Creating value

Strong platform for further growth

Annual report and accounts
for the year ended 31 May 2022

nccgroup

Strong platform for further growth

NCC Group is a global cyber and software resilience business, operating across multiple sectors, geographies and technologies. As society's dependence on the connected environment and associated technologies increases, we use our global expertise to enable organisations to assess, develop and manage their cyber resilience posture to confidently take advantage of the opportunities that sustain their business growth.

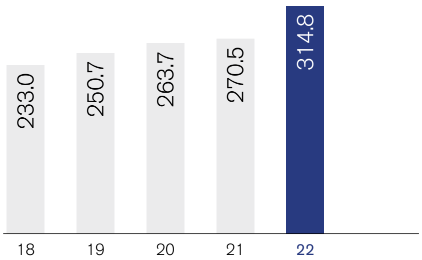
Read more online: **www.nccgroup.com**

Highlights

GAAP measures

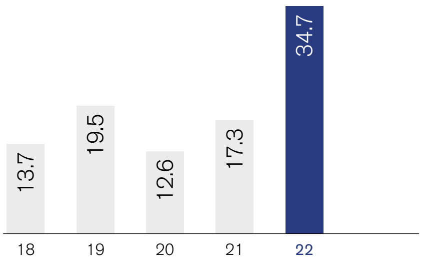
Revenue

£314.8m



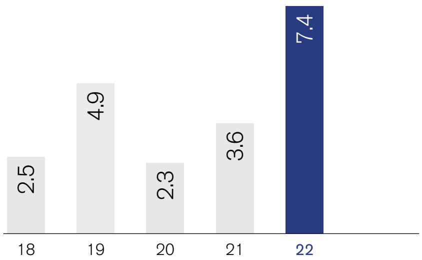
Operating profit[1]

£34.7m



Basic EPS[1]

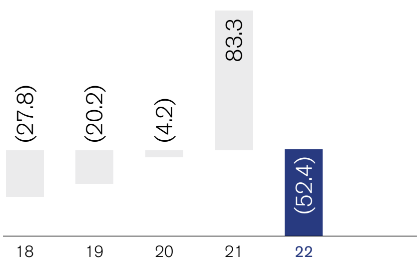
7.4p



Alternative Performance Measures[1]

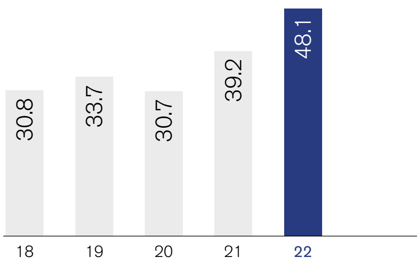
Net (debt)/cash excluding lease liabilities[1]

£(52.4)m



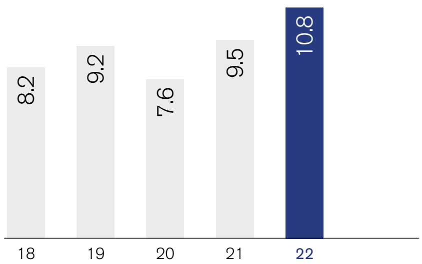
Adjusted operating profit[1]

£48.1m



Adjusted EPS[1]

10.8p



Footnotes

1 See Note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. Further information is also contained within the Chief Financial Officer's Review and the Glossary of terms on pages 56 to 63 and 203 and 204 respectively.

Headlines

Record revenue and profits as we continue to successfully execute our strategy

IPM integration substantially complete with the focus to increase revenue and profitability

Strong Assurance revenue growth, with H2 revenue growth momentum

Software Resilience revenue excluding IPM acquisition[1] declined by 1.4%, however returned to growth in H2

Gross margin increased to 42.1% due to the impact of the IPM acquisition, offset by overall Assurance margins and a decline in our existing Software Resilience business

Net debt excluding lease liabilities increased to £52.4m mainly due to IPM acquisition

What we do

NCC Group is a global cyber and software resilience business operating across multiple sectors, geographies and technologies.

As society's dependence on the connected environment and associated technologies increases, we use our global expertise to enable organisations to assess, manage and develop their cyber resilience posture to confidently take advantage of the opportunities that sustain their business growth. This includes:

- Getting the basics of cyber hygiene correct
- Knowing what and how to prioritise
- Mitigating the scarcity of skilled resources needed to deliver quality improvement, change and operations
- Getting ahead and responding to increasing compliance, regulatory and legislative burden
- Quantifying cyber spend efficiency and return on investment

Our divisions

Across our two divisions, we deliver solutions to match our customers' goals, budgets and risk appetite, giving them peace of mind that their most important assets – their business, software and personal data – are safe and secure.

Assurance

We demystify cyber for our customers, and ensure:

- Our customers understand the cyber threats and vulnerabilities across their technology environments, supply chains, processes and products
- Our customers maintain their licence to do business, having achieved their governance, compliance and accreditation objectives in a changing regulatory environment
- Our customers' resilience against ever-increasing cyber threats is materially improved because of implementing remediation plans and solutions
- Our customers can reduce risk and achieve greater resilience for less investment
- Our customers can outsource their cyber defence operations and increase their confidence in detecting and responding to cyber events

Read more on our markets on **pages 14 to 17**

Software Resilience

We protect the development, supply and use of business critical technology and software applications:

- Our services ensure buyers are safeguarded from supplier failure, software vulnerabilities and unforeseen technology disruption
- Our on-premise and cloud offering can demonstrate robust business continuity and risk mitigation, and suppliers benefit from enhanced credibility and intellectual property rights protection
- Our escrow contract services secure the long-term availability of business critical software data and applications
- Our verification services assure customers that the knowledge and guidance are readily available to manage, maintain or recreate an application from the original source, should it ever be needed
- Our cloud Escrow-as-a-Service (EaaS) offering helps customers transition to the cloud securely, so they can adopt the latest technology with confidence

Read more on our markets on **pages 14 to 17**

Where we operate

We operate as one global business, with in-country delivery tailored to local needs and cultures, as well as a powerful global delivery team to respond quickly to our customers' challenges.

We have a significant market presence in the UK, Europe and North America, and a growing footprint in Asia Pacific with offices in Australia, Japan and Singapore.

Group revenues

UK and Asia Pacific

£140.0m

(2021: £127.9m)

North America

£120.9m

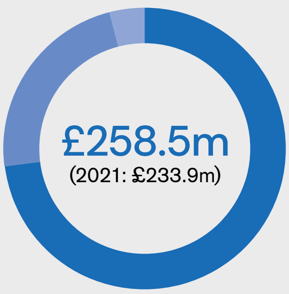
(2021: £90.0m)

Europe

£53.9m

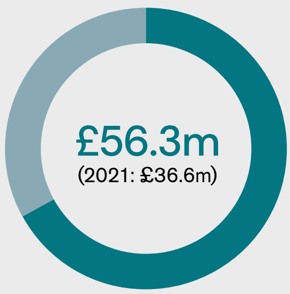
(2021: £52.6m)

Assurance revenue



- Global Professional Services **£189.0m** (2021: £172.2m)
- Global Managed Services **£58.6m** (2021: £56.2m)
- Products **£10.9m** (2021: £5.5m)

Software Resilience revenue



- Software Resilience contracts **£38.1m** (2021: £24.0m)
- Verification services **£18.2m** (2021: £12.6m)

Read more on our markets on **pages 14 to 17**

Focused on our growth agenda, we are well positioned for further growth, regardless of any near-term volatility.

Building on the momentum in our global markets, we are confident in our ability to create long-term value for our customers, colleagues and shareholders.

Excellent growth prospects in the cyber market

- The cyber challenges faced by organisations will continue to grow for the foreseeable future. They are too nuanced and complicated to be addressed by just installing technology; cyber services firms have a great future: assessing the current threats and resilience posture of organisations, delivering quantifiable improvement in resilience and outsourcing risk through managed services.
- The runway for cyber security investment remains significant, moving towards becoming a larger, more recurring, perhaps even mandated, form of spend. Opinium research across more than 1,300 cyber security decision makers in APAC, Europe and North America confirms an expected 10.1% increase in global cyber budgets in 2023 and beyond.

Expected

10.1%

increase in global cyber security budgets in 2023

Momentum in profitable revenue growth

- Weathering attrition and wage inflation, we demonstrate our ability to move rapidly to grow our core, capture new market opportunities and deliver scalable, non-linear growth that allows us to price for the value our customers see from working with us.

16.4%
Revenue growth following the acquisition of IPM

42.1%
Gross margin

£34.7m
Operating profit

2.1%
Delivered day rate growth

Stand-out cash generative ability

£54.8m
Net cash generated from operating activities

101.9%
Cash conversion [1]

"

NCC's research capability has made demonstrable improvements in security beyond its direct work on client projects."

Trusted by enviable customers globally

- The trust and calibre of our customers – from technology giants on the US West Coast, to financial firms and government institutions in Europe – validate our track record in the global cyber market.

Seven

of our top ten customers in FY21 were also seven of our top ten customers in FY22

World-leading capability in cyber

- With four generations, from baby boomers to Gen Z, working side by side, our global headcount has grown by 24% in the last two years. We have over 700 consultants in our Professional Services business, and nearly 400 in our Managed Services business.
- We are a respected hub for diverse cyber talent. Many of our alumni now work for remarkable organisations all around the world.
- Our global resourcing means we match skills to demand anywhere in the world – giving us scalability and margin improvements amidst global competition for talent.

47%

Global cross charged days increase

Real impact on the future of our industry and the shape of our markets

- The Forrester Wave™: European Cybersecurity Consulting Providers, Q3 2021 report celebrates our approach to research as a differentiator in the marketplace. This has included work on the security and privacy of vaccine passports, and the bluetooth keys for modern vehicles like Tesla.
- Our strategic threat intelligence helps over 800 customers in 12 industry sectors, particularly finance, industrials and technology, to stay ahead of evolving threats like ransomware. 30% of our threat detection is based on our own research.
- We are represented on the Open Source Security Foundation Governing Board, a member of the UK Department for Digital, Culture, Media and Sport Secure Connected Places External Advisory Group and part of a £11.6m consortium to offer security advice on a blueprint for secure Quantum Data Centres.
- As a result of our evidence-based engagement, regulators across three continents looking after more than 2,000 financial institutions now recognise software, technology and data escrow agreements as a viable means of managing third party technology risk.

1 See Note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. Further information is also contained within the Chief Financial Officer's Review and the Glossary of terms on pages 56 to 63 and 203 and 204 respectively.

Our connected society presents a world of opportunity

It is essential for us all to proactively manage any risk to our safety and security. Our mission is to help organisations to do this by keeping their personal data, and the technology and devices they use, as well as the critical assets and software they rely on, safe and secure. It's what drives our strategic roadmap:

Mission

We exist to make the world safe and more secure.

Vision

To be the leading cyber resilience provider globally. Trusted to protect and secure our customers' critical assets. Sought after for our complete people-led, technology-enabled cyber and software resilience solutions that enable our customers to thrive.

Creating growth through transformation

We don't stand still – we continually evolve and grow through our disciplined transformation programme. As our business grows, organically and through acquisition, we focus on creating value for our stakeholders, as one firm, focused on our mission and vision.

Our five focus areas are:

- Lead the market
- Win business
- Deliver excellence
- Support growth
- Develop our people

Read more on our strategy and KPIs on **pages 28 to 35**

Creating value for our customers

Cyber threats are pervasive, complicated and rapidly changing and there's no such thing as a "silver bullet". We help our customers navigate through the complexity of cyber risks. Through our global research capability, threat intelligence, technical expertise and full suite of services we guide customers through the risks to achieve cyber resilience.

Assess the cyber risk | Develop their cyber maturity | Manage their cyber operation

Read more on our business model on **pages 18 and 19**

Our Code of Ethics and values

We are guided by our Code of Ethics – treating everyone and everything with respect. We have a set of values and behaviours, which help us make decisions without the need for a comprehensive instruction manual:

- We work together
- We are brilliantly creative
- We embrace difference
- We take responsibility

Read more on our culture on **pages 47 to 49**

Strong platform for further growth

"The cyber security market is only travelling in one direction, and we believe we are well positioned to capture the opportunities that this creates, making the world safer and more secure."

Chris Stone
Non-Executive Chair

2021/22 key activities

- Focusing on double-digit sustainable sales growth
- Managing the successful IPM integration
- Improving the diversity around our Board table and in the executive team and completing successful searches for a new CEO and independent Non-Executive Directors
- Continuing focus on relevant stakeholder engagement
- Evolving our sustainability agenda

2022/23 priorities

- Continued revenue growth through strong customer relationships, evolving resilience propositions and increased delivered day rates
- Finalisation of the full operational review of the combined Software Resilience division to create additional Group contribution from FY24
- Return to face-to-face and hybrid alongside virtual ways of working

Introduction

I am pleased to report another year of strong progress in which NCC Group capitalised on accelerating demand throughout the year to achieve record revenue and profits.

NCC Group's vision is to be the leading cyber resilience provider globally, and we have put in place the fundamentals that enable our Group to achieve this vision. We have enhanced our delivery capabilities, attracted brilliant people at scale and embedded an inclusive culture across the Group, all enabling the strong growth delivered in the year.

Assurance's successful year was driven by our performance in the US and UK, supported by Software Resilience's return to growth in the second half, as compared to the prior year second half. The integration of IPM is substantially complete and the business has already made a positive contribution to the Software Resilience division's performance, with a healthy pipeline heading into the new financial year.

With our strong platform established and continued momentum in the market our newly appointed CEO Mike Maddison has joined the Group at an exciting time. Mike brings a tremendous amount of energy, experience and industry insight to the CEO role and we look forward to seeing the Group deliver the next phase of growth under his leadership. The cyber security market is only travelling in one direction, and we believe we are well positioned to capture the opportunities that this creates, making the world safer and more secure.

See Q&A with Mike Maddison on **page 12**

Business performance

Overall, following the acquisition of IPM, the Group delivered revenue growth of 16.4% (2021: 2.6%), growth in Adjusted EBITDA[1] of 12.8% to £59.2m (2021: £52.5m) and Adjusted operating profit[1] growth of 22.7% to £48.1m (2021: £39.2m). On a statutory basis, operating profit increased by 100.6% to £34.7m (2021: £17.3m) and profit before taxation increased 109.5% to £31.0m (2021: £14.8m), giving rise to a statutory EPS of 7.4p (2021: 3.6p) and Adjusted basic EPS[1] of 10.8p (2021: 9.5p) respectively.

At 31 May 2022, our cash conversion[1] was 101.9% (2021: 88.2%). Net debt[1] amounted to £85.0m (2021: net cash of £48.9m). Net debt (excluding lease liabilities)[1] amounted to £52.4m (2021: net cash £83.3m). Total borrowings (including lease liabilities) offset by cash and cash equivalents amounted to £85.0m (2021: net cash £48.9m).

Our business performance can be found in more detail on **pages 8 to 11**

Strategy and sustainable business model

Our strategy, mission and vision remain unchanged, and as we continue to successfully execute our strategy, our global delivery model, strong customer relationships and insight-led development of our resilience propositions create the strong platform for the next phase of NCC Group's growth.

Further details on our strategy and business model are provided on **pages 28 to 35 and 18 and 19 respectively**

Dividend

We are recommending an unchanged final dividend of 3.15p (2021: 3.15p) per ordinary share, making a total for the year of 4.65p (2021: 4.65p). The final dividend of approximately £9.8m will be paid on 11 November 2022, to shareholders on the register at the close of business on 14 October 2022. The ex-dividend date is 13 October 2022.

Board governance and effectiveness

As Chair, I am responsible for providing leadership to ensure the Board operates effectively in all aspects of its performance. We have established an experienced Board, which actively oversees the Group's strategic development, monitors the delivery of its business objectives and considers risks and mitigating actions. Our performance and decisions made during the year are testament to the Board's effectiveness.

Further information on risk management and the key risk identification procedures is set out on **pages 64 to 72**

Board and executive management composition

During the year, we made strides to improve the diversity around our Board table and in the executive management team and completed successful searches for a new CEO and independent Non-Executive Directors.

- On 1 January 2022, Julie Chakraverty was appointed as a new independent Non-Executive Director and became a member of NCC Group's Audit, Cyber Security, Nomination and Remuneration Committees.
- On 27 January 2022, Jonathan Brooks, our independent Non-Executive Director, retired and stepped down from the Board, with Jennifer Duvalier taking on the role of Chair of the Remuneration Committee and, in turn, Julie Chakraverty taking on the role of designated Non-Executive Director to lead the Board's colleague engagement programme (taking over from Jennifer).
- On 17 June 2022, Adam Palser, Chief Executive Officer, stepped down from the Board and Mike Maddison joined us on 7 July 2022 as our new Chief Executive Officer. I assumed the role of Executive Chair for this three week period, before reverting back to my usual role of Non-Executive Chair.
- On 1 September 2022, Lynn Fordham was appointed as a new independent Non-Executive Director and became a member of NCC Group's Audit, Cyber Security, Nomination and Remuneration Committees.

Further details on our Board composition are provided on **pages 82 to 92**

Further details on our executive management composition are provided on **pages 80 and 81**

Stakeholder engagement

Successful stakeholder engagement is a key area of focus for NCC Group. During the year, we have engaged with our customers, our colleagues, our industry network and our shareholders. Certain highlights include:

- New monthly team briefings as a way of consistently sharing information with our colleagues and connecting them to what is happening across our global business
- Design and launch of a new global Giving Back programme that enables colleagues to match fund and take a day's paid leave to volunteer for local good causes
- Launching our Customer Insight Space programme to provide monthly pragmatic cyber advice for senior executives
- Shareholder engagement throughout the IPM acquisition and change in CEO
- Effective engagement with Members of Parliament and Peers on the Computer Misuse Act

Further details on stakeholder engagement are provided on **pages 24 to 27**

Colleagues

We are a people-centric business and our technical colleagues are at the core of our customer offer, supported by agile sales and professional functions. We seek to provide meaningful and rewarding career paths for all our colleagues. Following our colleague engagement survey, we will continue to create a great place to work and focus on becoming the employer of choice in our markets. We are also embracing more flexible ways of working and intend to continue with that flexibility as we anticipate returning to a hybrid office/remote way of working. In addition, through our colleague resource groups we create conversations inherent to an inclusive culture, and focus on making NCC Group an organisation where everybody feels safe to be their authentic selves.

Further details on this are provided on **pages 47 to 54**

On behalf of the Board, I therefore offer our sincere thanks and appreciation to all colleagues for their continued commitment and professionalism in delivering this performance.

Sustainability

NCC Group recognises the importance of an environmental, social and governance (ESG) framework that underpins our operations as a key indicator of the Group's sustainability and ethical impact. The Group has developed an ESG framework, which continues to evolve, and has been reflected in our 2022 Sustainalytics rating moving from the Medium Risk category to the Low Risk category, compared to the 2021 rating. We have also partnered with Planet Mark this year to map NCC Group's net zero by 2050 journey and certify our carbon footprint. In addition to this, we are reporting for the first time against the Task Force on Climate-Related Financial Disclosures (TCFD) framework, and laid the foundations for launching our first green car salary sacrifice scheme for all UK colleagues in this new financial year. We have continued to invest in our colleague resource groups and to expand our sponsorship activities to support making a career in cyber accessible for all.

Further details on sustainability are provided on **pages 36 to 55**

Outlook

- We have made a positive start to the year and are confident in meeting management expectations for the full year.
- CEO strategy update to be unveiled at half year results.
- Unchanged final dividend of 3.15p (2021: 3.15p) per ordinary share.

Chris Stone
Non-Executive Chair
6 September 2022

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Strong momentum

This was a year of continued progress for our delivery capabilities, our culture, our commitment to sustainability and our ability to attract, develop and retain the best talent from across the globe. In doing so, creating greater value for our customers – from embracing cloud transformation to improving their overall security posture, we are operating at various points of the customers' value chains, from design to end users.

It was a year where the decisions previously taken by the business showed their value. Those decisions centring around a global delivery model, investment in systems, continued development of our resilience propositions and the acquisition of IPM enabled the Group to deliver strong revenue growth of 17.9% at constant currency [1] (16.4% at actual rates) and 10.3% at constant currency [1] on an organic basis (revenue excluding IPM acquisition) (+8.9% actual rates), with a strong platform for continued double-digit revenue growth in FY23.

While there remain challenges to overcome, the Group has never been better positioned to realise its vision – to be the leading cyber resilience provider globally. We have created strong foundations and momentum, evidenced by the c.15% growth we saw in the second half of the financial year for Assurance and c.2% growth for Software Resilience. This propelled us forward and we enter this next phase of NCC Group's growth story with our new CEO, Mike Maddison. We are excited for the future of NCC Group.

A strong performance built on investment in talent

The year started slowly. Different markets exited the pandemic at different rates and times. There was still a sense of uncertainty from customers around the world, which saw many project delays during the first quarter. But this position reversed throughout the year, and we accelerated our delivery in tandem with demand peaking in the final quarter.

We were able to capitalise on this increased demand because we had brought more talented colleagues into the business ahead of the bounce back – a deliberate decision based on the belief that cyber security spend would significantly increase once the world returned to some level of normality. The digital risk has only increased, ransomware is endemic, and we've seen a shift in mindset, driven by regulations and also the emerging ESG agenda, that cyber resilience is not optional but essential for sustainable and responsible business growth. It was simply a matter of time.

Over 12 months we welcomed c.1,000 new people into the business. While our technical attrition rate remains at a level typical of our industry at c.21%, our global technical team grew by 271. The fight for talent has been incredibly fierce, but we have been able to attract brilliant people at scale. This shows the strength of our employer brand and the steps we've taken to improve the colleague experience.

But this wasn't simply about taking talent from the competition. We understand and embrace our role and position in the cyber security industry. We are a creator of talent. Our mission is to make the world safer and more secure, and part of that means helping to solve the cyber skills shortage. It's why we continue to develop talent from the ground up and bring people into the industry from different walks of life and backgrounds and with different skill sets.

This approach not only grows the overall cyber talent pool but ensures our team better reflects the diversity of all our global communities.

Our impact on talent in the industry can be seen through our NCC Group alumni. We are proud that they hold cyber security roles in leading businesses across the globe. And this year we launched our Alumni Network to maintain those connections and ensure an ongoing dialogue with those we are proud to have developed and supported in their cyber careers.

1 See Note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. Further information is also contained within the Chief Financial Officer's Review and the Glossary of terms on pages 56 to 63 and 203 and 204 respectively.

2 The EU region includes our Dutch and Danish business. During FY23, the Danish business will be reported and managed under the UK and APAC division.

Responding to customer need

We continued to refine our services based on customer need, contributing to a successful year in our Assurance division – particularly in North America and the UK, with total Assurance revenue growth of +12.1% at constant currency [1] (+10.5% at actual rates).

Our decision to create a global professional services function, with investment in our systems to enable collaboration, has meant customers can access our expertise more readily, utilising our global talent base over and above just the team in their market. Global cross charged days increased 47%. This has been transformational, both in terms of customer experience and our capacity to handle increased customer demand rapidly. It is a prime example of our growing capability to truly operate as one global firm – to the benefit of our customers.

In managed services, our newest offering using Microsoft Extended Detection and Response (XDR) has shown significant promise. We have the ability to quickly and simply offer 24/7 managed detection and response (MDR) to businesses with a Microsoft infrastructure – no matter where they are in the world. This has, in a sense, democratised MDR and made it a more natural purchasing decision. With so much of the market still untapped there is opportunity to scale further. In addition, NCC's Microsoft Cloud Business has shown growth over the last twelve months, resulting in significant Azure Consumed Revenue (ACR) being driven back to Microsoft. This ongoing partnership goes from strength to strength, with NCC also embedded in the Microsoft Intelligent Security Association, and with a nomination for the Microsoft MSSP Program. NCC is now recognised as one of Microsoft UK's fastest growing Cloud Security Partners and we are looking forward to extending that into Europe, North America & Asia-Pacific.

In our Software Resilience division, the acquisition of IPM at the start of the financial year led to increased scale. The integration is substantially complete, and our new colleagues have added to the brilliant talent already present in the team. We have seen appetite from the IPM client base for our Escrow-as-a-Service (EaaS) cloud escrow proposition, with a healthy pipeline moving into FY23.

Financial performance summary

Group revenues increased by 17.9% on a constant currency basis [1] and at 16.4% (2021: 2.6%) at actual rates. Group revenues excluding the recent IPM acquisition [1] increased by 10.3% on a constancy currency basis [1], 8.9% at actual rates.

In our Assurance business, the North American and UK and APAC Assurance businesses grew on a constant currency basis [1] by 14.6% and 11.8% respectively (13.8% and 11.6% at actual rates) and our EU region [2] increased 8.0% on a constant currency basis [1] (2.7% at actual rates). Global Professional Services grew by 11.0% to £189.0m on a constant currency basis [1] (9.8% at actual rates) with delivered day rates increasing by 2.1% (H2 delivered day rates increased by 3.5%). Global Managed Services (GMS) grew by 6.7% to £58.6m on a constant currency basis [1] (4.3% at actual rates).

Within GMS, our new XDR service global sales orders for the forthcoming years increased twelvefold to £11.6m. The Group has received continued strong sales orders since the year end providing confidence in our future growth strategy. Remediation services are generating market traction, with 2022 revenues of £4.5m compared to £2.1m in 2021.

