27 January 2022

NCC Group plc
Interim results for the period ended 30 November 2021

Accelerating growth

NCC Group plc (LSE: NCC, "NCC Group" or "the Group"), a leading independent global cyber security and resilience adviser, reports its interim results for the 6 months to 30 November 2021 ("the half year", "HY", "H1 2022", "the period").

Highlights

- Revenue grew +14.2% at constant currency [1] (+10.7% actual rates), driven materially by the acquisition of IPM.
- Revenues excluding the recent IPM acquisition grew +7.2% on a constancy currency [1] (+3.8% actual rates):
    - Good revenue growth in Assurance of +8.8% at constant currency [1] (+5.2% actual rates).
    - Software Resilience (exc. IPM) declined -3.3% at constant currency [1] (-4.9% actual rates); sales capability now back at full strength and expect return to growth in H2.
- IPM integration progressing to plan and business performing in line with expectations.
- Gross margin (%) increased 2.3% pts mainly due to the IPM acquisition, Assurance gross margin up +1.2% pts.
- Free cashflow prior to acquisition costs of £6.4m is £20.0m, compared to £15.1m in the prior period, delivering cash flow conversion before acquisition costs of 99.2%.

Good assurance revenue growth at improved gross margin

- Growth in all Assurance geographies despite FX headwinds.
    - North America grew +8.9% at constant currency [1] (+2.3% actual rates).
    - Europe grew +11.8% at constant currency [1] (+6.0% actual rates).
    - UK & APAC grew +7.5% at constant currency [1] (+7.3% actual rates).
- Gross margin improved with increased utilisation, pricing and global resourcing offsetting increased costs
- Net increase of 152 technical heads (+12%) despite slight increase in annualised technical attrition from 17.0% last year to 21.6% this year.
- 37-fold increase on prior period in our key Sentinel and Remediation propositions to £5.5m in H1 2022
- Temporary slowdown in Global Managed Services (GMS) growth +6.8% at constant currency (+3.3% actual rates). We have the orders pipeline to drive a return to double digit growth in H2.

Software Resilience transformed by IPM acquisition

- Headline growth supercharged by $220m acquisition of IPM completed on 7 June 2021, transforming our global Software Resilience business.
- Software Resilience (exc. IPM) revenues declined -3.3% at constant currency (-4.9% actual rates).
- Gross margin (%) declined -1.8% pts following investment to enable Software Resilience to achieve sustainable revenue growth, partially offset by IPM's higher gross margin percentage
- Escrow-as-a-Service sales orders grew a further 54% YoY to £1.2m

Outlook and interim dividend

- H2 2022 trading to date is currently in line with expectations following sales order momentum in December and January, with Software Resilience returning to revenue growth against H2 2021.
- The balance of H2 2022 requires further revenue acceleration, which we expect to occur as our global markets recover from pandemic disruption and for which we have recruited the global delivery capacity.
- Consequently, we anticipate a strong H2 2022 leading to our full-year outturn to be in line with management expectations.
- Unchanged interim dividend of 1.50p (H1 2021: 1.50p) per ordinary share, with dividend policy remaining under review.

	H1 2022	H1 2021 (restated) [2]	Change at actual rates	Change at constant currency
Revenue (£m) [1]	**150.1**	135.6	10.7%	14.2%
Revenue excluding IPM acquisition (£m) [1]	**140.8**	135.6	3.8%	7.2%
Gross profit (£m)	**63.7**	54.4	17.1%	
Gross margin (%)	**42.4%**	40.1%	2.3% pts	
Operating profit [2] (£m)	**10.1**	11.0	(8.2%)	
Operating profit margin [2] (%)	**6.7%**	8.1%	(1.4% pts)	
Adjusted EBITDA [1] (£m)	**26.1**	25.4	2.8%	
Adjusted EBITDA margin [1] (%)	**17.4%**	18.7%	(1.3% pts)	
Adjusted operating profit [1, 2] (£m)	**20.2**	18.3	10.4%	
Adjusted operating profit margin [1, 2] (%)	**13.5%**	13.5%	-	
Profit before taxation [2] (£m)	**8.4**	9.7	(13.4%)	
Basic EPS [2] (pence)	**1.9p**	2.4p	(20.8%)	
Adjusted basic EPS [1, 2] (pence)	**4.4p**	4.5p	(2.2%)	
Net (debt)/cash excluding lease liabilities [1, 3] (£m)	**(74.2)**	3.0	(£77.2m)	
Net debt [1] (£m)	**(106.4)**	(34.2)	(£72.2m)	
Cash conversion [2] (%)	**74.7%**	89.0%	(14.3% pts)	
Interim dividend (pence)	**1.50**	1.50	-	

Footnotes

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

2: See Note 12 for an explanation of the prior period restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs in April 2021.

3: Net (debt)/cash excluding lease liabilities [1] has been shown as an APM to provide a measure consistent with bank covenant calculations and to provide stakeholders with a key performance indicator that is monitored by Analysts.

Basis of preparation and comparative period

These condensed interim financial statements for the 6 months to 30 November 2021 represents results and statutory measures prepared in accordance with IFRSs as adopted for use in the UK. When comparing with the prior year, these results should be considered in conjunction with the following:

- Adoption of the IFRIC agenda decision on cloud configuration and customisation costs in April 2021: Resulting in the recognition of a prior period restatement, with costs (£2.3m) classified as individual significant items for the period ended 30 November 2020, whereas expensed as other administrative expenses for the period ended 30 November 2021(£1.9m) as from 1 June 2021, they are no longer considered part of the Group's Securing Growth Together digital transformation programme. Cloud configuration and customisation costs were included within Individually Significant items as these costs related to material spend previously capitalised in relation to the Group's Securing Growth Together digital transformation programme that had to be expensed following the adoption of the IFRIC agenda decision.
- Acquisition of IPM, with effect from 1 June 2021: Resulting in six months of trading performance for the period ended 30 November 2021 including a downward fair value adjustment (£2.7m) to reflect the level of deferred revenue acquired at the time of the acquisition.

The above factors give rise to a lack of direct comparability. However, we encourage you to consider these factors together with statutory reporting measures noted above. For further detail, see the financial review section within these condensed interim financial statements.

Adam Palser, Chief Executive Officer, commented

"The strength of NCC Group stems from the quality of our people. I am delighted that, in these times of unprecedented demand for cyber and IT talent, we have significantly increased our technical headcount, produced more impactful research than ever before and delivered more value for our customers.

As a result, the strong underlying growth from our Assurance business, coupled with the successful integration and positive trading of the IPM business acquired in June 2021, led to an excellent financial performance with double-digit revenue growth in the first half. We are particularly encouraged by the strong Assurance gross margin performance in the half, as it demonstrates our ability to use utilisation, pricing and global resourcing as levers to manage our way through the higher costs we expect to incur as we compete for talent.

Accelerated digitisation, the rapid growth and sophistication of ransomware attacks and the implications of the largescale adoption of hybrid and remote working globally continue to provide fertile growth opportunities for our comprehensive cyber resilience services. With more software being deployed than ever before by a growing ecosystem of dynamic software companies, we continue to see great promise for our Software Resilience portfolio.

We enter the second half of our financial year with a pipeline of opportunities and talent that leads us to expect further growth in the impact we have to our customers, the experiences we provide our people and, of course, our financial metrics".

Analyst presentation briefing and Q & A session
A pre-recorded Analyst presentation briefing will be available from the Group's website at 8am on 27 January 2022 via the following link: https://www.nccgroupplc.com/investor-relations/results-media/half-year-results-presentation-fy22/

A Q & A session will be held remotely at 9am on 27 January 2022.

Enquiries

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

Our vision is to be the leading cyber resilience provider globally, trusted to protect and secure our customers' critical assets and sought-after for our complete people-led, technology-enabled cyber resilience solutions that enable our customers to thrive.

Our three values are: Work Together; Be Brilliantly Creative; and Embrace Difference.

As global experts in cyber security and risk mitigation, NCC Group is trusted by over 14,000 customers worldwide to protect their most critical assets from the ever-changing threat landscape. With the company's knowledge, experience and global footprint, it is best placed to help organisations assess, develop and manage their cyber resilience posture. To support its mission, NCC Group continually invests in research and innovation, and is passionate about developing the next generation of cyber scientists. With over 2,100 colleagues in 12 countries, NCC Group has a significant market presence in North America, Europe and the UK, and a rapidly growing footprint in Asia Pacific with offices in Australia, Japan and Singapore.

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

Business review

Cyber security and software resilience are growing markets
At NCC Group we identify four enduring drivers of cyber security and software resilience growth:

- **The growth of the connected environment** – which is accelerating because of unprecedented digitisation, connectivity and technology advancements.
- **The increased dependence on connected environment** - by individuals, organisations and society, as demonstrated by the continued disruption of normal working patterns from the pandemic.
- **Changing threat landscape** – as criminals and nation-states are ever more active in exploiting the vulnerabilities that arise from this connectivity and dependence, with ransomware having proved itself to be a billion-dollar enterprise and cyber-incursion being more deniable and cost-effective for nation states.
- **Relentless increase in legislation and regulation**. In the US, the Biden administration is leading the global charge to improve supply-chain security; the EU has recently expanded what constitutes critical infrastructure; the UK introduced flagship legislation on telecoms security; and governments in the APAC region have taken steps to better protect their essential infrastructure.

These four drivers of cyber growth – which will continue to lead to more cyber security spending and attention at the highest levels of all organisations – are playing out against a macro backdrop which includes:

- residual disruption to ways-of-working caused by covid and government responses to the spread of that disease.
- increased labour mobility driven in part by the so-called "great resignation" and in part by the rise of remote working.

Overall, in H1 2022 of our financial year we have seen a greater willingness to spend among our client base to tackle legacy and new cyber issues albeit with significant variation across market sectors. For example, spending in the technology sector has been very strong with travel and even financial services being more restrained.

A hub for cyber talent
Concurrent with increased spending on cyber resilience, we have also seen an increase in demand for cyber talent. As a consequence, our annualised attrition has risen to 21.6% compared to 17.0% in the prior financial year, which is in line with other cyber and IT services organisations. In response, we have increased our talent acquisition and training programmes leading to a net increase of 152 technical heads despite this higher attrition. Through a combination of increased utilisation, increasing our prices (delivered day rates have increased 1.7%) and our increasingly powerful global resourcing engine, we have managed to increase our underlying Assurance gross margin. Our approach to global resourcing allows us to resource projects in one geographic region with people from other geographic regions which helps us to mitigate peaks and troughs in local demand and also to take advantage of lower labour costs in some territories.

Ultimately, our customers will have to bear any increased costs that accrue from the higher demand for cyber talent. We have seen our prices rise a little and as contracts come up for renewal, we expect those price rises to continue.

Acquisition of IPM business
As previously noted in September 2021, the most significant investment of the period was our recent acquisition of the IPM business, which marked an exciting start to our financial year. We obtained shareholder approval on 1 June 2021 and completed the transaction on 7 June 2021 for $220m. On this basis, the results of the IPM business are consolidated from 1 June 2021. The acquisition was funded through an equity placing (£70.2m net proceeds) in May combined with a new three year $70m term loan, existing cash balances and our revolving credit facility.

From a performance perspective, trading and integration remain on plan. It is pleasing to see that the contracts we acquired from IPM have experienced minimal churn and our acquired team has now been integrated into the existing US Software Resilience business with limited employee attrition. The teams are now focused on developing our propositions and to ensure we are in a strong position to generate revenue synergies in FY23.

A strong Group trading performance that benefited from underlying growth in Assurance and recent IPM acquisition

Group revenues increased by 14.2% on a constant currency basis and at 10.7% (H1 2021: 2.2%) at actual rates. Group revenues excluding the recent IPM acquisition increased by 7.2% on a constancy currency basis, 3.8% at actual rates [1].

In our Assurance business, the North American and EU Assurance businesses grew on a constant currency basis [1] by 8.9% and 11.8% respectively (2.3% and 6.0% at actual rates) and our UK and APAC region increased 7.5% on a constant currency basis (7.3% at actual rates). Global Professional Services grew by 8.2% to £90.9m on a constant currency basis [1] (4.6% at actual rates) with delivered day rates increasing by 1.7%. Global Managed Services (GMS) grew by 6.8% to £28.4m on a constant currency basis [1] (3.3% at actual rates). Within GMS, our MDR revenues increased by 2.0% on a constant currency basis [1] (declined 1% at actual rates). The Group has received strong sales orders in December and January providing confidence of further growth in H2 2022.

