23 January 2020

NCC Group plc
Interim results for the six months ended 30 November 2019

Sales order momentum and continued growth during positive transformation; outlook remains unchanged

NCC Group plc (LSE: NCC, "NCC Group" or "the Group"), an independent global cyber security and risk mitigation expert, reports its half year results for the six months to 30 November 2019 ("the half year", "H1 2020", "the period").

Highlights [1]

	H1 2020 (IFRS 16) [2]	**H1 2020 (Pre-IFRS 16)** [2]	H1 2019 (Pre-IFRS 16) [2]	Like-for-like % change (Pre-IFRS 16) [2]
Revenue (£m)	**132.7**	**132.7**	126.0	5.3%
Gross profit (£m)	**52.0**	**52.0**	50.6	2.8%
Gross margin (%)	**39.2%**	**39.2%**	40.2%	(1.0% pts)
Operating profit (£m)	**10.5**	**10.3**	9.5	8.4%
Adjusted [3] operating profit (£m)	**16.7**	**16.5**	14.8	11.5%
Adjusted [3] operating profit (%)	**12.6%**	**12.4%**	11.7%	0.7% pts
Profit before taxation (£m)	**9.0**	**9.4**	8.7	8.0%
Adjusted [3] profit before taxation (£m)	**15.2**	**15.6**	14.0	11.4%
Basic EPS (pence)	**2.4p**	**2.5p**	2.4p	4.2%
Adjusted basic EPS (pence)	**4.2p**	**4.3p**	3.9p	10.3%
Net debt [3] (£m)	**(47.8)**	**(20.8)**	(45.1)	53.9%
Cash conversion ratio	**80.2%**	**74.5%**	58.0%	16.5% pts
Interim dividend (pence)	**1.5**	**1.5**	1.5	-

- Group revenue increasing by 5.3%:
  - Assurance increased by 6.7%
    - Encouraging growth in North America and UK Assurance at 10.6% and 6.9% (H1 2019: 20.4% and 1.1%) respectively
    - Following slower first quarter, Q2 Assurance momentum and robust order book provides confidence of continued double-digit Assurance growth and margin improvement in H2 2020, after recently investing in sales and delivery capacity
  - Escrow declined by 2.6%
    - Decline due to lower contract revenues and phasing of verification testing
    - Renewal rates being maintained within our expected range, visibility on verification testing revenue and new cloud resilience proposition, will stabilise revenue in H2 2020

- Sales order momentum demonstrated by:
  - 28.6% increase in sales orders to £149.2m compared to H1 2019
  - Assurance Q2 2020 on Q1 2020 revenue growth of 12.0% compared to 4.4% from Q1 2019 to Q2 2019, with overall Q1 2020 to Q2 2020 revenue growth of 11.4%
  - Significant Escrow revenue under contract and in pipeline, both on premise and cloud

- Adjusted operating profit on a like-for-like basis [3] increased 11.5% to £16.5m with margin improving by 0.7% pts to 12.4%:
  - Transformation programme starting to drive margin improvement towards overall increase target of 2.0% pts over the three year programme
  - Further improvement expected during H2 2020 through gross margin and well controlled overheads

- Effective cash management in both divisions improving H1 2020 cash conversion and reducing net debt on a like-for-like basis [3] to £20.8m from £45.1m

- Progress being made towards NCC Group's vision to become the leading cyber security adviser globally:
  - Excellent Net Promoter Score of +50
  - We continue to build people capability, in line with our ambition to become the global hub for cyber talent. We welcomed an additional net 59 people into our technical delivery teams in which voluntary attrition also fell to 7.0% within the first six months (H1 2019: 9.4%)
  - First phase of system implementation delivered on time, with incremental investment planned to drive enhanced benefits

Outlook

- Full year trading to be in line with expectations

Adam Palser, Chief Executive Officer, commented:

"We are now at the mid-point of our three year transformation programme and while work remains to be done, we are on track and I am pleased with the progress we are making towards NCC Group's vision to become the leading cyber security adviser globally.

Our performance strengthened over the course of the period, and we enter the second half with positive momentum and a robust order book across our businesses. We remain excited by the Group's long term prospects and are confident in delivering full year performance in line with expectations."

Analyst briefing
A briefing for analysts will be held today at 9am at the offices of Maitland AMO, 3 Pancras Square, London N1C 4AG. The briefing will also be webcast live and can be accessed via the Group's website or via the following: https://www.investis-live.com/nccgroup/5d9db57ee51752100018a88c/osds

Enquiries

NCC Group (www.nccgroup.com) Adam Palser, CEO/ Tim Kowalski, CFO	+44 (0)161 209 5432
Maitland AMO Al Loehnis	+44 (0)20 7379 5151

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

As global experts in cyber security and risk mitigation, NCC Group is trusted by over 15,000 clients worldwide to protect their most critical assets from the ever-changing threat landscape.

With the company's knowledge, experience and global footprint, it is best placed to help businesses identify, assess, mitigate and respond to the evolving cyber risks they face.

To support its mission, NCC Group continually invests in research and innovation, and is passionate about developing the next generation of cyber scientists.

With over 1,800 colleagues in 12 countries, NCC Group has a significant market presence in North America, continental Europe and the UK, and a rapidly growing footprint in Asia Pacific with offices in Australia and Singapore.

Footnotes

1: References to the Group's results are to continuing operations.
2: Following the adoption of IFRS 16 'Leases' with effect from 1 June 2019, the Group has adopted the accounting standard using the modified retrospective approach to transition and has accordingly not restated prior periods, the results for the six months ended 30 November 2019 are not directly comparable with those reported under the previous applicable accounting standard IAS 17 'Leases'. On this basis, to provide meaningful comparatives, the results for the six months ended 30 November 2019 have therefore also been presented under IAS 17 with the like-for like numbers shown on an IAS 17 basis ('Pre-IFRS 16'). This alternative performance measure (APM), will be presented for one year until the comparatives also include the adoption of IFRS 16.
3: See note 2 for an explanation of Alternative Performance Measures ("APMs") and adjusting items. See note 2 for a reconciliation to statutory information.
4: Leverage is defined as the ratio of total Net Debt pre-IFRS 16 to Adjusted EBITDA and Interest Cover is defined as the ratio of Adjusted EBITDA to net finance charges (pre-IFRS 16).

Cautionary note regarding forward-looking statements

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.

Business review

Continued growth during positive transformation
NCC Group has continued to grow revenue, profit and cash flow while maintaining progress through its transformation programme. Revenue was up 5.3% and adjusted operating profit [3] increased by 11.5% over H1 2019, while the Group also delivered improved cash flow with cash conversion on a like-for-like basis [3] of 74.5% compared to 58.0% 2 in H1 FY19. On a statutory basis, operating profit increased by 10.5% to £10.5m (H1 2019: £9.5m [2]) and profit before taxation increased 3.4% to £9.0m giving rise to a statutory EPS of 2.4p (H1 2019: 2.4p [2]) and adjusted basic EPS [3] of 4.2p (H1 2019: 3.9p [2]) respectively.

As we proceed through our second year of transformation, it is pleasing to see the increased visibility and control provided by our new systems and more professional ways of working being used by our teams to deliver business benefit. Our cash management processes are also generating sustainable cash conversion reducing net debt on a like-for-like basis [3] to £20.8m.

Our transformation programme: Securing Growth Together

In pursuit of our Mission "To make the world safer and more secure" and to underpin our Vision "To become the leading cyber security adviser globally", we launched our three-year transformation programme, entitled Securing Growth Together (SGT), in May 2018. The table below summarises the five workstreams that make up SGT, how we measure our progress and what we have achieved so far:

Workstream	Objective	KPIs	Progress
Lead the Market	To maintain the NCC's leading position at the forefront of understanding cyber vulnerabilities and threats – a key underpin of our enduring, capex-light business model.	Research days High-impact presence: Tier 1 papers and conference talks	Continued to be at the forefront of the cyber security industry with world leading cost-effective research published on topics including Connected Health, Security in Quantum computing, IoT in the Enterprise and Smart Agriculture. 1,012 days of vulnerability research in H1 2020 (H1 2019: 807 days) and 1,653 days of threat research. 23% growth in Tier 1 talks/papers (H1 2019: 61), including 15 unique research presentations at Black Hat/DEFCON, picked up by more than 70 press outlets including Forbes, the Wall Street Journal and Fox Business. All of this progress is an intrinsic part of our business model which continues to attract cyber talent, build our brand reputation and create future value.
Win Business	To improve margins through greater visibility of pipeline and recurring/repeat revenues through building stronger relationships with clients and delivering value-based outcomes.	Revenue growth No. of orders with a value greater than £250k "Escrow-as-a-Service" ("EaaS") orders	28.6% increase in sales orders to £149.2m compared to H1 2019. Assurance average order value and number of orders over £250k increased by 29.5% and 53.5% respectively, as we continue to focus on value based selling. MDR orders equate to £30.1m, as we develop and grow the proposition. Day rate improved by 8.2% further to premium work with leading global telco company (H1 2019: 4.6%). The Group is also working with 85 of FTSE 350 (FY 2019: 82) and 58 of Fortune 500 companies (FY 2019: 52). Significant revenue under contract within Escrow. New cloud resilience proposition has achieved sale orders of £0.7m since launch, with revenues expected to be £0.5m to £0.7m for full year.
Workstream	**Objective**	**KPIs**	**Progress**
Deliver Excellence	To create a global delivery capability delivering consistent, excellent impact to clients around the world.	Net Promoter Score	Excellent Net Promotor Score (+50), with our clients emphasising areas of trust, ability to deliver on time, added value and clear thought leadership coming through in results. Business Operation Boards (BOBs) commenced to review end-to-end process flows as we install our systems, globalise our operations and work smarter.