In our Software Resilience division, we completed in June 2021 the acquisition of IPM, which contributed £20.2m to revenue, delivering an overall growth in the division of 55.1% on a constant currency [1] basis (53.8% at actual rates). Our overall Software Resilience division results excluding IPM showed a decline in revenues for the first half of 3.3% on a constant currency [1] basis (4.9% at actual rates); however, as expected our second half revenue increased by 2.2% on a constant currency [1] basis (2.2% at actual rates) resulting in an overall decline of 1.4% for the year. Our Escrow-as-a-Service (EaaS), our cloud escrow proposition, generated sale orders of £3.4m, an increase of 64% compared to the same period last year.

Gross profit increased by 19.9% to £132.6m (2021: £110.6m) with gross margin percentage increasing to 42.1% (2021: 40.9%). The margin increase was due to the impact of the IPM acquisition, offset by overall Assurance margins declining by 0.4% pts as we focused on sales growth and a decline in our existing Software Resilience business by 3.2% pts following recent investment to return it to sustainable growth.

Turning to our statutory operating profit and taking into account all adjusting items (£13.4m), the Group has recognised an overall operating profit of £34.7m. However, as the Group manages its performance internally at an Adjusted operating profit [1] level, Adjusted operating profit [1] increased by 22.7% to £48.1m (2021: £39.2m).

Profit before taxation increased 109.5% to £31.0m (2021: £14.8m) and profit for the year increased 130.0% to £23.0m giving rise to a basic EPS of 7.4p (2021: 3.6p); Adjusted basic EPS amounts to 10.8p (2021: 9.5p).

At 31 May 2022, our cash conversion [1] was 101.9% (2021: 88.2%). Net debt [1] amounts to £85.0m (2021: net cash of £48.9m). Net debt excluding lease liabilities [1] amounts to £52.4m (2021: net cash £83.3m). Total borrowings (including lease liabilities) offset by cash and cash equivalents amounts to £85.0m (2021: net cash £48.9m).

Financial performance summary continued

Following the acquisition of IPM, goodwill and intangible assets were recognised amounting to £68.6m and £92.6m respectively. 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 of £12.1m. 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. If the fair value adjustment had not applied, revenue would be £4.4m higher for the 12 months ended 31 May 2022.

On this basis, management has set out below unaudited proforma information to show the consequential impact on the Group results for the year ended 31 May 2022. This unaudited proforma information will not be applicable for 2023 and forthcoming financial years. 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 revenue performance of the Group once a full 12 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 revenue performance. In the future periods there would also be some associated costs and therefore impact on future gross margin and other metrics. 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 profit after taxation:

	2022				2022 unaudited proforma [4]		2021			
	Assurance £m	Software Resilience £m	Central and head office £m	Group £m	Software Resilience revenue adjustment £m	Group unaudited proforma £m	Assurance £m	Software Resilience £m	Central and head office £m	Group £m
Revenue	258.5	56.3	–	314.8	4.4	319.2	233.9	36.6	–	270.5
Cost of sales	(166.2)	(16.0)	–	(182.2)	–	(182.2)	(149.5)	(10.4)	–	(159.9)
Gross profit	92.3	40.3	–	132.6	4.4	137.0	84.4	26.2	–	110.6
Gross margin %	35.7%	71.6%	–	42.1%	100.0%	42.9%	36.1%	71.6%	–	40.9%
Administrative expenses [2]	(53.2)	(17.5)	(2.7)	(73.4)	–	(73.4)	(45.4)	(9.5)	(3.2)	(58.1)
Adjusted EBITDA [1]	39.1	22.8	(2.7)	59.2	4.4	63.6	39.0	16.7	(3.2)	52.5
Depreciation and amortisation [3]	(7.2)	(0.8)	(3.1)	(11.1)	–	(11.1)	(9.4)	(0.7)	(3.2)	(13.3)
Adjusted operating profit [1]	31.9	22.0	(5.8)	48.1	4.4	52.5	29.6	16.0	(6.4)	39.2
Adjusted operating margin %	12.3%	39.1%	n/a	15.3%	100.0%	16.4%	12.7%	43.7%	n/a	14.5%
Individually Significant Items	–	(0.9)	–	(0.9)	–	(0.9)	–	(7.6)	(5.1)	(12.7)
Amortisation of acquired intangibles	(0.9)	(4.8)	(2.9)	(8.6)	–	(8.6)	(1.3)	–	(5.1)	(6.4)
Share-based payments	(2.1)	(0.3)	(1.5)	(3.9)	–	(3.9)	(1.5)	(0.1)	(1.2)	(2.8)
Operating profit/(loss)	28.9	16.0	(10.2)	34.7	4.4	39.1	26.8	8.3	(17.8)	17.3
Operating margin %	11.2%	28.5%	n/a	11.0%	100.0%	12.2%	11.5%	22.7%	n/a	6.4%
Finance costs				(3.7)	–	(3.7)				(2.5)
Profit before taxation				31.0	4.4	35.4				14.8
Taxation				(8.0)	(1.1)	(9.1)				(4.8)
Profit after taxation				23.0	3.3	26.3				10.0
EPS										
Basic EPS				7.4p	1.1p	8.5p				3.6p
Adjusted EPS				10.8p	1.1p	11.9p				9.5p

Footnotes

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

2 Administrative expenses excluding depreciation and amortisation, Individually Significant Items, amortisation of acquired intangibles and share-based payments.

3 Depreciation and amortisation excludes amortisation of acquired intangibles.

4 This represents unaudited proforma results.

Securing Growth Together (SGT)

Over the last three years the business has implemented the SGT programme which has now finished and has provided the foundations for future growth and the systems to allow timely information and control. As previously noted, the programme incurred cost overruns and the Group is now focused on the next phase of system optimisation to support future revenue growth and profitability.

Helping build a more sustainable world

Sustainability moved higher up our agenda with Executive responsibility appointed at the start of the financial year. It is fundamental to our mission of making the world safer and more secure.

We have continued to follow the recognised framework of ESG, and this year made material progress in each area.

Environmental: We partnered with Planet Mark this year and are driving forward a top-down engagement programme to map NCC Group's net zero by 2050 journey. In addition to this, we're reporting for the first time against the Task Force on Climate-Related Financial Disclosures (TCFD) framework, and we laid the foundations for launching our first green car salary sacrifice scheme for all UK colleagues in FY23.

Social: We've continued to invest in our colleague resource groups, with two new groups being formed to support accessibility and giving something back. And we've continued to expand our sponsorship activities to support making a career in cyber accessible for all.

Governance: While our focus has been reporting against TCFD for our own business, we have been, through our public affairs team, looking ahead at cyber resilience related regulations that may impact our customers, and looking at our how we design solutions to meet those future needs.

Recognition of our efforts in this executive-led focus was reflected in our 2022 Sustainalytics rating moving from the Medium Risk category to the Low Risk category, compared to the 2021 rating.

Sustainable growth through investment in resilience

This was a year that brought into sharp focus why resilience is, and will continue to be, so central to our organisation.

For our customers, it's driven by the macro environment. Investing in cyber resilience is the only way to adapt to society's increasing dependence on a complex connected environment. The threat landscape has never been more challenging. But we have continued to refine our offer to provide organisations around the world with a level of resilience that helps them face that threat and move forward with confidence.

This was a year that really showed the significant value of having built a resilient team: a team that has successfully adapted to a constantly changing external environment; a team that has reacted admirably to significant change over this financial year – and in previous years – as we put the fundamentals in place to enable NCC Group to achieve its vision; and a team that is more inclusive, open and diverse than ever before, and therefore better able to handle the challenges we face each day.

We are not complacent about the work still to do on all fronts; however, we are confident that with our track record and focus on resilience, we provide the platform for continued sustainable growth to create value for all our stakeholders.

Chris Stone
Non-Executive Chair
6 September 2022

Q&A

with Mike Maddison

Mike Maddison joined NCC Group as CEO on 7 July 2022, taking over from Adam Palser, who stepped down on 17 June 2022 after four and a half years at the helm. As Mike prepares to lead NCC Group on this next phase, in this Q&A we find out a bit more about Mike and his ambition for the future.

Q What first attracted you to NCC Group?

NCC Group has a long pedigree of technical excellence. For me it is a real jewel in the crown of the global technology industry. Cyber resilience is the defining risk of the digital age and NCC Group is well placed to play a pivotal role to help clients, whether in the private or public sector, to navigate that risk and help them capitalise on the opportunities of the digital world. The attraction for me was therefore to work with colleagues to deliver amazing outcomes for our clients.

Q What are your priorities as you settle into your new role?

My initial priorities are to engage with colleagues to learn about the business. I am also very keen to listen to our clients to understand their needs and expectations so we can build on the excellent reputation the Company has and develop strategies to build capability to deliver sustainable growth in the market.

Q What are you most excited about for the year ahead?

It's incredibly difficult to pick out a few things I am most excited about. I am expecting the year to go incredibly quickly as I get to meet teams across the business operating in diverse markets for a huge variety of clients. Despite knowing the cyber resilience industry I am very much looking forward to getting to see the sort of work we are doing in the market as I am sure that will be a revelation.

Q What lessons do you think organisations can learn from the pandemic?

The pandemic has accelerated the digital transformation agenda in both the public and private sector. The use of technology is moving at an ever-increasing pace and one of the implications of this is the profile of cyber risks. This digital risk is consistently seen as one of the top risks by corporate CEOs and governments and that is a significant opportunity for NCC Group. I think it is also important to reflect on the change the pandemic brought to our ways of working, the role of the office and indeed the expectations from our clients on how they are supported and how work is delivered. Finally, I would say the pandemic was difficult for many of us and brought into sharp relief the need for balance in our lives and the importance of wellbeing.

Q How would you describe your leadership style?

It's always difficult to boil leadership down into a short summary. I would say by nature and background I believe fundamentally in teamwork and collaboration. I really enjoy whiteboarding problems and coming up with the answer. Personal interactions and relationships are incredibly important to me.

Q What do you do to invest in your own wellbeing in what is a demanding job?

I make a conscious effort to break from work and spend time with my family. I have two grown-up children who are working away so finding those opportunities for us all to come together to have quality time is incredibly important. I find this helps me recharge and get some perspective. It's a cliché but it is all too easy to get caught up in the day to day and not be able to see the wood for the trees.

Secure growth in the pandemic

Our priorities since the start of the pandemic are colleague welfare and customer safety and we have successfully managed our business through another year of uncertainty.

We have two clear objectives that guide our actions:

- **Maintain a strong balance sheet to ensure we can seize opportunities to secure future growth**
- **Maintain the capacity and capability to meet future demand**

We work towards these objectives using five strategic pillars:

Anticipate

Objective
Plan for different outcomes and track KPIs to inform our decision making

How we responded
- Scenario planning
- Contingency plans with different levels of response
- Data-led insights from our new systems
- Regular communication

Be resilient

Objective
Ensure the safety of our colleagues and customers, and maintain continuous operations

How we responded
- Global systems to ensure colleagues delivering customer work were supported to do so remotely
- Managed safe return to offices and provision for critical need operations on site where it was safe and permitted to do so
- Provided colleagues with wellbeing and mental health resources to support longer-term remote working

Stay profitable

Objective
Proactively sell remote services, and careful control of costs and cash

How we responded
- The majority of our services can be delivered remotely
- Provided advice and guidance to customers with practical solutions to protect their operations
- Continued to invest in our service offerings to support short-term and longer-term needs in preparing for the emerging future

Exploit any downtime

Objective
Strengthen the firm every day through research and development

How we responded
- Invested 4,841 days on technical security research, which contributed significantly to conference presentations, vulnerability advisories, research papers, blog posts and open-source tools being released
- Launch of our new innovation delivery centre, which is focused on bringing future cyber and software resilience solutions to market, quickly and efficiently

Prepare for the bounce back

Objective
Preserve capability and capacity to invest selectively for the future

How we responded
- Acquisition of IPM Software Resilience business, to provide increased scale
- Acquisition of critical computer system safety advisory business, Adelard, to provide enhanced capability into the operational technology and industrial control systems space
- Extended our Next Generation Talent programme into North America
- Increased investment into our Remediation and Microsoft XDR service offerings with the appointments of new Commercial Directors for each proposition

Market outlook

> It's easy to see why NCC Group's cyber security consulting and software resilience solutions should find plenty of opportunities to mitigate the risks of global businesses."

Damindu Jayaweera
Head of Technology Research at Peel Hunt

History, as they say, rhymes. The 1970s, for example, are remembered for disruptive events. Yet, the rise of "progressivism" in the West that shifted the status quo, rampant inflation that triggered a deep recession and events that redrew the geopolitical landscape did not get in the way of the economic and technological progress of that decade.

In fact, innovations across video games (e.g. Atari Pong), communication (e.g. ARPANET email and Motorola cell phone), storage (e.g. IBM floppy disk), content distribution (e.g. Philips VCR and Sony Walkman) and computing (e.g. Apple computer) during the 1970s are still powering the structural growth trajectories that we see today.

If we assume the S&P 500 Index is a reflection of economic progress, the chart below should remind us why great companies like NCC Group should remain focused on their growth agenda, whatever the near-term volatility is.

Chart 1: Rise of the S&P 500 Index over the long term through geopolitical shocks
Source: Peel Hunt

Recent years have brought about disruption on a scale that felt greater than those of the 1970s. For example, at the start of the Covid-19 pandemic, Microsoft CEO Satya Nadella talked about how "we have seen two years' worth of digital transformation in two months."

While the initial boost will create a difficult comparator for delivering growth this year, the pandemic-induced "new normal" for technology investment, including that related to cyber security, is unlikely to go back to pre-pandemic levels. For example, quarterly cloud services spend grew by c.$14bn in the two years to 1Q20. It then went on to grow by $25bn in the two subsequent years to 1Q22.

With significant digital gaps still weighing on user, colleague and citizen experiences across public and private sectors, we think the runway for technology, including cyber security, investment remains significant.

As an example, cyber security modus operandi in the private sector, we believe, lags that of the public sector. Techniques and technologies that can overcome this gap, for example machine learning powered attack simulations, remain firmly in the "peak of inflated expectations" phase of the "hype-curve". Over the coming periods, such techniques and technologies will move to the "plateau of productivity", providing growth tailwinds to the companies that are involved in the domain. Cyber security spend will move towards becoming a larger, more recurring, perhaps even mandated, form of spend.

While long-term opportunities are unperturbed, the fall-out from near-term disruptors like inflation presents more nuanced opportunities. This year, monetary policy pivoted from thinking of inflation as "transitory" to something that needs containment. This was all too late for containing some asset bubbles like those in the cryptocurrency world and unrest seen in places like Sri Lanka. Arguably this is also too late to contain some of the rampant wage inflation we are seeing in the technology sector.

As technology companies struggle to make the right human capital decisions, companies like NCC Group are better able to navigate this type of environment having weathered the high attrition and wage inflation that is endemic to the cyber security sector. In essence, some companies like NCC Group are endowed with better DNA to navigate an inflationary environment.

Another near-term disruptor is the risk of a recession, or even stagflation. Alongside inflation, the rapid undoing of the globalised Western soft power is feeding this sombre outlook. From the US–China trade war triggered bifurcation of the semiconductor supply chain to the fall-out from the Russia–Ukraine conflict, the global trade that underpins global GDP growth is now rife with uncertainty.

This is epitomised by the symbolism of McDonald's pulling out of Russia after three decades and its relevance to the author Thomas Friedman's famous 1990s assertion that "no two countries that both have a McDonald's have ever fought a war against each other".

This is changing how businesses look at risk. For example, supply chains are moving from lean methodologies like "just in time" to prioritising supply chain security. Similarly cyber security has taken more of a centre stage when it comes to operational risks. Russia's outsized cyber capabilities were allegedly behind the very destructive 2017 NotPetya cyber-attack impacting over five dozen countries with total estimated damage running into double-digit billions of dollars. Couple this with the IP risks stemming from various trade wars, it's easy to see why NCC Group's cyber security consulting and software resilience solutions should find plenty of opportunities to mitigate the risks of global businesses.

While much of what was discussed so far is a potential tailwind for NCC Group and its investors, not all near-term disruptors are tailwinds. The value of a company is determined by the future free cash flows (FCF) it could generate over the course of its lifetime.

This value is calculated by "discounting" back all future FCF back to the present day using the cost of capital. As monetary policy results in a higher interest rate outlook, the cost of capital will rise. The inverse correlation between valuation and cost of capital will mean a reduction to the present value of these assets. We are already seeing this with the de-rating of publicly listed companies, as their future FCF are worth less in today's money.

"Valuation" is a relative thing, and over the long run, companies that produce strong, predictable and growing FCF tend to appreciate in value regardless of the monetary (e.g. interest rate outlook) or fiscal (e.g. taxation) regime. This is the ethos behind the idea that the stock market is a voting machine near term and a weighing machine longer term.

At the very start, we mentioned how history tends to rhyme. The "Nifty-Fifty" bubble of the early 1970s is a perfect example of this voting vs weighting machine idea. As the charts demonstrate, the global names that constituted the "Nifty-Fifty" didn't deliver much shareholder return during the inflationary environment of the 1970s. But the long-term holder will have experienced nearly 40x returns by 2021. This is why all stakeholders of NCC Group should remain focused on the long-term growth opportunity ahead of them while being nimble about short-term disruptions.

Chart 2: Nifty-Fifty stocks struggled over the near term…
Source: Reuters

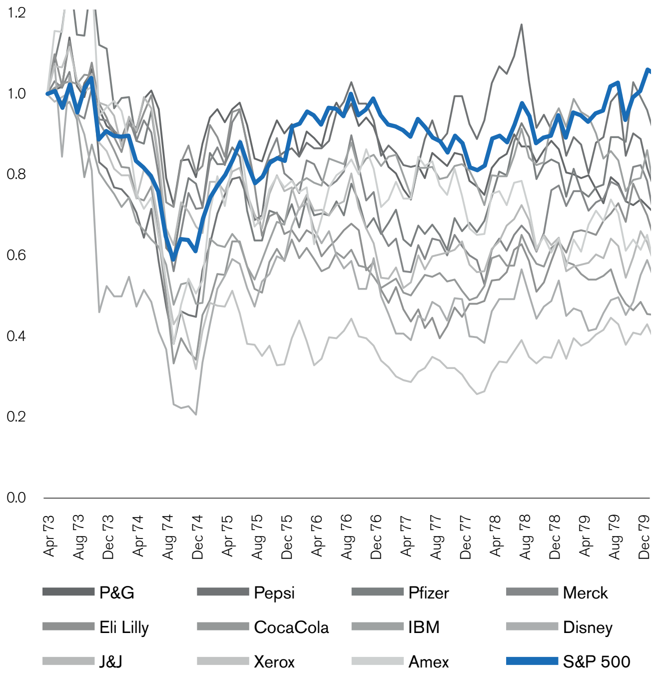
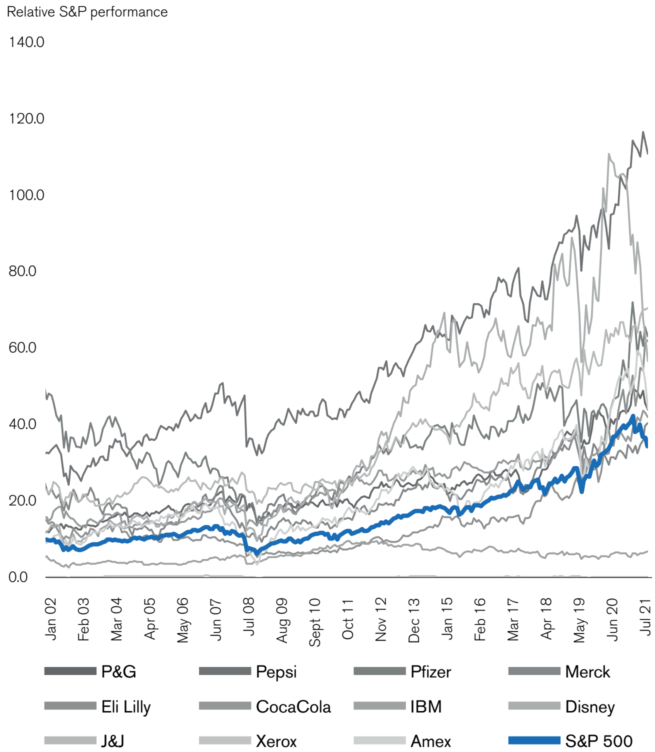
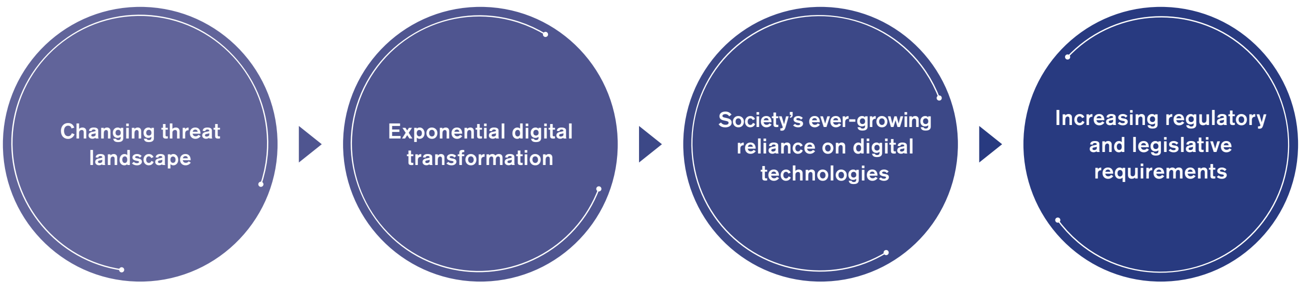


Chart 3: Only to materially outperform over the long term
Source: Reuters



Market dynamics

The ever-changing threat landscape and exponential digital transformation, coupled with society's continued reliance on digital technologies and increasing regulatory and legislative requirements, mean investment in cyber and software resilience is not optional and NCC Group's addressable market continues to grow.



A changing threat landscape

The global geopolitical environment fuels a buoyant cyber resilience market. Strategic competition continues from China, and hostile threats from Iran, North Korea and more notably Russia as the war with Ukraine intensifies. This, coupled with emerging offensive capabilities in other nation states and organised crime groups, creates a volatile state of unpeace that organisations need to prepare for, navigate and defend against.

Our own threat intelligence revealed ransomware attacks almost doubled in 2021, rising by 92.7%, with the most targeted regions being North America and Europe.

While we saw the most targeted sectors in 2021 being industrials, and public and consumer cyclicals, the scourge of ransomware continues as a distinct threat to organisations of all sizes. Software supply chain attacks inflict mass disruption in all geographies; the real-world kinetic impact of recent cyber-attacks has catapulted a deeper awareness of the threat to our digital lives into the mainstream.

Read more on **pages 20 and 21**

Source: NCC Group Annual Threat Report 2021.

Society's ever-growing reliance on digital technologies

There is no slow-down of the exponential digital transformation, with more and more investment being made in technologies – from government funding in education to encourage digital innovation start-ups to improving efficiency through automation and developing solutions to reduce harm on the environment. This all relies on software and cloud consumption being scalable, and the digital supply chains upon which our connected environment depends are complex and interdependent.

In 2021 we saw the impact of this reliance in the ransomware attack on the Colonial Pipeline, which is responsible for approximately 45% of the fuel delivered to the East Coast of the United States. The exfiltration of 100 gigabytes of data by attack group DarkSide, prior to infecting the IT network with ransomware and demanding a payment of 75 bitcoins (c.$4.4m) in ransom fees, prompted the shutdown of the company's infrastructure.

Source: NCC Group Annual Threat Report 2021.

Increasing regulatory and legislative requirements

Focus on and expectations of ensuring the continuity of essential services – and with it a renewed awareness of the crucial importance of digital business continuity planning – continue to be a priority.

And while citizens rightly expect organisations to act responsibly, so legislators and regulators acknowledge that the defence and resilience of schools and hospitals, banks and insurers, water treatment facilities and gas pipelines are too important to be left to chance.

Although competition for customers and talent is also growing, our continued portfolio evolution and differentiation enable us to take advantage of the tremendous opportunities the cyber services market offers, fuelling our growth now and in the future.

Cyber resilience is a key component of ESG and sustainability measures, which make knowledge of and compliance with required governance an integral element of any organisation's licence to operate.

In the past 12 months some of the developments we've seen include:

- Publication of the UK government's Cyber Security Strategy for the public sector, following the launch of its National Cyber Strategy in December 2021
- The Monetary Authority of Singapore revised its 2013 Technology Risk Management guidelines, requiring financial institutions to have oversight of all third party providers, system and software development and guidance on board and senior management roles. And the International Organization of Securities Commissions (IOSCO) launched a consultation into embedding resilience by design into the financial system
- This year saw the European Commission and the United States government announce a new Trans-Atlantic Data Privacy Framework. Currently EU to US transfers of personal data require the exporter to adopt an approach that provides for appropriate safeguards to a standard that is of "essential equivalence". While just a statement of intent, this is a good example of where legislation and regulations could make it easier for organisations to comply and protect their stakeholders
- The Digital Operational Resilience Act (DORA) is expected to come into effect in 2023 and aims to simplify and update the rules on ICT risk management in the face of rapid technology adoption. Similar legislation has been introduced to the UK Parliament

Read more on **page 23**

NCC Group's continued portfolio evolution and differentiation

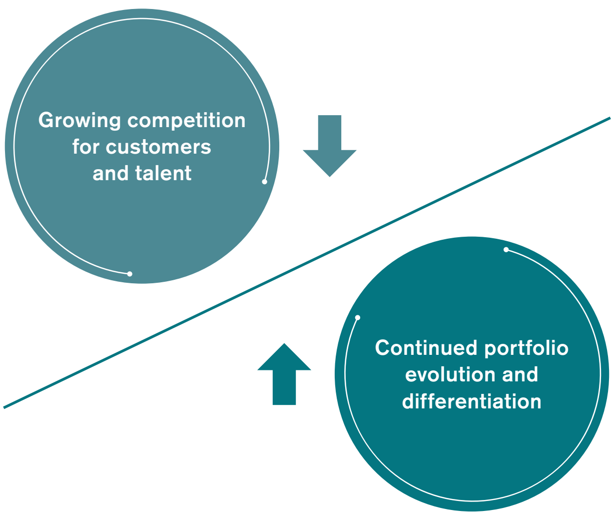
Through our combined cyber and software resilience solutions we enable our customers to confidently innovate and embrace new technologies to build responsible, sustainable and resilient organisations that thrive and succeed.

