		**0.5**	(0.1)
Lease financing costs		**1.1**	1.2
Other financing costs		**5.1**	2.5
Foreign exchange loss/(gain)		**0.6**	(0.6)
Acquisition of business - transaction costs		**-**	(7.3)
Disposal of business - transaction costs		**(0.1)**	-
ISIs (non-cash impact)		**3.5**	-
Profit on disposal of right-of-use assets		**(0.7)**	-
Profit on disposal of business (DDI)		**(4.7)**	-
Research and development UK tax credits		**(0.5)**	(1.0)
Research and development US tax credits		**(1.4)**	(1.1)
Income tax expense		**1.7**	9.1
(Decrease)/increase in provisions		**(0.8)**	0.5
Cash inflow for the year before changes in working capital		**37.9**	49.3
Decrease/(increase) in trade and other receivables		**19.7**	(1.8)
Decrease in inventories		**0.1**	0.2
(Decrease)/increase in trade and other payables		**(15.1)**	12.6
Cash generated from operating activities before interest and taxation		**42.6**	60.3
Interest element of lease payments		**(1.1)**	(1.2)
Other interest paid		**(4.0)**	(2.1)
Taxation paid		**(5.4)**	(2.2)
Net cash generated from operating activities		**32.1**	54.8
Cash flows from investing activities			
Acquisition of trade and assets as part of business combinations		**(1.0)**	(153.0)
Purchase of property, plant and equipment		**(3.9)**	(5.2)
Software and development expenditure		**(3.4)**	(3.0)
Sale proceeds of business disposal (DDI)		**2.0**	**-**
Net cash used in investing activities		**(6.3)**	(161.2)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital		**0.1**	0.8
Purchase of own shares		**(0.5)**	-
Principal element of lease payments		**(6.1)**	(5.3)
Drawdown of borrowings (net of deferred issue costs)		**70.8**	120.7
Issue costs related to borrowings		**(1.5)**	(0.6)
Repayment of borrowings		**(115.6)**	(39.4)
Equity dividends paid	7	**(14.5)**	(14.4)
Net cash (used in)/generated from financing activities		**(67.3)**	61.8
Net decrease in cash and cash equivalents		**(41.5)**	(44.6)
Cash and cash equivalents at beginning of period		**73.2**	116.5
Effect of foreign currency exchange rate changes		**0.6**	1.3
Cash and cash equivalents at end of year		**32.3**	73.2

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

	Notes	**Unaudited 2023 £m**	2022 £m
Net decrease in cash and cash equivalents		**(41.5)**	(44.6)
Change in net debt [1] resulting from cash flows (net of deferred issue costs)		**44.8**	(81.3)
Interest incurred on borrowings		**4.0**	2.1
Interest paid on borrowings		**(4.0)**	(2.1)
Release of deferred issue costs		**(1.0)**	(0.4)
Issue costs related to borrowings (non-cash)		**1.7**	0.6
Effect of foreign currency on cash flows		**0.6**	1.3
Foreign currency translation differences on borrowings		**(1.8)**	(11.3)
Change in net cash/(debt) [1] during the year		**2.8**	(135.7)
Net (debt)/cash at start of year excluding lease liabilities [1]		**(52.4)**	83.3
Net debt [1] at end of year excluding lease liabilities [1]		**(49.6)**	(52.4)
Lease liabilities	10	**(30.0)**	(32.6)
Net debt [1] at end of year	10	**(79.6)**	(85.0)

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.

Consolidated statement of changes in equity

for the year ended 31 May 2023

	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 expense for the year		–	–	(0.1)	–	–	–	(0.1)
Foreign currency translation differences		–	–	–	–	14.8	–	14.8
Total comprehensive (expense)/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
Loss for the year		**-**	**-**	**-**	**-**	**-**	**(4.6)**	**(4.6)**
Foreign currency translation differences		**-**	**-**	**-**	**-**	**2.4**	**-**	**2.4**
Total comprehensive income/(loss) for the year		**-**	**-**	**-**	**-**	**2.4**	**(4.6)**	**(2.2)**
Transactions with owners recorded directly in equity								
Dividends to equity shareholders	7	**-**	**-**	**-**	**-**	**-**	**(14.5)**	**(14.5)**
Share-based payments		**-**	**-**	**-**	**-**	**-**	**2.2**	**2.2**
Tax on share-based payments		**-**	**-**	**-**	**-**	**-**	**(0.1)**	**(0.1)**
Purchase of own shares		-	-	-	-	-	(0.5)	(0.5)
Shares issued		**-**	**0.1**	**-**	**-**	**-**	**-**	**0.1**
Total contributions by and distributions to owners		**-**	**0.1**	**-**	**-**	**-**	**(12.9)**	**(12.8)**
Balance at 31 May 2023 (Unaudited)		**3.1**	**224.1**	**-**	**42.3**	**37.5**	**(28.8)**	**278.2**

Notes to the unaudited condensed consolidated financial statements

1 Accounting policies

Basis of preparation

NCC Group plc (the 'Company') is a public company incorporated in the UK, with its registered office at XYZ Building, 2 Hardman Boulevard, Manchester M3 3AQ. The Group Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group'). The principal activity of the Group is the provision of independent advice and services to customers through the supply of cyber security and Software Resilience services.

The condensed financial statements have been prepared on the historical cost basis, except for consideration payable on acquisitions that is measured at fair value at the date of the acquisition. The condensed financial statements are presented in Sterling (£m) because that is the currency of the principal economic environment in which the Company operates. The financial information is derived from the Group's consolidated financial statements for the year ended 31 May 2023, which have been prepared on the going concern basis in accordance with UK-adopted international accounting standards ("UK-adopted IFRS").

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 May 2023 and 31 May 2022. The financial information for the year ended 31 May 2022 is derived from the statutory accounts for the year ended 31 May 2022 which have been delivered to the registrar of companies. The auditor has reported on the 31 May 2022 accounts; their report 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. The statutory accounts for the year ended 31 May 2023 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the registrar of companies in due course.

As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority the condensed set of 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.

Climate change

The Directors have reviewed the potential impact of Climate change and the Task Force on Climate-Related Financial Disclosures (TCFD) on the consolidated 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 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 12-month period ending 30 September 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.