Support Growth	To improve management information, efficiency and underpin our intent to operate as "One Firm, One Way" through installing global, modern, cloud-based systems and processes.	Adjusted operating profit margin % Free cashflow	Adjusted operating profit margin on a like-for-like basis has improved by 0.7% pts to 12.4% with further operational leverage opportunity arising, as we embed global processes and systems. Free cashflow increasing to £8.8m (H1 2019: £2.4m). Now implemented Salesforce globally following our European launch in June 2019, providing the Group with improved Global sales pipeline visibility. Workday Human Capital Management (HCM) implemented globally on time in November 2019 with UK payroll processes now embedded into Workday (Phase 1). The remainder of the global programme remains on time with incremental investment now planned to drive enhanced benefits in our asset management and scheduling software integrations. Overall spend over the 3 year period will now equate to c.£21m compared to £18.3m previously outlined.

Workstream	Objective	KPIs	Progress
Develop our People	To be a global hub for cyber talent – underpinned by investment in our talent and organisation to unlock our full potential and provide a positive colleague experience like no other offered in the industry.	Attrition rate Engagement score	From a recruitment perspective, we are stabilising and building our people capability for the future. Number of colleagues grew by 4.3% to 1,895 with growth in all key locations, through both experienced hires and via graduate/intern programmes. Of particular note, we have demonstrated our continued ability to attract and retain sought-after talent as we welcomed net 59 new people into our technical teams in which six month attrition also fell to 7.0% in H1 (H1 2019: 9.4%). Global voluntary attrition increased to 9.3% (H1 2019: 8.4%) mainly owing to transformation and professionalisation in Sales and Corporate. We have recently completed our second employee engagement survey to enable focus and energy on the things our colleagues believe will create a great place to work and become an employer of choice. In doing so, we have retained our 'One to watch' classification in the best companies survey, with a 'world class' response rate of over 80%. We have launched a number of internal initiatives including 'NCC Cares' (global wellness), Succession planning at Executive and Senior leadership level and a Manager Essentials trial for roll out in the second half. Global Job Families and people policies have been launched and a global approach to performance management is being rolled out in H2 2020 using Workday functionality. We have continued our collaboration with NCSC in the CyberFirst initiative – aimed at encouraging females to have a career in cyber and are now participating in 'One Million Mentors' within Manchester that aims to ensure that every young person has access to a trained mentor as they transition into adulthood. We also continue to be involved in various international Cyber events and security challenges. The leadership team continues to be strengthened with the appointment of a Global Sales and Marketing Director and a Global Escrow MD.

During H1 2020, the majority of our transformation effort has gone into preparing and installing our new systems which is a major task for any company. We are pleased with the speed of our progress so far and, over the next six months, our intent is to substantially finish the installation of our new systems.

We then expect to refresh our transformation programme as we commence the final year with the intention to:

- **Lead** the market: Developing offerings adjacent to our current portfolio in order to deliver greater value to our clients.
- **Win** Business: Further progress our journey towards more repeat/recurring revenues through building better relationships with our clients.
- **Deliver** Business: Refine and optimise our sales and delivery processes following the systems installation.
- **Support** Growth: Continue to lean our organisation to become more efficient and improve margins.

- **Develop** our People: Build on our new foundations to improve leadership, career development and performance with a view to becoming the global hub for cyber talent.

Cyber Assurance
Overall, our Assurance division is becoming a sustainably growing and increasingly profitable business.

The "diamond-core" of our Assurance division, Technical Security Consulting which gives NCC Group its distinctive world-leading knowledge of cyber vulnerability, grew by 15.0% and attracted a net new 59 people at the end of H1 2020 compared with 6 months previously. Our adjacent Risk Management Consulting services grew their profits, albeit off a lower revenue as we focused on a more selective set of business lines, and our Managed Detection and Response services grew at a slightly increased rate in H1 2020 compared to H1 2019 and, more importantly, saw a surge in orders which gives us great confidence in our ability to grow and compete in this space.

Software Resilience service (Escrow)
Although H1 2020 saw a further slight decline in Escrow revenue, we are engaged in a comprehensive transformation plan to return this division to sustainable growth, with actions including:

- Repositioning our traditional software escrow service as part of a broader, sustainable software resilience service which addresses growth areas including:
  - Installed software in IoT, transport and other connected systems
  - Cloud resilience through our EaaS offering
- Investment in senior management, sales leadership, channel and cloud specialists to support future growth
- Lean practice review of operations to support scalable growth

We are pleased with the early success of our new cloud resilience proposition which was launched towards the end of FY19 and has achieved sales orders of £0.7m in H1 2020. Future growth in this area is expected as we embed this proposition and launch a channel partner programme in the second half, including developing strategic alliances with cloud hyper-scalers.

Summary

Financial:

- Revenue and Adjusted operating profit [3] growth achieved during the midpoint of operational transformation
- Effective cash management improving H1 2020 cash conversion and reducing net debt on a like-for-like basis [3] to £20.8m from £45.1m

Our operational priorities for H2 2020 are:

- Assurance:
  - continued revenue growth and margin improvement
  - further development of the global MDR proposition
- Escrow:
  - reposition Escrow as a sustainable software resilience service
  - stabilise contract revenue, deliver verification testing pipeline and accelerating the adoption of our new cloud-resilience proposition
- Corporate:
  - continue to build people capability
  - implement second phase of system improvements to enhance future margins
  - maintain well controlled overheads

Outlook remains unchanged:

- Full year trading to be in line with expectations

Financial review

IFRS 16
Following the adoption of IFRS 16 'Leases' with effect from 1 June 2019, the Group has adopted the accounting standard using the modified retrospective approach to transition and has accordingly not restated prior periods, consequently the results for the six months ended 30 November 2019 are not directly comparable with those reported under the previous applicable accounting standard IAS 17 'Leases'. On this basis, to provide meaningful comparatives, the results for the six months ended 30 November 2019 have therefore also been presented under IAS 17 with the like-for like numbers shown on an IAS 17 basis ('Pre-IFRS 16'). This alternative performance measure (APM), will be presented for one year until the comparatives also include the adoption of IFRS 16. The net impact of IFRS 16 is to increase statutory and adjusted operating profit by £0.2m and reduce

statutory and adjusted profit before taxation by £0.4m. See note 2 for a detailed reconciliation of the pre-IFRS 16 performance and alternative performance measures to the equivalent IFRS measures.

Financial summary
Summary income statement:

£m	H1 2020 (IFRS 16) 2	H1 2020 (Pre-IFRS 16) 2	H1 2019 (Pre-IFRS 16) 2	Like-for-like % change (Pre-IFRS 16) 2
Revenue	**132.7**	**132.7**	126.0	5.3%
Cost of sales	**(80.7)**	**(80.7)**	(75.4)	7.0%
Gross profit	**52.0**	**52.0**	50.6	2.8%
Depreciation and amortisation	**(8.1)**	**(5.1)**	(5.2)	(1.9%)
Other administration expenses	**(27.2)**	**(30.4)**	(30.6)	(0.7%)
Adjusted 3 operating profit	**16.7**	**16.5**	14.8	11.5%
Adjusting items	**(6.2)**	**(6.2)**	(5.3)	17.0%
Statutory operating profit	**10.5**	**10.3**	9.5	8.4%

£m	H1 2020 (IFRS 16) 2	H1 2020 (Pre-IFRS 16) 2	H1 2019 (Pre-IFRS 16) 2	Like-for-like % change (Pre-IFRS 16) 2
Adjusted 3 profit before taxation	**15.2**	**15.6**	14.0	11.4%
Adjusting items	**(6.2)**	**(6.2)**	(5.3)	17.0%
Profit before taxation	**9.0**	**9.4**	8.7	8.0%

£m	H1 2020 (IFRS 16) 2	H1 2020 (Pre-IFRS 16) 2	H1 2019 (Pre-IFRS 16) 2	Like-for-like % change (Pre-IFRS 16) 2
Adjusted 3 profit for the year	**11.6**	**11.9**	10.8	10.2%
Adjusting items after taxation	**(5.0)**	**(5.0)**	(4.0)	25.0%
Profit for the year	**6.6**	**6.9**	6.8	1.5%
Basic EPS				
Adjusted	**4.2p**	**4.3p**	3.9p	10.3%
Statutory	**2.4p**	**2.5p**	2.4p	4.2%

Revenue summary:

£m	H1 2020 (IFRS 16) 2	H1 2020 (Pre-IFRS 16) 2	H1 2019 (Pre-IFRS 16) 2	Like-for-like % change (Pre-IFRS 16) 2
Assurance	**114.3**	**114.3**	107.1	6.7%
Escrow	**18.4**	**18.4**	18.9	(2.6%)
Total revenue	**132.7**	**132.7**	126.0	5.3%

Adjusted operating profit 3 summary:

	H1 2020 (IFRS 16) 2	H1 2020 (Pre-IFRS 16) 2	H1 2019 (Pre-IFRS 16) 2	Like-for-like % change (Pre-IFRS 16) 2
Statutory operating profit	**10.5**	**10.3**	9.5	8.4%
Share-based payments	**1.8**	**1.8**	0.9	100.0%
Amortisation of acquired intangibles	**4.4**	**4.4**	4.5	(2.2%)
Profit on disposal of investments	**–**	**–**	(0.1)	(100.0%)
Adjusted operating profit 3	**16.7**	**16.5**	14.8	11.5%