Our service orientated research and development, and strategic investments to meet our customers' current and future challenges have allowed and will allow us to:

- Innovate to integrate Microsoft XDR to manage threat monitoring and detection for Microsoft customers
- Differentiate our Remediate service through investment in technical depth, expertise, scale and global footprint to assess existing risk position, and prioritise and fix security weaknesses as part of a structured security improvement plan
- Enhance our offering into the operational technology and industrial control systems space with the acquisition of Adelard – a critical computer system safety advisory business
- Provide expertise to address continued innovation in cloud-delivered services through our Software Resilience capabilities

Our tenure, stability and reputation mean we remain an attractive destination for global talent at all stages of the career and we continue to invest in creating a world-class environment in which everybody is welcome and can be successful.

For more information about life at NCC see **pages 47 to 54**



Next phase of growth

We draw on our expertise, capabilities and global footprint to develop solutions to meet current and future cyber challenges. We help to educate policymakers and regulators. We give back to protect our local community services. And we share opportunities to experience the world of cyber and inspire the next generation to secure our future.

Inputs

Sustainable growth strategy

- In a fast-moving and complex environment our enduring strategy enables us to be agile to continue to make sustainable investments, creating the world's leading cyber and software resilience, risk mitigation and remediation specialist.

Professional and innovative colleagues

- We are a diverse global community of talented and creative individuals, who are committed to making the world safer and more secure.

Culture of innovation

- Research driven where every researcher is also an active consultant. We invest in sustainable product development, continually enhancing our proposition to meet current and future needs of customers.

Stronger partner relationships

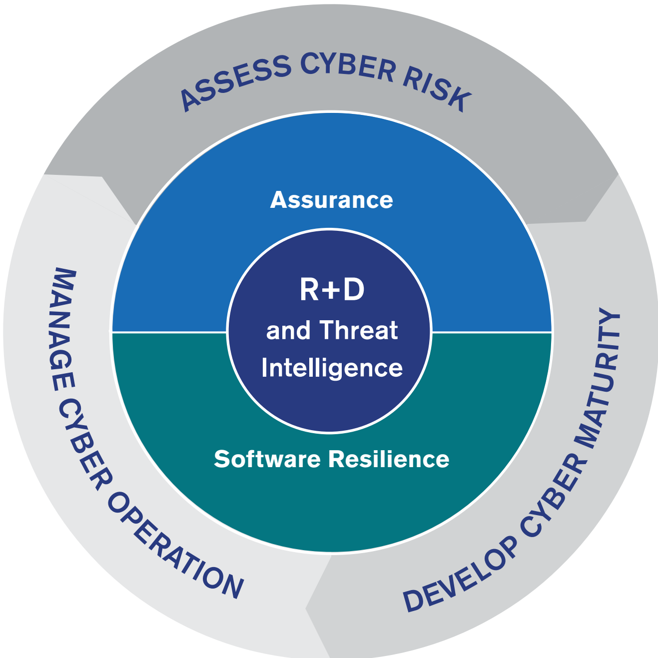
- We are active members of the global cyber and software resilience community, working in collaboration and in partnership with key industry players. Many successful global partnerships have delivered integrated, seamless solutions to customers.

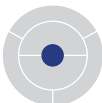
Market-leading reputation

- We understand our customers' challenges and the risks these pose to their business. Successful delivery to customers worldwide means we are in a strong position to help them understand and improve their cyber resilience posture and how best to mitigate against evolving threats, keeping them up to date and aligned to regulations and compliance needs throughout.

Read more on our strategy on **pages 28 to 35**

How we create value





Research and development investment

We continue to innovate and develop new technical testing capabilities to keep pace with the rapid change in technology and threat landscapes. Our ongoing research allows us to understand and quantify risk for our customers about the technologies they use and the threats to the sectors and industries in which they operate.

Read more on **pages 16 and 17**

Threat intelligence

Our Threat Intelligence practice develops software solutions for a broader, more insightful look at current threat landscapes and the way they impact organisations around the world. Gathering data on ransomware data leaks on the dark web in real time to provide regular insights into who are the most recent victims and use this to help inform our customers' cyber decision making.

Read more on how threat intelligence and research work together on **page 20**

Assurance

As one of the world's leading cyber security service providers we are best placed to help businesses assess, develop and manage the cyber security risks they face.

Through an unrivalled suite of services, we provide organisations with peace of mind that their most important assets are protected.

Software Resilience

Regardless of whether the infrastructure or data is on-premise or in the cloud, security and regulatory compliance of business critical technology need to be assured.

Through our data and application continuity solutions we safeguard buyers from supplier failure, software vulnerabilities and unforeseen technology disruption while providing credibility and intellectual property rights protection for software suppliers.

Assess cyber risk

A fast and global response with the ability to understand what the problem is, using experience and/or relevant industry frameworks. The value is not just in the assessment but in the clear advice and guidance from the results to improve cyber resilience.

Develop cyber maturity

We work together with our customers to help them develop security capability or fix the issues identified during the assess stage. It is only once these areas have been remediated that the true return on investment will be realised against their cyber spend.

Manage cyber operation

The ever-evolving threat landscape means that beyond the initial assess and develop phases it is vital to continually improve levels of security, detect incidents and react to them. We help companies manage their own capability or provide it through efficient security managed services.

Value creation

Colleagues

- We strive to create a safe and respectful environment where everyone is empowered to be their very best, able to follow their vocation and say with conviction that what they do helps make society safer and more secure.

Customers

- Our resilience solutions enable customers to confidently innovate and embrace new technologies and build responsible, sustainable and resilient organisations that thrive and succeed. We help our customers to defend every point of connection and reduce their stress, and allow them to focus on their growth.

Our network

- We engage proactively to ensure our insights and vision deliver the best societal outcomes in support of our mission. Our expertise provides access to basic cyber knowledge for the communities we live and work in.

Shareholders

- We deliver on our promise of long-term growth, creating an inclusive and diverse workplace, reducing our impact on the environment and being an ethical, responsible employer and supply chain partner.

Read more on stakeholder engagement on **pages 24 to 27**

1 Threat landscape meets research

The scourge of ransomware continues as a distinct threat to organisations of all sizes.

As organisations invest to improve their resilience against attacks, and policymakers struggle to find effective regulatory and law enforcement responses to ransomware gangs, we have used our unique insight, intelligence and research capabilities not only to assess the scale of the threat but to understand underlying dynamics and trends and to devise and advise on appropriate solutions and responses.

“As more nations realise that ransomware is a threat to national security, I’m hopeful that we’ll see a proactive, joined-up response from governments. European intelligence services need to come together with their allies to develop genuinely coordinated, proportionate defensive and offensive cyber operations.”

Inge Bryan
Managing Director, Fox-IT

Inside the ransomware negotiation economics

When an organisation is hit by a ransomware attack, at the heart of the nightmare is the question – to pay or not to pay?

Paying a ransom or negotiating with criminals is problematic to say the least, and not something that we recommend or endorse. Despite some legislative efforts to ban, or require government permission for, or reporting of, ransomware payments, a significant percentage of ransomware-affected businesses see no other option than to negotiate and, in the end, pay the ransom. But not much is known about the economic backgrounds and negotiation strategies of digital extortion.

That gap prompted our researchers Pepijn Hack and Zong-Yu Wu to investigate negotiations that take place after the decision has been made to pay a ransom after a successful ransomware attack.

More than 700 cases

Our researchers looked at how the most notorious ransomware groups use economic models to maximise their profits, examined the victims’ position during the negotiation phase and considered what strategies ransomware victims can use to level the playing field as much as possible.

More than 700 attacker–victim negotiations were collated between 2019 and 2020. The researchers had access to the negotiation process between these groups and their victims and, in addition, a large amount of data was examined. The negotiations under investigation were partly done by a negotiator and partly handled by the victim itself.

Our researchers found that ransomware gangs have developed negotiation and pricing strategies to maximise their profits, based on understanding their victims’ financial situation prior to executing their attacks. While this leads to an unlevel playing field, ransomware victims are not completely powerless.

We summarise our researchers’ main conclusions here but detail comprehensively the strategies victims can deploy to counter attackers’ advantage, as well as practical tips about the negotiating process, in our research report.

Read more here:
research.nccgroup.com/2021/11/12/we-wait-because-we-know-you-inside-the-ransomware-negotiation-economics

Unlevel playing field

The ransomware victim is in the firm grip of its attacker – not just because of the operational seizure but because the attacker knows more about the victim than the victim knows about the attacker, even down to how much might be paid if all goes well.

Still, the playing field is not as uneven as it may initially appear. Criminals are after money and a victim which pays less than the amount originally requested is still better for the criminal than a victim which does not pay at all. The latter would be a waste of the time, effort and resources the attacker had to invest to launch the ransomware attack in the first place. So it is in the criminals' interest to negotiate with their victims. Moreover, the attackers are people and people can be influenced and make mistakes.

More than 50% "discount"

Negotiations should yield maximum profit for the attacker, while the victim is after paying as little as possible. The researchers saw that after negotiating, victims managed to get between 10% and 90% "discount" – the term used by the attackers. In two-thirds of the cases examined, this discount was more than 50%.

Moreover, once payment had been received, the ransomware groups under investigation adhered to the negotiated agreement, even if, in one of every two cases, their decryptors did not work well enough. Our researchers also found that the same attackers did not come back to the same victim to "try again".

The importance of time

In addition to money, time is also of the essence to both the victim and the attacker. Pressure is applied to the victim to pay as soon as possible – with threats of leaking documents or doubling the ransom. However, in many of the cases investigated, the attacker remained willing to extend the deadline – giving more time to the victim to respond.

Double extortion

The research findings also apply to negotiations in case of other forms of extortion – the "double extortion" – where there is not only encryption of data, but also the threat of publication or selling of stolen data. In that case, the attacker has a stronger trump card than with ransomware alone.

Strategic Threat Intelligence

Our Strategic Threat Intelligence practice develops software solutions for a broader, more insightful look at current threat landscapes and the way they impact organisations around the world. Developing a web scraper, they gather data on ransomware data leaks on the dark web in real time to provide regular insights into who are the most recent ransomware victims. By recording this data and classifying the victims by sector, we can derive additional insights highlighting the sectors that have been targeted, and how current ransomware threats compare to previous months.

Find out more about how to subscribe to our monthly threat intel pulse reports here: campaign.cybersecurity.nccgroup.com/threat-pulse.

Facts

- Ransomware attacks almost doubled in 2021, rising by 92.7% in 2021.
- The most targeted regions were North America (53% of attacks) and Europe (30% of attacks).
- Throughout the year, attacks were most commonly targeted at the public (19.35%) and industrial sectors (19.35%), followed by consumer cyclicals (16.13%).

Read our 2021 Annual Threat Report here:
campaign.cybersecurity.nccgroup.com/annual-threat-monitor

> "Many of the dangers which we first identified at the start of the pandemic snowballed in 2021, revealing a developing threat landscape with ransomware attacks on the rise."

Matt Hull
Global Lead for Strategic Threat Intelligence, NCC Group

2 Securing our connected future

Internet of thinks: securing the brain–computer interface

From our phones to our cars to our homes, we are realising the benefits of linking more and more aspects of our lives to the internet in a safe and secure manner. But what would happen if we could connect our brain to the internet?

Our research team explored this and more through the emerging phenomenon of brain–computer interfaces (BCIs) – technologies that provide mechanisms for monitoring and decoding activity in the brain and send signals to the brain through stimuli.

Although it sounds like science fiction, some major technology companies are already researching, developing and commercialising BCIs. There are three main types of BCI – non-invasive BCIs, partially invasive BCIs and invasive BCIs – which can be categorised according to their physical invasiveness upon the human body and overall proximity to the affected user's brain.

How could they be used?

The number of potential applications and impacts on society and industry through BCIs is extensive. A couple of examples include:

- Medical applications, such as alleviating physical disabilities by stimulating parts of the brain concerned with motor neuron functions to restore movement in affected limbs
- Media, gaming and entertainment applications, such as content that is streamed directly into the brain through BCIs or enabling users to control aspects of a video game through their thoughts

Many of these imagined applications will only be realised through advances in neuroscience and artificial intelligence or machine learning, but the significance of their potential impact on how we will live and work is obvious.

What are the security and safety risks?

Putting aside the exciting aspects and opportunities of BCIs, the reality is that they involve integrating technology with our brains – technology can be insecure and vulnerable to attack, so the threat model of BCIs needs to be carefully understood, particularly within specific use-case contexts (e.g. thinking one's password to unlock a device).

BCIs bring with them security risks to confidentiality, integrity, availability and safety, where they may offer mechanisms to adversely affect the operation of a person's brain activity which could result in mental manipulation, long-term brain damage or loss of life. They also have the potential to impact individual privacy in ways that could dramatically alter our society and freedoms.

Some of the specific safety risks of BCIs include complications during the surgical procedure to implant them, scarring on the brain and burns through excessive heat generated from BCIs.

From a security perspective, the volume of potential threats is vast, ranging from design, supply chain and surgical impact through to removal and decommissioning.

How can these risks be mitigated?

It is vital that security considerations span the entire lifecycle of a BCI, from secure design to secure and safe surgery and implant (where BCIs are invasive), secure operation and secure decommission.

Ultimately, we'd encourage that principles of security by design are implemented to mitigate potential risks, but other considerations include:

- Supply chain threats
- BCI interface security
- Software escrow

> "The convergence of mind, body and technology is fascinating and exciting, with a potentially huge impact on humankind's evolution and enlightenment, but it's crucial that we approach BCIs with the same diligence as we would with any other emerging technology.
>
> By doing so, we can continue to realise the benefits of our increasingly connected world in a safe and secure way."

Matt Lewis
Group Commercial Research Director, NCC Group

3 Increasing regulatory and legislative requirements

Following developments in recent years, the rapidly evolving threat landscape is reflected, too, in a significant increase in more interventionist government regulation of cyber security and resilience all around the world.

As the concept of a "whole-of-society" approach becomes a fundamental element of Western governments' responses to the cyber challenges of the 21st century, we are seeing widespread attempts to re-write the rulebook for many sectors that are essential to the functioning of modern societies and economies. This includes:

- The introduction of minimum security and safety standards for connected devices in consumer homes and enterprise environments, as well as for near everything else we have come to accept as a given in our digital world – from smart electric vehicle charge points to the app stores on our mobile phones
- The strengthening of organisational cyber security, and organisations' incident reporting requirements, driven predominantly via reform of the Network and Information Systems (NIS) Directive in Europe but also through Security Legislation in Australia, and the Cyber Incident Reporting for Critical Infrastructure Act of 2022 in the United States, amidst an ever-growing focus on how effectively to regulate supply chain security and meaningfully direct organisations' responses to ransomware attacks
- The professionalisation of cyber security service provision itself as the crucially important role of our industry in underpinning the global digital growth agenda is ever-better understood

Add to these general trends specific sectoral developments, and more widely relevant undertakings, and it is easy to conclude that we are but at the foothills of what the future cyber regulatory landscape will look like. This includes:

- Demands on financial institutions to adopt a "resilience by design" approach to managing their third party technology risk
- Central banks' desire to develop stable and secure digital currencies
- Efforts to introduce secure digital identities in the public sector and beyond
- Debates about standards for quantum-resistant cryptography
- Proposals to govern and assure the ethics and cyber security of artificial intelligence
- Discussions to restructure international data transfers to safeguard privacy

Moreover, this increasingly complex global regulatory landscape is complicated further by geopolitics-fuelled competition over evolving standards for new and emerging technologies, all of which organisations will have to navigate successfully in pursuit of their broader objectives.

In fact, cyber resilience is a key component of ESG and sustainability measures, which make knowledge of and compliance with required governance an integral element of any organisation's licence to operate.

As organisations will increasingly rely on trusted partners to help them to secure their future growth and navigate the maze of horizontal, sectoral and internationally overlapping rules, standards and laws, we believe that organisations like NCC Group that advocate for evidence-based and future-proof regulations that materially improve security and resilience outcomes, and that deeply understand the evolving policy landscape and respond to organisations' changing needs with relevant research, product development and new propositions, are well placed to meet this growing demand globally.

"Cyber resilience is a key component of ESG and sustainability measures, which make knowledge of and compliance with required governance an integral element of any organisation's licence to operate."

Katharina Sommer
Head of Public Affairs

Listening to learn

We believe that to create value for our stakeholders, we must listen to learn what their needs are, which will secure long-term growth. With our values and behaviours at the core of how we operate, we use insights to inform the drivers of engagement to build enduring and trusted relationships.

These listening insights are used to continually improve decision making at every level of the organisation – from the Board down.

Colleagues

We are a people business and our colleagues around the world each play an important role in helping to make the world safer and more secure.

Link to strategy:

The opportunity

- Colleagues know they are contributing to our success
- Feel confident they have the skills to do their job or have the support to learn on the job
- Know what is expected of them
- The opportunity to grow their career
- Spend quality time with their line manager and feel listened to

How we listen and engage

- Monthly team briefings to support managers to engage colleagues in our business, complementing their operational content
- People manager forums and regular town hall type events
- Internal news platform that enables sharing of approved content direct to social media
- Online knowledge hubs to support consistent ways of working, with Microsoft Teams for collaboration and Yammer for informal conversations
- Elected colleague forums in the UK, Spain and Australia and Works Councils in Europe
- Annual colleague engagement survey with local teams empowered to drive actions
- Non-Executive Director regular engagement sessions hosted with colleagues (see page 86)
- Colleague resource groups sponsored by Executive members

Highlights in 2021/22

- Listening to feedback from colleagues on giving something back, we have created a new global programme for FY23, which includes matched giving, the ability to take one day's paid leave either individually or as a team to support a charitable cause or get involved in our sponsorship initiatives, and the creation of a global Giving Back colleague resource group, which will drive local action
- Integration of our new colleagues following the IPM acquisition

Covid-19 action

- Continued to support hybrid working arrangements while balancing the benefits of being together and supporting wellbeing

In focus

Recognising that many of our colleagues are out and about on client assignments, we developed and launched a new monthly team briefing as a way of consistently sharing information and connecting them to what is happening across our business.

Within the team briefing we also provide talking points on subjects that support our inclusion and diversity NCC Conversations engagement activity – from how to support colleagues during Ramadan, to Mental Health Awareness Month, Earth Day and International Women's Day, for example.

Where we have important business updates, we create special issues for team briefings that are designed to quickly empower managers with talking points and a dialogue framework to engage colleagues. Feedback is shared and enables us to respond appropriately to support understanding.

See more about our culture on **pages 47 to 49**

Link to strategy:

Lead the market

Deliver excellence

Develop our people

Win business

Support growth

Customers

Our strategy of focusing on our customers' broader resilience posture has resulted in more projects where we are retained to fix and improve their cyber security than ever before.

Link to strategy:

The opportunity

- Using our research and intelligence expertise to understand the threat and how that affects our customers' operations in their sector
- Using our insights to develop "right-fit" solutions, which improve and enhance our customers' current and future cyber resilience
- The ability to work collaboratively with our customers, their partners and broader supply chains
- Horizon scanning regulations and legislation, and contribution to government consultations based on understanding of the future market needs

How we listen and engage

- Active account management
- Customer satisfaction surveys and complaints procedure in place
- Industry collaboration with increased investment in sector-based approach to understand and mitigate risks of current and future technologies

Highlights in 2021/22

- Created Global Portfolio, a cohesive portfolio comprising a standardised set of offerings across the Group that joins our previous services to our evolving propositions
- Protected an ever-growing education market with the continued use of SURF – the IT co-operative for education and research across the Netherlands, as well as across multiple UK customers
- Created, launched and grew our cyber security improvement (CSI) proposition globally, which includes the creation and execution of improvement plans, ransomware planning and knowledge transfer to help our clients create continuous improvement
- Completed the global deployment of View, our next generation cloud platform for secure code deposits, delivering an enhanced depositing process for software vendors, and supporting end customers to manage their software resilience proactively

Covid-19 action

- Continued successful delivery through both remote and on-site working, meeting our customers' requirements despite the impact of local restrictions

In focus

Responding to a growing need, we launched our Insight Space to provide monthly pragmatic cyber advice for senior executives, based on the latest issues that are keeping people awake at night.

Our insights feature expert voices from NCC Group and business and industry experts and topics published include:

- Managing legacy risk
- Making your cyber resilience budget work smarter
- Reducing your cyber risk alongside business-as-usual activity
- Tackling insider threats

With magazines, reports, articles and webinars there is an excellent bank of knowledge for executives to tap into and links are made to service offerings to make it easier for them to talk to someone to get advice.

And it doesn't stop there; we are now collaborating with NatWest to provide cyber resilience focused content for its Business Hub, which is designed to provide business customers with easy access to thoughts and analysis from industry experts and partners.

Shareholders

We are committed to engaging with our shareholders, creating an opportunity to understand our business, the market, how we are responding and the opportunity to secure growth.

Link to strategy:

The opportunity

- Financial performance
- Dividend
- Responsible long-term sustainable strategy
- Sound corporate governance and stewardship

How we listen and engage

- CEO and CFO regularly meet investors
- Investor roadshows after the full and half-year results
- Annual Chair engagement with investors
- Open-door policy with investors
- An Annual General Meeting

Highlights in 2021/22

- 78 investor meetings held during the year
- Shareholder engagement throughout the IPM acquisition process including discussion on the rationale for the acquisition, with a general meeting held on 1 June with 100% shareholder approval for the acquisition
- Shareholder engagement on changes to the Remuneration Policy 2021–2024
- Shareholder engagement on change in CEO, as NCC Group builds on the platform developed under previous management

Suppliers

We engage with many different suppliers across our global business and value the role our supply chain plays in supporting responsible business operations.

Link to strategy:

The opportunity

- Long-term trusted partnerships facilitating real, sustainable overhead cost reduction and cost of sale margin improvement
- Strong working relationships
- Fit for purpose contracts and payment terms, ensuring suppliers deliver to acceptable service levels and protecting NCC Group from any long-term commercial inflation
- Ensuring we have a safe and responsible supply chain to protect our service delivery to customers and brand reputation

How we listen and engage

- We have a professional, dedicated and experienced procurement function, which actively manages key suppliers, monitors supply chain trends and supports the business units to achieve their commercial targets
- Regular meetings to be held with key suppliers to better inform them of NCC Group's strategy and future forecasting
- Due diligence completed at the beginning of our relationship with suppliers
- Intention to host a supplier conference (post Covid-19)
- Structured onboarding of suppliers to NCC Group

Highlights in 2021/22

- Creating value to NCC Group through working collaboratively on business projects
- Introduction of a new system to store and manage all third party contracts, providing greater protection against risk and enhancing planning capabilities
- Leveraging supply chain knowledge and our live data procurement have supported the operational business through direct involvement of customer bids
- Introduction of a consistent global supplier onboarding and due diligence process is underway through phased implementation

Our network

We are committed to creating a conducive operating environment to enable our growth ambitions, and to using expertise to inform evidence-based policy making. Only by engaging proactively can we ensure our insights and vision deliver the best societal outcomes in support of our mission.

Link to strategy:

The opportunity

- Our expertise provides access to basic cyber knowledge for our local communities
- Understanding and shaping new and evolving regulations and policy proposals mean we have the right solutions to address our customers' future needs and requirements
- Educating policymakers and regulators engenders trust and a sense of pride

How we listen and engage

- Working with colleagues to shape what we advocate for
- Building alliances with global think tanks and foundations, trade associations, charities and campaign groups, to pool resources, amplify our messages and maximise impact
- Strategic relationships with national technical authorities, and support for government initiatives across all of our regions, including the UK National Cyber Security Centre's Industry100 scheme
- Representation on senior government advisory panels, e.g. on connected places
- Direct engagement with regulators, officials and politicians grappling with the challenges of emerging technologies and keeping their citizens safe

Highlights in 2021/22

- Supported the UK National Cyber Security Centre's flagship CyberUK conference as the inaugural Technical Masterclass sponsor, providing real-world practical advice to complex challenges
- Cemented NCC Group's voice as the cyber security expert in the UK, the Netherlands and, increasingly, wider markets: the UK House of Lords Home Affairs and Justice Committee adopted a significant number of our recommendations in its report on the advent of new technologies in the justice system; and the UK Home Office invited NCC Group to represent the private sector perspective on ransomware at the Security & Policing Conference 2022
- NCC Group became a formal stakeholder participant in UN proceedings to develop a new Cybercrime Convention, joining the ranks of Amazon, Microsoft and Meta

In focus

As founders of the CyberUp Campaign to reform the UK's Computer Misuse Act 1990 to provide better legal protections for cyber security researchers, NCC Group is benefiting from external recognition, and the internal sense of pride it has generated.