The Group is financed primarily by a £162.5m multi-currency revolving credit facility maturing in December 2026. 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 consolidated financial statements.

As of 31 May 2023, net debt (excluding lease liabilities) [1] amounted to £49.6m which comprised cash of £34.1m, a bank overdraft of £1.8m, a drawn revolving credit facility of £83.4m had been drawn under these facilities, leaving £79.1m (2022: £28.7m) of undrawn facilities, excluding the uncommitted accordion facility of £75.0m. Unamortised arrangement fees of £1.5m have been offset against the amounts drawn down, resulting in a carrying value of borrowings at 31 May 2023 of £81.9m. 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 31 May 2023, leverage [1] amounted to 1.4x and net interest cover [1] amounted to 6.7 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 amounts noted in these financial statements with the exceptions being net debt excludes IFRS 16 lease liabilities and Adjusted EBITDA [1] . The Group was in compliance with the terms of all its facilities during the year, including the financial covenants on 31 May 2023, 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.

It's been a challenging year for the Group with a decline in the rate of revenue growth and overall profitability. The Group's revenue performance and profitability suffered from market volatility within Cyber Security[1]. In particular, the Group experienced buying decision delays and cancellations in the North American tech sector and our UK market. These headwinds have further reinforced the need to accelerate the implementation of our next chapter of the Group strategy following its communication in February 2023. This strategy requires a level of additional investment in 2024. Despite the above, the Group has maintained consistent cash generation during the year.

Following the year end, the Group has engaged in additional generating cost efficiencies across Cyber Security [1] and corporate functions which is resulting in the implementation of a fundamental reorganisation generating further savings compared to the prior year. As a result of all of the above, the base case going concern assessment has been prepared on the basis that market volatility within Cyber Security[1] partially continues with overall profitability remaining similar to 2023.

With this context, the Directors have prepared a number of severe but plausible scenarios to the base cash going concern assessment as follows:

a) No recovery from FY23 Q4 Cyber Security [1] trading performance - £6.4m reduction profit before tax
b) Loss of key customers - £4.2m reduction in profit before tax
c) Shortfall in forecast cost savings – annualised £3.2m reduction in profit before tax
d) Further inflationary pressures continue, worse and more prolonged than expected (wages, energy and interest) - £5.6m reduction in profit before tax
e) Combination of Scenario a and d - £10.8m reduction in profit before tax

These scenarios have been modelled individually in order to assess the Group's ability to withstand specific challenges. The Directors do not believe it is plausible for all of the above downside scenarios to occur concurrently; however, they have modelled scenarios combining risks (a and d). 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 the severe but plausible downsides, show that the Group is able to 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.

From a Company perspective, the Company places reliance on other Group trading entities for financial support. The Company controls these Group entities and therefore has the ability to direct the financial activities of the Group. Having reviewed the current trading performance, forecasts, debt servicing requirements, total facilities and risks, the Directors are confident that the Company and 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 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 Financial Statements for the period ended 31 May 2023.

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

Individually Significant Items

Individually Significant Items are identified as those items or projects 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. Where a project spans reporting period(s) the total project size and nature are considered in totality. 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 in order to fairly present the financial performance of the Group.

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of 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. The table below shows those areas of critical accounting judgements and estimates that the Directors consider material and that could reasonably change significantly in the next year.

Accounting area	Accounting judgement?	Accounting estimate?
Impairment of goodwill	No	Yes
Valuation of separately identifiable intangible assets (prior year)	No	Yes

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 consolidated Financial Statements.

2.2 Key sources of estimation uncertainty

Information about estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying values of assets and liabilities within the next financial year is addressed below.

Whilst every effort is made to ensure that such estimates and assumptions are reasonable, by their nature they are uncertain, and as such changes in estimates and assumptions may have a material impact. Estimates and assumptions used in the preparation of the Financial Statements are continually reviewed and revised as necessary at each reporting date.

The Directors have considered the impact of climate change on the following estimation uncertainties. Due to nature of the climate change impact on the Group, no material impact has been identified.

Impairment of goodwill

The Group has significant balances relating to goodwill at 31 May 2023 as a result of acquisitions of businesses in previous years. The carrying value of goodwill at 31 May 2023 is £255.8m (2022: £266.1m). Goodwill balances are tested annually for impairment. The Group allocated goodwill to cash-generating units ("CGUs") which represent the lowest level of asset groupings that generate separately identifiable cash inflows that are not dependent on other CGUs.

For the year ended 31 May 2023, tests for impairment are based on the calculation of a fair value less costs to sell ("FVLCTS") which has been used to establish the recoverable amount of the CGU. The FVLCTS valuation has been calculated by assessing the value of each standalone CGU calculated using an Adjusted EBITDA [1] multiple based on estimated sustainable earnings adjusted for specific items where relevant. Estimated sustainable earnings has been determined considering past experience and includes expectations based on a market participant view of sustainable performance of the business based on market volatility and uncertainty as at 31 May 2023.

The sustainable earnings figures used in this calculation include key assumptions regarding sustainable revenues and costs for the business. If the assumptions and estimates used in this valuation prove to be incorrect, the carrying value of goodwill may be overstated.

The two CGUs which are most sensitive to reasonably possible changes in sustainable earnings are US Cyber Security [1] and Europe Cyber Security [1]. A description of such estimates and reasonably possible sensitivities is provided in note 9.

3 Alternative Performance Measures (APMs) and adjusting items

The consolidated Financial Statements include APMs as well as statutory measures. These APMs used by the Group are not defined terms under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. They are not intended to be a substitute for, or superior to, Generally Accepted Accounting Practice (GAAP) measures. All APMs relate to the current year results and comparative periods where provided.

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 schemes and provides supplementary information that assists the user in understanding the financial performance, position and trends of the Group. At all times, the Group aims to ensure that the Annual Report and Accounts gives a fair, balanced and understandable view of the Group's performance, cash flows and financial position. IAS 1 'Presentation of Financial Statements' requires the separate presentation of items that are material in nature or scale in order to allow the user of the accounts to understand underlying business performance.