Adjusted operating profit 3	H1 2020 (IFRS 16) 2	H1 2020 (Pre-IFRS 16) 2	H1 2019 (Pre-IFRS 16) 2	Like-for-like % change (Pre-IFRS 16) 2
Assurance	**13.1**	**13.1**	10.7	22.4%
Escrow	**8.1**	**8.1**	8.8	(8.0)%
Central and head office	**(4.5)**	**(4.7)**	(4.7)	–
Total adjusted operating profit 3	**16.7**	**16.5**	14.8	11.5%
Adjusted operating profit margin % 3	**12.6%**	**12.4%**	11.7%	0.8% pts

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

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

H1 2020 (IFRS 16) Continuing operations	**Revenue £m**	**Gross profit £m**	**EBITDA £m**	**Depreciation and amortisation £m**	**Operating profit £m**	**Profit before taxation £m**	**Taxation £m**	**Profit from continuing operations £m**
Adjusted	**132.7**	**52.0**	**24.8**	**(8.1)**	**16.7**	**15.2**	**(3.6)**	**11.6**
Share-based payments	**–**	**–**	**(1.8)**	**–**	**(1.8)**	**(1.8)**	**0.2**	**(1.6)**
Amortisation of acquired intangibles	**–**	**–**	**–**	**(4.4)**	**(4.4)**	**(4.4)**	**1.0**	**(3.4)**
Statutory	**132.7**	**52.0**	**23.0**	**(12.5)**	**10.5**	**9.0**	**(2.4)**	**6.6**

H1 2019 (Pre-IFRS 16) Continuing operations	Revenue £m	Gross profit £m	EBITDA £m	Depreciation and amortisation £m	Operating profit £m	Profit before taxation £m	Taxation £m	Profit from continuing operations £m
Adjusted	126.0	50.6	20.0	(5.2)	14.8	14.0	(3.2)	10.8
Share-based payments	–	–	(0.9)	–	(0.9)	(0.9)	0.1	(0.8)
Amortisation of acquired intangibles	–	–	–	(4.5)	(4.5)	(4.5)	0.8	(3.7)
Profit on disposal of investments	–	–	0.1	–	0.1	0.1	–	0.1
R & D tax credits	–	–	–	–	–	–	0.4	0.4
Statutory	126.0	50.6	19.2	(9.7)	9.5	8.7	(1.9)	6.8

Overview
We have continued to deliver robust financial results during our second year of transformation. Group revenue increased by 5.3% to £132.7m. Within this, Assurance revenues increased by 6.7% to £114.3m (H1 2019: £107.1m). All assurance regions experienced growth, with the North America and UK particularly encouraging at 10.6% and 6.9% respectively, with Europe & RoW UK increasing by 0.4%. Escrow revenue was 2.6% behind prior year as North America and UK fell by 7.1% and 2.3% respectively. On a constant currency basis, Group revenue increased by 4.2%, with Assurance revenues increasing by 5.5% (North America 7.2% increase) and Escrow revenues decreasing by 3.2% (North America 9.3% decrease).

Gross profit increased by 2.8% to £52.0m (H1 2019: £50.6m) with margin percentage amounting to 39.2% (H1 2019: 40.2%), with Assurance margin percentage decreasing to 33.7% (H1 2019: 34.3%) and Escrow remaining stable at 73.4% (H1 2019: 73.5%). The gross profit increase during the period includes investment in sales and technical capacity to support future growth. Gross margin is impacted by Escrow, and a slower Q1 2020 in Assurance at a time of continued increase in talent.

Administration expenses remain well controlled with continued investment in people offset by better management of discretionary spend, giving rise to a statutory operating profit and adjusted operating profit [3] on a like-for-like basis of £10.3m (H1 2019: £9.5m) and £16.5m (H1 2019: £14.8m) respectively. Adjusted operating profit [3] after the impact of IFRS 16 (+£0.2m) increased by 12.8% to £16.7m. Adjusted depreciation and amortisation amounted to £8.1m (H1 2019: £5.2m) giving rise to Adjusted EBITDA [3] of £24.8m (H1 2019: £20.0m). Adjusted profit before taxation [3] increased by 8.6% to £15.2m (H1 2019: £14.0m). Statutory profit before taxation increased by 3.4% to £9.0m. Adjusted EPS and statutory EPS after the impact of IFRS 16 (-£0.3m) amounted to 4.2p (H1 2019: 3.9p) and 2.4p (H1 2019: 2.4p) respectively.

We have continued to demonstrate effective cash management, reducing net debt [3] to £20.8m from prior period levels of £45.1m (FY19: £20.2m) after capital expenditure of £5.0m (H1 2019: £3.3m). Committed headroom as at 30 November 2019 amounted to £79.2m (H1 2019: £55.5m), following our refinancing on 10 June 2019.

Divisional performance

Divisional performance includes the allocation of certain central costs incurred on behalf of the divisions. Segmental information is disclosed below:

	H1 2020 (IFRS 16)				H1 2019 (Pre-IFRS 16)			
	Assurance £m	**Escrow £m**	**Central and head office £m**	**Group £m**	Assurance £m	Escrow £m	Central and head office £m	Group £m
Revenue	**114.3**	**18.4**	**–**	**132.7**	107.1	18.9	–	126.0
Cost of sales	**(75.8)**	**(4.9)**	**–**	**(80.7)**	(70.4)	(5.0)	–	(75.4)
Gross profit	**38.5**	**13.5**	**–**	**52.0**	36.7	13.9	–	50.6
Gross margin %	***33.7%***	***73.4%***	**–**	***39.2%***	*34.3%*	*73.5%*	–	*40.2%*
Administrative expenses [2]	**(25.4)**	**(5.4)**	**(4.5)**	**(35.3)**	(26.0)	(5.1)	(4.7)	(35.8)
Adjusted operating profit [3]	**13.1**	**8.1**	**(4.5)**	**16.7**	10.7	8.8	(4.7)	14.8
Adjusted operating profit %	***11.5%***	***44.0%***	**–**	***12.6%***	*10.0%*	*46.6%*	–	*11.7%*

Assurance

The Assurance division accounts for 86.1% of Group revenue (H1 2019: 85.0%) and 74.0% of Group gross profit (H1 2019: 72.5%).

Assurance revenue analysis – by originating country:

	H1 2020 (IFRS 16) £m	H1 2019 (Pre-IFRS 16) £m	Reported % change
UK	**47.9**	44.8	*6.9%*
North America	**41.7**	37.7	*10.6%*
Europe & RoW	**24.7**	24.6	*0.4%*
Total Assurance revenue	**114.3**	107.1	*6.7%*

As noted above, UK Assurance revenue in the period increased by 6.9% to £47.9m (H1 2019: £44.8m) following the introduction of a number of changes in H2 2019 amongst the management and sales teams.

In the period, North America has continued double digit revenue growth of 10.6% to £41.7m (H1 2019: £37.7m), with the region experiencing a strong second quarter following a slower first quarter.

Assurance Europe & RoW grew by 0.4% to £24.7m (H1 2019: £24.6m) with the business focused on developing new markets. During the period, the Group has opened a local office in Japan as part of RoW expansion and has commenced building strong local relationships. The Group will continue to pursue global opportunities when they arise.

Value based selling within our Assurance services remains a priority and this is demonstrated by average order values increasing by 29.5% during the period.

Assurance revenue analysed by type service/product line:

	H1 2020 (IFRS 16) £m	H1 2019 (Pre-IFRS 16) £m	Reported % change
Technical Security Consulting ("TSC")	**77.5**	67.4	*15.0%*
Risk Management Consulting ("RMC")	**15.4**	17.7	*(13.0%)*
Managed Detection & Response ("MDR")	**18.8**	17.7	*6.2%*
Product sales (own and third-party)	**2.6**	4.3	*(39.5%)*
Total Assurance revenue	**114.3**	107.1	*6.7%*

Technical Security Consulting, our core professional service, continued to grow by 15.0% to £77.5m (H1 2019: £67.4m) as a result of continued strong growth in North America of 11.6% and a return to strong growth in UK of 19.4%.

Risk Management Consulting, a service that addresses the business risks of cyber, declined by 13.0% to £15.4m, with North America increasing by 3.2% offset by a decline of 10.6% and 76.9% in the UK and Europe & RoW respectively, as a more focused mix of services resulted in higher profitability.

Managed Detection & Response, a service line that provides operational cyber defence, scanning, simulation and SOC services, grew by 6.2% to £18.8m. Management are focused on continuing to develop opportunities within this market, as evidenced through our order book amounting to £30.1m.

The decrease of 39.5% in product sales is due to multi-year product deals in H1 2019 not yet due for renewal. Product sales now largely relate to high assurance products in Europe and RoW.

Assurance gross profit is analysed as follows:

	H1 2020 (IFRS 16) £m	**H1 2020 (IFRS 16) % margin**	H1 2019 (Pre-IFRS 16) £m	H1 2019 (Pre-IFRS 16) % margin	Reported pts change
UK	**17.1**	***35.7%***	14.3	*31.9%*	*3.8 pts*
North America	**13.1**	***31.4%***	13.9	*36.9%*	*(5.5 pts)*
Europe & RoW	**8.3**	***33.6%***	8.5	*34.6%*	*(1.0 pts)*
Assurance gross profit and % margin	**38.5**	***33.7%***	36.7	*34.3%*	*(0.6 pts)*

Gross margin declined by 0.6% pts as a result of continued investment in technical and sales colleagues with utilisation decreasing to 78.1% (H1 2019: 81.9%). The improvement in adjusted operating profit [3] (+22.4%) to £13.1m (H1 2019: £10.7m) was driven by revenue growth mitigated by ongoing investment in sales and technical talent, further to controlled overheads. Accordingly, adjusted operating profit [3] margin improved to 11.5% (H1 2019: 10.0%).