NCC Group colleagues highlight that our role in the campaign "engenders trust" from our customer base and that protecting our colleagues is something we should all be proud of:

- We presented the CyberUp petition to provide better legal protections for cyber security researchers to Number 10 Downing Street.
- Engagement with Members of Parliament and Peers has resulted in a core group of parliamentary supporters advocating for reform whose political pressure has been instrumental in securing the first debate on the Computer Misuse Act to be held in Parliament since it was first introduced over 30 years ago.

> If something is really important, then we need to be seen to be trying to make a difference (as well as actually making a difference). A good example of this is the CyberUp Campaign. Seeing the team outside Number 10 was incredible. It makes me proud to know NCC Group is engaging at this level."

Response from an NCC Group colleague to the Group Public Affairs internal survey
April 2022

Executing our strategy

We are successfully executing our strategy, realising our vision to become the complete provider of cyber and software resilience solutions globally.

Lead the market

Win business

Deliver excellence

Support growth

Develop our people

This section demonstrates how we are making progress to become a one-stop-shop that creates value for our customers, offering them a complete set of cyber and software resilience services, which are promoted and sold to a global market, underpinned by research, data and quantification.

In securing NCC Group's future, we have built on strong foundations to create a highly engaged and diverse talent base as we continue to:

- Broaden our portfolio, adding services and solutions across the complete Assess – Develop – Manage cyber lifecycle
- Improve how we go to market globally, becoming easier to engage with and buy from

Link to risks:

1 Business strategy

2 Management of strategic change

3 Global pandemic – Covid-19

4 Availability of critical information systems

5 Attracting and retaining appropriate colleague capacity and capability

6 Information security risk (including cyber risk)

7 Quality of Management Information Systems (MIS) and internal business processes

8 Quality and Security Management Systems

9 International trade (formerly post-Brexit)

10 Sustainability

Read more on our risks on **pages 64 to 72**

Read more on our business model on **pages 18 and 19**

Lead the market

Deliver world-class research and thought leadership coupled with leaders who can engage audiences and convey our message across all channels

What we said we would do

Continue investment in high impact research

What we have achieved

- Published 100 blog posts and 40 technical advisories on our dedicated research blog, attracting a quarter of a million visitors
- Released 20 open-source tools, and contributed to security standards development for C, Kubernetes and post-quantum cryptography
- Our consultants have been recognised as some of Microsoft Security Response Center's (MSRC's) most valuable security researchers
- Participated in UK government forums on Quantum Communications and connected places as independent experts
- Continued to build our commercial research services resulting in numerous engagements for large US-based technology companies
- Delivered the second of our industry acclaimed annual research reports

KPIs

4,841
research days including GMS (2021: 6,043)

65
conference presentations, 41 at Tier 1 venues (2021: 51)

Future focus

NCC Group continues to drive the concept of "cyber as a science" as a fundamental aspect of what we do. We see it as crucial to build strong evidence for what works where, against which threats and with what limitations. Similarly, being able to measure and quantify the "before" and "after" is critical so we can truly evaluate material changes in organisations' resilience posture. Beyond these fundamental drivers, we will continue our research focus on the security of machine learning, open source, smart cities and 5G along with nascent programmes around the metaverse ecosystem and future finance technologies.

Link to risks

1 2 4 5 6 7 8 10

Case study

Addressing the challenges of Internet of Things security via policy, thought leadership and research.

NCC Group works extensively on the challenges of Internet of Things (IoT) security, driving improvement at government level and across various industrial sectors. The proliferation of embedded connected devices poses a substantial risk to nations, enterprises and consumers and the threat of exploitation is only increasing.

In the past year we have helped shape legislation and regulation of IoT security through engaging and educating politicians working on the Product Security and Telecoms Infrastructure Bill in the United Kingdom. Where the UK has led, other countries are following, including Australia and Singapore, ensuring the Group's influence is seen globally.

NCC Group's Global Chief Technical Officer participated in several Atlantic Council forums, a US think tank in the field of international affairs. We proposed novel incentives for IoT device manufacturers to drive improved cyber security, such as using the sustainability pillars of environmental, social and governance (ESG) and introducing forced buyback for end-of-life devices to drive systemic change.

Our applied security research teams:

- Demonstrated fundamental weaknesses in technologies such as Bluetooth Low Energy with regards to relay attacks
- Discovered and exploited vulnerabilities in printers, network attached storage, firewalls, routers, 5G core network components and embedded cryptographic libraries
- Demonstrated weaknesses in Field Programmable Gate Arrays (FPGAs)
- Issued guidance on the use of embedded components in a secure manner for designers and manufacturers

Win business

Drive customer value using our deep technical skills, wide-ranging insights and broad capability

What we said we would do

- Embed the "One Global Offer" so our immense capability can be articulated consistently
- Through renewed, repeatable models, bring forward our ability to fix vulnerabilities that we find, and stay with customers through their improvement journey
- Meet our customers' skills gap with technical experts that align to the evolving needs of their remote/on-premise services

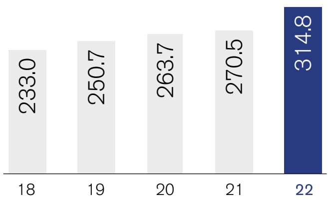
What we have achieved

- Created Global Portfolio, a cohesive portfolio comprising a standardised set of offerings across the Group that joins our previous services to our evolving propositions, and that is clearly articulated to our customers – allowing us to upsell and cross-sell to unlock greater customer value
- Protected an ever-growing education market with the continued use of SURF – the IT co-operative for education and research across the Netherlands, as well as across multiple UK customers
- To meet market demand, we've created, launched and grown our cyber security improvement proposition globally, which includes remediation teams and support for ransomware planning and incident response
- Completed the global deployment of View, our next generation cloud platform for secure digital deposits, delivering an enhanced depositing process for software vendors, and supporting end customers to manage their software resilience proactively

KPIs

Revenue (£m)

£314.8m



165
orders with a value greater than £250k
(2021: 134)

£3.4m
Software Resilience cloud proposition orders (EaaS)
(2021: £2.2m)

Future focus

We love the fact that our mission has come to life with so many customers around the world. Our future focus is to keep them happy and maintain an appropriate resilience position that meets their needs against ever-changing global threats. To that end, we look to retain the supply of value-based cyber security experts and provide exciting new solutions to our customers, such as our broader security improvement and Microsoft XDR offerings.

Link to risks

1 6 10

Case study

We partnered with a financial services firm to create an embedded security partnership.

Under the Global Investment Management agreement we are innovation partners, integrated through a consulting framework to accelerate technical services across the customer's global cyber security operations.

In addition to the technical consulting services, governance reporting is incorporated into the partnership, feeding directly into its board for oversight and to enhance decision making.

Insights generated by reporting across the entire cyber operations will enable our customer to be more proactive, measure its risk more accurately and drive change in a sector where cyber is a material risk to responsible and sustainable business.

Deliver excellence

Deliver consistently high quality solutions that our customers value, fully utilising our global capability and the technical excellence of our consultants

What we said we would do

Promote a global delivery model and embed new ways of working with our customers, providing a distinctive service

What we have achieved

- Implemented Global Assurance, leveraging our newly created global professional services and global managed services functions to leverage global resourcing efficiencies, to standardise our processes and customer offers, and deliver a consistently high quality, highly valued service for our customers
- Expanded our technology suite across Managed Detection and Response (MDR) to include Splunk, Carbon Black and, now, Microsoft XDR, thus providing enhanced cyber capabilities to Microsoft users across our customers' growing ecosystem

KPIs

271
increase in technical specialists
(2021: 49)

13,813
days of global resourcing
(2021: 9,356 days)

Future focus

We've created specialist dedicated teams to support our customers in adopting Microsoft XDR with rapid deployment options, our bespoke Threat Intelligence feeds and industry-leading response times.

We're looking forward to the launch of our continuous assessment offerings, which will provide cost effective solutions to maintain and improve security for our customers every day.

Link to risks

1 2 3 4 5 6 7 8 9 10

Case study

Our global customers often seek us out to provide specific skillsets at scale or very broad skillsets at short notice.

We deliver on these requirements by leveraging our thousands of consultants spread across North America, Europe, Southeast Asia and Australia.

One customer based in North America undertakes a steady stream of acquisitions of firms spread across the globe. They trust NCC Group as their security partner, to help assess risk, undertake cyber due diligence, and support with resulting improvement work post purchase. We deliver tangible value creation at each stage of its business lifecycle.

They are attracted to NCC Group because of our geographic reach, our global scale and our responsiveness. They simply can't afford to have delays in deals because a specific skillset is required or because they have to piece together the deal team across multiple geographies, so we step in and work with them to provide whatever is needed.

Our expertise helps our customer to fully assess the risks pre-purchase and understand the costs and timescales for undertaking improvement activities. This prevents them from increasing their own risks inadvertently and makes sure they don't overpay for assets, which might have significant flaws. Our global scale means we can stand up this sort of broad experience quickly and tailor the engagement based on what we find – and the customer's risk appetite.

Support growth

Provide the tools and processes that enhance how we work today, enabling access to quality management information

What we said we would do

Create a programme delivery team to drive business ownership and alignment across our various systems from our professional functions through to sales and delivery

What we have achieved

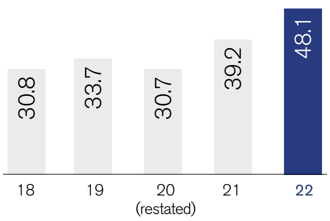
Alongside business-as-usual continuous improvement, we made significant progress on business alignment and efficiency with the:

- Implementation of our Global Portfolio, providing clear business benefits around data quality, in support of our One Global Offer
- Implementation of Launched Cases, a single ticketing system across all delivery businesses enabling smoother scheduling across all regions and time zones, unlocking the global resourcing efficiencies we leverage to support our global customers with the skillsets they require
- Bringing together of our Global Technical Services and Securing Growth Together systems transformation teams to improve efficiency in system implementation and development. We've created a strong platform of product managers and analysts to drive business representation and ownership, and ensure we are making the most of our technology related investments
- Appointment of our first Group Chief Information Officer, Rebecca Fox, who is leading the transformation of the Global Technical Services function to deliver for the business needs today and in the future

KPIs

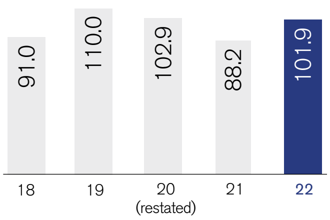
Adjusted operating profit (£m) [1]

£48.1m



Cash conversion (%) [1]

101.9%



Future focus

Over the coming year we will continue to embed the transformation programme into Global Technical Services, strengthening our business-as-usual provision and maximising the return on these systems; complete our deployment of scheduling tool Kimble across all relevant operating areas; and embed access to actionable, meaningful and consistent data and reports across the organisation and at all levels through the deployment of PowerBI.

Link to risks

1 2 3 4 5 7 9 10

Case study

Historically NCC Group has had a regionally focused sales offering, which meant that within our sales catalogue we had many different products.

This made it very challenging for our sales teams to find the right product, which resulted in loss of time due to incorrect data, impacting scheduling and invoicing and creating missed opportunities for upsell and cross-sell, leaving money on the table. It also meant that it was tough for customers to unlock the full potential of bringing these products together into cohesive offers.

The Global Portfolio project:

- Rationalised these down to standard elements used across the whole Group
- Built a core set of services composed of these standardised elements
- Provided programmatic linkages (via Salesforce), which enable sales teams to match services that our customers frequently buy together
- Created detailed training, collateral guides and wizards to help sales teams understand the linkages between the different types of services and how to help provide a more complete solution set to a customer's actual needs

Within the first month of release in January 2022, our cross-divisional referrals more than doubled, and that upward trend remained roughly consistent for the remainder of the year. While it is still too early to see some of the downstream benefits associated with improved data quality, we are confident this will be reflected through future increased productivity across the sales, delivery and finance teams.

Develop our people

Create a positive colleague experience like no other offer in the industry, investing in our talent and organisation to unlock our full potential

What we said we would do

- Be a hub for cyber talent, and a quirky, distinctive environment where individuals and teams thrive
- Invest in learning and development

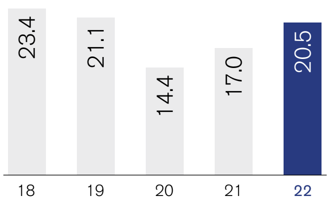
What we have achieved

- Launched a career framework and learning pathways pilot for our UK Assurance delivery colleagues across technical, consulting and management functions
- Launched the Next Generation Manager Programme in the North America and UK Assurance divisions following its successful pilot in Software Resilience (100% of the initial cohort are now in manager roles)
- Promoted over 280 talented team members
- Gender decoded our job adverts and piloted the redaction of CVs to remove unconscious bias
- Continued our partnership with Uptree and Capslock to improve the gender diversity of our foundation and classic entry programmes

KPIs

Attrition rate (%)

20.5%



Engagement score (Best Companies)

One to Watch [2]

(2021: One to Watch)

Colleague engagement score

658 [2]

(2021: 643)

Future focus

FY23 will be the year we focus on improvements to the colleague experience at NCC Group, with investment in onboarding and global career pathways building on our pilot in the UK, and redefinition of a compelling colleague proposition, underpinned by investment in leadership and management development. We are committed to improving the gender balance in our organisation through partnerships and outreach.

Link to risks

1 3 5 10

1 See Note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. Further information is also contained within the Chief Financial Officer's Review and the Glossary of terms on pages 56 to 63 and 203 and 204 respectively.

2 Good Organisations Ones to Watch is a special status awarded to organisations where workplace engagement shows promising signs for the future. Achieving a Ones to Watch status takes a BCI score of at least 600 and reflects organisations with "good" levels of workplace engagement. For further details please refer to: www.b.co.uk/accreditation/ones-to-watch#:~:text=Good%20Organisations%20Ones%20to%20Watch%20is%20a%20special,reflects%20organisations%20with%20%27good%27%20levels%20of%20workplace%20engagement.

Case study

In a world where everyone wants the best tech talent, to meet the demands of the exponential pace of digital transformation, and there's a global skills shortage, we took the early decision to build our own capability to feed the growing demand for our services and the growth of our business.

Building on the strength of our Next Generation Talent programme, we started searching for future cyber talent in completely different sectors. We look for people with the attitude and aptitude to start a career in cyber who, with support of a tailored training programme, could discover and unlock their full potential. Of the 115 people who joined our programmes in the UK, North America and APAC, this included Emma, who joined the UK programme as a former childcare specialist and has been offered "the greatest career growth for her future in cyber security", and Nick, who left his job as a recruitment consultant in Florida to start his "dream job" with NCC Group.

In parallel, we introduced career paths linked to each of our technical job grades focused on structured progression for our more experienced consultants. The promotions create space for the junior consultants we have trained – it's a win/win for everyone.

This resourcing engine has fuelled our growth in FY22, creating opportunities for our colleagues and a reduced reliance on the external labour market, and has secured top talent to deliver for our customers.

Read more on **page 35**

Next Generation Talent programme

Our Next Generation Talent programme is open to candidates from a variety of backgrounds and specialisms, from students to career changers or those simply looking to move into another area of cyber security. Candidates can expect to learn more about network and infrastructure testing, how to run web app assessments, applied research, consultancy skills and much more.

The wealth of experience and knowledge gained through the programme is invaluable and can often lead to colleagues finding interest in areas of cyber security they didn't know they had.

"I'm proud our global Next Generation Talent programme is enabling us to break the barrier and make a career in cyber accessible. If we are to achieve our mission of making the world safer and more secure, attracting new talent into our industry is critical to ensure we are truly representative of the society we are protecting.

Our in-house training programme has evolved since its launch. As we continue to grow, we saw our Next Generation Talent programmes in the UK and APAC joined by North America in January 2022."

Ian Thomas
Managing Director

Emma's story

As a former childcare specialist, Emma Hackett understands the importance of growth and development. Starting out in her career at 18, she developed a range of skills working with 5 to 11 year olds and children with disabilities before becoming a childminder for children aged from birth to 12 years.

A believer in life-long learning she yearned to challenge herself and investigated how to start a career in cyber. Undertaking a few cyber programmes, she researched qualifications needed and found our programme. She applied and was in disbelief that NCC Group would take a chance on her. Emma has bolstered her learning by joining the Ladies Hacking Society, an online community in the UK, that supports those in the industry and those who want to join.

"I have embraced this fast-paced and exciting learning environment. Everyone from my mentor to my colleagues has been so supportive of my passion. I feel so confident in my abilities to succeed. I was always nervous that my dyslexia and lack of experience would hold me back, but NCC Group welcomed me and invests in our teams no matter what. If I can do it, anyone can!"

Emma Hackett

Read more stories from our 2021 UK cohort in our **diaries of a junior cyber security series**

Making the world safer and more secure for all

Sustainability is how we do business – it is our licence to operate. Grounded in our values and principles, we're guided by our Code of Ethics and driven by our mission to make the world safer and more secure for all.

Cyber resilience is an integral part of all organisations' sustainability agendas – it's a material risk that should be top of mind for all, regardless of what industry or sector. We use our global insights to help organisations assess, develop and manage their cyber resilience posture, enabling them to confidently and securely take advantage of the opportunities that sustain their business growth.

We draw on our expertise, capabilities and global footprint to develop solutions to meet current and future cyber challenges. We help to educate policymakers and regulators. We give back to protect our local community service and we share opportunities to experience the world of cyber and inspire the next generation to secure our future.

Read more on our business model on **pages 18 and 19**

Read more on how we manage and monitor risk in relation to sustainability on **pages 64 to 72**

Sustainability is about ethical, responsible business practice, delivering on our promise to shareholders while balancing social and environmental factors. Our approach to sustainability is focused on the recognised elements of environment, social and governance (ESG). These are brought to life with our framework, which enables us to focus our efforts on the activities that create the greatest value for our stakeholders.

"We set objectives that consider people and the planet, and we take responsibility for the part we play in creating a safe and secure world for all."

Yvonne Harley
Global Director of Sustainability and Corporate Affairs

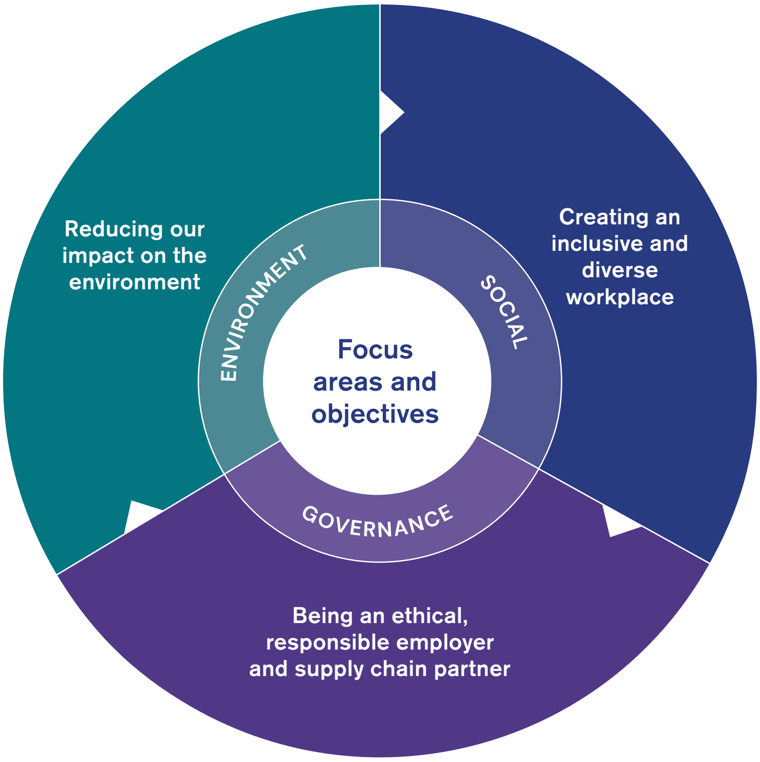
Our key sustainability focus areas and objectives for 2023

Our sustainability framework sets out our global focus areas, and we empower local action to bring this to life.

We have selected three areas of focus based on the critical elements of our growth strategy. We have not yet conducted a full materiality assessment with our stakeholders and that will come. For now we have drawn insights from customers through the bid process to determine what matters to them, from shareholder conversations and colleague surveys and through third parties – like Planet Mark, which we are working with to map our net zero journey.

Our three priorities this year are:

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



Environment

We have partnered with Planet Mark to support us to map out how NCC Group will achieve the net zero requirement by 2050 and will be hosting workshops from the Board down to achieve this.

We started the conversation last year, hosting virtual and local conversations with colleagues around the world. Through the work we've done to report against the Task Force on Climate-Related Financial Disclosures (TCFD) we discovered opportunities for our business to play a more active role in helping other organisations to reduce their impact on the planet.

Read more about TCFD on **pages 39 to 43**

Read more on **pages 44 to 46**

Social

We are a people business with over 2,000 people focused on making this world safer and more secure. To achieve this we must ensure that our NCC Group community is as diverse as the world we represent, so we continue to foster partnerships that support this.

We empower local action in support of our communities, and through our colleague resource groups, we encourage conversations that matter on a broad range of social topics to make NCC Group a great and respectful environment for all.

Read more about TCFD on **pages 39 to 43**

Read more about colleague resource groups on **page 52**

Read more about our Giving Back programme on **pages 50 and 51**

Governance

We are committed to building long-term sustainable relationships, earning trust through understanding the challenges our customers have and delivering high quality solutions to take their pain away.

We will do business fairly and use our internal processes to assess and consciously accept working with customers and suppliers which align with our own values and Code of Ethics.

We take responsibility to provide accurate and timely information to shareholders and always observe relevant regulations and corporate governance principles to protect the integrity of our business operations.

We consider the interests of all our stakeholders when we make decisions on the Group's future strategy and priorities.

Read more about stakeholder engagement on **pages 24 to 27**

Read more about our risk management process on **pages 64 to 67**

Priority targets for improvement:

- Reduction of our carbon footprint by 5%
- Improve gender diversity in recruitment

Aligning to the United Nations Sustainable Development Goals for best practice

The United Nations Sustainable Development Goals provide us with a blueprint to achieving a better and more secure future for all. We selected the following goals, which we felt were most relevant to our business and to our stakeholders:

3 – Good health and wellbeing

With the increased pressures of a pandemic and the intensity of the work we do, we put a great deal of effort into our wellbeing programme for colleagues.

We recognise the impact of inclusion and diversity on wellbeing, and we encourage real conversation about topics that matter personally to our colleagues. And we invest in resources and policies that further strengthen this commitment.

Read more on **pages 47 to 54**

4 – Quality education

As a pure play cyber expert, we are committed to investing in the cyber skills that will be needed in the future. From our global research programme, to investing in LinkedIn Learning, we also sponsor colleagues to undertake external accreditations. And we offer a Next Generation Talent programme to enable a non-traditional route into cyber.

Read more on research on **pages 20 and 21**

Read more about our Next Generation Talent programme on **pages 34 and 35**

5 – Gender equality

We are committed to building a diverse and inclusive culture for all and we take responsibility for playing our part in the global challenge of not only encouraging more women into technology, but also ensuring a level playing field for career progression.

We are investing in early careers programmes, our own and in partnership with others, and with the development of policies and resources that support colleagues at whatever stage of life they are at, and our career paths framework, we are building a foundation to create a successful environment to achieve our ambition.

Read more about gender and our other resource groups on **page 52**

9 – Industry, innovation and infrastructure

Our commitment to research, vulnerability disclosure and threat intelligence and the industry partnerships we foster help to provide safe and secure by design technologies.

Working across multiple industries globally, we have practice and sector experts to continually research, monitor and develop future solutions to enable sustainable and confident growth for organisations.

Read more about our network on **page 27**

Read more about our strategy on **pages 28 to 35**

13 – Climate action

While not a material risk due to the nature of our business, we believe in taking responsibility for the part we play in protecting the planet. We have partnered with Planet Mark to support us on our journey and our first priority was to certify our current carbon footprint before we embark on a programme to reduce our impact.

Read more about our environmental commitment on **pages 44 to 46**

16 – Peace, justice and strong institutions

Our value proposition is based on trust and this is founded on our Code of Ethics, considering the interests of all our stakeholders when we make decisions on the Group's future strategy and priorities.

Read more about our principal risks and uncertainties on **pages 64 to 72**

Read more about our governance on **page 55**

Environment

TCFD

Climate related financial disclosure in line with TCFD guidelines

This is NCC Group's first year reporting against the Task Force on Climate-Related Financial Disclosures (TCFD) requirements. In line with listing rule 9.8.6R(8) we have produced TCFD disclosures which are consistent with the TCFD recommendations and recommended disclosures across the governance, strategy, risk management and metrics and targets pillars. In assessing whether the disclosures are consistent, we have referenced section C of the TCFD Annex entitled 'Guidance for All Sectors'. For strategy we comply with disclosures (a) and (b) but for (c) we need to map out our net zero journey and review our scenario analysis and assess the resilience of NCC Group against our risks. This further work is included as a target below and will be published in next year's TCFD report. Furthermore, for each pillar we have included a table which describes our current disclosure, our developments achieved in FY22 and our focus areas for FY23.