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 at an Adjusted operating profit level (before Individually Significant Items, amortisation of acquired intangibles and share-based payments), which management believes represents the underlying trading of the business. this information is still disclosed as an APM within this Annual Report. This APM is reconciled to statutory operating profit, together with the consequently Adjusted basic EPS (before amortisation of acquisition intangibles, share-based payments and Individually Significant Items and tax effect thereon) to statutory basic EPS.

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

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Note reference for reconciliation	Definition, purpose and considerations made by the Directors
Income Statement measures:				
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 considering 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.
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 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. 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.

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Note reference for reconciliation	Definition, purpose and considerations made by the Directors
				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 adjusting items, depreciation and amortisation, finance costs and taxation	3	Represents operating profit before adjusting items, depreciation and amortisation to assist in the understanding of the Group's performance. Adjusted EBITDA is disclosed as this is a measure widely used by various stakeholders and used by the Group to measure the cash conversion ratio.
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.
Balance Sheet measures:				
Net cash/(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. 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.
Net cash/(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.

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Note reference for reconciliation	Definition, purpose and considerations made by the Directors
Cash flow measure:				
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 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 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.

The above APMs are consistent with those reported for the year ended 31 May 2022, except for the removal of the Group revenue and Software Resilience revenue excluding IPM acquisition, which have been removed now that the Group has comparable data following the acquisition in June 2021.

Adjusted EBITDA and Adjusted operating profit

The calculation of Adjusted EBITDA and Adjusted operating profit is set out below:

	Unaudited 2023 £m	2022 £m
Operating profit	**1.9**	**34.7**
Depreciation of property, plant and equipment	**4.5**	**3.9**
Depreciation of right-of-use assets	**5.7**	**5.4**
Amortisation of customer contracts and relationships (acquired intangibles)	**10.0**	**8.6**
Amortisation of software and development costs	**2.4**	**1.8**
Individually Significant Items (Note 5)	**14.7**	**0.9**
Share-based payments charge	**2.2**	**3.9**
Adjusted EBITDA	**41.4**	**59.2**
Depreciation and amortisation (excluding amortisation charged on acquired intangibles)	**(12.6)**	**(11.1)**
Adjusted operating profit	**28.8**	**48.1**

Net (debt)/cash

The calculation of net debt excluding lease liabilities and net debt is set out below:

	Unaudited 2023 £m	2022 £m
Cash and cash equivalents (Note 10)	**34.1**	73.2
Bank overdraft (Note 10)	**(1.8)**	-
Borrowings (Note 10)	**(81.9)**	(125.6)
Net debt excluding lease liabilities	**(49.6)**	(52.4)
Lease liabilities	**(30.0)**	(32.6)
Net debt	**(79.6)**	(85.0)

Cash conversion ratio

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

	Unaudited 2023 £m	2022 £m
Cash generated from operating activities before interest and taxation (A)	**42.6**	60.3
Adjusted EBITDA (B)	**41.4**	59.2
Cash conversion ratio (%) (A)/(B)	**102.9%**	101.9%

Constant currency revenue

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

Group

Revenue:

Revenue:	**Unaudited Revenue 2023 £m**	Revenue 2022 £m	% change at actual rates	**Unaudited Revenue 2023 £m**	Constant currency revenue 2022 £m	% change at constant currency
Total revenue	**335.1**	314.8	6.4%	**335.1**	330.3	*1.5%*

Following the acquisition of IPM in the prior period, goodwill and intangible assets were recognised amounting to £68.6m and £92.6m respectively. Management was required to recognise all assets and liabilities at fair value, giving rise to a fair value adjustment on the level of deferred revenue acquired of £12.1m. This had resulted in a downward adjustment to the book value of IPM's deferred revenues reflecting the fair value of service still to be delivered. If the fair value adjustment had not applied, revenue would be £4.4m higher for the 12 months ended 31 May 2022.

On this basis, management has set out below unaudited proforma information to show the consequential impact on the Group results for the year ended 31 May 2023. Unaudited proforma total revenue is not a statutory measure.

	Unaudited Revenue 2023 £m	Revenue 2022 [1] £m	% change at actual rates	**Unaudited Revenue 2023 £m**	Constant currency revenue 2022 * £m	% change at constant currency
Total revenue	**335.1**	314.8	6.4%	335.1	330.3	*1.5%*
Software Resilience revenue adjustment	**-**	4.4	n/a	-	4.8	n/a
Unaudited proforma total revenue	**335.1**	319.2	5.0%	**335.1**	335.1	-

** 2022 revenue is not a statutory measure and includes the Software Resilience revenue adjustment.*

Cyber Security [1]

Cyber Security [1] revenue analysis – by originating country:

	Unaudited Revenue 2023 £m	Revenue 2022 £m	% change at actual rates	**Unaudited Revenue 2023 £m**	Constant currency revenue 2022 £m	% change at constant currency
UK and APAC	**118.4**	114.6	*3.3%*	**118.4**	115.0	*3.0%*
North America	**99.3**	94.1	*5.5%*	**99.3**	104.4	*(4.9%)*
Europe	**53.1**	49.8	*6.6%*	**53.1**	51.1	*3.9%*
Total Cyber Security[1] revenue	**270.8**	258.5	*4.8%*	**270.8**	270.5	*0.1%*

	Unaudited Revenue H1 2023 £m	Revenue H1 2022 £m	% change at actual rates	**Unaudited Revenue H1 2023 £m**	Constant currency revenue H1 2022 £m	% change at constant currency
UK and 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 Cyber Security[1] revenue	**145.0**	123.2	*17.7%*	**145.0**	130.9	*10.8%*

	Unaudited Revenue H2 2023 £m	Revenue H2 2022 £m	% change at actual rates	**Unaudited Revenue H2 2023 £m**	Constant currency revenue H2 2022 £m	% change at constant currency
UK and APAC	**56.8**	60.0	*(5.3%)*	**56.8**	60.0	*(5.3%)*
North America	**40.1**	50.1	*(20.0%)*	**40.1**	53.4	*(24.9%)*
Europe	**28.9**	25.2	*14.7%*	**28.9**	26.2	*10.3%*
Total Cyber Security[1] revenue	**125.8**	135.3	*(7.0%)*	**125.8**	139.6	*(9.9%)*

Cyber Security [1] revenue analysed by type of service/product line:

	Unaudited Revenue 2023 £m	Restated* Revenue 2022 £m	% change at actual rates	**Unaudited Revenue 2023 £m**	Constant currency revenue 2022* £m	% change at constant currency
Global Professional Services (GPS)	**199.3**	195.4	*2.0%*	**199.3**	205.6	*(3.1%)*
Global Managed Services (GMS)	**67.8**	58.6	*15.7%*	**67.8**	60.3	*12.4%*
Product sales (own and third party)	**3.7**	4.5	*(17.8%)*	**3.7**	4.6	*(19.6%)*
Total Cyber Security[1] revenue	**270.8**	258.5	*4.8%*	**270.8**	**270.5**	*0.1%*

** Restated to present revenue by category to be consistent with amounts reported to management. Revenue of £6.4m has been represented within GPS rather than product sales.*

	Unaudited Revenue H1 2023 £m	Revenue H1 2022 £m	% change at actual rates	**Unaudited Revenue H1 2023 £m**	Constant currency revenue H1 2022 £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 Cyber Security[1] revenue	**145.0**	123.2	*17.7%*	**145.0**	130.9	*10.8%*

	Unaudited Revenue H2 2023 £m	Revenue H2 2022 £m	% change at actual rates	**Unaudited Revenue H2 2023 £m**	Constant currency revenue H2 2022 £m	% change at constant currency
Global Professional Services (GPS)	**88.2**	101.8	(13.4%)	**88.2**	105.0	(16.0%)
Global Managed Services (GMS)	**35.6**	30.2	17.9%	**35.6**	31.2	14.1%
Product sales (own and third party)	**2.0**	3.3	(39.4%)	**2.0**	3.4	(41.2%)
Total Cyber Security[1] revenue	**125.8**	135.3	*(7.0%)*	**125.8**	139.6	*(9.9%)*

Software Resilience

Software Resilience revenue analysis – by originating country:

	Unaudited Revenue 2023 £m	Revenue 2022 £m	% change at actual rates	**Unaudited Revenue 2023 £m**	Constant currency revenue 2022 £m	% change at constant currency
UK	**25.8**	25.4	1.6%	**25.8**	25.4	1.6%
North America	**34.5**	26.8	28.7%	**34.5**	30.2	14.2%
Europe	**4.0**	4.1	(2.4%)	**4.0**	4.2	(4.8%)
Total Software Resilience revenue	**64.3**	56.3	14.2%	**64.3**	59.8	7.5%

	Unaudited Revenue H1 2023 £m	Revenue H1 2022 £m	% change at actual rates	**Unaudited Revenue H1 2023 £m**	Constant currency revenue 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%**

	Unaudited Revenue H2 2023 £m	Revenue H2 2022 £m	% change at actual rates	**Unaudited Revenue H2 2023 £m**	Constant currency revenue H2 2022 £m	% change at constant currency
UK	**13.5**	12.8	**5.5%**	**13.5**	12.7	6.3%
North America	**17.2**	14.5	**18.6%**	**17.2**	15.5	11.0%
Europe	**2.0**	2.1	**(4.8%)**	**2.0**	2.2	(9.1%)
Total Software Resilience revenue	**32.7**	29.4	**11.2%**	**32.7**	30.4	**7.6%**

Software Resilience revenues analysed by service line:

	Unaudited Revenue 2023 £m	Revenue 2022 £m	% change at actual rates	**Unaudited Revenue 2023 £m**	Constant currency revenue 2022 £m	% change at constant currency
Software Resilience contracts	**42.8**	38.1	12.3%	**42.8**	40.4	***5.9%***
Verification services	**21.5**	18.2	18.1%	**21.5**	19.4	***10.8%***
Total Software Resilience revenue	**64.3**	56.3	14.2%	**64.3**	59.8	***7.5%***

	Unaudited Revenue H1 2023 £m	Revenue H1 2022 £m	% change at actual rates	**Unaudited Revenue H1 2023 £m**	Constant currency revenue 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%**

	Unaudited Revenue H2 2023 £m	Revenue H2 2022 £m	% change at actual rates	**Unaudited Revenue H2 2023 £m**	Constant currency revenue H2 2022 £m	% change at constant currency
Software Resilience contracts	**21.5**	19.4	10.8%	**21.5**	19.8	8.6%
Verification services	**11.2**	10.0	12.0%	**11.2**	10.6	5.7%
Total Software Resilience revenue	**32.7**	29.4	**11.2%**	**32.7**	30.4	**7.6%**

Software Resilience unaudited proforma total revenue

Following the acquisition of IPM in the prior period, goodwill and intangible assets were recognised amounting to £68.6m and £92.6m respectively. Management was required to recognise all assets and liabilities at fair value, giving rise to a fair value adjustment on the level of deferred revenue acquired of £12.1m. This had resulted in a downward adjustment to the book value of IPM's deferred revenues reflecting the fair value of service still to be delivered. If the fair value adjustment had not applied, revenue would be £4.4m higher for the 12 months ended 31 May 2022.

On this basis, management has set out below unaudited proforma information to show the consequential impact on the Group results for the year ended 31 May 2023. Software Resilience unaudited proforma total revenue is not a statutory measure.

	Unaudited Revenue 2023 £m	Revenue 2022 [1] £m	% change at actual rates	**Unaudited Revenue 2023 £m**	Constant currency revenue 2022 [1] £m	% change at constant currency
Software Resilience contracts	**42.8**	42.3	*1.2%*	**42.8**	45.0	*(4.9%)*
Verification services	**21.5**	18.4	16.8%	**21.5**	19.6	*9.7%*
Software Resilience unaudited proforma total revenue	**64.3**	60.7	*5.9%*	**64.3**	64.6	*(0.5%)*

1: 2022 revenue is not a statutory measure and includes the Software Resilience revenue adjustment.

4 Segmental information

The Group is organised into the following two (2022: two) reportable segments: Cyber Security[2] 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 Adjusted operating profit [1] and adjusting items are not allocated to business segments. Interest and tax are also not allocated to business segments and there are no intra-segment sales.