Escrow

The Escrow division accounts for 13.9% of Group revenues (H1 2019: 15.0%) and 26.0% of Group gross profit (H1 2019: 27.5%).

Escrow revenue analysis – by originating country:

	H1 2020 (IFRS 16) £m	H1 2019 (Pre-IFRS 16) £m	Reported % change
UK	**12.6**	12.9	*(2.3%)*
North America	**3.9**	4.2	*(7.1%)*
Europe & RoW	**1.9**	1.8	*5.6%*
Total Escrow revenue	**18.4**	18.9	*(2.6%)*

UK and North America declined by 2.3% and 7.1% respectively due to a decline in renewal rates and verification testing phasing. Europe and RoW revenue increased by 5.6% as we increase our presence, following new sales headcount becoming effective.

Global renewal rates declined to 87% (H1 2019: 89%) however the sales teams have now been integrated under a new Global MD, with the focus now on stabilisation.

Escrow revenues analysed by service line:

Escrow services revenue	**H1 2020 (IFRS 16) £m**	H1 2019 (Pre-IFRS 16) £m	Reported % change
Escrow contracts	**12.8**	13.3	*(3.8%)*
Verification services	**5.6**	5.6	-
Total Escrow revenue	**18.4**	18.9	*(2.6%)*

Gross margin is analysed as follows:

	H1 2020 (IFRS 16) £m	**H1 2020 (IFRS 16) % margin**	H1 2019 (Pre-IFRS 16) £m	H1 2019 (Pre-IFRS 16) % margin	Reported % pts change
UK	**9.5**	***75.4%***	9.6	*74.4%*	*1.0% pts*
North America	**2.7**	***69.2%***	2.8	*66.7%*	*2.5% pts*
Europe & RoW	**1.3**	***68.4%***	1.5	*83.3%*	*(14.9% pts)*
Escrow gross profit and % margin	**13.5**	***73.4%***	13.9	*73.5%*	*(0.1% pts)*

Escrow gross margin remained stable at 73.4% (H1 2019: 73.5%) with overheads increasing due to the impact of the transformation, giving rise to adjusted operating profit [3] of £8.1m (H1 2019: £8.8m).

Adjusting items [3]

Pre-tax adjusting items are set out below:

	H1 2020 (IFRS 16) £m	H1 2019 (Pre-IFRS 16) £m
Share-based payments	**(1.8)**	(0.9)
Amortisation of acquired intangibles	**(4.4)**	(4.5)
Profit on disposal of investments	**–**	0.1
Total pre-tax adjusting items	**(6.2)**	(5.3)

During the period, the Group has incurred no Individually Significant Items ("ISIs") (H1 2019: Nil).

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

In addition, amortisation of acquired intangibles relating to customer contracts and relationships amounted to £4.4m (H1 2019: £4.5m).

Net finance costs

On a like-for-like basis, statutory finance costs for the period were £0.9m compared to £0.8m in 2019. On an IFRS 16 basis, net finance costs also include lease interest costs of £0.6m, giving rise to total statutory finance costs of £1.5m.

Taxation

The Group's adjusted effective tax rate is 23.7% (H1 2019: 22.9%). On a statutory basis, the effective tax rate is 26.7% (H1 2019: 21.8%).

The effective tax rate remains above the UK standard rate of corporation tax of 19%, reflecting the origin of a reasonable proportion of Group profits in overseas territories with higher rates of tax than the UK. Statutory corporate tax rates within North America equate to approximately 29% (Federal and State combined) for the year to 31 May 2020.

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

Earnings per share (EPS)

	H1 2020 (IFRS 16) £m	**H1 2020 (Pre-IFRS 16) £m**	H1 2019 (Pre-IFRS 16) £m
Statutory earnings			
Basic EPS	**2.4**	**2.5**	2.4
Diluted EPS	**2.3**	**2.4**	2.4
Adjusted earnings [3]			
Basic EPS	**4.2**	**4.3**	3.9
Diluted EPS	**4.1**	**4.2**	3.8

On a like-for-like basis, basic adjusted EPS [3] was 4.3p (H1 2019: 3.9p) and on a statutory basis it was 2.5p (H1 2019: 2.4p).

Cash flow and net debt [3]

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

	H1 2020 (IFRS 16) £m	**H1 2020 (Pre-IFRS 16) £m**	H1 2019 (Pre-IFRS 16) £m
Operating cash inflow before movements in working capital	**24.4**	**20.6**	20.3
Increase in trade and other receivables	**(9.8)**	**(9.8)**	(4.1)
Increase in inventories	**(0.3)**	**(0.3)**	–
Increase/(decrease) in trade and other payables	**5.6**	**5.6**	(4.6)
Cash generated from operating activities before interest and taxation	**19.9**	**16.1**	11.6
Finance interest paid	**(0.8)**	**(0.8)**	(0.9)
Taxation paid	**(1.5)**	**(1.5)**	(4.1)
Net cash generated from operating activities	**17.6**	**13.8**	6.6

Plant and equipment	**(0.7)**	**(0.7)**	(1.8)
Software and development	**(4.3)**	**(4.3)**	(2.4)
Acquisitions	**–**	**–**	(9.9)
Net proceeds from business disposals (including cash disposed)	**–**	**–**	0.1
Dividends paid	**(8.8)**	**(8.8)**	(8.7)
Repayment of lease liabilities	**(3.8)**	**–**	–
Transaction costs related to borrowings	**(1.0)**	**(1.0)**	–
Share issues	**–**	**–**	0.2
Net movement	**(1.0)**	**(1.0)**	(15.9)
Opening net debt (Pre-IFRS 16) [3]	**(20.2)**	**(20.2)**	(27.8)
Foreign exchange	**0.4**	**0.4**	(1.4)
Closing net debt (Pre-IFRS 16) [3]	**(20.8)**	**(20.8)**	(45.1)
Lease liabilities	**(30.6)**		
Closing net debt (IFRS 16)	**(51.4)**		

Net debt [3] can be reconciled as follows:

	H1 2020 (IFRS 16) £m	H1 2019 (Pre-IFRS 16) £m
Cash and cash equivalents	**33.8**	15.5
Borrowings	**(54.6)**	(60.6)
Net debt (Pre IFRS 16)	**(20.8)**	(45.1)
Lease liabilities	**(30.6)**	
Net debt (IFRS 16)	**(51.4)**	

On a reported basis, the Group generated £19.9m of cash from operating activities before interest and taxation (H1 2019: £11.6m), an increase of 71.6% (on a like-for-like basis, an increase of 38.8%). The Group measures how effectively adjusted EBITDA [3] is converted into actual cash flows using the cash conversion ratio [3].

The calculation of the cash conversion ratio [3] is set out below:

	H1 2020 (IFRS 16) £m	**H1 2020 (Pre-IFRS 16) £m**	H1 2019 (Pre-IFRS 16) £m	Like-for-like change (Pre-IFRS 16) £m
Net operating cash flow before interest and taxation (A)	**19.9**	**16.1**	11.6	38.8%
Adjusted EBITDA [3] (B)	**24.8**	**21.6**	20.0	8.0%
Cash conversion ratio [3] (%) (A)/(B)	**80.2%**	**74.5%**	58.0%	16.5% pts

The half year figure shows a much improved picture on cash performance compared to the prior half year, reflecting the effort put into improving our processes in the second half of FY20 across both payables and receivables. Working capital has increased since May 2019 due to an increase in receivables derived from Q2 2020 assurance sales momentum, offset by effective cash management on payables. Cash conversion [3] for FY20 is still expected to normalise and is targeted at c.85% over the medium term.

The decrease in tax paid is due to an overall tax debtor brought forward and timing of payments to be made on account for FY20.

Net capital cash expenditure during the period was £5.0m (H1 2019: £1.8m) which includes tangible expenditure of £0.7m (H1 2019: £1.8m) and capitalised software and development costs of £4.3m (H1 2019: £2.4m), which have increased due to the implementation costs of new systems as part of the SGT programme. SGT cash capital expenditure for the period amounted to £2.9m, with additional cash capital expenditure to be incurred during H2 2020 as we substantially finish the installation of our new systems.

Dividend
Dividends of £8.8m paid in the period (H1 2019: £8.7m) comprised the final dividend for 2019 of 3.15p.

The Board is recommending an unchanged interim dividend of 1.50p per ordinary share (H1 2019: 1.50p). This represents a dividend equal to that paid in the prior year as the Board is conscious of the need to invest in the

SGT programme and other initiatives to support longer term growth. The dividend policy will therefore continue to remain under review.

The interim dividend will be paid on 6 March 2020, to shareholders on the register at the close of business on 7 February 2020. The ex-dividend date is 6 February 2020.

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

As at 30 November 2019, the Group had committed bank facilities (revolving credit facility) of £100.0m (H1 2019: £100.6m), of which £54.6m (H1 2019: £60.6m) had been drawn under these facilities, leaving £45.4m (H1 2019: £40.0m) of undrawn facilities. These arrangements were agreed on 10 June 2019 and are due for renewal in June 2024. Under these arrangements the Group can also request an additional accordion facility to increase the total size of the revolving credit facility by up to £75m.

On our banking covenants, leverage [4] as at 30 November 2019 amounted to 0.5x (H1 2019: 1.1x) and net interest cover [4] amounted to 24.9x (H1 2019: 27.7x). The Group was in compliance with the terms of all its facilities, including the financial covenants, at 30 November 2019 and expects to remain in compliance with the terms going forward. The terms and ratios are specifically defined in the Group's banking documents (in line with normal commercial practice) and are materially similar to GAAP or the Group's Alternative Performance Measures of the same name; the exception is net debt which excludes IFRS 16 lease liabilities.