Our overall exposure to physical and transitional climate change is considered low due to the nature of the business and can be reduced through the strategy and journey we've outlined over the next few pages. The scenario analysis for physical risks (flooding, earthquakes and storms) does not pose a high risk as there are mitigating controls in place and business interruption would not be significant.

We are working with Planet Mark, a sustainability certification organisation, which has calculated and verified our carbon footprint and helped us to identify reduction targets for the next financial year. Through the course of our new financial year, we will also work with it to map how we will achieve net zero by 2050.

It is worth noting that alongside the risks identified we have a significant opportunity as the market develops and industries invest more in climate change. For example, we currently work with customers which specialise in developing technology for electric vehicles, renewable energy (wind and solar), operational technology and other technical application work. There is an opportunity to increase revenues in these expanding areas as technology develops to support more climate related initiatives.

Governance

TCFD recommended disclosure	NCC Group disclosure	Developments in FY22	Focus areas for FY23
Governance			
A. Describe the Board's oversight of climate related risks and opportunities.	▪ The Board takes overall accountability for the management of climate related risks and opportunities and considers them as part of its overall risk review processes ▪ The Board gets updates from the Director of Sustainability and Corporate Affairs, who is part of the Executive Committee	▪ The Enterprise Risk Management Committee, which meets quarterly, has reviewed climate related risks and opportunities and this will be cascaded up to the Board as required ▪ Decision made to appoint external specialists Planet Mark to assist with our carbon footprint calculation, net zero journey and colleague engagement	▪ Further Enterprise Risk Management (ERM) Committee meetings and recommendations made to the Board as appropriate including progress to map out our net zero journey
B. Describe management's role in assessing and managing climate related risks and opportunities.	▪ The Director of Sustainability and Corporate Affairs advises both the Executive Committee and Board on climate related issues ▪ An ERM Committee was established in 2021, which meets quarterly and covers climate risk	▪ The ERM Committee and a TCFD working group were established to ensure progress was made ▪ Engaged with external specialists Planet Mark to give support as we calculate our carbon footprint and determine our net zero journey	▪ To maintain the climate related risk register and ensure actions are followed up ▪ To map NCC Group's net zero journey

Governance continued

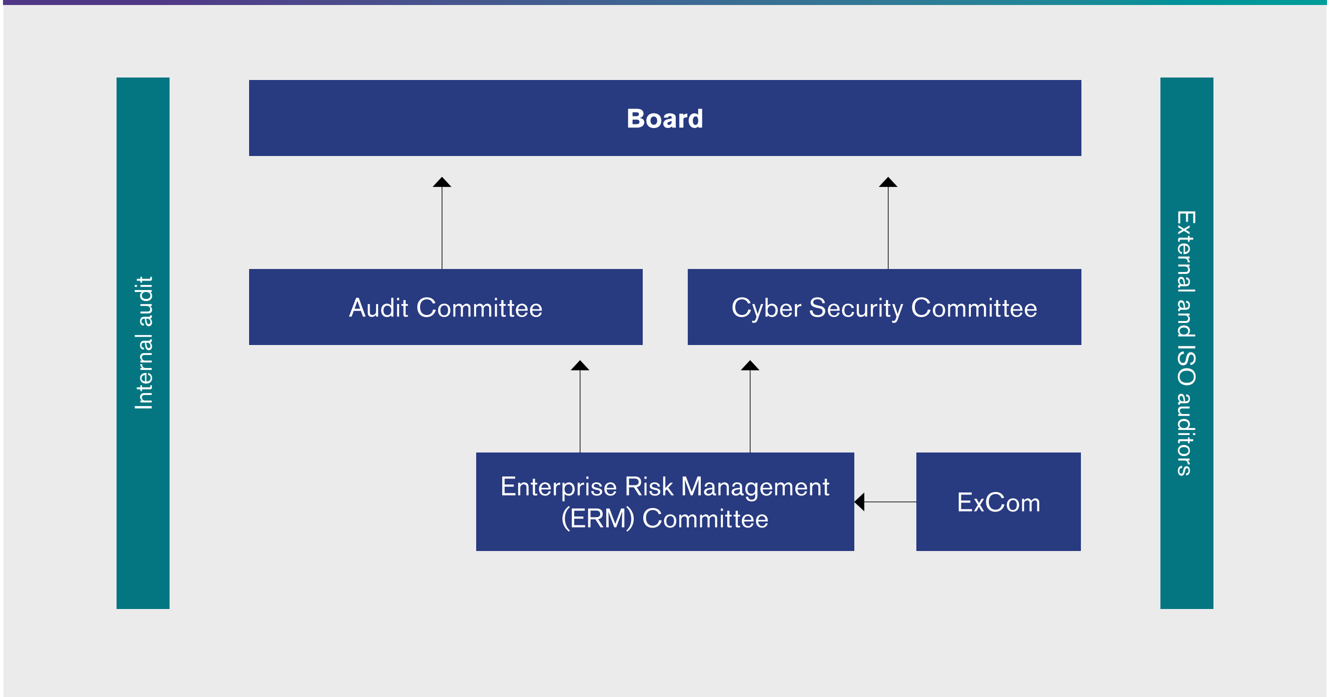
The Board takes overall accountability for the management of all risks and opportunities and considers climate related issues when reviewing and guiding strategy, budgets and business plans as well as when setting performance objectives, monitoring implementation and performance, and overseeing major capital expenditure, acquisitions and divestitures. Our commitment is published through our Environment policy available on our website.

Climate related risks and opportunities are managed within our broader sustainability framework and have executive oversight by the Global Director of Sustainability and Corporate Affairs. All key issues are reported up to the Board by the Executive Committee or Enterprise Risk Management (ERM) Committee as they arise, climate related or otherwise. Now the TCFD risks and opportunities have been identified, and we have completed our climate related materiality assessment, this will be incorporated into business as usual and managed as per our risk management approach.

Since the start of calendar year 2022, climate change risk has been discussed in the quarterly ERM Committee meetings, which includes progress against our climate goals. To date, no climate related issues have required Board notification. However, going forward the effect of climate issues on future acquisitions, disposals and major capital expenditure, as well as an update on NCC Group's net zero journey in particular, will be raised and discussed at all Board meetings.

The Board and Executive Committee have both recently had climate awareness training delivered by Planet Mark, have seen our carbon footprint measurement and reduction targets and will be actively involved in the net zero journey planning led by our Global Director of Sustainability and Corporate Affairs and the role they play in reducing our impact on climate change.

How ERM fits into the Group Committee structure



Strategy

TCFD recommended disclosure	NCC Group disclosure	Developments in FY22	Focus areas for FY23
Strategy			
A. Describe the climate related risks and opportunities the organisation has identified over the short, medium and long term.	▪ See tables describing risks and opportunities	▪ Implemented a TCFD working committee across the business	▪ To monitor actions arising from risk register
B. Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy and financial planning.	▪ Not considered material to NCC Group; however, there are opportunities arising that should be maximised	▪ Reviewed risks and opportunities, mitigations and associated financial impact	▪ To map NCC Group's net zero journey
C. Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios, including a 2°C or lower scenario.	▪ Scenario analysis undertaken; only two office locations at risk of rising sea levels with mitigations in place reducing risk	▪ Obtained independent risk report on office locations at risk from flooding and extreme weather conditions	▪ To further review sea level analysis and scenario planning and assess if the risk changes

We are taking responsibility for reducing carbon emissions and being able to articulate the impact of climate change – both opportunities and risks – on our financial performance.

Climate related risks

A new strategic risk has been identified (cross-refer to Principal Risks section) in relation to climate change within the Group's principal risks and uncertainties and associated operational risks beneath that.

Through our risk management framework (see Risk Management section on pages 64 to 72), we have identified and assessed climate related risks and categorised into the short (<1 year), medium (1–5 years) and long term (>5 years). We have also identified the impact that the risks have on the business, client services and supply chain and the corresponding mitigations in place to reduce the risk. All risks identified affect the Group in its entirety except where specific locations have been highlighted.

Examples of the types of climate related risks and opportunities faced by NCC Group include the following:

Transition risks

- Greenhouse gas emissions: increased costs associated with more taxes and levies (medium term)
- Move to net zero: increased costs required to lower emissions (long term)
- Margin risk: impact on service charge out rates and associated erosion of profit margin due to increased costs because of climate risk (medium term)
- Reputation: failure to comply with climate change related (medium term)
- Regulations to achieve goals may negatively impact public perception (medium term)
- Supply chain: increased supply costs and delayed deliveries (medium to long term)

Physical risks

- Extreme weather (acute): causing business disruption and loss of service delivery and therefore revenue (short to long term)
- Sea level rises (chronic): increased likelihood of flooding in Delft and Amsterdam offices causing increased insurance premiums (long term)

Opportunities

- Resource efficiency: more efficient modes of transport, recycling, hybrid working and efficient buildings creating less cost and improved colleague engagement and wellbeing by removing unnecessary travel (medium to long term)
- Energy source: use of lower-emission sources of energy, introduction of an electric/hybrid salary sacrifice car scheme for all UK colleagues creating reduced costs, exposure to future fossil fuel price and improves colleague engagement and wellbeing (medium to long term)
- Market: can sell into industries which are significantly changing due to climate change resulting in increased revenues, e.g. oil and gas companies expanding into alternative energy, smart meters, electric vehicles, IOT technology to reduce waste, cloud data centres, etc. (short to medium term)
- Resilience: increased investment opportunity due to responsible, sustainable business model (short to long term)

Scenario analysis

One of the physical risks is our office locations due to two (Amsterdam and Delft) being at risk due to rising sea levels. We have undertaken modelling on different scenarios (see Metrics and Targets section); however, global temperature rises and extreme weather are not expected to have a fundamental impact on our business model. If sea levels rise above 5m, then the risk increases, but existing flood defences are expected to mitigate any near-term impact and the ability to now work remotely has been tested. Furthermore, our leases on these offices expire between 2023 and 2025 so this risk does not impact the useful life of the infrastructure for NCC Group.

Qualitatively, at a 4°C scenario (i.e. business as usual) our physical risks will likely materialise without intervention from local land management/governments. However, as we aim to align to a 2°C world, our transition risks will need to be modelled and assessed on an ongoing basis. Once we have mapped out our net zero journey and timelines in calendar year 2022, we will review our scenario analysis and assess the resilience of NCC Group against our risks, but at this time, with the information available, we don't believe there is an impact on our strategy under a 2°C scenario.

Financial planning

Due to the mitigations noted in our full TCFD report, and the nature of our industry, we do not believe the current climate related risks pose a material financial impact to our business; however, we do have significant opportunities that we are working to maximise. For future acquisitions, capital expenditure, research and development or general operating costs and revenues, we will ensure climate related issues are considered within the financial planning process.

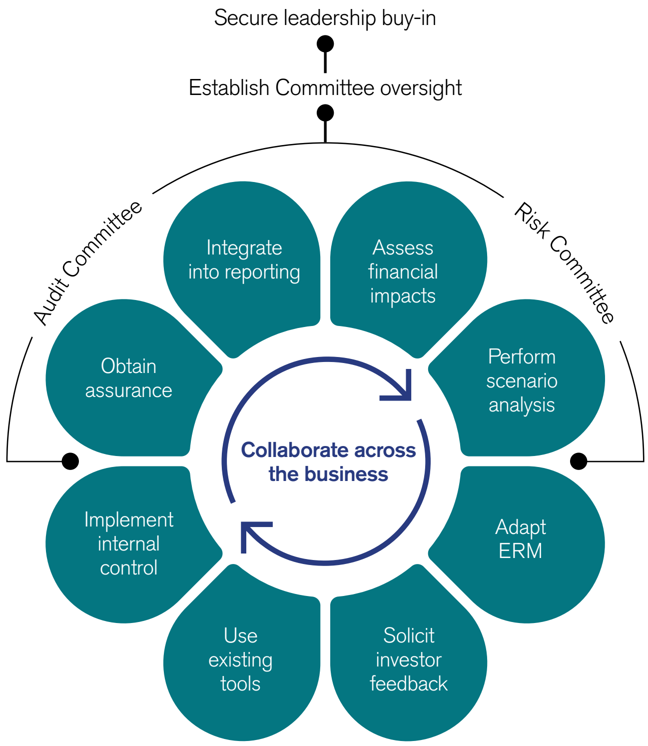
Risk management

TCFD recommended disclosure	NCC Group disclosure	Developments in FY22	Focus areas for FY23
Risk management			
A. Describe the organisation's processes for identifying and assessing climate related risks.	▪ Climate related risks are managed through our Enterprise Risk Management framework	▪ Climate related risks identified and categorised over the short, medium and long term	▪ Monitor actions arising from risk register
B. Describe the organisation's processes for managing climate related risks.	▪ Climate related risks are documented, mitigating actions considered, a risk rating assigned and associated actions documented and followed up	▪ Climate related risks identified with associated actions which are being actively followed up	▪ Monitor actions arising from risk register
C. Describe how processes for identifying, assessing and managing climate related risks are integrated into the organisation's overall risk management.	▪ Climate related risks are managed through our Enterprise Risk Management framework	▪ Climate related risks identified with associated actions which are being actively followed up	▪ Monitor actions arising from risk register

Climate related risks are managed through our NCC Group Enterprise Risk Management (ERM) framework as published on our website and included in the Risk Management section in this report. All risks are assessed and scored in terms of likelihood and impact in line with our framework on a consistent basis.

We adopt both a "top-down strategic" and "bottom-up operational" approach to managing risk in the pursuit of our strategic objectives. The approach is one of collaboration and we believe this is the most efficient and effective way to identify risks.

Having identified and assessed our climate related risks based on short (<1 year), medium (1–5 years) and long-term (>5 years) horizons and categorised them into physical and transition risks (see Strategy section) we have determined that climate change is not currently a significant risk for NCC Group. However, we have included a climate related risk within our Principal Risks section as it is a key reporting area; see page 71. The ERM Committee has reviewed the risks, their mitigations, controls and associated actions and will continue to monitor these going forward.



Metrics and targets

TCFD recommended disclosure	NCC Group disclosure	Developments in FY22	Focus areas for FY23
Metrics and targets			
A. Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process.	▪ Greenhouse gas emissions for 2022 vs prior years ▪ Net zero plan is in progress ▪ Car fleet to be discontinued ▪ Physical risks review ▪ Climate related performance metrics incorporated into Directors' remuneration	▪ Review of key risks and associated metrics following a modelling exercise ▪ Greenhouse gas emissions and carbon footprint independently verified	▪ To map NCC Group's net zero journey ▪ To develop the Scope 3 reporting to include impact of working from home and supply chain
B. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	▪ Greenhouse gas emissions for 2022 vs prior years	▪ Greenhouse gas emissions independently verified	▪ To develop the Scope 3 reporting to include impact of working from home and supply chain
C. Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets.	▪ Set target reductions for carbon footprint and greenhouse gas emissions	▪ NCC Group's carbon footprint has been independently calculated with the base year of 2022 to set a target for 2023	▪ To define NCC Group's net zero journey

Greenhouse gas emissions

Our Scope 1, Scope 2 and Scope 3 emissions were calculated in FY22 by Planet Mark in line with the GHG Protocol Corporate Standard. Planet Mark has calculated this from verified third party data and invoices as part of our overall carbon certification. Note, the certification has not been independently audited by KPMG.

The Scope 3 emissions for transmission and distribution and travel distances were calculated using the units of energy consumption and travel distances provided respectively multiplied by the relevant BEIS emissions factors. Some conversions were used, for example GJ to kWh and miles to km. Scope 3 emissions are not the full scope in FY22 but we are working on the data requirements for this with Planet Mark.

Net zero plan

Over the next financial year, we will work with Planet Mark to develop our net zero plan (following the net zero standard defined by the Science Based Targets initiative: sciencebasedtargets.org/net-zero) and associated timelines, including full Scope 3 emissions disclosures. This includes verification of our carbon footprint and workshops, energiser sessions and masterclasses for the Board, Executive and broader colleague community.

Our net zero plan will allow us to identify areas of higher carbon intensity and allocate targets to reduce these in line with the Paris Agreement. Meanwhile our carbon footprint measurement calculated for our full financial year ended 31 May 2022 has identified our current usage, 1,253.6 tCO_2e, and targets for our total carbon footprint to reduce by 62.7 tCO_2e, our total carbon reduction to be 5% and our carbon reduction per colleague to be 0.03 tCO_2e.

Targets and metrics:

- To reduce our carbon footprint by 5% over the next financial year
- To develop our net zero plan and associated timelines by 31 May 2023
- To improve the scope of our data and analysis working with landlords of shared buildings and our supply chain

Car fleet

We currently have several company car scheme vehicles in the UK and the Netherlands, of which a number are already electric or hybrid. However, in February 2022 it was agreed that in the UK we would move from a company car scheme to a salary sacrifice scheme offering only electric or hybrid vehicles to all colleagues. This will provide all UK colleagues with the opportunity to afford an electric vehicle and will help further reduce our carbon footprint for business drivers as well as reducing the impact on local communities for social and domestic use.

Target and metric: By 2027 the car scheme will be fully electric or hybrid and have moved to a salary sacrifice scheme.

Physical risks

We have a "Natural Hazards Assessment Network" (NATHAN) report from our insurers, Marsh, which is an established natural hazard mapping tool and has mapped our global locations against the risk of earthquake, storm and flood. The report does not quantify potential losses but identified the relative risk for our locations.

Within the United States there are four sites at high risk of earthquakes and five at high risk of storms and there are four locations within Europe at high risk of flooding. However, it is important to note there are mitigating controls in place for all these scenarios.

Our main locations at risk of flooding due to rising sea levels are in Delft and Amsterdam. We have reviewed flooding maps under different scenarios between 2m and 6m rises to water levels. However, the Dutch government has a programme for flood prevention [1] and there are safety projects in both Delft and Amsterdam, which are focused on improving and maintaining the current defences in place.

Directors' remuneration

The CEO and CFO are assessed on climate related performance metrics as outlined in the Directors' Remuneration Report section of this report; see pages 106 to 127. A target is set on assessing employee engagement, diversity and corporate social responsibility.

1 Delta Programme: flood safety, freshwater and spatial adaptation | Delta Programme | Government.nl.

Environment

Greenhouse gas emissions

The greenhouse gas (GHG) reporting period is aligned with our financial reporting year running from 1 June to 31 May.

The reported figures detail annual GHG emissions from activities for which NCC Group is directly responsible. Having considered the production metrics within the business, we have concluded that annual turnover is the most appropriate to achieve a benchmark, which aligns with the carbon reduction policy and methodology we will work towards in FY23.

The overall energy and carbon report was produced and verified by Planet Mark, an independent third party, that analysed the data from our energy suppliers and data from expense systems to calculate overall results.

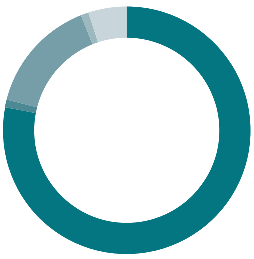
The methodology used to calculate total energy consumption and carbon emissions has been through the extraction of consumption data from invoices and meter reads for the financial years stated.

Previously we have used estimates if data was not available, but this year, where there was only six months of data available from certain office locations, this has been extrapolated for gas and electricity usage. We have committed to improving the data collection process required from landlords where we have managed offices in FY23.

Reducing our impact

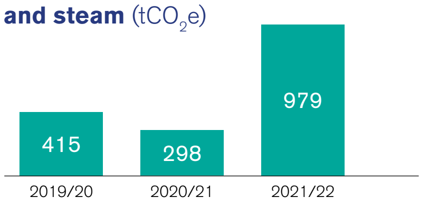
In FY23 we are working with Planet Mark to reduce our carbon footprint, engage our internal stakeholders and map the journey to achieving net zero by 2050.

Emissions by type (%)

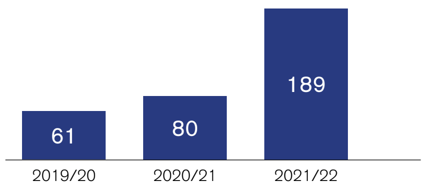


- Electricity: 78.1%
- Heat and steam: 0.4%
- Natural gas: 15.1%
- Company car travel: 1.1%
- Business travel: 5.3%

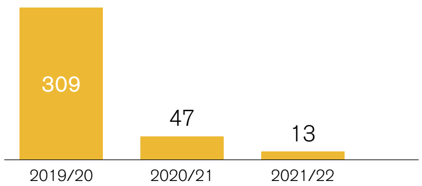
Electricity and heat and steam (tCO_2e)



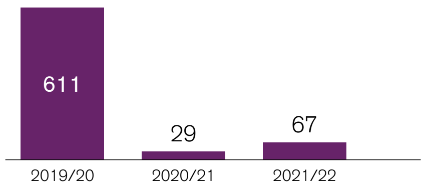
Gas (tCO_2e)



Company owned cars (tCO_2e)



Business travel (tCO_2e)



	Total GHG tCO_2e				
Source	2020	2021	**2022**	tCO_2e change from previous year	% change from previous year
Scope 1					
Gas	61.4	80.0	**189.1**	109.1	136%
Company vehicles					
Diesel	187.3	22.6	**5.2**	(17.4)	(77%)
Petrol	122.2	24.2	**2.1**	(22.1)	(91%)
Hybrid	–	–	**4.0**	4.0	–
	309.4	46.8	**11.3**	(35.5)	(76%)
Total Scope 1	370.8	126.8	**200.4**	73.6	58%
Scope 2					
Electricity	415.3	297.8	**924.5**	626.7	210%
Heat and steam	–	–	**4.9**	4.9	–
Company vehicles – electric	–	–	**1.9**	1.9	–
Total Scope 2	415.3	297.8	**931.3**	633.5	213%
Total Scope 1 and 2	786.1	424.6	**1,131.7**	707.1	167%
Scope 3					
Business travel	611.2	29.1	**66.7**	37.6	129%
Electricity transmission and distribution losses	–	–	**54.9**	54.9	–
Heat and steam transmission and distribution losses	–	–	**0.3**	0.3	–
Total Scope 3	611.2	29.1	**121.9**	92.8	318%
Total Scope 1, 2 and 3	1,397.3	453.7	**1,253.6**	799.9	176%

Underlying energy use

The table below shows the proportion of energy use that occurs in the UK and non-UK countries alongside the total carbon emissions. In FY22, 24% of the Group's energy consumption and 29% of carbon emissions arose from the UK.

	FY22 energy use		FY22 carbon emissions	
Area	kWh	% of global energy use	Total emissions (tCO_2e)	% of global emissions
UK	**1,073,901.18**	**24%**	**362.4**	**29%**
Non-UK	**3,379,109.31**	**76%**	**891.2**	**71%**
Total	**4,453,010.49**	**100%**	**1,253.6**	**100%**

View our full carbon report on **our website**

Environment continued

Eco-design in practice

We are building a network of climate change champions across our business and our aim is to empower colleagues to unleash their creativity and own our net zero journey. An example of this in action sits within the corporate affairs function, where our Global Head of Digital Communications, working with our digital partners Nexer, is leading the development of sustainable UX and development practices for our corporate and business websites.

This eco-design approach, anticipating and taking action to minimise negative environmental impacts, also contributes to our governance approach to security as well as improving our user experience and supporting our growth strategy through increased efficiencies.

Getting started

We performed a sustainability audit, which enabled us to set benchmarks for future improvement measures – this included capturing the carbon footprint of our eight key website pages, chosen by their size and number of visits.

We already use Microsoft Azure for hosting, which uses green powered servers, using c.50% renewable power to power its data centres. We've started to look at Microsoft's Emissions Impact Dashboard, so that we can scrutinise usage, and start to make some logical recommendations to reduce our impact, based on what the data is telling us, scaling down on resources where we can, in line with users' behaviours on the site.

This broader range of insights has enabled us to consider where to invest development and in FY23 we will:

- Upgrade our Umbraco Content Management System and hosting, which will run on less powerful hardware in Microsoft Azure with the same performance, leading to both cost and energy savings
- Redesign website pages and components, based on these broader data insights, so users can find content quicker, in fewer clicks. We'll also use this data to explore what devices people are using and whether there is an opportunity to make design decisions, such as device dark mode

> "Sustainability offers us the opportunity to be innovative and to challenge traditional design methods and thought processes that not only reduce our impact on the environment but create greater value for all our stakeholders."

Kai Kurihara
Global Head of Digital Communications

Social

Our culture

Each day at NCC Group our technologists and professionals wake up with one mission – to help make the world safer and more secure. Together they form a phenomenal knowledge network, collaborating, innovating and creating value for our customers.

We are guided by our Code of Ethics and our values, which define our behaviours – treating everyone and everything with respect. This is the foundation of our culture, and we strive to create an environment where everyone is welcome and can be successful.

"We aim to create a culture where colleagues are empowered and supported to be their very best, with managers and leaders who inspire them. We provide clarity on their role and the expectation; we invest in career development then recognise and reward colleagues with benefits that go beyond fair pay.

Our colleagues work on exciting projects with brilliant people, with the opportunity to share their expertise in our wider communities. As a people-led business, providing support for wellbeing is at the heart of our proposition.

Above all, we give colleagues the opportunity to follow their vocation and say with conviction that what they do helps make our society safer and more secure – whatever role they play at NCC Group."

Michelle Porteus
Chief People Officer

Values chain

We work together
We have each other's backs

We are brilliantly creative
We look at things differently

We embrace difference
We respect each other

We take responsibility
We get things done in the right way

Our culture continued

Creating a network of active allies

In 2021 our colleague resource groups led a piece of work to explore how we could create an environment to empower everyone to be an active ally for all.