Segmental analysis 2023 (unaudited)	Cyber Security[2] £m	Software Resilience £m	Central and head office £m	Group £m
Revenue	**270.8**	**64.3**	**-**	**335.1**
Cost of sales	**(184.7)**	**(18.4)**	**-**	**(203.1)**
Gross profit	**86.1**	**45.9**	**-**	**132.0**
Gross margin %	**31.8%**	**71.4%**		**39.4%**
General administrative expenses allocated	**(70.7)**	**(14.7)**	**(5.2)**	**(90.6)**
Adjusted EBITDA [1]	**15.4**	**31.2**	**(5.2)**	**41.4**
Depreciation and amortisation	**(8.5)**	**(0.6)**	**(3.5)**	**(12.6)**
Adjusted operating profit [1]	**6.9**	**30.6**	**(8.7)**	**28.8**
Individually Significant Items (Note 5)	**(12.3)**	**(2.4)**	**-**	**(14.7)**
Amortisation of acquired intangibles	**(1.2)**	**(5.8)**	**(3.0)**	**(10.0)**
Share-based payments	**(1.6)**	**(0.1)**	**(0.5)**	**(2.2)**
Operating profit	**(8.2)**	**22.3**	**(12.2)**	**1.9**
Finance costs				**(6.2)**
Loss before taxation				**(4.3)**
Taxation				**(0.3)**
Loss for the year				**(4.6)**

Segmental analysis 2022	Cyber Security [2] £m	Software Resilience £m	Central and head office £m	Group £m
Revenue	258.5	56.3	-	314.8
Cost of sales	(166.2)	(16.0)	-	(182.2)
Gross profit	92.3	40.3	-	132.6
Gross margin %	35.7%	71.6%	-	42.1%
General administrative expenses allocated	(53.2)	(17.5)	(2.7)	(73.4)
Adjusted EBITDA [1]	39.1	22.8	(2.7)	59.2
Depreciation and amortisation	(7.2)	(0.8)	(3.1)	(11.1)
Adjusted operating profit [1]	31.9	22.0	(5.8)	48.1
Individually Significant Items (Note 5)	-	(0.9)	-	(0.9)
Amortisation of acquired intangibles	(0.9)	(4.8)	(2.9)	(8.6)
Share-based payments	(2.1)	(0.3)	(1.5)	(3.9)
Operating profit/(loss)	28.9	16.0	(10.2)	34.7
Finance costs				(3.7)
Profit before taxation				31.0
Taxation				(8.0)
Profit for the year				23.0

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.

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

	Cyber Security[1] £m	Software Resilience £m	Unaudited 2023 Total £m	Cyber Security [1] £m	Software Resilience £m	2022 Total £m
Revenue by originating country						
UK	**106.6**	**25.8**	**132.4**	103.9	25.4	129.3
APAC	**11.8**	**-**	**11.8**	10.7	-	10.7
North America	**99.3**	**34.5**	**133.8**	94.1	26.8	120.9
Europe	**53.1**	**4.0**	**57.1**	49.8	4.1	53.9
Total revenue	**270.8**	**64.3**	**335.1**	258.5	56.3	314.8

	Cyber Security[1] £m	Software Resilience £m	Unaudited 2023 Total £m	Restated Cyber Security [1] * £m	Software Resilience £m	2022 Total £m
Revenue by category						
Services	**267.1**	**64.3**	**331.4**	254.0	56.3	310.3
Products	**3.7**	**-**	**3.7**	4.5	-	4.5
Total revenue	**270.8**	**64.3**	**335.1**	258.5	56.3	314.8

** Restated to present revenue by category to be consistent with amounts reported to management. Revenue of £6.4m has been restated within services rather than product sales.*

Timing of revenue recognition	Cyber Security[1] £m	Software Resilience £m	Unaudited 2023 Total £m	Restated Cyber Security [1] * £m	Software Resilience £m	2022 Total £m
Services and products transferred over time	**252.9**	**42.8**	**295.7**	242.4	37.6	280.0
Services and products transferred at a point in time	**17.9**	**21.5**	**39.4**	16.1	18.7	34.8
Total revenue	**270.8**	**64.3**	**335.1**	258.5	56.3	314.8

*Restated to present revenue by category to be consistent with amounts reported to management. Revenue of £192.8m has restated within services and products transferred over time rather than within services and products transferred at a point in time in the Cyber Security [1] division consistent with the accounting policy applied.

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).

	Reference	Unaudited 2023 £m	2022 £m
North America Cyber Security goodwill impairment	**a**	**9.8**	-
Fundamental re-organisation costs	**b**	**4.2**	
Costs associated with strategic review of Software Resilience business	**c**	**3.0**	-
NCC Group A/S goodwill impairment	**d**	**3.0**	-
IPM Software Resilience business deferred income adjustment	**e**	**(0.6)**	-
Profit on disposal of DDI business	**f**	**(4.7)**	-
Costs directly attributable to the acquisition of IPM Software Resilience business	**g**	**-**	0.9
Total ISIs		**14.7**	0.9

(a) North America Cyber Security goodwill impairment

Following the annual impairment review of Goodwill, an impairment has been recognised amounting to £9.8m. For further details, please see note 9. Such costs meet the Group's policy for ISIs as this is a significant one-off event.

(b) Fundamental re-organisation costs

In order to implement the next chapter of the Group's strategy to enhance future growth, certain strategic actions are required including reshaping the Group global delivery and operational model. This reshaping is considered a fundamental reorganisation and restructuring programme (meeting the Group's policy for ISIs) that will span reporting periods and the total project size and nature are considered in totality. The programme commencement was accelerated following the Group experiencing specific market conditions that validated the rationale of the next chapter of the Group's strategy. The programme has three phases as follows:

- Phase 1 (March-April 2023) – initial reduction in global delivery and operational headcount; -c.7% reduction of the Group's global headcount
- Phase 2 (June-September 2023) – a further reduction in global delivery, operational and corporate functions headcount prior to opening our off-shore operations and delivery centre in Manila
- Phase 3 (October 2023-May 2025) – finalisation of the Group's operating model

Phases 2-3 are being implemented by the Group with the assistance of a third party to ensure the Group complete the fundamental reorganisation efficiently.