In our Software Resilience division, we completed the acquisition of IPM which contributed £9.3m to revenue in the first half delivering an overall growth in the division of 47.8% on a constant currency basis [1] compared to the same comparative six-month period (45.4% at actual rates). Our overall results excluding IPM show a decline in revenues for the first half of 3.3% on a constancy currency basis [1] (4.9% at actual rates), which was a slightly larger decline than we anticipated and due to a decline in UK and US contracts following execution challenges experienced in H2 2021 of attracting and retaining sufficient sales resource. However, we expect performance to improve in H2 2022 as the investment we have made in marketing automation and sales starts to pull through to growth.

Gross profit increased by 17.1% to £63.7m (H1 2021: £54.4m) with gross margin percentage increasing to 42.4% (H1 2021: 40.1%). The margin increase was due to the impact of the IPM acquisition and the underlying gross margin of our Assurance business also increasing on the prior period partially offset by a decline in our existing Software Resilience business.

Operating profit for the period has decreased by 8.2% (H1 2021: restated £11.0m [2]) after the inclusion of IPM trading performance for the six months, remaining acquisition costs, integration costs, investment for the future and amortisation of acquired intangibles in relation to acquisition of IPM. Costs incurred in relation to cloud configuration and customisation amounted to £1.9m (H1 2021: restated £2.3m [2] and included in individually significant items) following the adoption of the IFRIC agenda decision in April 2021.

The Group manages its performance internally at an Adjusted operating profit [1] level, with Adjusted operating profit [1, 2] increasing by 10.4% to £20.2m (H1 2021: restated £18.3m [2]). For direct comparability with the prior period, Adjusted operating profit [1, 2] excluding IPM trading performance (£4.0m) and applying comparable treatment of cloud configuration and customisation costs, increased by 1.3% from £16.0m to £16.2m.

Overall, we are pleased with the Group performance in which we have reaped the benefit from a successful and strategically significant acquisition and delivered robust local currency growth in all of our Assurance territories. We have increased our gross margin in Assurance despite the impact of a hot market for talent and a number of our key propositions for the future continue to grow:

- our recently launched Remediation and Sentinel services are generating market traction, with combined H1 2022 sale orders of £5.5m compared to £5.2m FY21.
- in Software Resilience, Escrow as a Service ("EaaS"), our Cloud Escrow proposition, generated sale orders of £1.2m, an increase of 54% compared to the same period last year.

NCC and sustainability

Our commitment to ethical and responsible business practice continues. In addition to day-to-day governance, our priority areas this year are reporting against the Task Force on Climate-Related Financial Disclosures (TCFD) and continuing to invest in attracting and retaining the very best people.

We partnered with Towers Willis Watson to support our TCFD reporting requirements and having identified both risks and opportunities, we are now working on our year end disclosure requirements.

We are encouraged that our wellbeing initiatives have been welcomed by colleagues with an improvement in the Wellbeing component of our Employee Engagement survey (October 21) compared to the previous one (March 21).

Overall, we have seen a positive improvement in how colleagues feel about working at NCC Group. We continue to strive to make NCC Group an inclusive and diverse environment through our four colleague resource Groups: Neurodiversity, Race & Ethnicity, Gender and LGBTQIA+.

We have partnered with Oakridge Training Centre to further create an environment where everyone feels psychologically, emotionally, and physically safe by designing a global Active Bystander programme – Action Ally. We are developing a network of trainers and champions to embed this into our current and future ways of working.

Building on the success of our UK early careers training programme, we are launching our first North American Junior Cyber Security programme in H2 2022. Our training programme enables people from non-traditional cyber backgrounds to enter a unique hands-on training programme, learning from our top talent.

We have also launched our global Alumni Network. We have shaped the careers of thousands of people around the world and nurturing this network will help support our ambition to make the world safer and more secure. We also welcome many colleagues back to NCC Group at various stages of their career; this network enables us to keep in touch, continue that collective dialogue and support our inclusion and diversity ambitions.

Outlook and interim dividend

- H2 2022 trading to date is currently in line with expectations following sales order momentum in December and January, with Software Resilience returning to revenue growth against H2 2021.
- The balance of H2 2022 requires further revenue acceleration, which we expect to occur as our global markets recover from pandemic disruption and for which we have recruited the global delivery capacity.
- Consequently, we anticipate a strong H2 2022 leading to our full-year outturn to be in line with management expectations.
- Unchanged interim dividend of 1.50p (H1 2021: 1.50p) per ordinary share, with dividend policy remaining under review.

Financial review

Basis of preparation and comparative period

These condensed interim financial statements for the 6 months to 30 November 2021 represents results and statutory measures prepared in accordance with IFRSs as adopted for use in the UK. When comparing with the prior year, these results should be considered in conjunction with the following:

- Adoption of the IFRIC agenda decision on cloud configuration and customisation costs in April 2021: Resulting in the recognition of a prior period restatement, with costs (£2.3m) classified as individual significant items for the period ended 30 November 2020, whereas expensed as other administrative expenses for the period ended 30 November 2021 (£1.9m) as from 1 June 2021, they are no longer considered part of the Group's Securing Growth Together digital transformation programme. Cloud configuration and customisation costs were included within Individually Significant items as these costs related to material spend previously capitalised in relation to the Group's Securing Growth Together digital transformation programme that had to be expensed following the adoption of the IFRIC agenda decision.
- Acquisition of IPM, with effect from 1 June 2021: Resulting in six months of trading performance for the period ended 30 November 2021 including a downward fair value adjustment (£2.7m) to reflect the level of deferred revenue acquired at the time of the acquisition.

The above factors give rise to a lack of direct comparability. However, we encourage you to consider these factors together with statutory reporting measures noted above.

Acquisition of IPM

Following the acquisition of IPM, management is required to recognise all assets and liabilities at fair value, giving rise to a "fair value adjustment" on the level of deferred revenue acquired. This has resulted in a downward adjustment to the book value of IPM's deferred revenues reflecting the fair value of service still to be delivered. The impact of this adjustment is equivalent to a £2.7m reduction in revenue for the six months ended 30 November 2021 and an expected £4.4m for the twelve months ending 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 period ended 30 November 2021. Accordingly, the unaudited proforma information below provides supplementary information that assists the user in understanding the financial performance, position and trends of the Group. It is consistent with the way that financial performance is measured by management and reported to the Board, the basis of financial measures for senior management's compensation schemes and financial covenants. We consider these proforma measures reflect the potential performance of the Group once a full twelve-month period has been completed post acquisition 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 proforma measures we encourage you to consider these figures together with statutory reporting measures noted.

This information is disclosed below and reconciled to statutory operating profit:

	H1 2022				H1 2022 proforma [3]		H1 2021 (restated) [2]			
	Assurance £m	Software Resilience £m	Central and head office £m	Group £m	Software Resilience Revenue adjustment £m	Group proforma £m	Assurance £m	Software Resilience £m	Central and head office £m	Group £m
Revenue	**123.2**	**26.9**	**–**	**150.1**	**2.7**	**152.8**	117.1	18.5	–	135.6
Cost of sales	**(78.8)**	**(7.6)**	**–**	**(86.4)**	**–**	**(86.4)**	(76.3)	(4.9)	–	(81.2)
Gross profit	**44.4**	**19.3**	**–**	**63.7**	**2.7**	**66.4**	40.8	13.6	–	54.4
Gross margin %	***36.0%***	***71.7%***	**–**	***42.4%***	***100%***	***43.5%***	*34.8%*	*73.5%*	–	*40.1%*
Administrative expenses [4]	**(26.8)**	**(9.9)**	**(0.9)**	**(37.6)**	**–**	**(37.6)**	(23.0)	(5.5)	(0.5)	(29.0)
Adjusted EBITDA [1]	**17.6**	**9.4**	**(0.9)**	**26.1**	**2.7**	**28.8**	17.8	8.1	(0.5)	25.4
Depreciation and amortisation [2, 5]	**(3.6)**	**(0.1)**	**(2.2)**	**(5.9)**	**–**	**(5.9)**	(4.3)	(0.1)	(2.7)	(7.1)
Adjusted operating profit [1, 2]	**14.0**	**9.3**	**(3.1)**	**20.2**	**2.7**	**22.9**	13.5	8.0	(3.2)	18.3
Adjusted operating margin %	***11.4%***	***34.6%***	***n/a***	***13.5%***	***100%***	***15.0%***	*11.5%*	*43.2%*	*n/a*	*13.5%*
Individually Significant Items [2]	**–**	**(0.9)**	**–**	**(0.9)**	**–**	**(0.9)**	–	–	(2.3)	(2.3)
Amortisation of acquired intangibles	**(2.0)**	**(4.9)**	**–**	**(6.9)**	**–**	**(6.9)**	(4.3)	–	–	(4.3)
Share-based payments	**(1.5)**	**(0.2)**	**(0.6)**	**(2.3)**	**–**	**(2.3)**	(0.4)	–	(0.3)	(0.7)
Operating profit [2]	***10.5***	***3.3***	**(3.7)**	**10.1**	**2.7**	**12.8**	*8.8*	*8.0*	(5.8)	*11.0*
Operating margin %	***8.5%***	***12.3%***	***n/a***	***6.7%***	***100%***	***8.4%***	*7.5%*	*43.2%*	*n/a*	*8.1%*

1: See Note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. Further information is also contained within the Financial Review and the Glossary of terms.
2: See Note 12 for an explanation of the prior period restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs in April 2021.
3: This represents unaudited proforma results that do not form part of the independent interim review.
4: Administrative expenses excluding depreciation and amortisation, Individually Significant items, Amortisation of acquired intangibles and share based payments.
5: Depreciation and amortisation excludes amortisation of acquired intangibles.

Overview of financial performance

We have delivered another period of solid financial results. Group revenues increased by 14.2% on a constant currency basis [1], and at actual rates Group revenues increased by 10.7%, the difference to actual rates was mainly owing to the strengthening of Sterling against the US Dollar. Group revenues excluding the recent IPM acquisition increased by 7.2% on a constant currency basis [1] (3.8% at actual rates).

In Assurance, the North American and EU Assurance businesses grew by 8.9% and 11.8% on a constant currency basis [1](2.3% and 6.0% at actual rates) and our UK and APAC region increased 7.5% on a constant currency basis [1] (7.3% at actual rates). Following the acquisition of IPM, Software Resilience revenue grew by 45.4%. However, excluding the acquisition of IPM, Software Resilience revenue declined by 3.3% on a constant currency basis [1](4.9% at actual rates), due to UK and US contract performance, a slightly larger decline than we anticipated.

Gross profit increased by 17.1% to £63.7m (H1 2021: £54.4m) with gross margin percentage increasing to 42.4% (H1 2021: 40.1%). The margin increase was due to the impact of the IPM acquisition and the underlying gross margin of our Assurance business also increasing on the prior period partially offset by a decline in our existing Software Resilience business. Assurance gross margin percentage increased to 36.0% (H1 2021: 34.8%) and Software Resilience decreased to 71.7% (H1 2021: 73.5%) following investment in sales and marketing capabilities.

Total administrative expenses (including adjusting items) have increased by £10.2m compared to the prior period figure mainly owing to the inclusion of IPM overhead base and integration costs of £3.2m, an increase in the amortisation of acquired intangibles of £2.6m due to the IPM acquisition, people & SGT investment, recruitment and training £4.3m, share based payments £1.6m, marketing £0.3m, resumption in non-client travel and office costs £0.4m, a prior year profit on disposal £0.5m, offset by a reduction in depreciation and amortisation £0.9m, foreign exchange costs £1.1m and individual significant items £1.4m.

Following the adoption of the IFRIC agenda decision on cloud configuration and customisation costs, capitalised software and development costs during the period amounted to £1.9m (H1 2021: restated £2.3m [2]), as from 1 June 2021, most cloud configuration and customisation costs are now being expensed as incurred within other administrative expenses (as no longer considered part of the Group's Securing Growth Together digital transformation programme). Whereas in the prior period these costs were included within Individually Significant items as these costs related to material spend previously capitalised in relation to the Group's Securing Growth Together digital transformation programme that had to be expensed following the adoption of the IFRIC agenda decision. Further details on the application of IFRIC agenda decision and prior period restatement are included later in this review.

Operating profit has decreased by 8.2% to £10.1m (H1 2021: restated £11.0m [2]) following an improvement in gross margin offset by increased administrative expenses noted above. Adjusted operating profit [1, 2] increased by 10.4% to £20.2m (H1 2021: restated £18.3m [2]). For direct comparability with the prior period, Adjusted operating profit [1, 2] excluding IPM trading performance (£4.0m) and applying comparable treatment of cloud configuration and customisation costs, increased by 1.3% from £16.0m to £16.2m. Adjusted EBITDA [1] increased by 2.8% to £26.1m (H1 2021: £25.4m).

During the period, the Group has incurred £0.9m of Individually Significant Items (ISIs) relating to the acquisition of the IPM business completing on the 7 June 2021 bringing total acquisition costs (excluding share placing costs of £2.4m) to £8.5m (H1 2021: restated £2.3m [2] relating to configuration and customisation costs associated with the Group's SGT transformation programme). For further detail, please refer to Note 5 to the condensed interim Financial Statements.