Going concern
The Group's activities, together with the factors likely to affect its future development, performance and position are set out in the business review. Our financial position, cash and borrowing facilities are described within this financial review.

The Directors have reviewed the trading, cash flow forecasts and forecast covenants of the Group as part of their going concern assessment and have taken into account reasonable downside sensitivities (including a "no-deal" Brexit scenario) which reflect uncertainties in the current operating environment. The possible changes in trading performance show that the Group is able to operate within the level of the banking facilities and, as a consequence, the Directors believe that the Group is well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period of at least 12 months. Accordingly, they continue to adopt the going concern basis of accounting in preparing the Group's condensed interim financial statements for the period ended 30 November 2019.

Principal risks and uncertainties
The Group is subject to risk factors both internal and external to its business, and has a well-established set of risk management procedures. The following risks and uncertainties are those that the Directors believe could have the most significant impact on the Group's business:

- Business strategy;
- Management of strategic change;
- Availability of critical systems;
- Attracting and retaining appropriate staff capacity and capability;
- Cyber risk (including GDPR);
- Quality of management information systems and internal business processes;
- Quality and security management systems; and
- Brexit (as noted below).

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

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

Directors' responsibility statement
We confirm that to the best of our knowledge:

- The condensed set of consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;

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

    - DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
    - DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Half Year Report is approved and authorised for issue on behalf of the Board on 23 January 2020 by:

Adam Palser
Chief Executive Officer

Tim Kowalski
Chief Financial Officer

Independent Review Report to NCC Group plc

Conclusion
We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 November 2019 which comprises consolidated income statement, consolidated statement of comprehensive income, consolidated condensed statement of financial position, consolidated condensed statement of cash flows, consolidated condensed statement of changes in equity and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 November 2019 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The impact of uncertainties due to the UK exiting the European Union on our review
Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility
Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities
This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Mick Davies
For and on behalf of KPMG LLP
Chartered Accountants
1 St Peter's Square, Manchester, M2 3AE
23 January 2020

Consolidated income statement
For the six months ended 30 November 2019

		H1 2020 [2]			H1 2019 [2]		
	Notes	Adjusted £m	Adjusting items [2] £m	Statutory £m	Adjusted [2] £m	Adjusting items [2] £m	Statutory £m
Continuing operations							
Revenue	3	**132.7**	**–**	**132.7**	126.0	–	126.0
Cost of sales	3	**(80.7)**	**–**	**(80.7)**	(75.4)	–	(75.4)
Gross profit	3	**52.0**	**–**	**52.0**	50.6	–	50.6
Administration expenses [3]	3	**(35.3)**	**(6.2)**	**(41.5)**	(35.8)	(5.3)	(41.1)
Operating profit	3	**16.7**	**(6.2)**	**10.5**	14.8	(5.3)	9.5
Net finance costs		**(1.5)**	–	**(1.5)**	(0.8)	–	(0.8)
Profit before taxation		**15.2**	**(6.2)**	**9.0**	14.0	(5.3)	8.7
Taxation		**(3.6)**	**1.2**	**(2.4)**	(3.2)	1.3	(1.9)
Profit for the period attributable to the owners of the Company		**11.6**	**(5.0)**	**6.6**	10.8	(4.0)	6.8

Earnings per share	5		
Basic EPS		**2.4p**	2.4p
Diluted EPS		**2.3p**	2.4p

Consolidated statement of comprehensive income
For the six months ended 30 November 2019

	H1 2020 [2] £m	H1 2019 £m
Profit for the period attributable to the owners of the Company	**6.6**	6.8
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss (net of tax)		
Foreign exchange translation differences	**(2.9)**	2.7
Total comprehensive income for the period (net of tax) attributable to the owners of the Company	**3.7**	9.5

Footnotes

1: References to the Group's results are to continuing operations.
2: See note 1 for further details on the application of IFRS 16 and no restatement of comparative information. The adoption of IFRS 16 in the 6 months to 30 November 2019 resulted in an increase in depreciation and amortisation of £3.0m and finance costs of £0.6m, with other administration expenses decreasing by £3.2m.
3: See note 2 for an explanation of Alternative Performance Measures ("APMs") and adjusting items. See note 2 for a reconciliation to statutory information.
4: Leverage is defined as the ratio of total Net Debt to Adjusted EBITDA and Interest Cover is defined as the ratio of Adjusted EBITDA to net finance charges (pre-IFRS 16).

Consolidated balance sheet
For the six months ended 30 November 2019

	Notes	**H1 2020 [2]** **£m**	H1 2019 [2] £m	FY 2019 [2] £m
Non-current assets				
Goodwill		**187.0**	190.3	189.4
Other intangible assets		**39.8**	49.0	41.8
Property, plant and equipment		**14.7**	18.1	16.9
Right-of-use assets	6	**21.7**	–	–
Investments		**0.3**	0.3	0.3
Deferred tax assets		**7.2**	1.5	1.1
Total non-current assets		**270.7**	259.2	249.5
Current assets				
Inventories		**1.0**	0.8	0.7
Trade and other receivables		**71.4**	73.3	61.6
Consideration receivable on disposals		**–**	0.5	–
Current tax receivable		**1.1**	0.3	0.6
Cash and cash equivalents		**33.8**	15.5	34.9
Total current assets		**107.3**	90.4	97.8
Total assets		**378.0**	349.6	347.3
Current liabilities				
Trade and other payables		**37.6**	33.5	31.6
Borrowings		–	5.0	5.0
Lease liabilities	6	**4.6**	–	–
Current tax payable		**2.4**	–	–
Provisions		**0.2**	1.2	2.7
Consideration on acquisitions		–	1.7	–
Deferred revenue		**36.4**	31.0	36.2
Total current liabilities		**81.2**	72.4	75.5
Non-current liabilities				
Borrowings	7	**54.6**	55.6	50.1
Lease liabilities	6	**26.0**	–	–
Deferred tax liability		**9.8**	6.0	5.4
Provisions		**0.9**	7.1	5.5
Total non-current liabilities		**91.3**	68.7	61.0
Total liabilities		**172.5**	141.1	136.5
Net assets		**205.5**	208.5	210.8
Equity				
Issued capital		**2.8**	2.8	2.8
Share premium		**149.8**	149.7	149.8
Merger reserve		**42.3**	42.3	42.3
Currency translation reserve		**25.0**	29.1	27.9
Retained earnings		**(14.4)**	(15.4)	(12.0)
Total equity attributable to equity holders of the parent		**205.5**	208.5	210.8

These financial statements were approved by the Board of Directors on 23 January 2020 and were signed on its behalf by:

Adam Palser
Chief Executive Officer

Tim Kowalski
Chief Financial Officer

Consolidated cash flow statement
For the six months ended 30 November 2019

	H1 2020 [2] **£m**	H1 2019 [2] £m
Profit for the period	**6.6**	6.8
Adjustments for:		
Depreciation of property, plant and equipment	**3.3**	3.0
Depreciation of right of use assets	**3.0**	–

Share-based payments	**1.8**	0.9
Amortisation of acquired intangible assets	**4.4**	4.5
Amortisation of internally developed intangible assets and software	**1.8**	2.2
Net other financing costs	**0.9**	0.8
Lease financing costs	**0.6**	–
Foreign exchange	**0.2**	0.1
Profit on disposal of subsidiaries	–	0.1
Research and development tax credits	**(0.2)**	–
Income tax expense	**2.4**	1.9
Decrease in provisions	**(0.4)**	–
Cash inflow for the period before changes in working capital	**24.4**	20.3
Increase in trade and other receivables	**(9.8)**	(4.1)
Increase in inventories	**(0.3)**	–
Increase/(decrease) in trade and other payables	**5.6**	(4.6)
Cash generated from operating activities before interest and taxation	**19.9**	11.6
Interest paid	**(0.8)**	(0.9)
Taxation paid	**(1.5)**	(4.1)
Net cash generated from operating activities	**17.6**	6.6
Cash flows from investing activities		
Purchase of property, plant and equipment	**(0.7)**	(1.8)
Software and development expenditure	**(4.3)**	(2.4)
Acquisition of businesses	**–**	(9.9)
Net proceeds from sale of subsidiaries and investments	**–**	0.1
Net cash used in investing activities	**(5.0)**	(14.0)
Cash flows from financing activities		
Proceeds from the issue of ordinary share capital	**–**	0.2
Drawdown of borrowings	**–**	10.0
Repayment of lease liabilities	**(3.8)**	–
Transaction costs related to borrowings	**(1.0)**	–
Equity dividends paid	**(8.8)**	(8.7)
Net cash (used)/generated from financing activities	**(13.6)**	1.5
Net decrease in cash and cash equivalents	**(1.0)**	(5.9)
Cash and cash equivalents at beginning of period	**34.9**	21.2
Effect of foreign currency exchange rate changes	**(0.1)**	0.2
Cash and cash equivalents at end of period	**33.8**	15.5

Reconciliation of net change in cash and cash equivalents to movement in net debt [2]

	Notes	**H1 2020 [2]** **£m**	H1 2019 [2] £m
Net decrease in cash and cash equivalents		**(1.0)**	(5.9)
Change in net debt resulting from cash flows		**–**	(10.0)
Effect of foreign currency on cash flows		**(0.1)**	0.2
Foreign currency translation differences on borrowings		**0.5**	(1.6)
Change in net debt [2] during the period		**(0.6)**	(17.3)
Net debt [2] at start of period (Pre IFRS 16)		**(20.2)**	(27.8)
Net debt [2] at end of period (Pre IFRS 16)		**(20.8)**	(45.1)
Lease liabilities	6	**(30.6)**	
Net debt [2] at end of period (IFRS 16)		**(51.4)**	