Costs of £4.2m (2022: £nil) and cash outflow of £3.4m (2022: £nil) have been incurred in relation to the implementation of this re-organisation and are made up of severance costs, associated taxes and professional fees for advisory and legal services. It is expected that costs will be incurred for the years ending 31 May 2024 and 2025 and the Group will have to exercise judgement in assessing whether the restructuring items should be classified as ISI, this will involve considering the nature of the item, cause of occurrence and scale of the impact of those items on the reported performance and after considering the original reorganisation programme principles and plans.

(c) Costs associated with strategic review of Software Resilience business
During February 2023, the Group announced its ongoing strategic review of the Software Resilience business and of other core and non-core assets. During the year ended 31 May 2023, professional fees totalling £3.0m (2022: £nil) mainly in respect of advisory services have been incurred. Such costs meet the Group's policy for ISIs as they have been incurred as part of the wider re-structuring/re-organisation activities that are ongoing within the Group. The Group has now stopped the strategic review of the Software Resilience business, which will be revisited by the Board when considered appropriate.

(d) NCC Group A/S goodwill impairment
On 1 June 2022, the Group made the decision to re-organise its Danish business (NCC Group A/S) which had previously been a part of the Europe Cyber Security[1] CGU. Following that re-organisation, the cash inflows associated with the Danish business are separately identifiable and therefore the carrying value of the CGU assets has been assessed separately for impairment at 31 May 2023. The charge of £3.0m (2022: £nil) represents the impairment of goodwill associated with the Danish business following completion of that review. Such costs meet the Group's policy for ISIs as this is a significant one-off event.

(e) IPM Software Resilience business deferred income adjustment
This represents an adjustment to the opening deferred income balance in respect of the IPM acquisition in June 2021. During FY23, opening deferred income balances on verification tests totalling £0.6m have been identified for which the work has not been performed and the statute of limitations has now expired. As the period of hindsight for adjusting goodwill has now expired management has released these amounts to the income statement. Given the nature of this release which would typically have been adjusted to goodwill it is considered to meet the definition of an individually significant item and has been classified as such.

(f) Profit on disposal of DDI business
On 31 December 2022, the Group disposed of its DDI business for cash consideration of £5.8m. The profit of £4.7m (2022: £nil) is directly attributable to the disposal of the DDI business. Such profits meet the Group's policy for ISIs as the proceeds represent a material profit on disposal.

(g) 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 during the year ended 31 May 2022 and are therefore considered to meet the Group's policy for ISIs. The nature of the costs includes legal, accountancy, due diligence and other advisory services. The total costs amount to £8.5m, of which £nil has been charged to the Income Statement in the year ended 31 May 2023 (2022: £0.9m, 2021: £7.6m). Of the total costs of £8.5m incurred, the Group saw a cash outflow of £nil in the year ended 31 May 2023 (2022: £7.3m, 2021: £1.2m). The difference between the cash outflow and the costs charged to the Income Statement relates to £6.4m of costs relating to services performed in the year ended 31 May 2021 but for which the cash outflow did not occur until the year ended 31 May 2022 in line with supplier payment terms.

6. Tax

Reconciliation of effective tax rate

	Unaudited 2023 £m	2022 £m
(Loss)/profit before taxation	**(4.3)**	31.0
Current tax using the UK effective corporation tax rate of 20% (2022: 19%)	**(0.9)**	5.9
Effects of:		
Items not deductible/(assessable) for tax purposes	**2.6**	0.5
Adjustment to tax charge in respect of prior periods	**(1.1)**	0.1
Impact of prior year US R&D tax credits	**(1.4)**	(1.1)
Impact of current year US R&D tax credits	**(0.3)**	(0.2)
Differences between overseas tax rates	**1.0**	1.7
Movements in temporary differences not recognised	**0.6**	1.2
Movement in tax rate	**(0.2)**	(0.1)
Total tax expense	**0.3**	8.0

Tax uncertainties

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 the current and previous periods. Uncertainty relates to the interpretation of US legislation applicable to periods where the statute of limitations has not expired. For the periods ended 31 May 2017 to 31 May 2023, the aggregate net current tax benefit taken to the Income Statement relating to US R&D tax credits is £5.6m (2022: £4.0m). As at 31 May 2023, the gross deferred tax asset relating to US R&D tax credits is £1.4m (2022: £0.5m) although due to uncertainty a partial provision of £0.8m (2022: £0.3m) has been made against this asset. The gross cumulative amount of US R&D tax credits amounts to £10.4m (2022: £9.3m) and the net cumulative amount is £6.2m (2022: £5.1m). The cumulative provision of £4.2m comprises a deferred tax element (£0.8m) relating to tax credits as yet unutilised against US tax and a current tax element (£3.4m) relating to utilised tax credits. The latter provision will unwind as the statute of limitation windows expire for claims made in respective periods. The provision relating to utilised tax credits of £3.4m is expected to unwind as follows: FY24: £1.2m, FY25: £1.0m, FY26: £0.4m and FY27: £0.8m.

7. Dividends

	Unaudited 2023 £m	2022 £m
Dividends paid and recognised in the year	**14.5**	14.4
Dividends per share paid and recognised in the year	**4.65p**	4.65p
Dividends per share proposed but not recognised in the year	**3.15p**	3.15p

The proposed final dividend for the year ended 31 May 2023 of 3.15p per ordinary share (approximately £9.8m) was recommended by the Board on 11 September 2023 and will be paid on 8 December 2023, to shareholders on the register at the close of business on 10 November 2023. The ex-dividend date is 9 November 2023. The dividend will be recommended to shareholders at the AGM on 30 November 2023. The dividend has not been included as a liability as at 31 May 2023. The payment of this dividend will not have any tax consequences for the Group.

8. Earnings per ordinary share (EPS)

Earnings per ordinary share are shown on a statutory and an adjusted basis to assist in the understanding of the performance of the Group.

	Unaudited 2023 £m	2022 £m
Statutory earnings (A)	**(4.6)**	23.0

	Number of shares m	Number of shares m
Weighted average number of shares in issue	**311.1**	309.5
Less: weighted average holdings by Group ESOT	**(0.7)**	-
Basic weighted average number of shares in issue (C)	**310.4**	309.5
Dilutive effect of share options	**0.8**	1.4
Diluted weighted average shares in issue (D)	**311.2**	310.9

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.