Acquired intangible amortisation increased during the period to £6.9m as certain historical acquisitions became fully amortised over their useful economic life and the US acquisition of the IPM business created certain acquired intangibles that are now being amortised over a useful economic life of 10 years (£4.9m). Share-based payments increased during the period to £2.3m following the introduction of new share schemes for key management.

Profit before taxation decreased 13.4% to £8.4m (H1 2021: restated £9.7m [2]) and profit for the period decreased 13.4% to £5.8m. As noted above, the profit for the period and earnings per share includes the lower amount of IPM deferred revenue (£2.7m) being released to the income statement as contracts are satisfied. On this basis, the IPM acquisition gives rise to EPS accretion once these contracts are renewed in the following year and the deferred revenue adjustment has unwound.

Following the share placing for the IPM acquisition in May 2021, the basic EPS amounted to 1.9p and diluted EPS amounted to 1.9p (H1 2021: restated basic and diluted 2.4p [2]). Adjusted basic EPS [1] amounts to 4.4p (H1 2021: restated 4.5p [2]).

At 30 November 2021, our cash conversion [1] was 74.7% (H1 2021: restated 89.0% [2]) after the cash impact of IPM acquisition costs of £6.4m. Adjusting the cash conversion [1] ratio for these costs would give rise to a cash conversion ratio of 99.2%. Net debt [1] amounts to £106.4m (H1 2021: net debt £34.2m).

Our Balance Sheet remains strong, we have continued to demonstrate effective cash management. Our Balance Sheet strength can therefore continue to fund organic and inorganic opportunities.

The Board is also declaring an unchanged interim dividend of 1.50p per ordinary share (H1 2021: 1.50p). This represents a dividend equal to that paid in the prior period as the Board is conscious of the need to invest in initiatives to support longer-term growth and service the debt profile following the recent acquisition. The dividend policy will therefore continue to remain under review.

Financial summary

Summary Income Statement [1]:

£m	H1 2022	H1 2021 (restated) [2]	% change
Revenue	**150.1**	135.6	10.7%
Cost of sales	**(86.4)**	(81.2)	6.4%
Gross profit	**63.7**	54.4	17.1%
Depreciation and amortisation [2, 4]	**(5.9)**	(7.1)	(16.9%)
Administrative expenses [3]	**(37.6)**	(29.0)	29.7%
Adjusted operating profit [1, 2]	**20.2**	18.3	10.4%
Individually significant items [2]	**(0.9)**	(2.3)	(60.9%)
Acquired intangible amortisation	**(6.9)**	(4.3)	60.5%
Share based payments	**(2.3)**	(0.7)	228.6%
Operating profit [2]	**10.1**	11.0	(8.2%)
Finance costs	**(1.7)**	(1.3)	30.8%
Profit before taxation [2]	**8.4**	9.7	(13.4%)
Taxation [2]	**(2.6)**	(3.0)	(13.3%)
Profit for the period [2]	**5.8**	6.7	(13.4%)
EPS [2]			
Basic	**1.9p**	2.4p	(0.5)p
Diluted	**1.9p**	2.4p	(0.5)p

Revenue summary:

£m **Revenue**	H1 2022	H1 2021	% change actual rates	% change at constant currency [1]
Assurance	**123.2**	117.1	5.2%	8.8%
Software Resilience	**26.9**	18.5	45.4%	47.8%
Total revenue	**150.1**	135.6	10.7%	14.2%

Operating profit summary:

£m **Operating profit**	H1 2022	H1 2021 (restated) [2]	% change
Assurance	**14.0**	13.5	3.7%
Software Resilience	**9.3**	8.0	16.3%
Central and head office	**(3.1)**	(3.2)	(3.1%)
Adjusted operating profit [1, 2]	**20.2**	18.3	10.4%
Individually significant items	**(0.9)**	(2.3)	(60.9%)
Acquired intangible amortisation	**(6.9)**	(4.3)	60.5%
Share based payments	**(2.3)**	(0.7)	228.6%
Operating profit [2]	**10.1**	11.0	(8.2%)
Operating profit margin % [2]	**6.7%**	8.1%	(1.4% pts)

1: See Note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. Further information is also contained within the Financial Review and the Glossary of terms.
2: See Note 12 for an explanation of the prior period restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs in April 2021.
3: Administrative expenses excluding depreciation and amortisation, Individually Significant items, Amortisation of acquired intangibles and share based payments.
4: Depreciation and amortisation excludes amortisation of acquired intangibles.

Alternative Performance Measures (APMs)

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

We believe these APMs provide readers with important additional information on our business and this information is relevant for use by investors, securities analysts and other interested parties as supplemental measures of future potential performance. However, since statutory measures can differ significantly from the APMs and may be assessed differently by 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 better represents the underlying trading of the business, this information is still disclosed as an APM. This APM is reconciled to statutory operating profit, together with the consequently Adjusted basic EPS (before Individually Significant Items, amortisation of acquired intangibles, share-based payments and the tax effect thereon) to statutory basic EPS.

The Group noted the following APM's/non statutory measures:

- Adjusted EBITDA (reconciled in note 3)
- Adjusted Operating profit (reconciled in note 3)
- Adjusted basic EPS (pence) (reconciled in note 8)
- Net cash/(debt) excluding lease liabilities (reconciled in note 3)
- Net cash/(debt) (reconciled in note 3)
- Cash conversion (reconciled in note 3)
- Cash conversion excluding acquisition costs (reconciled in note 3)
- Constant currency revenue (reconciled in note 3)
- Revenue excluding IPM acquisition (reconciled in note 3)

The above APM's are consistent with those reported for the year ended 31 May 2021, except for:

- the inclusion of Revenue excluding IPM acquisition to allow stakeholders to understand the revenue performance of the existing business for the period ended 30 November 2021 prior to acquiring IPM. The Group reports certain geographic regions on a constant currency basis to reflect the underlying performance taking into account constant foreign exchange rates period on period. This involves translating comparative numbers to current period rates for comparability to enable a growth factor to be calculated. As these measures are not statutory revenue numbers, management considers these to be APMs, see Note 3 for further details and certain reconciliations to statutory measures.
- The inclusion of Cash conversion excluding acquisition costs to allow stakeholders to understand the cash conversion measure excluding the cash outflow in H1 FY22 relating to the transaction costs associated with the IPM acquisition. Excluding such costs allows a more comparable metric to prior year figures.

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

Divisional performance

Assurance

The Assurance division accounts for 82.1% of Group revenue (H1 2021: 86.4%) and 69.7% of Group gross profit (H1 2021: 75.0%).

Assurance revenue analysis – by originating country:

	H1 2022 £m	H1 2021 £m	% change at actual rates	% change at constant currency
UK & APAC	**54.6**	50.9	*7.3%*	*7.5%*
North America	**44.0**	43.0	*2.3%*	*8.9%*
Europe	**24.6**	23.2	*6.0%*	*11.8%*
Total Assurance revenue	**123.2**	117.1	*5.2%*	*8.8%*

Assurance revenue increased by 8.8% on a constant currency basis [1] and at 5.2% at actual rates. UK & APAC increased by 7.5% on a constancy currency basis [1] (7.3% at actual rates) supported by growth in professional services. North America grew by 8.9% on a constant currency basis [1] (2.3% at actual rates), and Europe experiencing continued growth of 11.8% on a constant currency basis [1] (6.0% at actual rates).

Assurance revenue analysed by type of service/product line:

	H1 2022 £m	H1 2021 £m	% change at actual rates	% change at constant currency
Global Professional Services (GPS)	**90.9**	86.9	*4.6%*	*8.2%*
Global Managed Services (GMS)	**28.4**	27.5	*3.3%*	*6.8%*
Product Sales (own and third party)	**3.9**	2.7	*44.4%*	*50.0%*
Total Assurance revenue	**123.2**	117.1	*5.2%*	*8.8%*

Global Professional Services grew by 8.2% to £90.9m on a constant currency basis [1] (4.6% at actual rates) with delivered day rates increasing by 1.7%.

Global Managed Services (GMS) grew by 6.8% to £28.4m on a constant currency basis [1] (3.3% at actual rates). Within GMS, our MDR revenues increased by 2.0% on a constant currency basis [1] (declined 1% at actual rates). The Group has received strong sales orders in December and January providing confidence of growth in H2 2022.

Assurance gross profit is analysed as follows:

	H1 2022 £m	**H1 2022 % margin**	H1 2021 £m	H1 2021 % margin	% pts change
UK & APAC	**22.4**	***41.0%***	19.8	*38.9%*	*2.1% pts*
North America	**14.1**	***32.0%***	14.1	*32.8%*	*(0.8% pts)*
Europe	**7.9**	***32.1%***	6.9	*29.7%*	*2.4% pts*
Assurance gross profit and % margin	**44.4**	***36.0%***	40.8	*34.8%*	*1.2% pts*

Gross margin improved due to our UK and APAC performance, as Europe incurred a cost provision taken in the prior period of £1m in relation to long-term contracts caused by the pandemic disruption, cost increases and project management challenges. Whereas, North America gross margin declined due to investment in technical capacity to support H2 2022 growth.

Software Resilience

The Software Resilience division accounts for 17.9% of Group revenues (H1 2021: 13.6%) and 30.3% of Group gross profit (H1 2021: 25.0%).

Software Resilience revenue analysis – by originating country:

	H1 2022 £m	H1 2021 £m	% change at actual rates	% change at constant currency [1]
UK	**12.6**	12.8	*(1.6%)*	*(1.6%)*
North America	**12.3**	3.7	232.4%	261.8%
Europe	**2.0**	2.0	-	-
Total Software Resilience revenue	**26.9**	18.5	*45.4%*	*47.8%*

In Software Resilience, we experienced an overall revenue increase of 45.4%. This increase was a result of the IPM acquisition.

Excluding the effect of the IPM acquisition, revenue declined by 3.3% on a constancy currency basis [1](4.9% at actual rates). We expect a return to growth in the second half as sales capability is back at full strength and improved marketing automation has resulted in improved activity levels and pipeline.

Software Resilience services revenue

	H1 2022 £m	H1 2021 £m	% change at actual rates	% change at constant currency [1]
Software Resilience contracts	**18.7**	12.5	*49.6%*	*53.3%*
Verification services	**8.2**	6.0	*36.7%*	*36.7%*
Total Software Resilience revenue	**26.9**	18.5	*45.4%*	*47.8%*

Gross margin is analysed as follows:

	H1 2022 £m	**H1 2022 % margin**	H1 2021 £m	H1 2021 % margin	% pts change
UK	**8.9**	***70.6%***	9.5	*74.2%*	*(3.6% pts)*
North America	**9.0**	***73.2%***	2.6	*70.3%*	*2.9% pts*
Europe	**1.4**	***70.0%***	1.5	*75.0%*	*(5.0% pts)*
Software Resilience gross profit and % margin	**19.3**	***71.7%***	13.6	73.5%	*(1.8% pts)*

Gross profit has declined due to investment incurred to address execution challenges and enable Software Resilience to achieve sustainable revenue growth.

Individually Significant Items

During the period, the Group has incurred £0.9m of Individually Significant Items (ISIs) (H1 2021: restated £2.3m [2]). These items relate to the acquisition of the IPM business.

Prior period costs relate to cloud configuration and customisation costs and were included within Individually Significant items as these costs related to material spend previously capitalised in relation to the Group's Securing Growth Together digital transformation programme that had to be expensed within other administrative expenses following the adoption of the IFRIC agenda decision (as from 1 June 2021, are no longer considered part of the Group's Securing Growth Together digital transformation programme). For further detail, please refer to Note 5 to the condensed interim Financial Statements.

Finance costs

Finance costs for the period were £1.7m compared to £1.3m in H1 2021 due to an increase in borrowing costs following the IPM acquisition. Finance costs include lease financing costs from IFRS 16 of £0.6m (H1 2021: £0.6m).

Taxation

The Group's effective statutory tax rate is 31.0% (H1 2021: restated 30.9% [2], 2021: 32.4%). The Group's adjusted tax rate is 27.0% (H1 2021: 26.5% [2], 2021: 27.8%). The effective rate remains above the UK standard rate of corporation tax, reflecting the origin of a reasonable proportion of Group profits in overseas territories with higher tax rates than the UK and the derecognition of certain deferred tax losses.

Earnings per share (EPS)

	H1 2022	H1 2021 (restated) [2]
Statutory		
Basic EPS	**1.9p**	2.4p
Diluted EPS	**1.9p**	2.4p
Adjusted [1]		
Basic EPS	**4.4p**	4.5p
Weighted average number of shares (million)		
Basic	**309.2**	279.5
Diluted	**311.2**	281.1

The weighted average number of shares has increased mainly as a result of an increase in shares issued arising from the share placing in May 2021, that partially funded the recent acquisition of IPM.