Consolidated statement of changes in equity

For the six months ended 30 November 2019

	Share Capital £m	Share Premium £m	Merger Reserve £m	Currency Translation Reserve £m	Retained Earnings £m	Total £m
Balance at 1 June 2019 previously reported	2.8	149.8	42.3	27.9	(12.0)	210.8
Impact of change in accounting policies in respect of IFRS 16 (net of tax)					(2.0)	(2.0)

Adjusted balance at 1 June 2019 (unaudited)	2.8	149.8	42.3	27.9	(14.0)	208.8
Profit for the period	–	–	–	–	6.6	6.6
Foreign currency translation differences	–	–	–	(2.9)	–	(2.9)
Total comprehensive income for the period	–	–	–	(2.9)	6.6	3.7
Transactions with owners recorded directly in equity						
Dividends to equity Shareholders	–	–	–	–	(8.8)	(8.8)
Share based payment Transactions	–	–	–	–	1.8	1.8
Total contributions by and distributions to owners	**–**	**–**	**–**	**–**	(7.0)	(7.0)
Balance at 30 November 2019 (unaudited)	**2.8**	**149.8**	**42.3**	**25.0**	**(14.4)**	**205.5**

	Share Capital £m	Share Premium £m	Merger Reserve £m	Currency Translation Reserve £m	Retained Earnings £m	Total £m
Balance at 1 June 2018 (unaudited)	2.8	149.5	42.3	26.4	(14.4)	206.6
Profit for the period	-	-	-	-	6.8	6.8
Foreign currency translation differences	-	-	-	2.7	-	2.7
Total comprehensive income for the period	-	-	-	2.7	6.8	9.5
Transactions with owners recorded directly in equity						
Dividends to equity shareholders	-	-	-	-	(8.7)	(8.7)
Share based payment transactions	-	-	-	-	0.9	0.9
Shares issued	-	0.2	-	-	-	0.2
Total contributions by and distributions to owners	-	0.2	-	-	(7.8)	(7.6)
Balance at 30 November 2018 (unaudited)	2.8	149.7	42.3	29.1	(15.4)	208.5

	Share Capital £m	Share Premium £m	Merger Reserve £m	Currency Translation Reserve £m	Retained Earnings £m	Total £m
Balance at 1 June 2018	2.8	149.5	42.3	26.4	(14.4)	206.6
Profit for the year	-	-	-	-	13.5	13.5
Foreign currency translation differences	-	-	-	1.5	-	1.5
Total comprehensive income for the year	-	-	-	1.5	13.5	15.0
Transactions with owners recorded directly in equity						
Dividends to equity shareholders	-	-	-	-	(12.9)	(12.9)
Share based payments	-	-	-	-	1.7	1.7
Current and deferred tax on share based payments	-	-	-	-	0.1	0.1
Shares issued	-	0.3	-	-	-	0.3
Total contributions by and distributions to owners	-	0.3	-	-	(11.1)	(10.8)
Balance at 31 May 2019	2.8	149.8	42.3	27.9	(12.0)	210.8

Notes to the unaudited condensed interim Financial Statements

1 Accounting policies

Basis of preparation

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

The Groups' unaudited condensed interim financial statements for the six months ended 30 November 2019, have been prepared on the going concern basis in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union, Article 4 of the IAS regulation, those parts of the Companies Act 2006 (the Act) applicable to companies reporting under IFRS and IAS 34 'Interim Financial Reporting' as adopted by the EU. The condensed interim financial statements have been prepared on the historical cost basis, except for consideration payable on acquisitions that is measured at fair value. The condensed interim financial statements are presented in Sterling (£m) because that is the currency of the principal economic environment in which the Group operates. The unaudited condensed interim financial statements were approved by the Directors on 23 January 2020.

As required by the Disclosure Guidance and Transparency Rules of the Financial Services Authority the financial information contained in this report has been prepared using the accounting policies and presentation that were applied in the company's published consolidated financial statements for the year ended 31 May 2019, with the exception of those impacted by the adoption of IFRS 16 which the Group has adopted with effect from 1 June 2019, with comparatives remaining under IAS 17 'Leases'. They do not contain all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended 31 May 2019.

The financial statements of the Group for the year ended 31 May 2019 are available from the Company's registered office, or from the website www.nccgroup.com.

The comparative figures for the financial year ended 31 May 2019 have been delivered to the Registrar of Companies. The Company's auditors, KPMG LLP, have given an unqualified report on the consolidated financial statements for the year ended 31 May 2019, which did not include reference to any matters to which the auditors drew attention without qualifying their report and did not contain any statement under section 498 of the Companies Act 2006.

Brexit
Management has reviewed the potential impact of Brexit on the financial statements. As the Groups' operations around the world include business entities based in continental Europe management believe the Group is structurally resilient to any disruption caused by Brexit. The main risks to the Group from Brexit are any reduction in demand from an economic slowdown and real or perceived differences in data protection standards which impact our global ways of working. On this basis, management have concluded that the impact should be limited, this includes any impact on the IFRS 9 Expected Credit Loss model.

Application of significant new EU – endorsed accounting standard - IFRS 16 "Leases"

Background and adoption
During the period, the Group has adopted IFRS 16 'Leases'. The date of the initial application of IFRS 16 for the Group is 1 June 2019. The Group has adopted the accounting standard using the modified retrospective approach to transition and has accordingly not restated prior periods. The results for the six months ended 30 November 2019 are not directly comparable with those reported under the previous applicable accounting standard IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement contains a lease'. On this basis, to provide meaningful comparatives, the results for the six months ended 30 November 2019 have therefore also been presented under IAS 17 with the "like-for like" numbers shown on an IAS 17 basis (Pre-IFRS 16). This alternative performance measure (APM), will be presented for one year until the comparatives also include the adoption of IFRS 16.

In applying the modified retrospective approach the Group has valued right-of-use assets on a lease by lease basis using the approach that IFRS 16 had always been applied but using the incremental borrowing rate at the date of the application.

Implications of IFRS 16 adoption
The implications of IFRS 16 adoption are noted as follows:

- a number of lease contracts previously disclosed under IAS 17 within the financial statements, that gave rise to recurring expenses within operating expenses, have been recognised on the balance sheet as a "right of use asset" for the period ended 30 November 2019;

- a corresponding lease liability (current and non-current) reflecting the Group's commitment to pay consideration to third parties under these contracts has also been recognised, increasing the Group's net debt although the net cash flow profile remains the same for the Group;
- the Group has depreciated the right of use asset through the Income Statement over the shorter of the assets' useful lives and the assessed lease term;
- the Group has recognised interest on the liability using the Group's incremental borrowing rate. Interest has been charged to finance costs; and
- the profile of the overall expense in profit and loss has now changed, as the interest expense will be more front-loaded compared to a straight-line operating lease rental expense under IAS 17.

Specifically, management had to conclude on whether a contract is or contains a lease, with the following being considered:

- whether there is an identified asset that the Group has the right to obtain substantially all the economic benefits from;
- whether the Group has the right to direct how and for what purpose the asset is used;
- whether the Group has the right to operate the asset without the supplier having the right to change those operating instructions; and
- whether the Group has designed the asset in a way that predetermines how and for what purpose the asset will be used.

In addition, management has also considered other salient factors in the assessment of the standard such as:

- the length of assessed lease term taking into account the non-cancellable period of the lease including periods covered by an option to extend or an option to terminate if the Group is reasonably certain to exercise either option; and
- the applicability of interest rate implicit in the lease or the Group's incremental borrowing rate.

Following the above assessment, management has concluded that the following items that were previously classified as operating leases under IAS 17 have been recognised in the financial statements using the new requirements of IFRS 16:

- certain properties;
- equipment leases; and
- motor vehicles.

The Group does not lease any server equipment in relation to the provision of Escrow services or have embedded leases within Assurance service contracts.

Exemptions and practical expedients applied
In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 June 2019 as short-term leases;
- right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment) have not been recognised;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

Transition elections
The Group have offset the previously recognised onerous leases immediately before transition as opposed to performing an impairment review under IAS 36.

Impact on covenants and cash flows

The Group renegotiated its banking facilities in June 2019. The debt covenants on the Group's borrowing facilities have been unaffected by the application of IFRS 16 as the covenant calculations are based on the accounting principles in place prior to 1 January 2019. The IFRS 16 changes have not impacted the interest paid by the Group for its banking facilities. The overall net cash flow for the Group is also unaffected by IFRS 16, however the cash flows in the consolidated cash flow statement are now split between a principal portion and a finance portion, which are both presented under financing activities, previously under IAS 17 the operating lease payments were presented as operating cash flows.

New Accounting policies under IFRS 16

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves use of the identified asset, this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity or a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset and throughout the period of use; and
- the Group has the right to direct the use of the asset. The group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Group has the right to direct the use of the asset if either:
    - the Group has the right to operate the asset; or
    - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted until the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate of 3.3% as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero. As noted above, the Group has elected not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low value assets, including certain IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

This policy is now applied to contracts entered into, or changed, on or after 1 June 2019.

Significant judgements

Lease term

The lease term is a key judgement into calculating the lease liability under IFRS 16. Management consider it appropriate to initially set a lease term equal to the contractual term of the lease. However, management then subsequently reviewed the level of certainty of renewing the lease or activating a break-clause if this is contained within a lease, with the assessed lease term reflecting this judgement.