	Unaudited 2023 Pence	2022 Pence
Earnings per ordinary share		
Basic (A/C)	**(1.5)**	7.4
Diluted (A/D)	**(1.5)**	7.4

Adjusted basic EPS [1] is reconciled as follows:

	Unaudited 2023 £m	2022 £m
Statutory earnings (A)	**(4.6)**	23.0
Amortisation of acquired intangibles	**10.0**	8.6
Share-based payments	**2.2**	3.9
Individually Significant Items (see Note 5)	**14.7**	0.9
Tax effect of above items	**(3.4)**	(2.9)
Adjusted earnings (B)	**18.9**	33.5

	Unaudited 2023 Pence	2022 Pence
Adjusted earnings per ordinary share		
Basic (B/C)	**6.1**	10.8
Diluted (B/D)	**6.1**	10.8

9. Goodwill and intangible assets

	Goodwill £m	Software £m	Development costs £m	Customer contracts and relationships £m	Intangibles sub-total £m	Total £m
Cost:						
At 1 June 2021	238.9	14.5	11.7	73.1	99.3	338.2
Additions	-	1.6	1.3	-	2.9	2.9
On acquisition	69.7	2.5	-	91.4	93.9	163.6
Effects of movements in exchange rates	13.5	0.1	(0.1)	12.3	12.3	25.8
At 31 May 2022	322.1	18.7	12.9	176.8	208.4	530.5
Additions	**-**	**2.5**	**0.9**	**-**	**3.4**	**3.4**
Disposals	**(1.0)**	**-**	**-**	**-**	**-**	**(1.0)**
Effects of movements in exchange rates	**3.5**	**-**	**-**	**2.4**	**2.4**	**5.9**
At 31 May 2023 (unaudited)	**324.6**	**21.2**	**13.8**	**179.2**	**214.2**	**538.8**
Accumulated amortisation and impairment:						
At 1 June 2021	(56.0)	(11.8)	(9.0)	(57.5)	(78.3)	(134.3)
Charge for year	-	(0.9)	(0.9)	(8.6)	(10.4)	(10.4)
Effects of movements in exchange rates	-	-	0.1	(1.2)	(1.1)	(1.1)
At 31 May 2022	(56.0)	(12.7)	(9.8)	(67.3)	(89.8)	(145.8)
Charge for year	**-**	**(1.2)**	**(1.2)**	**(10.0)**	**(12.4)**	**(12.4)**
Impairment	**(12.8)**	**(0.6)**	**-**	**-**	**(0.6)**	**(13.4)**
Effects of movements in exchange rates	**-**	**-**	**(0.1)**	**(0.4)**	**(0.5)**	**(0.5)**
At 31 May 2023 (unaudited)	**(68.8)**	**(14.5)**	**(11.1)**	**(77.7)**	**(103.3)**	**(172.1)**
Net book value:						
At 31 May 2022	266.1	6.0	3.1	109.5	118.6	384.7
At 31 May 2023 (unaudited)	**255.8**	**6.7**	**2.7**	**101.5**	**110.9**	**366.7**

Development costs are capitalised in accordance with IAS 38 development criteria. For this reason, these are not regarded as realised losses.

The impairment of software of £0.6m relates to a specific asset under development which was no longer deemed to be economically viable and therefore development was ceased.

Cash generating units (CGUs)

Goodwill and intangible assets are allocated to CGUs in order to be assessed for potential impairment. CGUs are defined by accounting standards as the lowest level of asset groupings that generate separately identifiable cash inflows that are not dependent on other CGUs.

On 1 June 2022, the Group made the decision to re-organise its Danish business (NCC Group A/S) which had previously been a part of the Europe Cyber Security[1] CGU. Following that re-organisation, the cash inflows associated with the Danish business are separately identifiable and therefore the carrying value of the CGU assets have been assessed separately for impairment at 31 May 2023.

The IPM business was acquired on 1 June 2021, since this date the IPM business has been integrated into the wider North America Software Resilience CGU such that the cash inflows relating to this business are no longer separately identifiable.

The CGUs and the allocation of goodwill to those CGUs are shown below:

Cash generating units	**Unaudited Goodwill 2023 £m**	Goodwill 2022 £m
UK Software Resilience	**22.9**	22.9
North America Software Resilience	**87.2**	8.5
IPM Software Resilience	**-**	76.9
Europe Software Resilience	**7.4**	7.3
Total Software Resilience	**117.5**	115.6
UK and APAC Cyber Security[1]	**44.3**	45.4
North America Cyber Security[1]	**31.6**	39.9
Europe Cyber Security[1]	**62.4**	65.2
NCC Group A/S	**-**	-
Total Cyber Security[1]	**138.3**	150.5
Total Group	**255.8**	266.1

Impairment review

Goodwill is tested for impairment annually at the level of the CGU to which it is allocated.

For the year ended 31 May 2022, the recoverable amount of all CGUs concerned was measured on a value in use basis (VIU), with the exception of the Europe Cyber Security[1] CGU and the IPM Software Resilience CGU, which were measured on a fair value less costs to sell (FVLCTS) basis. For the year ended 31 May 2023, the recoverable amount of all CGUs was measured on a fair value less costs to sell basis.

Capitalised development and software costs are included in the CGU asset bases when performing the impairment review. Capitalised development projects and software intangible assets are also considered, on an asset-by-asset basis, for impairment where there are indicators of impairment.

The Directors have considered the impact of climate change on this review, with no material impact identified.

Fair value less costs to sell

For the year ended 31 May 2023, the recoverable amount of all CGUs has been determined on a fair value less costs to sell basis for the purposes of the impairment review.

The valuation under FVLCTS is expected to exceed the valuation under VIU because uncommitted restructurings and resulting operating efficiencies are not considered within in a VIU valuation in line with the requirements of IAS 36.

The FVLCTS valuation has been calculated by assessing the value of each standalone CGU calculated using an Adjusted EBITDA [1] multiple based on estimated sustainable earnings adjusted for specific items where relevant. Estimated sustainable earnings has been determined considering past experience and includes expectations based on a market participant view of sustainable performance of the business based on market volatility and uncertainty as at 31 May 2023. The sustainable earnings input is a level 3 measurement; level 3 measurements are inputs which are normally unobservable to market participants.