We selected Oakridge Training Centre as our partner, and the concept was launched by the CEO to all colleagues in a live virtual event in November 2021. Our campaign and training – Action Ally – is focused on equipping colleagues with skills they can use in both their personal and professional life to be an active ally.

Complementary to our broader inclusion and diversity annual training, Action Ally training began in the second half of our financial year with the Executive Committee and senior leaders. It will roll out to all colleagues during 2022 as well as being built into our onboarding programme to underpin our values and behaviours and Code of Ethics.

Wellbeing

We recognise the past two years has been tough for everyone, and as we evolve from the learnings of the pandemic, we continue to put emphasis on creating an environment that supports colleagues regardless of their physical or mental wellbeing.

Mental health

In addition to our standard wellbeing policies and resources such as Employee Assistance Programmes that support colleagues at every stage of their life, we have a Mental Health First Aid network. Over 60 colleagues around the world have undertaken accredited training to provide support to their colleagues with their mental health. We also offer a mental health module to managers to create awareness and further support colleagues in the workplace.

Physical wellbeing

In addition to mental wellbeing, the pandemic has created challenges for physical wellbeing. With restrictions still impacting many of our operations in the first half of the last financial year, we continued to look at changing needs for colleagues to work confidently and safely.

Where restrictions were in place, and where permitted, we provided a way for colleagues who had a critical need for office working space to access this. Each of our offices has an onboarding document that outlines the responsibility of users, and how to stay safe in the working environment.

Flexible/hybrid working continues as an option for colleagues and we continue to assess the evolution to our future world of work, with our primary focus ensuring we meet our customers' needs.

Performance management

Our ambition is to be known as a hub for cyber talent, a place where people can develop personally and professionally. We offer a broad range of career options across our technology, sales and professional practices. We are creating an inclusive environment to grow, and we have an embedded transparent performance management process. Colleagues and their managers are encouraged to meet on a regular basis to review performance, with a formal and documented bi-annual process at the half-year and full-year stage.

The performance review plays an important role in supporting colleagues' personal development opportunities, while providing role purpose and clarity. The introduction of career paths to guide career options, our commitment to internal mobility and the open approach to vacancies support our ambition to retain our talented teams and enhance careers within the Group.

Learning and development

We provide tools and access to learning so colleagues can take responsibility for their own development – including LinkedIn Learning. We build learning and development programmes to support colleagues to develop their careers through technical certifications, and further and higher education qualifications to build the cyber and professional skills to secure growth in the future.

Dedicated sales and technical training academies further enhance our offering. We are proud to have established our Next Generation Talent programme, which provides opportunities for talented new entrants to the cyber industry and we are ready to launch our foundation programme encouraging greater diversity by providing an additional non-traditional entry route into cyber. See pages 34 and 35.

Career pathways

We are investing in career pathways to support colleagues to clearly see how they can progress and, supported by our performance management and development process, understand what skills and experience they need to do this.

The career pathways have been rolled out to colleagues in technical and sales roles in the UK, across several of our professional functions, and continue to be developed for our global business, building on feedback from colleagues themselves, alongside professional input.

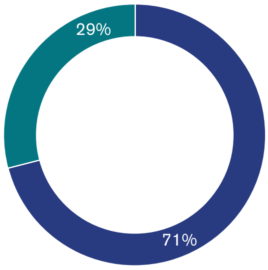
To support our mission, and to enhance our position as a hub for cyber talent, we also continue to take part in industry conversations relating to careers and learning and development for cyber skills and the global skills shortage. In March 2022 we contributed to the UK's Department for Digital, Culture, Media and Sport's (DCMS's) consultation on "Embedding standards and pathways across the cyber profession by 2025". NCC Group has a vital role to play in the future of the cyber security industry.

Gender diversity

We take our role as a responsible employer seriously and see the UK requirement to publish gender pay gap figures as an important step towards transparency around a key issue within the broader world of business. We recognise steps need to be taken to continually improve our gender mix at all levels as part of our broader strategy (see page 33 for our progress).

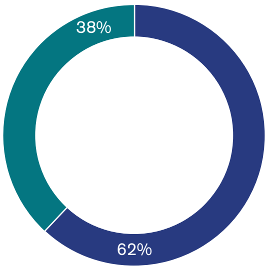
Read our latest Gender Pay Gap Report online: www.nccgroupplc.com/sustainability/social/gender-pay-gap.

Main Board

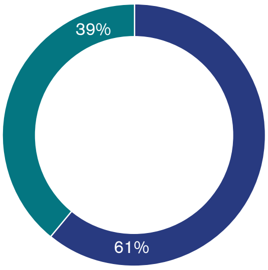


- Male
- Female
- Undisclosed

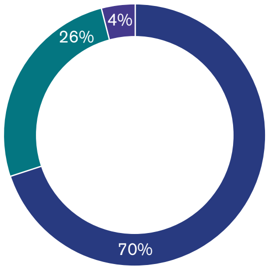
Executive Committee



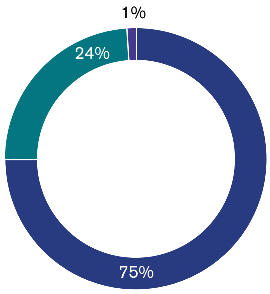
Direct reports to the Executive Committee



New hires in FY22



Group



Alumni

In January 2022 we launched our NCC Group Alumni Network community where alumni from across our global operations can connect with each other, stay up to date with our latest news and insights, and discuss key issues facing our industry.

As a hub for cyber talent, our alumni are involved in every part of our industry across every part of the globe. We are proud of what they achieve and equally proud of what they've gone on to achieve.

"One of the things I'm most proud of over eight years leading the North American operations for NCC Group is the way in which we have facilitated the career growth of our colleagues both within the firm and beyond it. A quick glance at our alumni reflects extremely positively on us both in terms of the part we've played in the growth of people who spent a portion of their career with us and then ultimately the impressive positions many of them have achieved after leaving NCC Group.

As an NCC Group alumnus myself, I am proud that, through this network, we will maintain a community where former colleagues can reconnect and share their knowledge and experience from the journeys their careers have taken them on. Only by embracing different views can we think of innovative solutions to industry challenges."

Nick Rowe
Managing Director, North America

Giving back

Our global Giving Back programme is designed to enable colleagues to choose how they play their part in ensuring their local communities benefit from our presence. It also enables colleagues the opportunity to share their skills and expertise to support broader societal initiatives to make the world safer and more secure for all.

Giving back day

Building on our initial pilot, we have extended our Giving back day across the globe – offering colleagues one day's paid leave per annum to donate time to a charity or an approved community organisation of their choice. Colleagues can do this individually or as a team exercise.

Matched giving

Our matched giving enables colleagues to request matched funding up to £500 or local equivalent once per financial year to approved non-profit organisations, increasing the impact of colleague time, donations and participation in fundraising initiatives.

Giving Back colleague resource group

Our colleague resource group brings together a global network of local representatives to share ideas and resources to become more active in their local communities.

Sponsorship initiatives

In addition to colleague-led initiatives, we are involved in several sponsorship programmes enabling us to give something back and secure a better future for all, from local sports teams kits, to investing in future cyber skills development programmes.

Where possible, we encourage colleagues to actively participate in these initiatives adding to the time we invest in supporting good causes. Examples of existing outreach activities include:

Empowering Women to Lead Cyber Security programme

In 2021 we sponsored the autumn cohort of the Empowering Women to Lead Cyber Security programme, which was supported by ScotlandIS, the Scottish government's Digital Directorate and the Scottish Digital Academy.

A three month programme, it is designed to address the long-standing lack of women working within what is seen as Scotland's most critical and fastest growing sector. Our sponsorship enabled the programme organisers to offer this leadership development opportunity free of charge to successful applicants.

Giving back through our research expertise

We have a dedicated research working group, which offers paid research time and other resources to research projects conducted in the public interest, to support security and privacy research for the greater good of society which might not otherwise have resources available to support it.

This year, our researchers focused on a deep and broad analysis of the security and privacy implications of different vaccine passport apps around the world, the important topic of racial injustice in algorithmic decision making, and mobile privacy from the perspectives of users seeking to understand private data leakage from their favourite apps, as well as the true privacy impact of mobile-device-management (MDM) apps that colleagues are often asked to use in a bring-your-own-device (BYOD) scenario.

Read more about our public interest technology research in our 2021 Research Report: **research.nccgroup.com/2022/01/10/2021-annual-research-report/#public-interest-technology**

Read more about research at NCC Group on **pages 20 and 21**

Supporting JINC to improve a child's future chances
In the Netherlands, we provide our expertise to JINC, a Dutch non-profit organisation that strives for a society in which a child's background doesn't determine their future and offers equal opportunities and a fair chance for all.

The partnership enables our colleagues to invest in and give something back to the local community and includes an internship, teaching the basics of programming at schools in The Hague and Rotterdam area, job interview training at schools in Delft and participation in the "Boss for a Day" event, where organisations all around the Netherlands invite children to shadow their CEO.

Developing the next generation through CyberFirst
The UK's National Cyber Security Centre (NCSC) offers summer courses for young people aged between 11 and 17 years of age. We support the creation and delivery of relevant training material that fits within the syllabus of each level, and our colleagues get involved through virtual and face-to-face sessions with students.

Supporting universities in the UK
We sit on the Industry Advisory Boards of the University of Gloucester, Abertay University, the University of Kent and Birmingham City University, providing expertise for their related cyber courses.

At the University College of London, we are a supporting industry partner for the Centre of Doctoral Training in Data Intensive Science. We mentor PhD students every year on a group project, in addition to MSc students on their dissertations.

Colleagues can get involved in these programmes through the mentoring of students, presentations and Capture the Flag hacking events.

Sponsorship of Defcon tickets
In the United States, we sponsored two $1,500 tickets for Black Girls Hack summer camp delegates to attend Defcon.

Uptree partnership to support diversity commitment
Uptree works closely with teachers and career advisers to connect young people with organisations before they leave school. Through our partnership we'll be able to reach and engage with over 127,000 talented and diverse students across the UK. In the past year, with pandemic restrictions lifting, we've welcomed students to our Manchester HQ for cyber events, and our colleagues are also involved in broader mentoring, volunteering and giving presentations.

Colleague resource groups

Creating an inclusive and diverse community

We want to create an environment where all colleagues feel psychologically, emotionally and physically safe to be authentic, representative of the diversity of the world they live in, share their personal experiences and have equal opportunities to achieve.

Our inclusion and diversity plan underpins our growth strategy and continues to evolve as our voluntary colleague resource groups, established in 2020, embed into our way of life at NCC.

In addition to resource groups for our four focus areas: Gender, LGBTQIA+, Neurodiversity and Race and Ethnicity, we have welcomed the formation of new groups for Accessibility, Climate Change and Giving Back (see pages 50 and 51).

Colleagues who wish to create a group are supported to gauge interest, given Executive sponsorship, and supported by the corporate affairs team to set the foundations and engage members and our wider stakeholders.

At the heart of this engagement is our NCC Conversations programme, which creates opportunity for colleagues to get involved in conversations across a broad range of topics. NCC Conversations range from blogs and panel sessions and resources, to toolkits for managers to lead the conversations locally.

Women's International Network

The Women's International Network is complementary to our colleague resource groups and is designed to:

- Create a safe space for women to be themselves
- Inspire development of and attract more women to NCC Group

The network is for those who identify as women and who are passionate about making NCC Group an even greater place to work.

The network connects globally via Teams and is divided into local chapters led by senior women to ensure we have sponsorship at the highest level.

Over the past financial year we saw the establishment of a Breast Feeding Support Group, the launch of our Menopause Library and Support Group, and a month long International Women's Day campaign, bringing colleagues together in our local offices as well as virtual events.

> "Colleagues who wish to create a group are supported to gauge interest, given Executive sponsorship, and supported by the corporate affairs team to set the foundations and engage members and our wider stakeholders."

NCC Con

In June 2022, our celebrated NCC Con events returned to in person, bigger and better than ever before, with around 1,300 colleagues from our Assurance technical and sales community attending one of three events in APAC, North America and Europe.

While North America and Europe were established events pre-pandemic, this was a first for our APAC colleagues, with the 100-strong team from Australia, Japan and Singapore coming together.

NCC Con is about sharing knowledge; it's about colleague collaboration and celebration and it's always been a firm highlight of our calendar. The learnings and the making of new friends, and reconnecting with old friends, are important parts of NCC Group's success.

Over the three events attendees had c.150 talks/workshops to choose from, and for those who were unable to attend in person, key talks were recorded and are available for colleagues to access throughout the year.

150+
talks/workshops to choose from

1,300
colleagues

> It's just absolutely refreshing to be able to connect after a few years of not having this in-person interaction, so energising is the word."

Gene Meltser

> I'm very proud of working at NCC Group and making the difference we make every single day. It's actually one of the honours of my life to work alongside individuals like you all."

Bhavana Singh

NCC Diamonds – celebrating our colleagues

Back by popular demand, and with an enhanced programme of activity after the success of the launch in 2021, this year we celebrated colleagues who role model our values and behaviours through our NCC Diamonds colleague recognition programme.

The programme had over 700 nominations by colleagues across six individual categories and one team category. Divisional winners were celebrated and put forward to the global judging round. The awards are testament not only to those nominated, but to those who have taken time to write the most heart-warming references about their colleagues.

Instilling a sense of pride and accomplishment, NCC Diamonds highlights the value we place on the role everyone plays in making our world safer and more secure.

In addition to colleague nominations CEO Appreciation awards were given to:

- Melba Thomas
- Charlana Tanner
- Kelvin Mutasa
- Willemijn Rodenburg
- Chloe Kersey

And Rob Chatters was awarded the CEO Choice award.

Our 2022 NCC Diamonds

Inspiring people managers – Nic Frasse-Sombet

Nic truly understands that everyone is unique and has different needs and ways of working; he makes sure to tailor the working environment to individual needs, enabling them to get the best out of themselves. He delivers a perfect balance of understanding and empathy, with motivation and guidance.

Team – threat intelligence (Matt Hull, Ian Usher, Daniel Farrie, Izzy Moore, Jack Hirst, Bhaskar Dercon, Sophocles Theodorou and Matthew Griffin)

Our threat intelligence team is at the heart of our Company mission of making the world a safer place. From its annual and monthly threat monitor and pulse reports, to ensuring our customers are equipped to manage emerging threats, it is exemplar of our Global Professional Services.

Working together – Eric Baker

Eric is truly one of the backbones of NCC Group, always respectful and supportive, never arrogant or braggart, always conscientious of his colleagues and a huge source of positivity in the office. It is hard to imagine someone else that embodies the value of "working together" more than Eric.

Brilliantly creative – Sosthene Robin

We are consistently bowled over by Sosthene's creativity with solving technical solutions. He never fails to find new and comprehensive ways to solve problems and achieve prompt solutions for our customers.

Embracing difference – Dhruv Verma

Dhruv was the reason I applied to NCC Group. He let me express my ideas without imposing or overwhelming me; he guided me through the different practices within NCC Group until I was able to identify an area of work that really resonated and felt comfortable.

Taking responsibility – Natasja Goosen

Natasja swiftly inherited an entirely new process that she did not create, nor one that she was familiar with. Her professionalism, attention to detail, responsiveness, and willingness to always help are beyond exceptional.

Giving back – Tennisha Martin

I watch Tennisha strive for equality, for access to learning for people who might not be able to otherwise afford it. She takes action and responsibility and is opening so many doors for folks. She really is a force for good.

Governance

Our focus is on building long-term sustainable relationships, earning trust through meeting our customers' needs and delivering the highest quality of services.

Our Code of Ethics sets the standard we uphold ourselves to and we take pride in our approach. We consider the interests of all our stakeholders, including colleagues, when we make decisions on the Group's future priorities and plans.

Anti-corruption and anti-bribery

We do not tolerate bribery and corruption. We have established policies on anti-bribery and the receiving and giving of gifts, and hospitality. Anti-bribery awareness is part of our colleague induction process and regular refresher training is mandated.

Colleagues are encouraged to report any concerns to their manager or, if required, our confidential and independent whistleblowing service. The whistleblowing process is overseen by the Audit Committee.

We aim to engender in our colleagues principles of honesty and integrity and the desire to work to the best of their ability.

We strive to act in a professional, honest and ethical manner in all our dealings with our customers, colleagues, shareholders, suppliers, and the community. Our reputation is paramount and nothing we do should detract from or compromise our standing in the market and the community. Our independence and impartiality as a Group are fundamental. We have a Code of Ethics, which all colleagues are required to adhere to.

Supply chain

Our customers and colleagues respect us for providing a trusted service, and to achieve this we rely on supply chain partners to support our business operations.

We are fully aware of the responsibility we have toward our stakeholders and we seek to work with supply chain partners who are equally aware of and proud to uphold these high standards.

Our relationship with supply chain partners is based on trust, collaboration and continuous improvement, underpinned by fair contracts.

We, and our customers, expect our supply chain partners (and their supply chain) to behave ethically and securely and to treat everyone fairly and with respect. Supply chain partners are an extension of the NCC Group team, and our Supply Chain Code of Conduct exists to clearly articulate the standards and behaviours we expect to see in our supply chain partnerships.

Human rights (including anti-slavery and human trafficking)

We recognise our responsibility to uphold and protect the rights of individuals in all aspects of our operations across the world.

Through our published statement and our global policies, we make it clear that we will observe and uphold the principles contained in the Universal Declaration of Human Rights and the International Labour Organization Fundamental Conventions.

We believe that human rights belong equally to all people without distinction as to race, colour, sex, language, religion, political or other convictions, national or social origin, birth or other traits. We support freedom of association, the abolition of forced labour and the elimination of child labour.

We have a zero-tolerance approach to modern slavery and are committed to acting ethically and with integrity in all our business dealings and relationships. We communicate this to all our suppliers, contractors and business partners at the outset of the relationship and regularly thereafter. Our Anti-Slavery and Human Trafficking Statement is available to download from our website.

Governance and oversight

The Board recognises that robust governance and oversight are vital to maintaining a strong business, which can weather a changing business environment.

We have a dedicated and independent global governance function, which has been designed to work together to ensure seamless oversight of the control environment and management decision making.

This team is made up of:

- Group legal services
- Information security
- Data protection
- Compliance and standards
- Health and safety
- Internal audit

The global governance function reports into the Group Board, or its sub-committees, the Audit Committee and Cyber Security Committee. The primary remit of the team is to validate compliance with the Group's policies and procedures, legislation and regulations and good practice.

For more information please visit our Governance section online: **www.nccgroupplc.com/sustainability/governance**

Read more about principal risks and uncertainties on **pages 64 to 72**

Robust financial performance funds future growth

"Our Group trading performance benefited from a successful and strategically significant acquisition of IPM, strong North America and UK and APAC Assurance growth and a return to growth in H2 for Software Resilience excluding IPM."

Tim Kowalski
Chief Financial Officer

2021/22 key activities

- Acquisition and successful integration of IPM
- Continued to demonstrate effective cash management

2022/23 priorities

- Finalise the full operational review of the combined Software Resilience division to create additional Group contribution from FY24 of £5m
- Effectively manage global inflationary pressures and increase delivered day rates
- Maintain strong cash conversion and reduce borrowings

Overview of financial performance

We have delivered another strong set of financial results. Group revenues increased by 17.9% on a constant currency basis [1], and at actual rates Group revenues increased by 16.4% (2021: 2.6%); 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 10.3% on a constant currency basis [1] (8.9% at actual rates).

In Assurance, the North American and UK and APAC Assurance businesses grew by 14.6% and 11.8% on a constant currency basis [1] (13.8% and 11.6% at actual rates) and our EU region increased 8.0% on a constant currency basis [1] (2.7% at actual rates). As a result of the acquisition of IPM, Software Resilience revenue grew by 55.1% on a constant currency basis [1] (53.8% at actual rates). However, excluding the acquisition of IPM, Software Resilience revenue declined by 0.6% on a constant currency basis [1] (1.4% at actual rates), mainly due to a decline in UK and US contract revenue performance as terminations were greater than new business sales.

Gross profit increased by 19.9% to £132.6m (2021: £110.6m) with gross margin percentage increasing to 42.1% (2021: 40.9%). The margin increase was due to the impact of the IPM acquisition, offset by the underlying gross margin of our Assurance business slightly declining by 0.4% pts, as we invested and grew our technical talent, and a 3.2% decline in our existing Software Resilience business gross margin as a result of the investment in people to return it to sustainable growth.

Total administrative expenses have increased by £4.6m compared to the prior year. The main elements were the inclusion of IPM overhead base and integration costs of £7.0m, an increase in the amortisation of acquired intangibles of £2.2m due to the IPM acquisition, people and Securing Growth Together (SGT) investment, recruitment and training of £9.7m, share-based payments of £1.1m, resumption in non-client travel and office costs of £1.6m and a prior year profit on disposal of £0.5m, offset by an increase in current year R&D tax credits of £0.4m, a reduction in depreciation and amortisation of £2.2m, a reduction in foreign exchange of £2.1m and a reduction in Individually Significant Items of £11.8m.

Operating profit has increased by 100.6% to £34.7m (2021: £17.3m) following an improvement in gross margin offset by increased administrative expenses noted above. Adjusted operating profit [1] increased by 22.7% to £48.1m (2021: £39.2m). Adjusted EBITDA [1] increased by 12.8% to £59.2m (2021: £52.5m).

During the year, the Group has incurred £0.9m (2021: £7.6m) of Individually Significant Items (ISIs), relating to the acquisition of the IPM business on 7 June 2021, bringing total acquisition costs (excluding share placing costs of £2.4m) to £8.5m. In the prior year, Individually Significant Items also included £5.1m relating to configuration and customisation costs associated with the Group's SGT transformation programme. For further detail, please refer to Note 5 to the consolidated Financial Statements.

Acquired intangible amortisation increased during the year by £2.2m as certain historical acquisitions became fully amortised over their useful economic life offset by the US acquisition of the IPM business, which created certain acquired intangibles that are being amortised over a useful economic life of ten years (£4.8m). Share-based payments increased during the year to £3.9m following the introduction of new share schemes for key management beyond the Directors.

Profit before taxation increased 109.5% to £31.0m (2021: £14.8m) and profit for the year increased 130.0% to £23.0m (2021: £10.0m).

Following the share placing for the IPM acquisition in May 2021, the basic EPS amounted to 7.4p (2021: 3.6p) and diluted EPS amounted to 7.4p (2021: 3.5p). Adjusted basic EPS [1] amounts to 10.8p (2021: 9.5p).

At 31 May 2022, our cash conversion [1] was 101.9% (2021: 88.2%). Net debt [1] amounts to £85.0m (2021: net cash of £48.9m). Net debt excluding lease liabilities [1] amounts to £52.4m (2021: net cash £83.3m). Total borrowings (including lease liabilities) offset by cash and cash equivalents amounts to £85.0m (2021: net cash £48.9m).

Following the acquisition of IPM and a reduction in our net cash position, our Balance Sheet remains strong with headroom of £101.9m and we have continued to demonstrate effective cash management. Our Balance Sheet strength enables us to continue to fund organic and inorganic opportunities as they arise, as evident by the recent acquisitions of IPM and Adelard (for further details please refer to Note 34 to the consolidated Financial Statements).

Turning to our Balance Sheet, goodwill, intangible assets and deferred revenue have increased during the year following the acquisition of IPM.

The Board is also declaring an unchanged final dividend of 3.15p per ordinary share (2021: 3.15p). This represents a dividend equal to that paid in the prior year as the Board is conscious of the need to invest in initiatives to support longer-term growth and service the debt profile following the recent acquisition.

Financial summary

Summary Income Statement [1]

	2022 £m	2021 £m	% change
Revenue	**314.8**	270.5	16.4%
Cost of sales	**(182.2)**	(159.9)	13.9%
Gross profit	**132.6**	110.6	19.9%
Depreciation and amortisation [2]	**(11.1)**	(13.3)	(16.5%)
Administrative expenses [3]	**(73.4)**	(58.1)	26.3%
Adjusted operating profit [1]	**48.1**	39.2	22.7%
Individually Significant Items	**(0.9)**	(12.7)	(92.9%)
Acquired intangible amortisation	**(8.6)**	(6.4)	34.4%
Share-based payments	**(3.9)**	(2.8)	39.3%
Operating profit	**34.7**	17.3	100.6%
Finance costs	**(3.7)**	(2.5)	48.0%
Profit before taxation	**31.0**	14.8	109.5%
Taxation	**(8.0)**	(4.8)	66.7%
Profit for the year	**23.0**	10.0	130.0%

	2022	2021	Change
EPS			
Basic	**7.4p**	3.6p	3.8p
Diluted	**7.4p**	3.5p	3.9p

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

2 Depreciation and amortisation excludes amortisation of acquired intangibles.

3 Administrative expenses excluding depreciation and amortisation, Individually Significant Items, amortisation of acquired intangibles and share-based payments.