Summary of financial impact on condensed financial statements
The application of this standard has had a significant impact on the Group's condensed Financial Statements for the period ended 30 November 2019 as follows:

Consolidated income statement financial impact:

Statutory	Notes	H1 2020 (IFRS 16) £m	Rent and finance costs £m	Depreciation £m	Taxation £m	H1 2020 (Pre-IFRS 16) £m
Revenue		132.7	–	–	–	132.7
Cost of sales		(80.7)	–	–	–	(80.7)
Gross profit		52.0	–	–	–	52.0
Depreciation and amortisation		(12.5)	–	3.0	–	(9.5)
Other administration expenses [3]		(29.0)	(3.2)	–	–	(32.2)
Operating profit		10.5	(3.2)	3.0	–	10.3
Net finance costs		(1.5)	0.6	–	–	(0.9)
Profit before taxation		9.0	(2.6)	3.0	–	9.4
Taxation		(2.4)	–	–	(0.1)	(2.5)
Profit for the period attributable to the owners of the Company		6.6	(2.6)	3.0	(0.1)	6.9
Earnings per share	5					
Basic EPS		2.4				2.5
Diluted EPS		2.3				2.4

Consolidated statement of comprehensive income financial impact:

	H1 2020 (IFRS 16) £m	Adjustment on application of IFRS 16 £m	H1 2020 (Pre-IFRS 16) £m
Total comprehensive income for the year (net of tax) attributable to the owners of the Company	3.7	0.3	4.0

During the period ended 30 November 2019, the following charges arising from lease arrangements were recognised in the consolidated income statement:

	H1 2020 £m
Depreciation of right of use assets	3.0
Finance costs – interest on lease liabilities	0.6
Impairment of right of use assets due to lease termination	2.6
Release of lease liability due to lease termination	(2.7)
Income from sub-leases	-
Expenses relating to short-term leases	0.4

Consolidated balance sheet on transition

	FY 2019 (Pre-IFRS 16) £m	Right-of-use assets and liabilities on transition £m	Onerous leases and lease incentives offset £m	Taxation £m	FY 2019 (IFRS 16) £m
Non-current assets					

Goodwill	189.4	–	–	–	189.4
Other intangible assets	41.8	–	–	–	41.8
Property, plant and equipment	16.9	–	–	–	16.9
Right-of-use assets	–	33.2	(6.7)	–	26.5
Investments	0.3	–	–	–	0.3
Deferred tax assets	1.1	–	–	7.1	8.2
Total non-current assets	249.5	33.2	(6.7)	7.1	283.1
Current assets					
Inventories	0.7	–	–	–	0.7
Trade and other receivables	61.6	–	–	–	61.6
Consideration receivable on disposals	–	–	–	–	–
Current tax receivable	0.6	–	–	–	0.6
Cash and cash equivalents	34.9	–	–	–	34.9
Total current assets	97.8	–	–	–	97.8
Total assets	347.3	33.2	(6.7)	7.1	380.9
Current liabilities					
Trade and other payables	31.6	–	–	–	31.6
Borrowings	5.0	–	–	–	5.0
Lease liabilities	–	5.2	–	–	5.2
Provisions	2.7	–	(2.5)	–	0.2
Deferred revenue	36.2	–	–	–	36.2
Total current liabilities	75.5	5.2	(2.5)	–	78.2
Non-current liabilities					
Borrowings	50.1	–	–	–	50.1
Lease liabilities	–	30.5	–	–	30.5
Deferred tax liability	5.4	–	–	6.6	12.0
Provisions	5.5	–	(4.2)	–	1.3
Total non-current liabilities	61.0	30.5	(4.2)	6.6	93.9
Total liabilities	136.5	35.7	(6.7)	6.6	172.1
Net assets	210.8	(2.5)	–	0.5	208.8

Equity					
Issued capital	2.8	–	–	–	2.8
Share premium	149.8	–	–	–	149.8
Merger reserve	42.3	–	–	–	42.3
Retained earnings	(12.0)	(2.5)	–	0.5	(14.0)
Currency translation reserve	27.9	–	–	–	27.9
Total equity attributable to equity holders of the parent	210.8	(2.5)	–	0.5	208.8

At 31 May 2019, the Group had £35.6m of non-cancellable operating lease commitments. The difference between the operating lease commitments disclosed in the Group consolidated financial statements for the year ended 31 May 2019 and the lease liabilities recognised on the date of transition can be explained as follows:

	H1 2020 £m
Undiscounted future minimum lease payments under operating leases at 31 May 2019	35.6
Short term leases	(1.4)
Change in contractual lease terms	7.7
Impact of discounting	(6.2)
IFRS 16 lease liability recognised at 1 June 2019	35.7

Change in contractual lease terms relate to lease extensions of certain properties and other rent adjustments. Of the lease liability of £35.7m recognised at 1 June 2019, £33.8m related to property leases and £1.9m relating to other leases.

2 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, reported to the Board, the basis of financial measures for senior management's compensation schemes and provides supplementary information that assists the user in understanding the financial performance, position and trends of the Group. At all times the Group aims to ensure that the Consolidated financial statements give a fair, balanced and understandable view of the Group's performance, cash flows and financial position. IAS 1, Presentation of Financial Statements, requires the separate presentation of items that are material in nature or scale in order to allow the user of the accounts to understand underlying business performance.

The APMs were the same as those that applied to the audited consolidated financial statements for the year ended 31 May 2019. See below for reconciliation of adjusted information to statutory information and refer to the Glossary for comprehensive descriptions of all APMs, including their relevance in providing supplementary information that assists the user to understand better the financial performance, position and trends of the Group. Performance is based on adjusted operating profit [3], defined as operating profit or loss before adjusting items, as presented to the CODM.

Adjusting items during the period are:

- Share-based payments;
- Amortisation of acquired intangibles;
- Profit on disposal of investment; and
- R&D tax credit

Reconciliation of adjusted information to Statutory information

The following table includes details of adjusting items and reconciles adjusted information to statutory information:

Six months ended 30 November 2020	**Revenue £m**	**Gross profit £m**	**EBITDA £m**	**Depreciation and amortisation £m**	**Operating profit £m**	**Profit before taxation £m**	**Taxation £m**	**Profit for the period £m**
Adjusted	**132.7**	**52.0**	**24.8**	**(8.1)**	**16.7**	**15.2**	**(3.6)**	**11.6**
Share-based payments	**–**	**–**	**(1.8)**	**–**	**(1.8)**	**(1.8)**	**0.2**	**(1.6)**
Amortisation of acquired intangibles	**–**	**–**	**–**	**(4.4)**	**(4.4)**	**(4.4)**	**1.0**	**(3.4)**
Statutory	**132.7**	**52.0**	**23.0**	**(12.5)**	**10.5**	**9.0**	**(2.4)**	**6.6**

Six months ended 30 November 2019	Revenue £m	Gross profit £m	EBITDA £m	Depreciation and amortisation £m	Operating profit £m	Profit before taxation £m	Taxation £m	Profit for the period £m
Adjusted	126.0	50.6	20.0	(5.2)	14.8	14.0	(3.2)	10.8
Share-based payments	–	–	(0.9)	–	(0.9)	(0.9)	0.1	(0.8)
Amortisation of acquired intangibles	–	–	–	(4.5)	(4.5)	(4.5)	0.8	(3.7)
Profit on disposal of investment	–	–	0.1	–	0.1	0.1	–	0.1
R&D tax credits	–	–	–	–	–	–	0.4	0.4
Statutory	126.0	50.6	19.2	(9.7)	9.5	8.7	(1.9)	6.8

Amortisation of acquired intangibles represents amortisation of customer contracts and relationships arising from acquisitions.

Net debt

Net debt [3] can be reconciled as follows:

	H1 2020 (IFRS 16) £m	H1 2019 (Pre-IFRS 16) £m
Cash and cash equivalents	**33.8**	15.5
Borrowings	**(54.6)**	(60.6)

Net debt (Pre IFRS 16)	**(20.8)**	(45.1)
Lease liabilities	**(30.6)**	
Net debt (IFRS 16)	**(51.4)**	

Cash conversion ratio

The calculation of the cash conversion ratio [3] is set out below:

	H1 2020 (IFRS 16) £m	**H1 2020 (Pre-IFRS 16) £m**	H1 2019 (Pre-IFRS 16) £m
Net operating cash flow before interest and taxation (A)	**19.9**	**16.1**	11.6
Adjusted EBITDA [3] (B)	**24.8**	**21.6**	20.0
Cash conversion ratio [3] (%) (A)/(B)	**80.2%**	**74.5%**	58.0%

3 Segmental information

The Group is organised into the following two (H1 2019: two) reportable segments: Assurance and Escrow. The two reporting segments provide distinct types of service. Within each of the reporting segments the operating segments provide a homogeneous group of services. The operating segments are grouped into the reporting segments on the basis of how they are reported to the Chief Operating Decision Maker (CODM) for the purposes of IFRS 8: "Operating Segments", who 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 homogenous commercial and strategic market environments. Performance is measured based on reporting segment profit, which comprises adjusted operating profit [3]. Interest and tax are not allocated to business segments.

During the period, the Group has adopted IFRS 16 'Leases'. The date of the initial application of IFRS 16 for the Group is 1 June 2019. The Group has adopted the accounting standard using the modified retrospective approach to transition and has accordingly not restated prior periods, consequently the results for the six months ended 30 November 2019 are not directly comparable with those reported under the previous applicable accounting standard IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement contains a lease'. On this basis, to provide meaningful comparatives, the segmental results below for the six months ended 30 November 2019 have therefore also been presented under IAS 17 with the like-for like numbers shown on an IAS 17 basis (Pre-IFRS 16), as this is the basis on which the CODM allocates resources and assesses performance.