Cash flow and net debt [1]

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

	H1 2022 £m	H1 2021 (restated) [2] £m
Operating cash inflow before movements in working capital	**19.0**	24.1
(Increase) in trade and other receivables	**(4.0)**	(0.3)
(Increase) in inventories	**-**	(0.1)
Increase/(decrease) in trade and other payables	**4.5**	(1.1)
Cash generated from operating activities before interest and taxation	**19.5**	22.6
Interest element of lease payments	**(0.6)**	(0.6)
Finance interest paid	**(0.7)**	(0.6)
Taxation paid	**(0.9)**	(4.7)
Net cash generated from operating activities	**17.3**	16.7
Purchase of property, plant and equipment	**(2.4)**	(1.1)
Software and development expenditure	**(1.3)**	(1.0)
Proceeds on disposal of intangibles	**-**	0.5
Acquisition of trade and assets as part of a business combination	**(152.8)**	-
Equity dividends paid	**(9.8)**	(8.8)
Repayment of lease liabilities (principal amount)	**(2.4)**	(2.9)
Repurchase of shares (share-based payments)	**(0.2)**	-
Proceeds from the issue of ordinary share capital	**0.5**	1.4
Net movement	**(151.1)**	4.8
Opening net cash/(debt) [1]	**83.3**	(4.2)
Non cash movements (release of deferred issue costs)	**(0.2)**	(0.1)
Foreign exchange movement	**(6.2)**	2.5
Closing net (debt)/cash excluding lease liabilities [1]	**(74.2)**	3.0
Lease liabilities	**(32.2)**	(37.2)
Closing net debt [1]	**(106.4)**	(34.2)

Free cash flow before acquisition costs (net cash generated from operating activities less capital expenditure and acquisition costs)	**20.0**	15.1

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

	H1 2022 £m	H1 2021 £m
Cash and cash equivalents	**50.2**	101.1
Borrowings (net of deferred issue costs)	**(124.4)**	(98.1)
Net (debt)/cash excluding lease liabilities [1]	**(74.2)**	3.0
Lease liabilities	**(32.2)**	(37.2)
Net debt [1]	**(106.4)**	(34.2)

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

	H1 2022 £m	H1 2021 (restated) [2] £m	% change/ %pts
Net operating cash flow before interest and taxation (A)	**19.5**	22.6	(13.7%)
Adjusted EBITDA [1] (B)	**26.1**	25.4	2.8%
Cash conversion ratio [1] (%) (A)/(B)	**74.7%**	89.0%	(14.3% pts)

1: See Note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. Further information is also contained within the Financial Review and the Glossary of terms.
2: See Note 12 for an explanation of the prior period restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs in April 2021.

Net operating cash flow before interest and taxation includes acquisition costs of £6.4m (H1 2021: £nil). Adjusting the cash conversion ratio for these acquisition costs would give rise to a cash conversion ratio of 99.2% compared to the prior period of 89.0%.

The reduction in tax paid is mainly due to the Group currently being in a net tax recoverable position following payments in advance.

Net cash capital expenditure during the period was £3.7m (H1 2021: restated £1.6m [2]) which includes tangible asset expenditure of £2.4m (H1 2021: £1.1m) and capitalised software and development costs of £1.3m (H1 2021: restated £1.0m [2]), which has been offset in the prior period by proceeds from the disposal of an intangible asset for £0.5m.

Dividends

Dividends of £9.8m paid in the period (H1 2021: £8.8m) comprised the final dividend for FY21 of 3.15p. The Board is declaring an unchanged interim dividend of 1.50p per ordinary share (H1 2021: 1.50p).

This represents a dividend equal to that paid in the prior period as the Board is conscious of the need to invest in initiatives to support longer-term growth and service the debt profile following the recent acquisition. The dividend policy will therefore continue to remain under review.

The interim dividend of approximately £4.7m will be paid on 4 March 2022, to shareholders on the register at the close of business on 18 February 2022. The ex-dividend date is 17 February 2022.

Application of IFRIC agenda decisions and prior period restatement

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision on the clarification of accounting in relation to the configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) as follows:

- Amounts paid to the cloud vendor for configuration and customisation that are not distinct from access to the cloud software are expensed over the SaaS contract term.
- In limited circumstances, other configuration and customisation costs incurred in implementing SaaS arrangements may give rise to an identifiable intangible asset, for example, where code is created that is controlled by the entity.
- In all other instances, configuration and customisation costs will be expensed as the customisation and configuration services are received.

Due to the nature of this agenda decision and the level of spend incurred in relation to the Group's Securing Growth Together digital transformation programme, the Group's accounting policy was reviewed retrospectively to align with the IFRIC guidance recently issued in relation to SaaS costs previously capitalised. This has resulted in a prior period restatement to reflect costs previously capitalised as an expense when incurred and represents a non-cash adjustment. See Notes 5, 9 and 12 to the condensed interim financial statements for further details.

Principal risks and uncertainties

The Board has reconsidered the principal risks and uncertainties published at the full year 2021. The following risks and uncertainties are those that the Directors believe could have the most significant impact on the Group's business and remain unchanged from the year end:

- Business strategy - A poor strategy or ineffective execution of a strategy could have a material negative impact on the Company's financial performance and value. It would potentially weaken the Group compared to its competitors and risk the Group's established position in the marketplace.
- Management of strategic change - Poor change management could lead to ineffective implementation of projects that then cost more to deliver, take longer to deliver and result in fewer benefits being realised (or all three). Poor delivery of change could ultimately impair business performance.
- Global pandemic – Covid-19 - The potential impact of a pandemic globally is the slow-down in business from our customers, closed offices and people who are unwell and unable to work for periods of time.
- Availability of critical information systems - If the Company's critical systems failed, this could affect the Group's ability to provide services to our customers.
- Attracting and retaining a diverse workforce – Attrition leading to a loss of expertise and continuity to support our customers, resulting in additional associated recruitment costs.
- Information security risk (including cyber risk) - Failure to maintain control over customer, colleague, commercial and/or operational data could lead to a range of impacts, including reputational damage. The misuse of personal data, for example without the customer's consent, or retaining data for longer than is necessary, may also result in reputational harm, regulatory investigations and potential fines.

- Quality of Management Information Systems (MIS) and internal business processes - Suboptimal business decision making, and performance as key financial performance data is not available or trusted.
- Quality and Security Management Systems - The risk of the Company failing to retain a core standard, e.g., 9001, 27001 or PCI, with a consequential loss of key customer accounts or ability to operate.
- Post-Brexit - There remains some uncertainty around the detail of EU regulatory changes as these are finalised and specifically to the finalisation of trade negotiations and the wider world, which may impact on some of the services delivered by the Company, which fall under export controls regulations.
- Sustainability - Non-compliance with the Company's frameworks related to ESG will impact on our ability to display responsible and sustainable working practices, which take account of our environment, people and communities. This in turn could impact on our ability to develop and maintain business relationships and may lead to the loss of key customer accounts and shareholder investment.
- Acquisition of IPM - NCC Group obtained shareholder approval to acquire Iron Mountain's Intellectual Property Management (IPM), post extensive due diligence on 1 June 2021. The acquisition of the IPM division significantly grows the US Software Resilience customer base and allows us to support them with a broader set of services. A comprehensive integration plan has been established to support the effective and efficient transition of IPM into the Group, this integration plan has its own inherent risk which is being actively managed.

The above principal risks and uncertainties continue to have the potential to impact the Group's results or financial position during the remaining six months of the financial year. Since the publication of the 2021 Annual Report, the risks landscape has developed, giving rise to an additional risk:

- Climate change – NCC Group is responsible for reducing carbon emissions and being able to articulate the impact of climate change - both opportunities and risk on its financial performance.

  This risk arising is that NCC Group is unable to fully articulate the impact of climate related change on our whole business and therefore unable to physically and financially prepare, mitigate, adapt and respond to any environmental incidents which may occur as a result of climate change as per the recommendation of TCFD.

Directors' responsibility statement

The responsibility statement below has been prepared in connection with the Group's condensed interim financial statements for the period ended 30 November 2021. We confirm that to the best of our knowledge:

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

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

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

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

The Half Year Report is approved and authorised for issue on behalf of the Board on 27 January 2022 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 2021 which comprises consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement, consolidated 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 2021 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK 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.

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 latest annual financial statements of the group were prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the next annual financial statements will be prepared in accordance with UK-adopted international accounting standards. 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 for use in the UK.

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.

Frances Simpson
for and on behalf of KPMG LLP
Chartered Accountants
1 St. Peter's Square
Manchester
M2 3AE
United Kingdom

27 January 2022

Consolidated income statement [1]
For the period ended 30 November 2021

	Notes	**H1 2022** **£m**	H1 2021 (restated) [2] £m
Revenue	4	**150.1**	135.6
Cost of sales	4	**(86.4)**	(81.2)
Gross profit	4	**63.7**	54.4
Administrative expenses			
Depreciation and amortisation		**(12.8)**	(11.4)
Other administrative expenses		**(39.9)**	*(29.7)*
Individually Significant items		**(0.9)**	*(2.3)*
Total administrative expenses		**(53.6)**	(43.4)
Operating profit	4	**10.1**	11.0
Finance costs		**(1.7)**	(1.3)
Profit before taxation		**8.4**	9.7
Taxation	6	**(2.6)**	(3.0)
Profit for the period attributable to the owners of the Company		**5.8**	6.7

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

Consolidated statement of comprehensive income
For the period ended 30 November 2021

	H1 2022 **£m**	H1 2021 (restated) [2] £m
Profit for the period attributable to the owners of the Company	**5.8**	6.7
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss (net of tax)		
Cash flow hedges – effective portion of changes in fair value	**(0.1)**	–
Foreign exchange translation differences	**8.1**	(4.4)
Total other comprehensive income	**8.0**	(4.4)
Total comprehensive income for the period (net of tax) attributable to the owners of the Company	**13.8**	2.3

Footnotes for condensed interim Financial Statements

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

2: See Note 12 for an explanation of the prior period restatement recognised in relation to the adoption of the IFRIC agenda decision on cloud configuration and customisation costs in April 2021.

Consolidated balance sheet

For the period ended 30 November 2021

	Notes	**30 November 2021 £m**	30 November 2020 (restated) [2] £m	31 May 2021 £m
Non-current assets				
Goodwill	9	**259.2**	188.7	182.9
Intangible assets	9	**113.3**	23.8	21.0
Property, plant and equipment		**12.7**	12.3	11.5
Right-of-use assets		**21.2**	26.2	23.8
Investments		**0.3**	0.3	0.3
Deferred tax asset		**1.3**	2.4	2.0
Total non-current assets		**408.0**	253.7	241.5
Current assets				
Inventories		**1.1**	1.0	1.1
Trade and other receivables		**77.2**	73.6	68.7
Current tax receivable		**3.7**	2.1	4.5
Cash and cash equivalents		**50.2**	101.1	116.5
Total current assets		**132.2**	177.8	190.8
Total assets		**540.2**	431.5	432.3
Current liabilities				
Trade and other payables		**45.1**	45.6	45.2
Borrowings	11	**17.6**	–	–
Lease liabilities		**5.3**	5.3	5.1
Current tax payable		**4.8**	1.0	4.0
Derivative financial instruments		–	–	0.8
Provisions		**0.6**	2.6	2.4
Contract liabilities - deferred revenue		**55.4**	38.0	43.6
Total current liabilities		**128.8**	92.5	101.1
Non-current liabilities				
Borrowings	11	**106.8**	98.1	33.2
Lease liabilities		**26.9**	31.9	29.3
Deferred tax liabilities		**1.2**	2.2	1.2
Provisions		**2.0**	0.3	0.6
Contract liabilities - deferred revenue		**2.0**	5.0	0.7
Total non-current liabilities		**138.9**	137.5	65.0
Total liabilities		**267.7**	230.0	166.1
Net assets		**272.5**	201.5	266.2
Equity				
Share capital		**3.1**	2.8	3.1
Share premium		**223.7**	152.3	223.2
Hedging reserve		–	–	(0.8)
Merger reserve		**42.3**	42.3	42.3
Currency translation reserve		**28.4**	27.5	20.3
Retained earnings		**(25.0)**	(23.4)	(21.9)
Total equity attributable to equity holders of the parent		**272.5**	201.5	266.2

These financial statements were approved and authorised for issue by the Board of Directors on 27 January 2022 and were signed on its behalf by:

Adam Palser
Chief Executive Officer

Tim Kowalski
Chief Financial Officer

Consolidated cash flow statement
For the period ended 30 November 2021

Cash flow from operating activities	Notes	H1 2022 £m	H1 2021 (restated) [2] £m
Profit for the period		**5.8**	6.7
Adjustments for:			
Depreciation of property, plant and equipment		**1.9**	2.4
Depreciation of right of use assets		**2.7**	3.0
Share-based payments		**2.3**	0.7
Cash-settled share-based payments		**(0.3)**	-
Amortisation of customer contracts and relationships		**6.9**	4.3
Amortisation of software and development costs		**1.3**	1.7
Impairment of right-of-use assets		**0.1**	-
Lease financing costs		**0.6**	0.6
Other financing costs		**1.2**	0.7
Foreign exchange		**-**	1.1
Acquisition of businesses – transaction costs		**(6.4)**	-
Individually significant items (non-cash impact)		**0.9**	-
Profit on disposal of intangibles		**-**	(0.5)
Research and development UK tax credits		**(0.2)**	(0.2)
Research and development US tax credits		**(0.1)**	-
Income tax expense		**2.7**	3.0
(Decrease)/increase in provisions		**(0.4)**	0.6
Cash inflow for the period before changes in working capital		**19.0**	24.1
(Increase) in trade and other receivables		**(4.0)**	(0.3)
(Increase) in inventories		**-**	(0.1)
Increase/(decrease) in trade and other payables		**4.5**	(1.1)
Cash generated from operating activities before interest and taxation		**19.5**	22.6
Interest element of lease payments		**(0.6)**	(0.6)
Other interest paid		**(0.7)**	(0.6)
Taxation paid		**(0.9)**	(4.7)
Net cash generated from operating activities		**17.3**	16.7
Cash flows from investing activities			
Acquisition of trade and assets as part of a business combination	10	**(152.8)**	-
Purchase of property, plant and equipment		**(2.4)**	(1.1)
Software and development expenditure		**(1.3)**	(1.0)
Proceeds from sale of intangible assets		**-**	0.5
Net cash used in investing activities		**(156.5)**	(1.6)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital		**0.5**	1.4
Repurchase of shares		**(0.2)**	-
Principal element of lease payments		**(2.4)**	(2.9)
Drawdown of borrowings (net of deferred issue costs)		**100.7**	3.0
Repayment of borrowings		**(15.7)**	-
Issue costs related to borrowings		**(0.6)**	-
Equity dividends paid	7	**(9.8)**	(8.8)
Net cash generated from/(used in) financing activities		**72.5**	(7.3)
Net (decrease)/increase in cash and cash equivalents		**(66.7)**	7.8
Cash and cash equivalents at beginning of period		**116.5**	95.0
Effect of foreign currency exchange rate changes		**0.4**	(1.7)
Cash and cash equivalents at end of the period		**50.2**	101.1

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

	H1 2022	H1 2021
	£m	£m
Net (decrease)/increase in cash and cash equivalents	**(66.7)**	7.8
Change in net debt [1] resulting from cash flows (net of deferred issue costs)	**(85.0)**	(3.0)
Interest incurred on borrowings	**0.7**	0.6
Interest paid on borrowings	**(0.7)**	(0.6)
Non-cash movement (release of deferred issue costs)	**(0.2)**	(0.1)
Issue costs related to borrowings	**0.6**	-
Effect of foreign currency on cash flows	**0.4**	(1.7)
Foreign currency translation differences on borrowings	**(6.6)**	4.2
Change in net debt [1] during the period	**(157.5)**	7.2
Net cash/(debt) [1] at start of period excluding lease liabilities	**83.3**	(4.2)
Net (debt)/cash [1] at end of period excluding lease liabilities	**(74.2)**	3.0
Lease liabilities	**(32.2)**	(37.2)
Net debt [1] at end of period	**(106.4)**	(34.2)

Consolidated statement of changes in equity

For the period ended 30 November 2021

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

	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 2020 (as reported) [2]	**2.8**	**150.9**	–	**42.3**	**31.9**	**(13.8)**	**214.1**
Impact of change in accounting policy in respect of cloud configuration and customisation costs (note 12)	–	–	–	–	–	(8.2)	(8.2)
Balance at 1 June 2020 (as restated) [2]	2.8	150.9	–	42.3	31.9	(22.0)	205.9
Profit for the period (restated) [2]	–	–	–	–	–	6.7	6.7
Other comprehensive income for the period	–	–	–	–	(4.4)	–	(4.4)
Total comprehensive income for the period (restated) [2]	–	–	–	–	(4.4)	6.7	2.3
Transactions with owners recorded directly in equity							
Dividends to equity shareholders	–	–	–	–	–	(8.8)	(8.8)
Share-based payments	–	–	–	–	–	0.7	0.7
Shares issued	–	1.4	–	–	–	–	1.4
Total contributions by and distributions to owners	–	1.4	–	–	–	(8.1)	(6.7)
Balance at 30 November 2020 (restated) [2]	**2.8**	**152.3**	–	**42.3**	**27.5**	**(23.4)**	**201.5**

	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 2020 [2]	2.8	150.9	–	42.3	31.9	(22.0)	205.9
Profit for the year	–	–	–	–	–	10.0	10.0
Other comprehensive income for the year	–	–	(0.8)	–	(11.6)	–	(12.4)
Total comprehensive income for the year	–	–	(0.8)	–	(11.6)	10.0	(2.4)
Transactions with owners recorded directly in equity							
Dividends to equity shareholders	–	–	–	–	–	(13.0)	(13.0)
Share-based payments	–	–	–	–	–	2.8	2.8
Tax on share-based payments	–	–	–	–	–	0.3	0.3
Shares issued	0.3	72.3	–	–	–	–	72.6
Total contributions by and distributions to owners	0.3	72.3	–	–	–	(9.9)	62.7
Balance at 31 May 2021	3.1	223.2	(0.8)	42.3	20.3	(21.9)	266.2

Notes to the unaudited condensed interim financial statements

1 Accounting policies

Basis of preparation

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

The Groups' unaudited condensed interim financial statements for the six months ended 30 November 2021 (H1 2022), have been prepared on the going concern basis in accordance with IAS 34 'Interim Financial Reporting' as adopted for use in the UK. 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 Company operates. The unaudited condensed interim financial statements were approved by the Directors on 27 January 2022.

The annual financial statements of the Group for the year ended 31 May 2022 will be prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the UK and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority the condensed set of 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 2021, which were prepared in accordance with IFRSs as adopted for use in the UK. They do not contain all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended 31 May 2021.

The financial statements of the Group for the year ended 31 May 2021 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 2021 are not the company's statutory accounts for that financial year but are derived from those accounts. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Post-Brexit

Management has reviewed the impact of ongoing disruption post-Brexit on the condensed interim financial statements. The Group has so far proven structurally resilient to any significant disruption arising post-Brexit. The main risks to the Group post-Brexit continue to be any reduction in demand from an economic slowdown as well as real or perceived differences in data protection standards which impact our global ways of working. On this basis, management has concluded that the impact should be limited; this includes any impact on the IFRS 9 expected credit loss model. Management also notes no changes to this assessment from a post-Balance Sheet event perspective.

Covid-19

Management has reviewed the potential impact of Covid-19 on the condensed interim Financial Statements. Accordingly, consideration has been given to the impact on the IFRS 9 expected credit loss model, IFRS 15 collectability assessments, IFRS 16 lease term assessments and the going concern assessment.

Application of IFRIC agenda decisions

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision on the clarification of accounting in relation to the configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) as follows:

- Amounts paid to the cloud vendor for configuration and customisation that are not distinct from access to the cloud software are expensed over the SaaS contract term.
- In limited circumstances, other configuration and customisation costs incurred in implementing SaaS arrangements may give rise to an identifiable intangible asset, for example, where code is created that is controlled by the entity.
- In all other instances, configuration and customisation costs will be expensed as the customisation and configuration services are received.

See notes 5, 9 & 12 for further details.

Individually Significant Items

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

Going concern

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

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

The Directors have prepared cash flow and covenant compliance forecasts for the 12-month period ending 31 January 2023 which indicate that, taking account of severe but plausible downsides and the potential impact of Covid-19 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. Accounting standards require that the foreseeable future covers a period of at least 12 months from the date of approval of the Financial Statements and the Directors still consider this period to be an appropriate assessment period due the Group's financial position, trading performance and that its borrowing facilities do not expire until June 2024.

The Group is financed primarily by a £100m committed revolving credit facility that matures in June 2024. 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 taken into account in the Group's going concern assessment as it requires bank approval and is therefore uncommitted as at the date of approval of these condensed interim financial statements.

On 7 June 2021, the Group acquired the IPM business for $217.3m after a provisional positive net working capital adjustment of £2.7m to the original purchase price of $220m; the US acquisition was funded through an equity placing in May 2021 of £70.2m (net proceeds) combined with a new three year $70m term loan, existing cash balances and our existing revolving credit facility. During the period ended 30 November 2021, the Group incurred further cash transaction costs of £6.4m in relation to the acquisition. The Term loan is repaid in annual instalments of $23.3m on each of 10 June 2022 and 10 June 2023, with a final instalment of $23.4m payable on 10 June 2024. The acquisition has been trading in line with expectations and the integration process is on plan.

As of 30 November 2021, net debt (excluding lease liabilities) [2] amounted to £74.2m which comprised of cash of £50.2m, a drawn revolving credit facility of £72.1m and the term loan of £52.3m. In relation to the drawn revolving credit facility, £30.0m is drawn down for working capital requirements and £42.1m in relation to the US acquisition of IPM. Headroom on the Group's banking facilities amounts to £78.1m. As of 30 November 2021, the Group has not taken any reliance on the UK governments Covid Corporate Financing Facility (CCFF) or any other forms of government support worldwide. 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 the same financial covenants on both banking facilities for leverage (net debt to Adjusted EBITDA [2]) and interest cover (Adjusted EBITDA [2] to interest charge) that are tested bi-annually on 31 May and 30 November each year. As of 30 November 2021, leverage [2] amounted to 1.3x (31 May 2021: (1.8)x as cash positive prior to the acquisition) and net interest cover [2] amounted to 31.6x (31 May 2021: 34.1x) compared to a maximum of 3.0x and a minimum of 3.5x respectively. The terms and ratios are specifically defined in the Group's banking documents (in line with normal commercial practice) and are materially similar to GAAP with the exceptions being net debt excludes IFRS 16 lease liabilities and Adjusted EBITDA [2] excludes amortisation of acquired intangibles, share-based payments and Individually Significant Items. The Group was in compliance with the terms of all its facilities, including the financial covenants, on 30 November 2021 and expects to remain in compliance with the terms going forward. In addition, the Group has not sought or planning to seek any waivers to its existing facilities.

Although the Group has demonstrated resilience over the last few years to the challenging environment resulting from Covid-19, the Directors acknowledge that the financial performance of the Group has been adversely impacted to a certain degree since the commencement of the pandemic, and for this reason, the base case forecast reflects this assessment. The continuing macro-economic risks and potential changes in government policies (on the severity of enforced lockdowns worldwide and vaccination programmes) could have a continued effect on the Group's performance. However, trading throughout the pandemic has continued to demonstrate resilience.

The Directors have prepared a number of severe but plausible scenarios as follows:

1. The remaining performance of FY22 and the first half of FY23 continues to be similar to that of FY21, including the impact on regional and international operations of the Group and a potential reduction in growth.

2. An additional impact of Covid-19 during a three-month period from January to March 2022 which coincides with a similar economic pandemic pattern as FY21.

3. Potential impact of customers' inability to pay during a specified period.

4. Failure of execution of the strategy, loss of key customers and a number of acquisition related risks crystallising (for example: increased customer churn, integration and cash collection issues).

5. Software Resilience performance does not return to growth in all territories and the Assurance business experiences similar impact of Covid-19 on its performance as 2021.

These scenarios have been modelled individually in order to assess the Group's ability to withstand multiple challenges. The Directors do not believe a scenario combining all or some of these risks to be plausible. The impact of these sensitivities 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.

Having reviewed the current trading performance, forecasts, debt servicing requirements, total facilities and risks, the Directors are confident that the Group will have sufficient funds to continue to meet their liabilities as they fall due for a period of at least 12 months from the date of approval of these condensed interim Financial Statements. 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 2021.

2. Critical accounting judgements and key sources of estimation uncertainty

Critical accounting judgements

Information about critical accounting judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Group's condensed interim financial statements are as follows.

Control of IPM Software Resilience business

A key judgement impacting the period ended 30 November 2021 is the acquisition date for the purchase of the IPM Software Resilience business. Management considers shareholder approval of the transaction determines a change in control and therefore the date of shareholder approval is considered to be the acquisition date for the transaction. Shareholder approval was granted on 1 June 2021 and the IPM Software Resilience business has been consolidated into the Group results from that date.