The Group incurs certain overhead costs in respect of support services provided centrally to the CGUs. Such support services include Finance, Human Resources, Legal, Information Technology and additional central management support in respect of stewardship and governance. In calculating sustainable earnings these overhead costs have been allocated to the CGUs based on the extent to which each CGU has benefitted from the services provided. Commonly this is driven by time spent by the relevant central department in supporting the CGU, informed by headcount or where possible specific cost allocations have been made. During the year, this allocation has been refined to ensure the allocation is representative of the business operating model.

The Adjusted EBITDA [1] multiple used in the calculations is based on an independent third-party assessment of the implied enterprise value of each CGU based on a population of comparable companies as at 31 May 2023. The estimated cost to sell was based on other recent transactions that the Group has undertaken.

Impairment

During March 2023, the Group gave a trading update that market volatility had materially increased significantly impacting on cyber security revenue and profitability, particularly in the North American technology sector. The key factors were:

- buying decision delays and cancellations exacerbated by North America tech sector client layoffs.
- turmoil in the Banking sector following the failure of Silicon Valley Bank further knocking market confidence leading to reduced appetite to spend on technology projects across sectors.
- Interest rate increases in the US creating further inflationary challenges for clients.

The board has assessed the recoverable amount of the North America Cyber Security[1] CGU based on its FVLCTS at 31 May 2023 as described above. Based on that assessment, the carrying amount of this CGU exceeded its recoverable amount and therefore an impairment loss of £9.8m has been recognised reducing the value of goodwill allocated to this CGU to £31.6m. This amount has been recognised as an individually significant item (see Note 5). The impairment charge recognised has resulted in a reduction in the carrying value of goodwill only.

On 1 June 2022, the Group made the decision to re-organise its Danish business (NCC Group A/S) which had previously been a part of the Europe Cyber Security [1] CGU. Following this re-organisation, management has estimated the recoverable amount of the NCC Group A/S CGU based on its FVLCTS at 31 May 2023 as described above. Based on that estimate an impairment loss of £3.0m has been recognised reducing the value of Goodwill allocated to this CGU to £nil. This amount has been recognised as an individually significant item (see Note 5). The impairment charge recognised has resulted in a reduction in the carrying value of goodwill only.

The Board has assessed the recoverable amount of the Europe Cyber Security[1] CGU based on its FVLCTS at 31 May 2023 as described above. Based on that assessment the Board is satisfied that the recoverable amount exceeds the carrying value of assets allocated to that CGU. However, there are reasonably possible changes to certain key inputs that could give rise to an impairment. Please see sensitivity analysis below.

Sensitivity analysis

The key inputs used in the FVLCTS calculation are the Adjusted EBITDA [1] used and the multiple applied to that sustainable earnings. Specifically, the key assumptions to the Adjusted EBITDA [1] are considered to be the expected revenue and costs that have been used to calculate sustainable earnings.

The table below shows the sensitivity of headroom to reasonably possible changes in the key assumptions, after the £9.8m impairment in the North America Cyber Security [1] CGU during FY23.

		Sensitivities: impact on carrying value	
CGU	**Headroom**	**Decrease in revenue of 10% [2]**	**Increase in all costs of 5%**
	£m	**£m**	**£m**
North America Cyber Security [4]	**-**	(21.7)	(26.5)
Europe Cyber Security	**13.4**	(9.9)	(14.3)

2 While holding gross margin percentage at a fixed rate.

3 Sensitivities shown for North America Cyber Security are in addition to the £9.8m impairment recognised in the year ended 31 May 2023.

4 Formerly Assurance

If revenue included in sustainable earnings for North America Cyber Security [1] increased by 5%, whilst holding the gross margin percentage at a fixed rate then there would be no impairment associated with this CGU.

With respect to the NCC Group A/S CGU, there is no reasonably possible scenario that would support a carrying value of goodwill greater than £nil.

No other reasonably possibly changes in key inputs including the multiple could give rise to an impairment or further material impairment to any CGUs.

In the prior year, for the Europe Cyber Security[1] CGU and the IPM Software Resilience CGU there were no reasonably possible change in key inputs that could give rise to an impairment to any CGUs.

10 Loans and borrowings

	Unaudited 2023 £m	2022 £m
Non-current		
Variable rate:		
Revolving credit facility	**(81.9)**	(70.5)
Bank term loan	**-**	(36.6)
	(81.9)	(107.1)
Current		
Variable rate:		
Bank term loan	**-**	(18.5)
Total loans and borrowings (excluding lease liabilities)	**(81.9)**	(125.6)
Cash	**34.1**	73.2
Bank overdraft	**(1.8)**	-
Net (debt)/cash (excluding lease liabilities) [1]	**(49.6)**	(52.4)
Non-current		
Lease liabilities	**(24.0)**	(27.2)
Current		
Lease liabilities	**(6.0)**	(5.4)
Net (debt)/cash [1]	**(79.6)**	(85.0)

In December 2022, the Group entered into 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 in 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 12 months of any acquisition; and
- Weighted average interest rate of the facility is lower and payable on a ratchet mechanism, with a margin payable above SONIA and SOFR in the range of 1.00% to 2.25% depending on the level of the Group's leverage. The weighted average interest rate is 5.92% as at 31 May 2023.
- The new facility is considered an extinguishment of the previous RCF and Term Loan Facility Agreement and therefore remaining arrangement fees of £0.6m have been charged to the Income Statement during the year ended 31 May 2023. New arrangement fees of £1.7m will be amortised over the new four-year term to December 2026. Arrangement fees of £0.4m (2022: £0.4m) have been charged to the Income Statement in the year ended 31 May 2023.
- Certain subsidiaries of the Group act as guarantors to the new facility to provide coverage based on aggregate EBITDA [1] and gross assets.

As at 31 May 2023, the Group had committed bank facilities of £162.5m (2022: £155.1m), of which £83.4m (2022: £126.4m) had been drawn under these facilities, leaving £79.1m (2022: £28.7m) of undrawn facilities. Unamortised arrangement fees of £1.5m (2022: £0.8m) have been offset against the amounts drawn down, resulting in a carrying value of borrowings at 31 May 2023 of £81.9m (2022: £125.6m). The fair value of borrowings is not materially different to its amortised cost.

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.