Financial summary continued

Revenue summary

	2022 £m	2021 £m	% change at actual rates	2022 £m	2021 £m	% change at constant currency [1]
Assurance	**258.5**	233.9	10.5%	**258.5**	230.7	12.1%
Software Resilience	**56.3**	36.6	53.8%	**56.3**	36.3	55.1%
Total revenue	**314.8**	270.5	16.4%	**314.8**	267.0	17.9%

	2022 £m	2021 £m	% change at actual rates	2022 £m	2021 £m	% change at constant currency [1]
Total revenue	**314.8**	270.5	16.4%	**314.8**	267.0	17.9%
Less: IPM acquisition	**(20.2)**	–	n/a	**(20.2)**	–	n/a
Revenue excluding IPM acquisition [1]	**294.6**	270.5	8.9%	**294.6**	267.0	10.3%

	2022 £m	2021 £m	% change at actual rates	2022 £m	2021 £m	% change at constant currency [1]
Assurance	**258.5**	233.9	10.5%	**258.5**	230.7	12.1%
Software Resilience excluding IPM acquisition	**36.1**	36.6	(1.4%)	**36.1**	36.3	(0.6%)
Revenue excluding IPM acquisition [1]	**294.6**	270.5	8.9%	**294.6**	267.0	10.3%

Operating profit summary

	2022 £m	2021 £m	% change
Assurance	**31.9**	29.6	7.8%
Software Resilience	**22.0**	16.0	37.5%
Central and head office	**(5.8)**	(6.4)	(9.4%)
Adjusted operating profit [1]	**48.1**	39.2	22.7%
Individually Significant Items	**(0.9)**	(12.7)	(92.9%)
Acquired intangible amortisation	**(8.6)**	(6.4)	34.4%
Share-based payments	**(3.9)**	(2.8)	39.3%
Operating profit	**34.7**	17.3	100.6%
Operating profit margin %	**11.0%**	6.4%	4.6% pts

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

Alternative Performance Measures (APMs)

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

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

As the Group manages internally its performance at an Adjusted operating profit level (before Individually Significant Items, amortisation of acquired intangibles and share-based payments), which management believes represents the underlying trading of the business, this information is still disclosed as an APM. 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 APMs/non-statutory measures:

- Adjusted EBITDA (reconciled in Note 3)
- Adjusted operating profit (reconciled in Note 3)
- Adjusted basic EPS (pence) (reconciled in Note 11)
- Net (debt)/cash excluding lease liabilities (reconciled in Note 3)
- Net (debt)/cash (reconciled in Note 3)
- Cash conversion (reconciled in Note 3)
- Constant currency revenue (reconciled in Note 3)
- Revenue excluding IPM acquisition (reconciled in Note 3)
- Software Resilience revenue excluding IPM acquisition (reconciled in Note 3)

The above APMs are consistent with those reported for the year ended 31 May 2021, except for the inclusion of revenue excluding IPM acquisition and Software Resilience revenue excluding IPM acquisition to allow stakeholders to understand the revenue performance of the existing business for the year ended 31 May 2022 prior to acquiring IPM in June 2021. In comparison to those APMs reported for the period ended 30 November 2021, one APM (cash conversion excluding IPM acquisition costs) has been removed to reduce the level of APMs reported.

The Group also 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.

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

Assurance

The Assurance division accounts for 82.1% of Group revenue (2021: 86.5%) and 69.6% of Group gross profit (2021: 76.3%).

Assurance revenue analysis – by originating country:

	2022 £m	2021 £m	% change at actual rates	% change at constant currency [1]
UK and APAC	**114.6**	102.7	11.6%	11.8%
North America	**94.1**	82.7	13.8%	14.6%
Europe	**49.8**	48.5	2.7%	8.0%
Total Assurance revenue	**258.5**	233.9	10.5%	12.1%

Assurance revenue increased by 12.1% on a constant currency basis [1] and at 10.5% at actual rates. UK and APAC increased by 11.8% on a constancy currency basis [1] (11.6% at actual rates) supported by growth in Professional Services. North America grew by 14.6% on a constant currency basis [1] (13.8% at actual rates), and Europe experienced growth of 8.0% on a constant currency basis [1] (2.7% at actual rates).

From a H2 2022 [2] perspective compared to the same comparator period, Assurance revenue increased by 15.1% on a constant currency basis [1] and at 15.8% at actual rates. UK and APAC increased by 16.1% on a constancy currency basis [1] (15.8% at actual rates). North America grew by 20.1% on a constant currency basis [1] (26.2% at actual rates); however, Europe only experienced growth of 4.6% on a constant currency basis [1] (-0.4% at actual rates). Our H2 2022 [2] performance compared to H1 2022 [2] showed Assurance revenue increased by 8.8% on a constant currency basis [1] and at 5.2% at actual rates. UK and APAC increased by 7.5% on a constancy currency basis [1] (7.3% at actual rates). North America grew by 8.9% on a constant currency basis [1] (2.3% at actual rates) and Europe experienced growth of 11.8% on a constant currency basis [1] (6.0% at actual rates).

2 See Note 3 for a reconciliation of H1 2022 and H2 2002 revenue performance compared to the same comparator period.

Financial summary continued

Assurance continued

Assurance revenue analysed by type of service/product line:

	2022 £m	2021 £m	% change at actual rates	% change at constant currency [1]
Global Professional Services (GPS)	**189.0**	172.2	9.8%	11.0%
Global Managed Services (GMS)	**58.6**	56.2	4.3%	6.7%
Product sales (own and third party)	**10.9**	5.5	98.2%	94.6%
Total Assurance revenue	**258.5**	233.9	10.5%	12.1%

Global Professional Services grew by 11.0% to £189.0m on a constant currency basis [1] (9.8% at actual rates) with delivered day rates increasing by 2.1%.

Global Managed Services (GMS) grew by 6.7% to £58.6m on a constant currency basis [1] (4.3% at actual rates). Within GMS, the Group has received strong sales orders since the year end providing confidence in our XDR growth strategy.

Assurance gross profit and margin are analysed as follows:

	2022 £m	2022 % margin	2021 £m	2021 % margin	% pts change
UK and APAC	**46.4**	**40.5%**	41.0	39.9%	0.6% pts
North America	**29.8**	**31.7%**	27.4	33.1%	(1.4% pts)
Europe	**16.1**	**32.3%**	16.0	33.0%	(0.7% pts)
Assurance gross profit and % margin	**92.3**	**35.7%**	84.4	36.1%	(0.4% pts)

Gross margin declined slightly by 0.4% pts, with our UK and APAC performance margins increasing by 0.6% pts, whereas North America and Europe gross margins declined by 1.4% pts and 0.7% pts due to investment in technical capacity to support future growth.

Software Resilience

The Software Resilience division accounts for 17.9% of Group revenues (2021: 13.5%) and 30.4% of Group gross profit (2021: 23.7%). This increase was a result of the IPM acquisition.

Software Resilience revenue analysis – by originating country:

	2022 £m	2021 £m	% change at actual rates	% change at constant currency [1]
UK	**25.4**	25.2	0.8%	0.8%
North America	**26.8**	7.3	267.1%	277.5%
Europe	**4.1**	4.1	–	2.5%
Total Software Resilience revenue	**56.3**	36.6	53.8%	55.1%

In Software Resilience, we experienced an overall revenue increase of 55.1% at constant currency (53.8% at actual rates). This increase was a result of the IPM acquisition.

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

	2022 £m	2021 £m	% change at actual rates	% change at constant currency [1]
UK	**24.5**	25.2	(2.8%)	(2.8%)
North America	**7.5**	7.3	2.7%	5.6%
Europe	**4.1**	4.1	–	2.5%
Software Resilience revenue excluding IPM acquisition	**36.1**	36.6	(1.4%)	(0.6%)

Excluding the effect of the IPM acquisition, revenue declined by 0.6% on a constancy currency basis [1] (1.4% at actual rates). As noted at our half year, revenue declined by 3.3% compared to the same comparator period on a constant currency basis [1] (4.9% at actual rates) and we expected a return to growth in the second half as sales capability was back at full strength and improved marketing automation resulted in improved activity levels and pipeline. It has therefore been pleasing to see H2 constant currency [1] growth of 2.2% (actual rates: 2.2%) mainly due to North America and Europe. On a local currency basis (US $), IPM revenue and profitability was 3% and 4% respectively behind our internal budget targets, with the focus now on finalising the IPM integration, increasing revenue and profitability.

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

Software Resilience revenue analysis – by service:

	2022 £m	2021 £m	% change at actual rates	% change at constant currency [1]
Software Resilience contracts	**38.1**	24.0	58.8%	60.1%
Verification services	**18.2**	12.6	44.4%	45.6%
Total Software Resilience revenue	**56.3**	36.6	53.8%	55.1%

Analysing the service performance, contracts increased by 60.1% at constant currency [1] (58.8% at actual rates) and verification services increased by 45.6% at constant currency [1] (44.4% at actual rates).

Software Resilience revenue analysis – by service excluding the IPM acquisition:

	2022 £m	2021 £m	% change at actual rates	% change at constant currency [1]
Software Resilience contracts	**22.6**	24.0	(5.8%)	(5.0%)
Verification services	**13.5**	12.6	7.1%	8.0%
Software Resilience revenue excluding the IPM acquisition	**36.1**	36.6	(1.4%)	(0.6%)

Excluding the effect of the IPM acquisition, contracts declined by 5.0% on a constancy currency basis [1] (5.8% at actual rates) due to UK and US contract performance and verification services increased by 8.0% at constant currency [1] (7.1% at actual rates).

Gross profit and margin are analysed as follows:

	2022 £m	2022 % margin	2021 £m	2021 % margin	% pts change
UK	**17.7**	**69.7%**	18.4	73.0%	(3.3% pts)
North America	**19.8**	**73.9%**	4.9	67.1%	6.8% pts
Europe	**2.8**	**68.3%**	2.9	70.7%	(2.4% pts)
Software Resilience gross profit and % margin	**40.3**	**71.6%**	26.2	71.6%	–

Gross profit has remained flat following the higher margins obtained from the IPM acquisition trade offset by investment to address historical execution challenges and enable Software Resilience to achieve sustainable revenue growth.

Individually Significant Items

During the year, the Group has incurred £0.9m (2021: £7.6m) relating to the acquisition of the IPM business completing on 7 June 2021, bringing total acquisition costs (excluding share placing costs of £2.4m) to £8.5m. In the prior year, Individually Significant Items also included £5.1m relating to configuration and customisation costs associated with the Group's SGT transformation programme. For further detail, please refer to Note 5 to the consolidated Financial Statements.

Finance costs

Finance costs for the period were £3.7m compared to £2.5m in 2021 due to an increase in borrowing costs following the IPM acquisition. Finance costs include lease financing costs from IFRS 16 of £1.2m (2021: £1.2m).

Taxation

The Group's effective statutory tax rate is 25.8% (2021: 32.4%).

The Group's adjusted tax rate is 24.5% (2021: 27.0%).

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 assets.

Earnings per share (EPS)

	2022	2021
Statutory		
Basic EPS	**7.4p**	3.6p
Diluted EPS	**7.4p**	3.5p
Adjusted [1]		
Basic EPS	**10.8p**	9.5p
Diluted EPS	**10.8p**	9.5p
Weighted average number of shares (million)		
Basic	**309.5**	281.2
Diluted	**310.9**	282.7

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]:

	2022 £m	2021 £m
Operating cash inflow before movements in working capital	**49.3**	47.3
(Increase)/decrease in trade and other receivables	**(1.8)**	4.7
Decrease/(increase) in inventories	**0.2**	(0.2)
Increase/(decrease) in trade and other payables	**12.6**	(5.5)
Cash generated from operating activities before interest and taxation	**60.3**	46.3
Interest element of lease payments	**(1.2)**	(1.2)
Other interest paid	**(2.1)**	(1.1)
Taxation paid	**(2.2)**	(5.1)
Net cash generated from operating activities	**54.8**	38.9
Cash flows from investing activities:		
Purchase of property, plant and equipment	**(5.2)**	(2.7)
Software and development expenditure	**(3.0)**	(2.1)
Net proceeds on disposal of intangibles	**–**	0.5
Acquisition of trade and assets as part of a business combination	**(153.0)**	–
Equity dividends paid	**(14.4)**	(13.0)
Repayment of lease liabilities (principal amount)	**(5.4)**	(6.0)
Repurchase of shares (share-based payments)	**(0.2)**	–
Proceeds from the issue of ordinary share capital	**0.8**	72.6
Net movement	**(125.3)**	88.2
Opening net cash/(debt) [1]	**83.3**	(4.2)
Non-cash movements (release of deferred issue costs)	**(0.4)**	(0.2)
Foreign exchange movement	**(10.0)**	(0.5)
Closing net (debt)/cash (excluding lease liabilities) [1]	**(52.4)**	83.3
Lease liabilities	**(32.6)**	(34.4)
Closing net debt [1]	**(85.0)**	48.9

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

	2022 £m	2021 £m
Cash and cash equivalents	**73.2**	116.5
Borrowings (net of deferred issue costs)	**(125.6)**	(33.2)
Net (debt)/cash (excluding lease liabilities) [1]	**(52.4)**	83.3
Lease liabilities	**(32.6)**	(34.4)
Net debt [1]	**(85.0)**	48.9

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

	2022 £m	2021 £m	% change/ % pts
Net operating cash flow before interest and taxation (A)	**60.3**	46.3	30.2%
Adjusted EBITDA [1] (B)	**59.2**	52.5	12.8%
Cash conversion ratio [1] (%) (A)/(B)	**101.9%**	88.2%	13.7% pts

Net operating cash flow before interest and taxation includes acquisition costs of £7.3m (2021: £1.2m).

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 £8.2m (2021: £4.3m), which includes tangible asset expenditure of £5.2m (2021: £2.7m) and capitalised software and development costs of £3.0m (2021: £2.1m), which has been offset in the prior year by proceeds from the disposal of an intangible asset for £0.5m.

Free cash flow before acquisition costs of £7.3m (net cash generated from operating activities less capital expenditure and acquisition costs) increased by £18.1m to £53.9m.

Dividends

Dividends of £14.4m paid in the period (2021: £13.0m) comprised the final dividend for FY21 of 3.15p and the interim dividend of 1.5p per ordinary share for FY22 (2021: 1.5p). The Board is declaring an unchanged final dividend of 3.15p per ordinary share (2021: 3.15p).

This represents a dividend equal to that paid in the prior year as the Board is conscious of the need to invest in initiatives to support longer-term growth and service the debt profile following the recent acquisition.

The final dividend of approximately £9.8m will be paid on 11 November 2022, to shareholders on the register at the close of business on 14 October 2022. The ex-dividend date is 13 October 2022.

Tim Kowalski
Chief Financial Officer
6 September 2022

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

Embedded risk management systems

> Embedded risk management systems have supported the Group in pursuing its strategy for sustainable and profitable growth."

Risk management

Risk is an inherent part of doing business and risk management is a fundamental part of good corporate governance. A successful risk management process balances risk and reward and is underpinned by sound judgement of their impact and likelihood. The Board has overall responsibility for ensuring that NCC Group has an effective risk management framework, which is aligned to our business objectives.

The Board has established a Risk Management Policy, which has established protocols, including:

- Roles and responsibilities for the risk management framework
- Risk scoring framework
- A definition of risk appetite

The integrated approach to risk management diagram on page 66 summarises the Group's overall approach to risk management, which is supported by a web-based tool – the Integrated Risk Management System (IRMS). The tool is designed to follow the risk management model described in the next section and records both strategic and operational risk registers and tracks risk mitigation action plans, helping embed ownership of risks and treatment actions while also providing access to live management information, which is used at both a Board and operational management level.

NCC Group's approach to risk management

NCC Group adopts both a "top-down" and "bottom-up" approach to risk, to manage risk exposure across the Group to enable the effective pursuit of strategic objectives. The approach is summarised in the diagram on page 65.

The approach is one of collaboration, which supports our comprehensive approach to risk identification, from the "top down" and "bottom up". The Group believes that this is the most efficient and effective way to identify its business risks.

Top down

The Board, Audit Committee and Cyber Security Committee review risks on an ongoing basis and are supported by the Executive Committee and subject matter specialists (including Software Resilience, Assurance, information security, data protection and health and safety). The Board gives consideration to the Group's strategic objectives and any barriers to their achievement.

Bottom up

The Board and senior leadership team engage with colleagues at every level of the Group in recognition of the importance of their expertise, contribution and views. In relation to matters of wrongdoing, or risks not being recognised and adequately managed, the Group has a robust and effective whistleblowing procedure, which is supported by the Safecall reporting line.

Managing risk from the top down

Top down Strategic risk management		Bottom up Operational risk management
▪ Establishing guidance on the Group's approach to risk management and establishing the parameters for risk appetite and associated decision making ▪ Identification, review and management of identified Group strategic risks and associated actions ▪ Ongoing consideration of: – IT and cyber-centric risk – Environmental risk	**Board** **Audit Committee** **Cyber Security Committee**	▪ Periodically assessing the effectiveness of the embedded Group risk management process ▪ Challenging the content of the strategic risk register to support a comprehensive and balanced assessment of risk ▪ Reporting on the principal risks and uncertainties of the Group
▪ Implementing and embedding the Group's Risk Management Policy and approach ▪ Directing the delivery of the Group's identified actions associated with managing/mitigating risk ▪ Identification of key risk indicators, monitoring and taking timely action where appropriate	**Executive Board and leadership team**	▪ Responsible for reviewing the operational risks across the business units and Group ▪ Challenging the appropriateness and adequacy of proposed action plans to mitigate risk ▪ Giving due consideration to the aggregation of risk across the Group ▪ Provisioning suitable cross-functional/business unit resource to effectively manage risk where appropriate
▪ Instrumental in developing the risk management framework adopted by the Board ▪ Providing governance and control over the IRMS ▪ Conduit between the Board and the business units – providing training and support where appropriate ▪ Developing and executing a risk-based internal audit plan to assess the management of risks	**Global governance function, incl. dedicated CISO**	▪ Ongoing monitoring and reporting to the Board in relation to the progress being made by the business units in implementing agreed action plans to mitigate strategic risk ▪ CISO dedicated to the identification, management, monitoring and reporting of data security risks
▪ Execution of the delivery of the Group's identified actions associated with managing risk ▪ Timely reporting on the implementation and progress of agreed action plans ▪ Provision of key risk indicator updates	**Business units**	▪ Identification and reporting of strategic risk to the Board ▪ Provision of reports and data relating to significant emerging risks to the Group (internal and external) ▪ Implementation of risk management approach which promotes the ongoing identification, evaluation, prioritisation, mitigation and monitoring of operational risk

Managing risk from the bottom up

Effective pursuit of strategic objectives

Risk management model

The Board has overall responsibility for ensuring that NCC Group adopts an effective risk management model, which is aligned to our objectives and promotes good risk management practice. We have therefore adopted the model described in this section and summarised in the diagram above.

The Board, Audit Committee, Cyber Security Committee and Executive Management team review risks on an ongoing basis throughout the year. The appropriateness and relevance of the risks and issues tracking system – IRMS – are monitored by the global governance team to ensure that it continues to be updated, meets the needs of the Group and remains in line with good risk management practice. In addition, there is a robust process in place for monitoring and reporting the implementation of agreed actions.

We are satisfied that the Risk Management Policy, framework and model currently in place are sufficient to manage risk across the Group.

The key areas of identifying, assessing, addressing and monitoring risks are explained in more detail below:

Identify

Risks exist within all areas of our business and it is important for us to identify and understand the degree to which their impact and likelihood of occurrence will affect the delivery of our key objectives. This is achieved through day-to-day working practices and incorporates risks in both the internal and external environment. Examples of identification include horizon scanning for legislative and market changes, operational and delivery reviews (such as SGT), procedures in relation to projects and change and independent systems audits.

All identified risks are initially assessed for their "inherent" risk (risk with no controls in place), using a scoring mechanism that accounts for the likelihood of an event occurring and the impact that it may have on the Group. The scoring mechanism adopted takes account of high impact, low likelihood events and these risks are managed in a timely manner.

In addition to ongoing risk identification, an annual exercise is undertaken to review the Group's strategic risk universe by the Board. This exercise is reliant on the "top-down", "bottom-up" approach discussed earlier.

Assess

Post identification of the Group's inherent risk exposure, a comprehensive assessment of the effectiveness of current mitigating controls is undertaken. This exercise takes account of the design of the current control environment and the application of these controls prior to assessing the Group's current exposure to risk – mitigated risk score. The Board uses a number of sources of information to support the scoring of risk and these include, but are not limited to:

- Management updates
- Action tracking and reporting
- Control environment policies and procedures
- Independent audit activity
- Project monitoring reports

Address

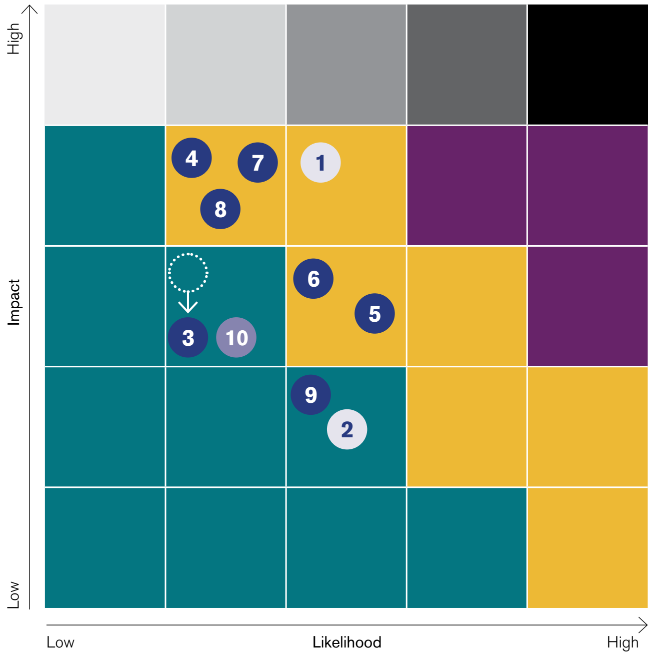
Having identified and assessed the risks faced by the Group, the risks are scored according to likelihood of occurring and impact to the business should they occur. The risks are then mapped according to their rating onto a risk heat map, which reflects the Group's overall risk appetite set by the Board. The Group's Risk Management Policy then provides guidance on the expected level of response to those risks, depending on where they sit on the risk heat map. The heat map shows the four bandings in the different shades of risks as set out below as well as expected actions and responses to risks in these areas:

- **Green** – within appetite. Ongoing monitoring in place
- **Amber** – out of appetite. Some actions are required to treat the risk to bring this within acceptable levels
- **Purple** – significantly out of appetite. High combination of residual probability and impact. Management actions required, with some urgency, to treat the risk, reducing this to acceptable levels
- **Grey/black** – risks that are deemed to have such an impact that they could theoretically impact the ability of the business to continue in existence. If any, they would need consideration in assessing in the Directors' Viability Statement

An assessment of whether additional actions are required to reduce our risk exposure is undertaken, with actions falling into the one of four categories:

- **Treat** – develop an action plan (applying responsibility, deadlines and prioritisation) that may include the implementation of additional controls, or increase the requirement for additional assurance over the adequacy and effectiveness of the existing controls
- **Transfer** – use a third party specialist to undertake the activity, thus mitigating the risk
- **Tolerate** – determine the risk is within appetite
- **Terminate** – exit the activity

Output from the evaluation of strategic risks has resulted in milestone plans owned by senior business leaders, or has been used in the development of the Group's transformation programme.



1 Business strategy
2 Management of strategic change
3 Global pandemic – Covid-19
4 Availability of critical information systems
5 Attracting and retaining appropriate colleague capacity and capability
6 Information security risk (including cyber risk)
7 Quality of Management Information Systems (MIS) and internal business processes
8 Quality and Security Management Systems
9 International trade
10 **A.** Sustainability
B. Climate change

Strategic
Operational
ESG

Monitor

Ongoing monitoring of risks and related actions is key to the implementation of our risk management model and, therefore, NCC Group is committed to making enterprise-wide risk management part of business as usual. Examples of ongoing monitoring of business risks include, but are not limited to:

- Annual review of the external audit strategy and plan by the Audit Committee and Chief Financial Officer to ensure inclusion of key financial risks
- Annual review of the annual internal audit plan to validate that it incorporates key areas of business risk
- A review of internal audit reports issued during the period, including a summary of progress against previously raised management actions at each Audit Committee
- Annual review of the strategic risk register by the Enterprise Risk Management Steering Group and Board to ensure that it includes risks arising in year

Internal control

While risk management identifies threats to the Group achieving its strategic objectives, internal controls are designed to provide assurance that these objectives are being achieved, such as the effectiveness and efficiency of operations and delivery, accurate and reliable financial reporting, and compliance with applicable laws and regulation.

NCC Group has established a robust internal control framework, which is made up of a number of components:

Control environment

The control environment has primarily been established taking account of the Group's values (working together; being brilliantly creative; embracing difference; and taking responsibility), and its Code of Ethics, which sets the foundations for the expected behaviours, values and competencies for all colleagues across the Group. The Board, Executive Committee and extended leadership team lead by example and strive to maintain effective control environments, while also maintaining integrity and transparency.

Risk assessments

Risk assessments are conducted at both a strategic and operational level of the Group and support the Group in understanding the risks that it faces and the controls in place to mitigate them. Importantly, they provide a mechanism to identify operational improvements and are vital in our transformational programmes.

Policies and procedures

Established policies communicate expected behaviours and these are supported through procedures and guidelines defining required processes and controls. This in turn supports the business to adopt efficient and effective control environments.

Information and communication

Access to accurate and timely data is key in supporting our colleagues to make decisions and to be well informed in order to conduct, manage and control their areas of responsibility. During the year, the Group has embedded its data systems following the rollout of the Workday systems.