Key sources of estimation uncertainty
The Group's condensed interim financial statements contain estimation uncertainties as follows:

Fair value measurement – customer relationships
As part of the acquisition of the IPM business (see note 10) the Group has acquired an intangible asset relating to the customer relationships acquired with a fair value of £90.3m

The valuation approach taken is the is an income approach, specifically the multi-period excess earnings method ("MEEM"). As part of this valuation exercise certain key sources of estimation uncertainty have been identified that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year. A description of such estimates and reasonably possible sensitivities are described in note 10.

Carrying values of goodwill
The Group has significant balances relating to goodwill on 30 November 2021 as a result of acquisitions of businesses in previous years and during the period. The carrying value of goodwill on 30 November 2021 is £259.2m (H1 2021: £188.7m, 31 May 2021: £182.9m). Goodwill balances are tested annually for impairment or if events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The Group has considered whether there have been any indicators of impairment during the 6 months ended 30 November 2021, which would require an impairment review to be performed. The Group has considered indicators of impairment with regard to a number of factors, including those outlined in IAS 36 'Impairment of assets'. Based upon this review, the Group has concluded that there are no such indicators of impairment as at 30 November 2021.

As part of this review, management has reviewed the key assumptions underlying the valuation process performed during the annual impairment test at 31 May 2021. Indicators assessed include the year-to-date performance of the Group's CGUs against their latest forecast. For further detail on sensitivity analysis performed as at 31 May 2021 please see the 31 May 2021 Annual Report.

The impairment review completed as at 31 May 2021, involved the preparation of discounted cash flow projections, which require significant estimates of both future operating cash flows and an appropriate risk-adjusted discount rate.

The commercial viability of individually capitalised development project costs is also part of the overall assessment of carrying values.

Future cash flow estimates are based on two critical estimates: the rate of revenue growth and the discount rate, particularly in relation to the Europe Assurance CGU which is the most sensitive to movements in estimates.

The calculation of an appropriate discount rate to apply to the future cash flow estimate is itself an estimate. While some aspects of discount rate calculations can be more mechanical in nature (such as using the 30-year gilt yield as a proxy for the risk-free rate) others, such as entity or sector-specific risk adjustments, rely more on management estimates. The discount rate is also a key component in assessing the terminal value which is often an important part of any valuation.

3 Alternative Performance Measures (APMs) and adjusting items

The condensed interim 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 period 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 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.

The Group manages internally its performance at an adjusted operating profit level (before amortisation of acquired intangibles, share-based payments and Individually Significant Items), which management believes better represents the underlying trading of the business, this information is disclosed as an APM within the condensed interim financial statements. This APM is reconciled to statutory operating profit together with Adjusted basic EPS (before amortisation of acquired 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 below)
- Adjusted operating profit (reconciled below)
- Adjusted basic EPS (pence) (reconciled in Note 8)
- Net cash/(debt) excluding lease liabilities (reconciled below)
- Net debt (reconciled below)
- Cash conversion (reconciled below)
- Cash conversion excluding acquisition costs (reconciled below)
- Constant currency revenue (reconciled below)
- Revenue excluding IPM acquisition (reconciled below)

The above APM's are consistent with those reported for the year ended 31 May 2021, except for

- the inclusion of Revenue excluding IPM acquisition to allow stakeholders to understand the revenue performance of the existing business for the period ended 30 November 2021 prior to acquiring IPM. The Group reports certain geographic regions on a constant currency basis to reflect the underlying performance taking into account 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.
- The inclusion of Cash conversion excluding acquisition costs to allow stakeholders to understand the cash conversion measure excluding the cash outflow in H1 FY22 relating to the transaction costs associated with the IPM acquisition. Excluding such costs allows a more comparable metric to prior year figures.

Further detail is included within the glossary of terms to this Annual Report which provides supplementary information that assists the user in understanding theses APMs/non-statutory measures.

Adjusted EBITDA and Adjusted operating profit

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

	H1 2022 £m	H1 2021 (restated) [2] £m
Operating profit	**10.1**	11.0
Depreciation of property, plant and equipment	**1.9**	2.4
Depreciation of right of use assets	**2.7**	3.0
Amortisation of software and development costs	**1.3**	1.7
Amortisation of acquired intangibles	**6.9**	4.3
Individually Significant Items (Note 5)	**0.9**	2.3
Share-based payments charge	**2.3**	0.7
Adjusted EBITDA	**26.1**	25.4
Depreciation and amortisation (excluding amortisation charged on acquired intangibles)	**(5.9)**	(7.1)
Adjusted operating profit	**20.2**	18.3

Net debt

The calculation of Net debt is set out below:

	H1 2022 £m	H1 2021 £m
Cash and cash equivalents	**50.2**	101.1
Borrowings (net of deferred issue costs)	**(124.4)**	(98.1)
Net (debt)/cash excluding lease liabilities	**(74.2)**	3.0
Lease liabilities	**(32.2)**	(37.2)
Net debt	**(106.4)**	(34.2)

Cash conversion ratio

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

	H1 2022 £m	H1 2021 (restated) [2] £m
Net operating cash flow before interest and taxation (A)	**19.5**	22.6
Adjusted EBITDA (B)	**26.1**	25.4
Cash conversion ratio (%) (A)/(B)	**74.7%**	89.0%

Net operating cash flow before interest and taxation includes acquisition costs of £6.4m (H1 2021: £nil). Adjusting the cash conversion ratio for these acquisition costs would give rise to a cash conversion ratio excluding acquisition costs of 99.2% compared to the prior period of 89.0%.

Constant currency revenue growth

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

Group

Revenue excluding the performance of IPM:

	H1 2022 £m	H1 2021 £m	% change at actual rates	H1 2022 £m	H1 2021 £m	% change at constant currency
Revenue	**150.1**	135.6	*10.7%*	*150.1*	*131.4*	*14.2%*
Less: IPM acquisition	**(9.3)**	-	*n/a*	*(9.3)*	-	*n/a*
Revenue excluding IPM acquisition	**140.8**	135.6	*3.8%*	**140.8**	*131.4*	*7.2%*

Assurance

Assurance revenue analysis – by originating country:

	H1 2022 £m	H1 2021 £m	% change at actual rates	**H1 2022 £m**	H1 2021 £m	% change at constant currency
UK & APAC	**54.6**	50.9	*7.3%*	**54.6**	*50.8*	*7.5%*
North America	**44.0**	43.0	*2.3%*	**44.0**	*40.4*	*8.9%*
Europe	**24.6**	23.2	*6.0%*	**24.6**	*22.0*	*11.8%*
Total Assurance revenue	**123.2**	117.1	*5.2%*	**123.2**	*113.2*	*8.8%*

Assurance revenue analysed by type of service/product line:

	H1 2022 £m	H1 2021 £m	% change at actual rates	**H1 2022 £m**	H1 2021 £m	% change at constant currency
Global Professional Services (GPS)	**90.9**	86.9	*4.6%*	**90.9**	*84.0*	*8.2%*
Global Managed Services (GMS)	**28.4**	27.5	*3.3%*	**28.4**	*26.6*	*6.8%*
Product Sales (own and third party)	**3.9**	2.7	*44.4%*	**3.9**	*2.6*	*50.0%*
Total Assurance revenue	**123.2**	117.1	*5.2%*	**123.2**	*113.2*	*8.8%*

Software Resilience

Software Resilience revenue analysis – by originating country:

	H1 2022 £m	H1 2021 £m	% change at actual rates	**H1 2022 £m**	H1 2021 £m	% change at constant currency
UK	**12.6**	12.8	*(1.6%)*	**12.6**	*12.8*	*(1.6%)*
North America	**12.3**	3.7	*232.4%*	**12.3**	3.4	261.8%
Europe	**2.0**	2.0	-	**2.0**	*2.0*	-
Total Software Resilience revenue	**26.9**	18.5	*45.4%*	**26.9**	18.2	*47.8%*

Software Resilience revenue analysis – by originating country excluding the performance of IPM:

	H1 2022 £m	H1 2021 £m	% change at actual rates	**H1 2022 £m**	H1 2021 £m	% change at constant currency
UK	**12.2**	12.8	*(4.7%)*	**12.2**	*12.8*	*(4.7%)*
North America	**3.4**	3.7	*(8.1%)*	**3.4**	3.4	-
Europe	**2.0**	2.0	-	**2.0**	*2.0*	-
Total Software Resilience revenue	**17.6**	18.5	*(4.9%)*	***17.6***	18.2	*(3.3%)*

Software Resilience revenues analysed by service line:

Software Resilience services revenue

	H1 2022 £m	H1 2021 £m	% change at actual rates	**H1 2022 £m**	H1 2021 £m	% change at constant currency
Software Resilience contracts	**18.7**	12.5	*49.6%*	**18.7**	*12.2*	*53.3%*
Verification services	**8.2**	6.0	*36.7%*	**8.2**	*6.0*	*36.7%*
Total Software Resilience revenue	**26.9**	18.5	*45.4%*	**26.9**	18.2	*47.8%*

Software Resilience revenues analysed by service line excluding the performance of IPM:

Software Resilience services revenue	**H1 2022 £m**	H1 2021 £m	% change at actual rates	**H1 2022 £m**	H1 2021 £m	% change at constant currency
Software Resilience contracts	**11.3**	12.5	*(9.6%)*	**11.3**	*12.2*	*(7.4%)*
Verification services	**6.3**	6.0	*5.0%*	**6.3**	*6.0*	*5.0%*
Total Software Resilience revenue	**17.6**	18.5	*(4.9%)*	**17.6**	18.2	*(3.3%)*

4 Segmental information

The Group is organised into the following two (H1 2021: two) reportable segments: Assurance and Software Resilience. During the period, following the acquisition of IPM (see note 10), management have included the post-acquisition trading performance of IPM within the Software Resilience segment.

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]. Interest and tax are also not allocated to business segments and there are no intra-segment sales.

Segmental analysis H1 2022	Assurance £m	Software resilience £m	Central and head office £m	Group £m
Revenue	**123.2**	**26.9**	**–**	**150.1**
Cost of sales	**(78.8)**	**(7.6)**	**–**	**(86.4)**
Gross profit	**44.4**	**19.3**	**–**	**63.7**
Gross margin %	**36.0%**	**71.7%**	**–**	**42.4%**
General administrative expenses allocated	**(26.8)**	**(9.9)**	**(0.9)**	**(37.6)**
Adjusted EBITDA [1]	**17.6**	**9.4**	**(0.9)**	**26.1**
Depreciation and amortisation	**(3.6)**	**(0.1)**	**(2.2)**	**(5.9)**
Adjusted operating profit [1]	**14.0**	**9.3**	**(3.1)**	**20.2**
Individually Significant Items (Note 5)	**–**	**(0.9)**	**–**	**(0.9)**
Amortisation of acquired intangibles	**(2.0)**	**(4.9)**	**–**	**(6.9)**
Share-based payments	**(1.5)**	**(0.2)**	**(0.6)**	**(2.3)**
Operating profit	**10.5**	**3.3**	**(3.7)**	**10.1**

Segmental analysis H1 2021 (restated) [2]	Assurance £m	Software resilience £m	Central and head office £m	Group £m
Revenue	117.1	18.5	–	135.6
Cost of sales	(76.3)	(4.9)	–	(81.2)
Gross profit	40.8	13.6	–	54.4
Gross margin %	34.8%	73.5%	–	40.1%
General administrative expenses allocated	(23.0)	(5.5)	(0.5)	(29.0)
Adjusted EBITDA [1]	17.8	8.1	(0.5)	25.4
Depreciation and amortisation [2]	(4.3)	(0.1)	(2.7)	(7.1)
Adjusted operating profit [1]	13.5	8.0	(3.2)	18.3
Individually Significant Items (Note 5) [2]	–	–	(2.3)	(2.3)
Amortisation of acquired intangibles	(4.3)	–	–	(4.3)
Share-based payments	(0.4)	–	(0.3)	(0.7)
Operating profit	8.8	8.0	(5.8)	11.0

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

Revenue by originating country	**Assurance £m**	**Software Resilience £m**	**H1 2022 Total £m**	Assurance £m	Software Resilience £m	H1 2021 Total £m
UK & APAC	**54.6**	**12.6**	**67.2**	50.9	12.8	63.7
North America	**44.0**	**12.3**	**56.3**	43.0	3.7	46.7
Europe	**24.6**	**2.0**	**26.6**	23.2	2.0	25.2
Total revenue	**123.2**	**26.9**	**150.1**	117.1	18.5	135.6

Revenue by category	**Assurance £m**	**Software Resilience £m**	**H1 2022 Total £m**	Assurance £m	Software Resilience £m	H1 2021 Total £m
Services	**119.3**	**26.9**	**146.2**	114.4	18.5	132.9
Products	**3.9**	**–**	**3.9**	2.7	–	2.7
Total revenue	**123.2**	**26.9**	**150.1**	117.1	18.5	135.6

Timing of revenue recognition	**Assurance £m**	**Software Resilience £m**	**H1 2022 Total £m**	Assurance £m	Software Resilience £m	H1 2021 Total £m
Services and products transferred over time	**24.1**	**18.3**	**42.4**	23.4	12.3	35.7
Services and products transferred at a point in time	**99.1**	**8.6**	**107.7**	93.7	6.2	99.9
Total revenue	**123.2**	**26.9**	**150.1**	117.1	18.5	135.6

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

Segmental analysis H1 2021 (re-stated [2])	Assurance £m	Software Resilience £m	Central and head office £m	Group £m
Additions to non-current assets	1.6	0.2	4.9	6.7
Reportable segment assets	95.2	13.4	322.9	431.5
Reportable segment liabilities	87.1	4.6	138.3	230.0

5. Individually significant items

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

	H1 2022 £m	H1 2021 (restated) [2] £m
Cloud configuration and customisation costs	**–**	2.3
Costs directly attributable to the acquisition of the IPM Software Resilience business	**0.9**	–
Total ISIs	**0.9**	2.3

Cloud configuration and customisation costs
These costs relate to the spend previously capitalised in relation to the Group's Securing Growth Together digital transformation programme that have now been expensed within other administrative expenses following the adoption of the IFRIC agenda decision (as from 1 June 2021, are no longer considered part of the Group's Securing Growth Together digital transformation programme). These costs meet the Group's policy for ISIs. See note 12 for further details in relation to the prior period restatement.