Segmental analysis H1 2020

	Assurance £m	Escrow £m	Central & Head Office £m	Group £m
Revenue	114.3	18.4	–	132.7
Cost of sales	(75.8)	(4.9)	–	(80.7)
Gross profit	38.5	13.5	–	52.0
Gross margin %	33.7%	73.4%	–	39.2%
General administration expenses allocated [2]	(25.4)	(5.4)	(4.7)	(35.5)
Adjusted operating profit [2]	**13.1**	**8.1**	**(4.7)**	**16.5**
Adjusting items [2]				(6.2)
Operating profit (pre-IFRS 16)				**10.3**
Impact of IFRS 16				0.2
Operating profit				**10.5**

Segmental analysis H1 2019

	Assurance £m	Escrow £m	Central & Head Office £m	Group £m
Revenue	107.1	18.9	-	126.0
Cost of sales	(70.4)	(5.0)	-	(75.4)
Gross profit	36.7	13.9	-	50.6

	Assurance £m	Escrow £m	Central & Head Office £m	Group £m
Gross margin %	34.3%	73.5%	-	40.2%
General administration expenses allocated ²	(26.0)	(5.1)	(4.7)	(35.8)
Adjusted operating profit ²	10.7	8.8	(4.7)	14.8
Adjusting items ²				(5.3)
Operating profit				9.5

Revenue is disaggregated by primary geographical market and by category as follows:

Revenue by originating country	**H1 2020 £m**	H1 2019 £m
UK	**60.5**	57.7
North America	**45.6**	41.9
Europe & RoW	**26.6**	26.4
Total revenue	**132.7**	126.0

Revenue by category	**H1 2020 £m**	H1 2019 £m
Services	**130.1**	121.7
Products	**2.6**	4.3
Total revenue	**132.7**	126.0

4 Dividends

	H1 2020	H1 2019
Dividends paid and recognised in the period (£m)	**8.8**	8.7
Dividends per share proposed but not recognised in the period (pence)	**1.50**	1.50

The interim dividend for the period ended 30 November 2019 of 1.50p per ordinary share on approximately 277.8m ordinary shares (approximately £4.2m) was approved by the Board on 23 January 2020. The dividend has not been included as a liability as at 30 November 2019. The payment of this dividend will not have any tax consequences for the Group.

5 Earnings per ordinary share (EPS)

Earnings per ordinary share are shown on a statutory and an adjusted ² basis to assist in the understanding of the performance of the Group.

	H1 2020 (IFRS 16) £m	**H1 2020 (Pre-IFRS 16) £m**	H1 2019 (Pre-IFRS 16) £m
Statutory earnings	**6.6**	**6.9**	6.8
Adjusted ² earnings (note 2)	**11.6**	**11.9**	10.8
	Number of shares m	**Number of shares m**	Number of shares m
Basic weighted average number of shares in issue	**277.8**	**277.8**	277.8
Dilutive effect of share options	**4.5**	**4.5**	3.2
Diluted weighted average shares in issue	**282.3**	**282.3**	281.0

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

	H1 2020 (IFRS 16) pence	H1 2020 (Pre-IFRS 16) pence	H1 2019 pence
Basic earnings per ordinary share			
Statutory	**2.4**	**2.5**	2.4
Adjusted ²	**4.2**	**4.3**	3.9

	H1 2020 (IFRS 16) pence	H1 2020 (Pre-IFRS 16) pence	H1 2019 pence
Diluted earnings per ordinary share			
Statutory	**2.3**	**2.4**	2.4
Adjusted ²	**4.1**	**4.2**	3.8

6 Right of use assets and Lease liabilities

The Group's Right of use asset can be further analysed as follows:

	H1 2020 (IFRS 16) £m
As at 1 June 2019	26.5
Additions	0.8
Impairment of right of use assets due to lease termination	(2.6)
Depreciation	(3.0)
As at 30 November 2019	**21.7**

The Group's outstanding lease liabilities can be further analysed as follows:

	H1 2020 (IFRS 16) £m
As at 1 June 2019	35.7
Additions	0.8
Interest expense	0.6
Release of lease liability due to lease termination	(2.7)
Repayment of lease liabilities	(3.8)
As at 30 November 2019	**30.6**

The ageing of the lease liabilities are as follows:

	H1 2020 (IFRS 16) £m
Less than one year	**4.6**
One to two years	**3.5**
Two to five years	**5.4**
Greater than five years	**17.1**
Total lease liabilities	**30.6**

7 Borrowings

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

Borrowings are analysed as follows:

	H1 2020 £m	**H1 2019 (Pre-IFRS 16)**	FY 2019 (Pre-IFRS 16)

			£m	£m
Current liabilities				
Secured and interest-bearing bank loan		**–**	**5.0**	5.0
Non-current liabilities				
Revolving credit facility		**54.6**	**40.0**	23.5
Secured and interest-bearing bank loan		**–**	**15.6**	26.6
Total borrowings (excluding lease liabilities)		**54.6**	**60.6**	55.1

Glossary of terms - Alternative performance measures

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

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Note reference for reconciliation	Definition, purpose and considerations made by the Directors
Income statement measures:				
Adjusted operating profit (EBIT)	Operating profit or loss	Operating profit or loss before adjusting items Adjusting items represent amortisation of acquired intangibles, discount unwind on acquisition consideration, profit on the disposal of investments, individually significant items and share-based payments	2	Represents operating profit before adjusting items to assist in the understanding of the Group's performance. Adjusting items represent amortisation of acquired intangibles, discount unwind on acquisition consideration, profit on the disposal of investments, individually significant items, and share-based payments. The Directors consider amortisation of acquired intangibles is a non-cash accounting charge inherently linked to losses associated with historical acquisitions of businesses in accordance with the Group's adjusting items accounting policy. This APMs purpose is to allow the user to understand the Group's underlying financial performance as measured by management, reported to the Board and used as a financial measure in senior management's compensation schemes. An alternative view could be that the charge should be included in underlying results to reflect the "cost" of an acquisition in the Income Statement. All things considered, including the similar treatment by comparator companies, the Directors have concluded that this item is an adjusting item. The same principles apply to non-cash unwind of discounts on deferred and contingent acquisition consideration and the profit on the disposal of investments. Individually significant items are items that are considered unusual by nature or scale, and are of such significance that separate disclosure is relevant to understanding the Group's financial performance and therefore requires separate presentation in the financial statements in order to fairly present the financial performance of the Group. The Directors consider share-based payments to be an adjusting item on the basis that fair values are volatile due to movements in share price, which may not be reflective of the underlying performance of the Group.

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Note reference for reconciliation	Definition, purpose and considerations made by the Directors
EBITDA	Operating profit or loss	Operating profit or loss, before depreciation and amortisation, net finance costs and taxation	2	Represents operating profit before depreciation and amortisation. EBITDA is disclosed as this is a measure widely used by various stakeholders.
Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA)	Operating profit or loss	Operating profit or loss before adjusting items, depreciation and amortisation, net finance costs and taxation	2	Represents operating profit before adjusting items, depreciation and amortisation to assist in the understanding of the Group's performance. Adjusted EBITDA is disclosed as this is a measure widely used by various stakeholders and used by the Group to measure the cash conversion ratio noted below.
Adjusted profit before taxation	Profit before taxation	Profit before taxation before adjusting items	2	Represents profit before taxation before adjusting items and provides supplementary information on the Group's profitability before taxation.
Adjusted basic EPS	Basic EPS	Basic EPS excluding adjusting items	5	Represents Basic EPS excluding adjusting items and provides supplementary information that assists the user in understanding the underlying trading results.
Balance sheet measures:				
Net debt (pre-IFRS 16) – like-for-like basis	Total borrowings (excluding lease liabilities) offset by cash and cash equivalents		2	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 debt, when compared to available borrowing facilities, also gives an indication of available financial resources to fund potential future business investment decisions and/or potential acquisitions.
Net debt	Total borrowings (including lease liabilities) offset by cash and cash equivalents		2	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. Net debt, when compared to available borrowing

				facilities, also gives an indication of available financial resources to fund potential future business investment decisions and/or potential acquisitions.
Cash flow measure				
Cash conversion ratio (pre IFRS 16)	Ratio % of net cash flow from operating activities before interest and tax divided by Operating profit	Ratio % of net cash flow from operating activities before interest and tax divided by adjusted EBITDA	2	The cash conversion ratio is a measure of how effectively adjusted operating profit (as detailed above) is converted into cash and effectively highlights both non-cash accounting items within operating profit and also movements in working capital. It is calculated as net cash flow from operating activities before interest and taxation (as disclosed on the face of the cash flow statement) divided by adjusted EBITDA for continued and discontinued activities. The cash conversion ratio is a measure widely used by various stakeholders and hence is disclosed to show the quality of cash generation and also to allow comparison to other similar companies.

Like-for-like measures	During the period, the Group has adopted IFRS 16 'Leases'. The date of the initial application of IFRS 16 for the Group is 1 June 2019. The Group has adopted the accounting standard using the modified retrospective approach to transition and has accordingly not restated prior periods, consequently the results for the six months ended 30 November 2019 are not directly comparable with those reported under the previous applicable accounting standard IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement contains a lease'. On this basis, to provide meaningful comparatives, the results for the six months ended 30 November 2019 have therefore also been presented under IAS 17 with the "like-for-like" numbers shown on an IAS 17 basis (Pre-IFRS 16). This alternative performance measure (APM), will be presented for one year until the comparatives also include the adoption of IFRS 16.