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 (see note 10) and are therefore considered to meet the Group's policy for ISIs, with a further £7.6m being recognised in H2 2021. The nature of the costs includes legal, accountancy, due diligence and other advisory services. Of the £7.6m costs incurred in H2 2021, the Group has paid £6.4m during H1 2022.

6. Tax

Tax charged within the 6 months ended 30 November 2021 has been calculated by applying the effective rate of tax which is expected to apply to the Group for the period ending 31 May 2022 using rates substantively enacted by 30 November 2021 as required by IAS 34 'Interim Financial Reporting'.

The normalised rate of tax of 31.0% (H1 2021 re-stated [2]: 30.9%) has been calculated using the full year projections and has been applied to profit before taxation for the 6 months ended 30 November 2021.

In the March 2021 budget, the UK government announced that legislation will be introduced in the Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. This rate was substantively enacted on 24 May 2021 and therefore the UK deferred tax balances as at 31 May 2021 and 30 November 2021 are generally measured at a UK tax rate of 25%.

The normalised tax rate of 31.0% was above the UK statutory tax rate of 19%. The main items increasing the tax rate were the origin of a reasonable proportion of Group profits in overseas territories with higher tax rates than the UK and the derecognition of deferred tax losses.

The tax expense reported for the current period and prior period is affected by certain positions taken by management where there may be uncertainty. The most significant source of uncertainty arises from claims for US R&D tax credits relating to historical periods. Uncertainty arises as a result of a degree of uncertainty concerning interpretation of US legislation and because the statute of limitations has not expired. For the periods ending 31 May 2017 to 30 November 2021, the aggregate net current tax benefit to the Income Statement relating to the US R&D tax credits is £2.8m (31 May 2021: £2.7m). The gross deferred tax asset relating to the US R&D tax credits is £1.2m (31 May 2021: £1.0m), although due to the uncertainty we have made a partial provision of £0.8m (31 May 2021: £0.6m) against this asset. The aggregate gross amount of US R&D tax credits recognised amounts to £8.6m (31 May 2021: £8.2m) and we have made a provision of £5.4m (31 May 2021: £5.1m) against this gross position.

7. Dividends

	H1 2022	H1 2021
Dividends paid and recognised in the period (£m)	**9.8**	8.8
Dividends per share proposed but not recognised in the period (pence)	**1.50p**	1.50p

8. Earnings per ordinary share (EPS)

Earnings per ordinary share are shown below:

	H1 2022 £m	H1 2021 (restated) [2] £m
Statutory earnings (A)	**5.8**	6.7
	Number of shares m	Number of shares m
Basic weighted average number of shares in issue (C)	**309.2**	279.5
Dilutive effect of share options	**2.0**	1.6
Diluted weighted average shares in issue (D)	**311.2**	281.1

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 2022 pence	H1 2021 (restated) [2] pence
Earnings per ordinary share		
Basic (A/C)	**1.9**	2.4
Diluted (A/D)	**1.9**	2.4

Adjusted basic EPS [1] is reconciled as follows:

	H1 2022 £m	H1 2021 (restated) [2] £m
Statutory earnings (A) [2]	**5.8**	6.7
Amortisation of acquired intangibles	**6.9**	4.3
Share based payments	**2.3**	0.7
Individually Significant items (Note 5) [2]	**0.9**	2.3
Tax effect of above items [2]	**(2.4)**	(1.5)
Adjusted earnings (B) [2]	**13.5**	12.5

	H1 2022 pence	H1 2021 (restated) [2] pence
Adjusted earnings per ordinary share		
Basic (B/C)	**4.4**	4.5
Diluted (B/D)	**4.3**	4.4

9. Goodwill and intangible assets

	Goodwill £m	Software £m	Development costs £m	Customer contracts and relationships £m	Intangibles subtotal £m	Total £m
Cost:						
At 1 June 2021	238.9	14.5	11.7	73.1	99.3	338.2
Additions	-	1.3	0.2	-	1.5	1.5
On acquisition (see note 10)	68.6	1.2	-	91.4	92.6	161.2
Effects of movements in exchange rates	7.7	-	(0.2)	7.2	7.0	14.7
At 30 November 2021	315.2	17.0	11.7	171.7	200.4	515.6
Accumulated amortisation:						
At 1 June 2021	(56.0)	(11.8)	(9.0)	(57.5)	(78.3)	(134.3)
Charge for period	-	(0.5)	(0.8)	(6.9)	(8.2)	(8.2)
Effects of movement in exchange rates	-	-	0.1	(0.7)	(0.6)	(0.6)
At 30 November 2021	(56.0)	(12.3)	(9.7)	(65.1)	(87.1)	(143.1)
Net book value:						
At 30 November 2021	**259.2**	**4.7**	**2.0**	**106.6**	**113.3**	**372.5**
At 31 May 2021	182.9	2.7	2.7	15.6	21.0	203.9

	Goodwill £m	Software £m	Development costs £m	Customer contracts and relationships £m	Intangibles subtotal £m	Total £m
Cost:						
At 1 June 2020 (restated)	259.3	12.8	11.5	88.2	112.5	371.8
Additions	-	0.7	0.3	-	1.0	1.0
Effects of movements in exchange rates	(4.4)	(0.2)	0.3	0.1	0.2	(4.2)
At 30 November 2020	254.9	13.3	12.1	88.3	113.7	368.6
Accumulated amortisation:						
At 1 June 2020 (restated)	(66.2)	(10.8)	(7.3)	(65.4)	(83.5)	(149.7)
Charge for period	-	(0.6)	(1.1)	(4.3)	(6.0)	(6.0)
Effects of movement in exchange rates	-	-	(0.1)	(0.3)	(0.4)	(0.4)
At 30 November 2020	(66.2)	(11.4)	(8.5)	(70.0)	(89.9)	(156.1)
Net book value:						
At 30 November 2020	**188.7**	**1.9**	**3.6**	**18.3**	**23.8**	**212.5**
At 31 May 2020 (restated)	193.1	2.0	4.2	22.8	29.0	222.1

Application of IFRIC agenda decisions

During H2 2021, the Group reviewed its accounting policy to align with IFRIC guidance issued in April 2021 in relation to Software-as-a-Service (SaaS) costs previously capitalised; following this review of costs £2.3m previously capitalised for the period ended 30 November 2020 relating to cloud-based arrangements have now been expensed within ISIs and amortisation of £1.3m charged on those assets has been reversed. Consequently, the net impact on operating profit for the period ended 30 November 2020 is £1.0m. In addition, costs of £0.1m have been reclassified to prepayments. See Note 12 for further details on this prior period restatement.

Impairment

The Group's policy is to test non-financial assets for impairment annually, or if events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The Group has considered whether there have been any indicators of impairment during the 6 months ended 30 November 2021, which would require an impairment review to be performed. The Group has considered indicators of impairment with regard to a number of factors, including those outlined in IAS 36 'Impairment of assets'. Based upon this review, the Group has concluded that there are no such indicators of impairment as at 30 November 2021.

As part of this review, management has reviewed the key assumptions underlying the valuation process performed during the annual impairment test at 31 May 2021. Indicators assessed include the year-to-date performance of the Group's CGUs against their latest forecast. For further detail on sensitivity analysis performed as at 31 May 2021 please see the 31 May 2021 Annual Report.

10. Acquisition of IPM business

On 1 June 2021, shareholder approval was passed for the acquisition of the IPM business of Iron Mountain, comprising substantially all of the assets of Iron Mountain Intellectual Property Management, Inc. together with certain other assets of affiliates of Iron Mountain exclusively related to the IPM business. The primary reasons for the business combination are to:

- Scale-up the Group's core business to create a global business and platform for further growth
- Generate revenue synergies through allowing the enlarged division to offer NCC's broader suite of established verification services as well as the newer Escrow-as-a-Service (EaaS) cloud offering to the IPM business's existing customer base
- Present an exciting new opportunity to sell NCC's cyber security services from its Assurance division into the IPM business's broad and blue-chip customer base in the medium term
- Be accretive to earnings per share from completion, even without factoring in revenue synergies
- Result in greater strategic strength for the future

Management consider shareholder approval of the transaction determines a change in control and therefore the date of shareholder approval is considered to be the acquisition date for the transaction. Shareholder approval was granted on 1 June 2021 and the IPM Software Resilience business has been consolidated into the Group results from that date (Note 2).

Details of assets acquired that are subject to provisional fair value adjustments noted below. The acquisition for a total consideration of $220.0m was subsequently adjusted during FY22 to $217.3m (£152.8m) to reflect a normalised working capital adjustment. The acquisition was funded through an equity net placing of £70.2m ($98.4m) on 17 May 2021 combined with a new three year $70m term loan and the remaining $48.9m funded via existing cash balances and our revolving credit facility. The term loan was entered into on 12 May 2021 but not drawn down until 2 June 2021.

The provisional fair value of assets and liabilities acquired can be summarised as follows:

	Provisional fair value £m
Identifiable intangible assets: (note 9)	
- Customer relationships	91.4
- Computer software	1.2
Right of use assets	0.2
Trade and other receivables	4.6
Trade and other payables	(0.2)
Deferred income	(12.1)
Lease liabilities	(0.2)
Deferred tax liability	(0.7)
Total identifiable assets acquired and liabilities assumed	**84.2**
Goodwill (note 9)	68.6
Total consideration	**152.8**
Satisfied by:	
Cash	**152.8**

No cash was acquired as part of the acquisition.

Costs directly attributable to the acquisition of the IPM business totalling £8.5m have been expensed to individually significant items during the year ended 31 May 2021 (£7.6m) and the period ended 30 November 2021 (£0.9m). Issue costs of £2.4m were incurred as part of the equity placing and have been debited to the share premium account in the year ended 31 May 2021.

The fair value of the financial assets includes trade receivables with a fair value of £4.6m and a gross contractual value of £5.2m. The best estimate at acquisition date of the contractual cash flows not to be collected is £0.6m which equates to the estimated credit loss provision.

The goodwill of £68.6m arising from the acquisition consists of the know-how and expertise of the employees transferred to NCC Group plc as part of the acquisition, the future economic benefit arising from the aligning of customers' existing products with the Group's products, and it's fit with existing operations. Goodwill is expected to be deductible for income tax purposes.

There is a contingent consideration arrangement that requires amounts to be repaid to NCC Group plc in the event that certain customers terminate their contractual agreements as a result of the change in ownership. The fair value of the contingent consideration potentially due to NCC Group plc is considered to be £nil by management. This fair value was estimated based on the comparing the expected number of customers likely to terminate their contractual arrangements as a result of the change in ownership to the threshold for repayment to NCC Group plc.

The information provided above is provisional based on the information available at the time of this report. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised. In addition, management are currently finalising the working capital adjustment to the purchase price with the Vendor, this may result in a change to the original consideration of £152.8m. The IPM business contributed £9.3m of the Groups' revenue and £7.2m to the Groups' gross profit for the period between the date of acquisition (1 June 2021) and 30 November 2021.

Measurement of fair values

<table>
<tr><th colspan="2">Assets acquired</th></tr>
<tr><td>Computer software</td><td>As there is no active market for such bespoke intangible assets a cost approach has been taken to value computer software acquired based on the cost to re-create the assets. The fair value is based on the estimated time required by appropriately skilled individuals to re-create such assets.</td></tr>
<tr><td>Customer relationships</td><td>The valuation approach taken is the is an income approach, specifically the multi-period excess earnings method ("MEEM"). The fundamental principle underlying the MEEM is isolating the net earnings attributable to the asset being measured. There are 3 key steps in calculating the MEEM:
1) Projecting financial information — cash flows, revenue, expenses, etc. — for the IPM business acquired.
2) Subtracting the cash flows attributable to all other assets through a contributory asset charge (CAC). The CAC is a form of economic rent for the use of all other assets in generating total cash flows that is composed of the required rate of return on all other assets and an amount necessary to replace the fair value of certain contributory intangible assets.
3) Calculating the cash flows attributable to the intangible asset subject to valuation and discount them to present value. Cash flows are forecast through to FY28 and taken into perpetuity beyond this date. Cash flow forecasts include a level of growth in revenue in addition to specific growth synergies expected from the aligning of IPM customers' existing products with the Group's products and IPM's fit with existing operations. Cash flow forecasts include a level of customer attrition based on historical experience of IPM customer termination rates.
Both the amount and the duration of the cash flows are considered from a market participant's perspective.</td></tr>
<tr><td>Lease liabilities</td><td>The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition.</td></tr>
<tr><td>Right-of-use assets</td><td>The right-of-use assets were measured at an amount equal to the lease liabilities. No significant judgements have been identified as part of this assessment.</td></tr>
<tr><td>Deferred income</td><td>The fair value of the deferred revenue liability has been calculated using a top-down approach. This approach relies on market indicators of expected revenue for any obligation yet to be delivered with appropriate adjustments. This approach starts with the amount that an entity would receive in a transaction, less the cost of the selling effort (which has already been performed) including a profit margin on that selling effort.</td></tr>
</table>

The valuation of purchase price accounting is a key source of estimation uncertainty, in which there are several key assumptions where, if a reasonably possible change in assumption is made, this could result in a material adjustment. A description of the key assumptions and possible sensitivities are described below:

Description of key assumption	Reasonably possible scenario	Impact
The valuation of the customer relationships intangible asset of £90.3m assumes a discount rate of 10.7% driven by the internal rate of return implied by the consideration paid for the acquired business.	It is considered reasonably possible that this discount rate could be 1% higher or lower depending on the expected performance of the business post-acqusiiton.	The impact of increasing the discount rate by 1% would be to reduce the value of the customer relationship intangible asset by £6.0m with a corresponding increase in the value of goodwill arising on acquisition. The amortisation on acquired intangibles charged to the income statement for H1 FY22 would reduce by £0.3m. The impact of decreasing the discount rate by 1% would be to increase the value of the customer relationship intangible asset by £6.8m with a corresponding decrease in the value of goodwill arising on acquisition. The amortisation on acquired intangibles charged to the income statement for H1 FY22 would increase by £0.3m.
The valuation of the customer relationships intangible asset of £90.3m includes an estimate of a level of growth of the revenue generated from that customer base, post acquisition. The forecasts used assume that revenue (excluding synergies) will increase incrementally to a maximum of a 3.7% annual increase in FY25 before returning to levels more consistent with the US long-term inflationary growth rate in FY26 and beyond.	It is considered reasonably possible that this growth rate does not exceed an inflationary US long-term inflationary growth rate of 2%.	The impact of this scenario is to reduce the value of the customer relationship intangible asset by £3.1m with a corresponding increase in the value of goodwill arising on acquisition. The amortisation on acquired intangibles charged to the income statement for H1 FY22 would reduce by £0.2m.

11 Borrowings

Borrowings (excluding lease liabilities) are analysed as follows:

	H1 2022 £m	H1 2021 £m
Current liabilities		
Term loan facility (net of deferred issue costs)	**17.6**	–
Non-current liabilities		
Revolving credit facility (net of deferred issue costs)	**72.1**	98.1
Term loan facility (net of deferred issue costs)	**34.7**	–
Total non-current borrowings (excluding lease liabilities)	**106.8**	98.1
Total borrowings (excluding lease liabilities)	**124.4**	98.1

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

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

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

	Six months ended 30 November 2021 £m	Twelve months ended 31 May 2021 £m
Revolving credit facility/bank term loan:		
Drawdown on facility	**100.7**	12.0
Repayment of facility	**(15.7)**	(72.4)
Transaction costs	**(0.6)**	-
Release of deferred arrangement fees	**0.2**	0.2
Foreign exchange movement	**6.6**	(5.8)
Movement in borrowings	**91.2**	(66.0)
IFRS 16 lease liability:		
New leases entered into	**-**	3.1
Lease acquired on acquisition (note 10)	**0.2**	-
Leases terminated	**-**	(0.9)
Principal element of lease payments	**(2.4)**	(6.0)
Interest element of lease payments	**(0.6)**	(1.2)
Interest cost (non-cash)	**0.6**	1.2
Movement in lease liabilities	**(2.2)**	(3.8)

12 Prior period restatement

In preparing the financial statements for the year ended 31 May 2021 the directors revised their accounting policy for customisation and configuration costs related to Software as a Service (SaaS) arrangements. This resulted in a restatement of the consolidated balance sheet at 31 May 2020, the consolidated income statement for the year then ended and the opening consolidated balance sheet at 1 June 2019. The effect of that change in accounting policy has also been reflected in these condensed interim financial statements, with a restatement of the consolidated balance sheet at 30 November 2020 and the consolidated income statement for the period then ended.

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision on the clarification of accounting in relation to the configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) as follows:

- Amounts paid to the cloud vendor for configuration and customisation that are not distinct from access to the cloud software are expensed over the SaaS contract term.
- In limited circumstances, other configuration and customisation costs incurred in implementing SaaS arrangements may give rise to an identifiable intangible asset, for example, where code is created that is controlled by the entity.
- In all other instances, configuration and customisation costs will be expensed as the customisation and configuration services are received.

Due to the nature of this agenda decision and the level of spend incurred in relation to the Groups' Securing Growth Together digital transformation programme, the Group's accounting policy in relation to such customisation and configuration costs has been reviewed and changed to align with the IFRIC guidance issued in relation to Software-as-a-service (SaaS) costs previously capitalised. The restatement represents a non-cash adjustment.

The revision to the accounting policy has been accounted for retrospectively resulting in a prior period restatement.

The Group identified £17.8m additions made in the years ending 31 May 2019 and 31 May 2020 in relation to software and development costs. £7.9m of these costs capitalised for the year ended 31 May 2020 related to cloud computing arrangements that should be expensed after the consideration of the IFRIC guidance and a further £3.6m for the year ended 31 May 2019.

In relation to the period ended 30 November 2020, cloud computing arrangements that should be expensed after the consideration of the IFRIC guidance amounted to £2.3m and have been recognised as individually significant items (see note 5). In relation to the assets previously capitalised, £1.3m of amortisation was charged, which is to be reversed. A further £0.1m of costs capitalised are to be reclassified to prepayments.

These costs give rise to a reduction in the tax charge for the period ended 30 November 2020 of £0.2m and a corresponding increase in the Group's deferred tax asset.

The affected financial statement line items are as follows:

	30 November 2020 (previously reported) £m	Restatement £m	30 November 2020 (restated) £m
Income Statement impact			
Depreciation and amortisation	(12.7)	1.3	(11.4)
Individually significant items – expense cloud configuration and customisation costs previously capitalised	-	(2.3)	(2.3)
Operating profit	12.0	(1.0)	11.0
Profit before taxation	10.7	(1.0)	9.7
Taxation	(3.2)	0.2	(3.0)
Profit for the period	7.5	(0.8)	6.7
Basic EPS	2.7p	(0.3p)	2.4p
Diluted EPS	2.7p	(0.3p)	2.4p
Balance Sheet impact			
Expense cloud configuration and customisation costs previously capitalised	-	(13.8)	(13.8)
Amounts reclassified to prepayments in relation to cloud computing arrangements		(0.1)	(0.1)
Reversal of amortisation on cloud configuration and customisation costs previously capitalised	-	2.8	2.8
Other intangible assets	34.9	(11.1)	23.8
Deferred tax assets	0.4	2.0	2.4
Total non-current assets	262.8	(9.1)	253.7
Trade and other receivables	73.5	0.1	73.6
Current assets	177.7	0.1	177.8
Net assets	210.5	(9.0)	201.5
Retained earnings	(14.4)	(9.0)	(23.4)
Total equity	210.5	(9.0)	201.5
Cash Flow Statement impact			
Profit for the period	7.5	(0.8)	6.7
Amortisation of software and development costs	3.0	(1.3)	1.7
Income tax expense	3.2	(0.2)	3.0
Net cash generated from operating activities	19.0	(2.3)	16.7
Software and development expenditure	(3.3)	2.3	(1.0)
Net cash used in investing activities	(3.9)	2.3	(1.6)
Net increase in cash and cash equivalents	7.8	-	7.8

The opening Balance Sheet of the prior period has accordingly been restated to correct for this prior period restatement. The affected financial statement line items are as follows:

	1 June 2020 (previously reported) £m	Restatement £m	1 June 2020 (restated) £m
Balance Sheet impact			
Other intangible assets	39.2	(10.2)	29.0
Deferred tax assets	0.5	1.8	2.3
Total non-current assets	275.7	(8.4)	267.3
Net assets	214.1	(8.2)	205.9
Retained earnings	(13.8)	(8.2)	(22.0)
Total equity	214.1	(8.2)	205.9

Glossary of terms - Alternative Performance Measures (APMs)

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

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Note reference for reconciliation	Definition, purpose and considerations made by the Directors
Adjusted operating profit	Operating profit or loss	Operating profit or loss before amortisation of acquired intangibles, share based payments and Individually Significant Items	3	Represents operating profit before 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 acquisitions of businesses. The Directors consider share-based payments to be an adjusting item on the basis that fair values are volatile due to movements in share price, which may not be reflective of the underlying performance of the Group. Individually Significant Items are items that are considered unusual by nature or scale, and are of such significance that separate disclosure is relevant to understanding the Group's financial performance and therefore requires separate presentation in the Financial Statements in order to fairly present the financial performance of the Group.
Adjusted earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA)	Operating profit or loss	Operating profit or loss, before 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.
Net (debt)/cash excluding lease liabilities	Total borrowings (excluding lease liabilities) offset by cash and cash equivalents		3	Represents total borrowings (excluding lease liabilities) offset by cash and cash equivalents. It is a useful measure of the progress in generating cash, strengthening of the Group Balance Sheet position, overall net indebtedness and gearing on a like-for-like basis. Lease liabilities have been excluded from this APM as this is consistent with measures used in bank covenant calculations. Net 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 (debt)/cash	Total borrowings (including lease liabilities) offset by cash and cash equivalents		3	Represents total borrowings (including lease liabilities) offset by cash and cash equivalents. It is a useful measure of the progress in generating cash, strengthening of the Group Balance Sheet position, overall net indebtedness and gearing including lease liabilities. Net cash/(debt), when compared to available borrowing facilities, also gives an indication of available financial resources to fund potential future business investment decisions and/or potential acquisitions.
Cash conversion ratio	Ratio % of net cash flow from operating activities before interest and tax divided by operating profit	Ratio % of net cash flow from operating activities before interest and tax divided by adjusted EBITDA	3	The cash conversion ratio is a measure of how effectively operating profit is converted into cash and effectively highlights both non-cash accounting items within operating profit and also movements in working capital. It is calculated as net cash flow from operating activities before interest and taxation (as disclosed on the face of the Cash Flow Statement) divided by adjusted EBITDA for continued and discontinued activities. The cash conversion ratio is a measure widely used by various stakeholders and hence is disclosed to show the quality of cash generation and also to allow comparison to other similar companies.
Cash conversion excluding acquisition costs	Ratio % of net cash flow from operating activities before interest and tax and excluding IPM acquisition transaction costs divided by operating profit	Ratio % of net cash flow from operating activities before interest and tax and excluding IPM acquisition transaction costs divided by adjusted EBITDA	3	The inclusion of Cash conversion excluding acquisition costs to allow stakeholders to understand the cash conversion measure excluding the cash outflow in H1 FY22 relating to the transaction costs associated with the IPM acquisition. Excluding such costs allows a more comparable metric to prior year figures.
Constant currency revenue growth rates	Revenue growth rates at actual rates of currency exchange	Retranslation of comparative numbers at current year exchange rates to provide constant currency	3	The Group also reports certain geographic regions on a constant currency basis to reflect the underlying performance taking into account constant foreign exchange rates year on year. This involves translating comparative numbers to current year rates for comparability to enable a growth factor to be calculated.
Revenue excluding IPM acquisition	Revenue	Revenue excluding the revenue performance of the IPM acquisition	3	The Group reports revenue excluding the IPM acquisition to allow stakeholders to understand the revenue performance of the existing business for the period ended 30 November 2021 prior to acquiring IPM.