Activity monitoring

The minimum financial controls framework was established in FY20. Further enhancement of the framework will be designed and implemented in FY23 and beyond, to align with the Brydon Review and related whitepaper issued by the Department for Business, Energy and Industrial Strategy in March 2021.

Financial accounting and reporting follow generally accepted accounting practices.

Group review and approval procedures exist in relation to major areas of risk and require Executive Committee/Board approval, including mergers and acquisitions, major contracts, capital expenditure, litigation, treasury management and taxation policies.

Compliance with all legislation, current and new, is closely monitored.

Risk and control reporting structure

During the current financial year, NCC Group has continued to focus on embedding the "three lines of defence" to provide a robust internal controls structure that will support the Board, Audit Committee, Cyber Committee, Executive Committee, and extended leadership team with accurate and reliable information in relation the systems of internal control.

Three lines of defence:

- **First line** – Group policies and procedures
- **Second line** – Global governance function, incorporating health and safety; information security; data protection; risk and regulatory compliance; standards and support; and legal
- **Third line** – independent challenge and assessment, including ISO certification and internal and external audit

Principal risks and uncertainties

The Group continues to operate in a particularly dynamic and evolving marketplace. The current risk register has been developed to reflect those factors and includes those risks that would threaten its business model, future performance, solvency or liquidity. Detailed descriptions of the current principal risks and uncertainties faced by the Group, their potential impact and mitigating processes and controls are set out below. A risk related to climate change (10b) has been added for FY22 and reflects the importance being placed on the risks and opportunities in relation to climate change and related regulation on the financial performance of NCC Group. The principal risks and uncertainties are categorised into three categories, strategic, operational and environmental, social and governance (ESG), that represent risks relating to the Group's business strategy, various operational risks of managing the business and various ESG/climate change risks.

The heat map provides a pictorial representation of the Group's risks and their direction of travel.

Strategic VR

1. Business strategy

Link to strategy: Lead the market, Win business, Deliver excellence, Support growth, Develop our people

A comprehensive business strategy is essential to the continued success of the Group as we strive to maximise shareholder value.

Accountable Executive
Mike Maddison,
Chief Executive Officer

Impact
A poor strategy or ineffective execution of a strategy could have a material negative impact on the Group's financial performance and value. It would potentially weaken the Group compared to its competitors and risk the Group's established position in the marketplace.

Risk movement/impact (Unchanged, High)
Setting of strategy remains important to Group growth.

Key controls and mitigating factors
Members of the Board have significant experience in evolving business strategies. The Board is significantly engaged in both setting and reviewing strategy and held a dedicated strategy session in March 2022.

2. Management of strategic change

Link to strategy: Win business, Support growth, Develop our people

As the Group adapts and executes its strategy there are a number of complex projects and initiatives that not only need to be delivered but also require understanding and support from all colleagues.

Accountable Executive
Mike Maddison,
Chief Executive Officer

Impact
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.

Risk movement/impact (Unchanged, Low)
The Group continues to deliver projects and initiatives. Process details remain as previously stated.

Key controls and mitigating factors
The Group has established a strategic change management capability and this includes access to programme management professionals and the deployment of associated change management processes, for example the operation of senior change oversight committees.

Operational

3. Global pandemic – Covid-19

Link to strategy: Lead the market, Support growth, Develop our people

NCC Group has a number of features which give the Group a greater resilience in the face of a global pandemic. Failure to prepare for this may cause disruption and uncertainty to our business, as well as risk the health and safety of our people. Any disruption or uncertainty could have an adverse effect on our business, financial results and operations.

Accountable Executive
Tim Kowalski,
Chief Financial Officer

Impact
The potential impact of a pandemic globally is closed offices, people who are unwell and unable to work for periods of time and a slow-down in business from our clients.

Risk movement/impact (Decreased, Medium)
Demonstrable track record of successful remote working for both back-office functions and client delivery. Lifting of many of the restrictions that were put in place in relation to Covid-19.

Key controls and mitigating factors
During FY22, our colleagues have continued to work successfully from home, delivering remote client services, and have maintained hybrid working practices for the remainder of the year.

Risk movement: Increased, Decreased, Unchanged **Risk impact:** High, Medium, Low

Viability risk: VR **New risk:** NR

4. Availability of critical information systems VR

Link to strategy: Win business | Support growth | Develop our people

The Group is heavily reliant on continued and uninterrupted access to its IT systems. As well as environmental and physical threats, the Group is a natural target for individuals who may seek to disrupt the Group's commercial activities.

Accountable Executive
Tim Kowalski,
Chief Financial Officer

Impact
If the Group's critical systems failed, this could affect the Group's ability to provide services to our customers.

Risk movement/impact
The Group continues to be reliant on access to key information systems.

Key controls and mitigating factors
The Group continues to make significant investment in its IT infrastructure to ensure it continues to support the growth of the organisation.

The Group has controls in place in order to reduce the risk of actual loss of critical systems; this has included a review of single points of failure and these have been mitigated. Further, controls are operated to ensure the availability of backup media in the event of prolonged loss of systems.

Initiating to standardise and simplify while increasing resilience, continues to be implemented. Additional focus is given to proving the recoverability of systems and data.

5. Attracting and retaining appropriate colleague capacity and capability VR

Link to strategy: Lead the market | Win business | Support growth | Develop our people

The Group would be adversely impacted if it were unable to attract and retain the right calibre of skilled colleagues. Some roles within the Group operate in highly technical and extremely specialised areas in which there are shortages of skilled people.

Accountable Executive
Michelle Porteus,
Chief People Officer

Impact
Loss of key colleagues or significant colleague turnover could result in a lack of necessary expertise or continuity to execute the Group's strategy.

An inability to attract and retain sufficient high calibre colleagues could become a barrier to the continued success and growth of NCC Group.

Risk movement/impact
Market for cyber resource remains buoyant and competitive and therefore, despite implementing additional mitigation factors, the Group still prioritises recruiting and retaining resource.

Key controls and mitigating factors
Colleagues are offered a rewarding career structure and attractive salary and benefits packages, which can include participation in share schemes.

Comprehensive communications with our colleagues are ongoing and include all hands calls, The Wire and Group and local communications.

Linked to the development of our people, the Group continues to review our values and continues to use personal performance management processes, and aligned development programmes, which are linked to succession planning.

6. Information security risk (including cyber risk) VR

Link to strategy: Win business | Deliver excellence | Support growth

Due to the nature of the services provided by NCC Group, clients have a high expectation of the systems, processes and people handling their data.

In addition, as a cyber security provider, NCC Group is more exposed to its systems being maliciously compromised.

As a result, NCC Group could experience a malicious cyber-attack, inadvertent disclosure and/or compromise of confidential data and/or any other information security incident.

Accountable Executive
Tim Kowalski,
Chief Financial Officer

Impact
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.

Risk movement/impact
Information and data security risk environment continues to change and therefore key controls and mitigating factors continue to be updated. Therefore, no change.

Key controls and mitigating factors
The Board operates a Cyber Security Committee chaired by the Chair of the Board which is responsible for the ongoing oversight of this risk and related control environments.

All colleagues globally are required to undertake annual security training and updates to alert them to potential methods of security breach and to their responsibilities in safeguarding information and reporting potential issues.

Security testing is regularly carried out on the Group's infrastructure and there are extensive response plans, which were reviewed during the year, in the event of a major security incident.

Comprehensive plans are in place and being delivered associated with discharging our data protection obligations.

Risk movement: Increased | Decreased | Unchanged **Risk impact:** High | Medium | Low

Viability risk: VR **New risk:** NR

Principal risks and uncertainties continued

Operational continued

7. Quality of Management Information Systems (MIS) and internal business processes VR

Link to strategy: Win business, Support growth, Develop our people

We need to ensure that trusted and relevant MIS are available on a day-to-day basis to inform management decisions and drive performance.

Accountable Executive
Tim Kowalski,
Chief Financial Officer

Impact
Suboptimal business decision making and performance as key financial performance data is not available or trusted.

Risk movement/impact ↔
System standardisation is consistent across the Group. However, we are continually reconciling management information needs against reporting capability of systems.

Key controls and mitigating factors
The Group finance function has developed a forward-facing Finance Functional Strategy. Enhancements were identified covering system and process standardisation. A comprehensive milestone plan is in place and progress is tracked and reported to each Audit Committee.

The rollout of Workday across our global finance teams has been completed and will support the standardisation of policies and procedures, in addition to improving efficiency and effectiveness.

Standardised business process control standards are in place across all parts of the Group. A control self-assessment questionnaire was launched in 2021 and these standards are included in a programme of internal audits.

8. Quality and Security Management Systems

Link to strategy: Win business, Support growth

We aspire to attain and retain key internationally recognised standards, which form an important component for many of our customers.

Accountable Executive
Tim Kowalski,
Chief Financial Officer

Impact
The risk of the Group failing to retain a core standard, e.g. 9001, 27001 or PCI, with a consequential loss of key customer accounts or ability to operate.

Risk movement/impact ↔
We continue to maintain our ISO standards and PCI certification.

Key controls and mitigating factors
We operate a comprehensive programme to ensure the retention of our core standards. This includes a portfolio of aligned policies and cascading business processes. A programme of internal audit provides assurance over the design and application of these policies and procedures.

External assessors provide a further layer of review and challenge, confirming during the year the retention of our Quality and Security standards, which were renewed in April 2021.

9. International trade (formerly post-Brexit)

Link to strategy: Develop our people

Failure to comply with changing EU regulations as a result of Brexit and related negotiated international trade deals between the UK and other international trading jurisdictions may cause disruption to our business. Any disruption could have an adverse effect on our business operations.

Accountable Executive
Tim Kowalski,
Chief Financial Officer

Impact
There still remains some uncertainty around the detail of EU regulatory changes as these are finalised and specifically the finalisation of trade negotiations and the wider world, which may impact some of the services delivered by the Group, which fall under export control regulations.

Risk movement/impact ↔
There has been little movement in relation to international trade agreements post-Brexit.

Key controls and mitigating factors
Similar to any UK company, we list post-Brexit as a significant risk due to the continued uncertainty surrounding the final EU post-Brexit trade deals with Europe and other international countries, which continue to be negotiated by the UK government.

As our operations around the world include business entities based in continental Europe and the wider world, we believe NCC Group is structurally resilient to the post-Brexit trading environment. The main risks to our business from post-Brexit are:

- Changes to export control requirements and related tariffs being implemented, which may impact some areas of service delivery
- Real or perceived differences in data protection standards, which impact our global ways of working

Risk movement: ↑ Increased ↓ Decreased ↔ Unchanged **Risk impact:** High Medium Low

Viability risk: VR **New risk:** NR

Environmental, social and governance

10a. Sustainability

Link to strategy: Support growth Develop our people

NCC Group recognises the importance of good environmental, social and governance (ESG) frameworks as a key indicator of the Group's sustainability and ethical impact of our business.

Accountable Executive
Yvonne Harley,
Global Director of Sustainability and Corporate Affairs

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

Risk movement/impact
While work has been undertaken in relation to sustainability and related climate change risk (see also 10b), we recognise there is more to be delivered.

Key controls and mitigating factors
The Group has developed an ESG strategy which continues to evolve. Examples of progress to date include:

- Ongoing review of key policies, such as the Code of Ethics, Whistleblowing Policy, Anti-Bribery and Corruption Policy and Anti-Trust Policy. These policies reflect our global footprint and are key to our sustainability agenda
- The compliance training which incorporates all of these policies and more has achieved the target 100% completion

More examples are outlined in the Sustainability section of the report.

10b. Climate change NR

Link to strategy: Support growth Develop our people

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

Accountable Executive
Yvonne Harley,
Global Director of Sustainability and Corporate Affairs

Impact
Inability to deliver TCFD reporting requirements resulting in loss of investor confidence.

Risk movement/impact
New.

Unable to take responsibility for the role we play in mitigating the risk of climate change on broader society.

Key controls and mitigating factors
Specific to climate change risks and opportunities (including the Task Force on Climate-Related Financial Disclosures (TCFD)).

The Group has been working toward TCFD, including:

- Identification of climate change risk on the business pipeline and future opportunities
- Identification of climate change risk on the financial performance of the Group
- Establishment of processes to better identify Scope 3 GHG emissions

Risk movement: Increased Decreased Unchanged **Risk impact:** High Medium Low

Viability risk: VR **New risk:** NR

Changes to principal risks and uncertainties during FY22

Having completed the acquisition and transition of IPM into the Group, we have removed this risk from the risk register.

We have added a sub-risk to environmental, social and governance – climate change – to reflect the new regulatory requirements of TCFD. While this is not deemed to be a material risk, we believe that it should be included to reflect its importance in setting our sustainability agenda and strategy.

Extraordinary risk during the year

During the year, the global pandemic of Covid-19 continued on a lesser scale than in FY21.

We have continued to successfully negotiate with our clients where appropriate to work remotely, which has minimised disruption to service delivery.

Viability Statement

In accordance with the requirements of the UK Corporate Governance Code, the aim of the Viability Statement is for the Directors to report on the assessment of the prospects of the Group meeting its liabilities over the assessment period, taking into account the current financial position, outlook, principal risks and uncertainties, and key judgements and estimates in preparing the Financial Statements.

The Directors have based their assessment of viability on the Group's current business model and strategic plan, which is updated and approved annually by the Board, in line with our objectives to deliver sustainable and profitable growth, increase shareholder value and offer an improved service and product offering to our customers. This is underpinned by the strategic priorities outlined on pages 28 to 35 of the Strategic Report. The effective management of principal risks and uncertainties is outlined within pages 64 to 72 and this assessment emphasises those risks that could theoretically threaten the Group's ability to operate, or to continue in existence (with the VR designation).

The assessment period

The Directors have assessed the viability of the Group over the three year period to May 2025, as this is an appropriate planning time horizon given the speed of change and customer demand in the industry and is in line with the Group's strategic planning period.

Assessment of viability

The viability of the Group has been assessed taking into account the Group's current financial position, available bank facilities, and the Board approved FY23 budget and three year strategic plan.

The Directors have produced a base case budget for FY23, which reflects recent growth patterns in the relevant geographical regions and operating segments and relevant growth opportunities for the Group based on existing propositions and factors in current macro-economic factors most specifically increasing inflationary pressures.

The Directors have also modelled the impact of certain severe but plausible scenarios arising from the principal risks, which have the greatest potential impact on viability in the period under review, as set out in the table below. Further details of how these sensitivities have been applied are provided in the going concern disclosures in Note 1 to the Financial Statements.

The impact of these sensitivities has been reviewed against the Group's projected cash flow position, available bank facilities and compliance with financial covenants over the three year viability period. The Group financing arrangements are made up of a revolving credit facility of £100m, which expires in June 2024, and a term loan repayable in instalments with the final payment due in June 2024. As of 31 May 2022, net debt (excluding lease liabilities)[1] amounted to £52.4m, which comprised cash of £73.2m, a drawn revolving credit facility of £71.0m and the term loan of £55.4m, with borrowings offset by arrangement fees of £0.8m.

Please see Note 1 of the Financial Statements for further discussion of financial covenants and Note 24 of the Financial Statements for further discussion of the Group's financing arrangements.

The sensitivities applied under stress testing show adequate levels of headroom against available bank facilities and financial covenants and that no mitigating actions are required to address severe but plausible scenarios modelled by management.

While noting that no mitigating actions are required to address severe but plausible scenarios modelled by management, options available include a reduction of planned capital expenditure, headcount reduction, freezing pay and recruitment and not paying a dividend to shareholders, all of which are within the Directors' control and give an additional level of headroom. Some or all of the above options may be utilised in the case of any of the risks outlined in the table below arising.

Conclusions

Based on these severe but possible scenarios, the Directors have a reasonable expectation that the Group and Company will be able to continue in operation and remain commercially viable over the three year period of assessment.

Viability risk	Risk as applied to viability assessment	Specifics of scenario modelled	Potential impact
Failure to execute business strategy Inability to attract and retain sufficient high calibre colleagues Failure of critical information systems	All three of these risks are expected to lead to a barrier to future growth, either through lack of key talent, failure to deliver on growth plans or long-term reputational damage from critical systems failures.	In order to consider the impact of the risks identified management has modelled various scenarios in isolation and in combination (scenarios 2 and 3 and scenarios 1 and 3) as follows: 1) The performance of FY23 continues to be similar to that of FY22, including the impact on regional and international operations of the Group and a potential reduction in double-digit revenue growth to 9% growth and subsequent impact on margin. 2) Software Resilience performance does not achieve expected revenue growth in all territories and experiences a 1% revenue decline. 3) Further inflationary pressures up to 6% arise over the existing base case of 4% assessment and certain day rate price rises to customers do not occur.	The impact of these sensitivities has been reviewed against the Group's projected cash flow position, available bank facilities and compliance with financial covenants over the three year viability period. The sensitivities applied under stress testing show adequate levels of headroom and that no mitigating actions are required.
Failure to maintain control over customer, colleague, commercial and/or operational data	A cyber breach or similar data protection issue would give rise to short-term reputational damage and an inability to do business in the short term, impacting revenue and profits.	Failure of execution of the strategy and loss of key customers resulting in a reduction in revenue and a consequential impact on profitability and cash generation of £22.5m for FY23, rising to £44.0m in FY27.	The impact of these sensitivities has been reviewed against the Group's projected cash flow position, available bank facilities and compliance with financial covenants over the three year viability period. The sensitivities applied under stress testing show adequate levels of headroom and that no mitigating actions are required.
Poor quality of Management Information Systems (MIS) and internal business processes	Without appropriate management information, management may have a lack of clarity over the impact of rising costs and the ability of the business to react to such rising cost levels through price rises.	Further inflationary pressures up to 6% arise over the existing base case of 4% assessment and certain day rate price rises to customers do not occur.	The impact of these sensitivities has been reviewed against the Group's projected cash flow position, available bank facilities and compliance with financial covenants over the three year viability period. The sensitivities applied under stress testing show adequate levels of headroom and that no mitigating actions are required.

Governance

As Directors we recognise the renewed focus on the contribution that a successful company can make to wider society in general, in addition to generating value for shareholders, and as a Board we want to ensure that we have effective engagement with, and encourage participation from, shareholders and other stakeholders

IN THIS SECTION

A continued commitment to good governance and improving diversity

> During the year, we have made strides to improve the diversity around our Board table, although we recognise that we still have some progress to make in terms of improving the diversity of the Board and our executive team (and indeed our workforce as a whole).”

Chris Stone
Non-Executive Chair

2021/22 highlights

- Continued to hear from our designated NED for workforce engagement who reports to every Board meeting
- Recruited a new CEO (Mike Maddison)
- Recruited and onboarded a new independent Non-Executive Director (Julie Chakraverty) who has brought a new perspective and dynamic to our Board discussions
- Continued to focus on ESG matters, TCFD and our carbon footprint
- Continued to support management during the integration process of Iron Mountain’s Intellectual Property Management (IPM) business, which forms part of our Global Software Resilience division
- Restarted our in-person Board meetings and had trips to the Netherlands and a UK meeting in our Cheltenham office, plus restarted our Board and colleague dinners, giving the Board the chance to meet with colleagues on the executive team and the next level down

2022/23 priorities

- Onboarding our new CEO and supporting him to make a successful start
- Continuing to focus on our stakeholders, particularly in-person colleague engagement
- Continuing to travel regularly as a Board with a visit to North America being a particular priority
- Undertaking Board training on carbon reduction initiatives
- A focus on diversity around the Board table with our commitment to further improve gender and ethnic diversity by 2024
- Undertaking our first externally facilitated Board and Committee evaluation process

Dear Shareholder

On behalf of the Board, I am pleased to present the Corporate Governance Report for the year ended 31 May 2022. Throughout the year the Board has worked cohesively as a team to enable the Company to successfully navigate a turbulent and uncertain period. I would like to thank the Board for its wise counsel and continued efforts during this time. The Board is composed of highly skilled and experienced Directors from a diverse range of industries and backgrounds, all of whom contribute towards the long-term success of the Company and show commitment and enthusiasm in the performance of their roles and duties. The Board believes that good governance is key to the long-term success of the Group and is committed to achieving high standards of governance.

This has been an important year for the Company and I am particularly proud of the way my colleagues came together to support each other, our customers and other stakeholders. The global pandemic continued to present major challenges for travel and physical meetings that the Board would have expected to conduct throughout the year, but I am pleased to report that we were able to continue to operate smoothly and effectively through the use of virtual means. However, we were delighted to return to physical meetings towards the end of the year (with a particular highlight being our trip to the Netherlands in April 2022) and we look forward to visiting more offices and meeting more colleagues in the coming year.

The last year has continued to be one of unprecedented upheaval and disorder with the effects of the Covid-19 pandemic and then the war in Ukraine reaching all parts of the globe and significantly impacting economies everywhere. We as a Board had a very busy year dealing with the impact of the pandemic on the Group, and also considering its impact on all of our stakeholders. By way of a reminder, at no stage during the pandemic did we take any government subsidies or loans (other than deferring tax payments), nor have we made any colleagues redundant or furloughed them during the pandemic. We have continued to pay dividends, in line with our policy, throughout the year.

We have also been engaged with the executive team in ensuring that all of our colleagues received the best support we could give them, specific to each of their individual needs, to manage in these new and changed circumstances. I have been very impressed by the depth and quality of the colleague support programme that the team has delivered.

The Board is committed to creating and maintaining a culture where strong levels of governance thrive throughout the organisation, specifically ensuring that we send out consistent messages on our values and acceptable behaviours for our colleagues, our customers, our suppliers and our advisers.

Governance standards

As a Board we have focused our attention on the requirements of the UK Corporate Governance Code 2018 (the 'Code') and are reporting against this Code in our Annual Report and Accounts. A key focus for the 2018 Code is culture and ensuring that it aligns with the Group's purpose, strategy and values. Culture has been high on the Board's agenda for some time and the Board considers culture to be an essential ingredient in meeting our long-term, sustainable returns to shareholders and indeed our stakeholders.

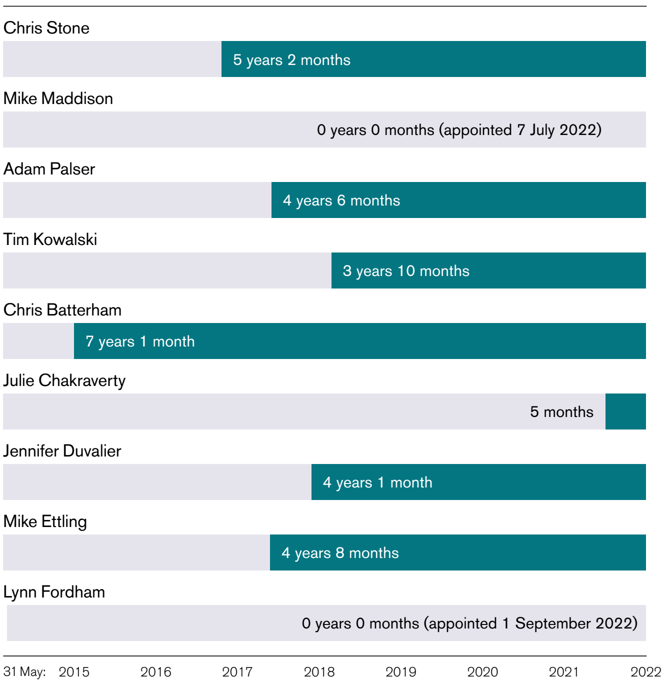
The Board, the Executive Committee and the senior management continue to promote our culture and standards throughout the business and lead by example to provide a strong corporate governance framework.

One of the most significant changes to the Code affecting NCC Group is in respect of workforce engagement. Our main stakeholder is our colleagues and we wanted to develop meaningful mechanisms to ensure that we, as a Board, have meaningful and regular dialogue with our dedicated and committed workforce. This then puts us in a strong position to deliver our strategy.

To assist us with this, during the year, Jennifer Duvalier (between 1 June to 31 December 2021) and Julie Chakraverty (from 1 January to 31 May 2022), both Non-Executive Directors, have continued their excellent work as our designated Non-Executive Director for workforce engagement. Jennifer and Julie (along with other Non-Executive colleagues, including me) have been meeting (albeit virtually but in recent months physically) and speaking with colleagues around the world and reporting back on findings at each Board meeting via a dedicated agenda slot. We have not let Covid-19 be a barrier to hearing our colleagues' opinions around the Board table. As a people business, this is a crucial area for us to focus on and continue to get right.

Towards the end of the 2020/21 financial year, we re-joined the FTSE 350 and remained in the index throughout our 2021/22 financial year so we continue to reflect on the new governance provisions that are relevant to us.

Board tenure as at 31 May 2022



Our approach

As individual Directors we recognise our statutory duty to act in the way we each consider, in good faith, would be most likely to promote the success of NCC Group for the benefit of its members as a whole, as set out in section 172 of the Companies Act 2006. Our role as the Board is to set the strategy of the Group and ensure that management operates the business in accordance with this strategy. We believe this approach will promote the Group's long-term success and our customers' interests as well as create value for shareholders and have regard to our other key stakeholders such as our colleagues.

The Board's intention is to hand over the business to our successors in a better and more sustainable position for the future. We recognise the renewed focus on the contribution that a successful company can make to wider society in general, in addition to generating value for shareholders, and as a Board we want to ensure that we have effective engagement with, and encourage participation from, shareholders and other stakeholders. During the year we have continued to reflect on who our key stakeholders are and assessed our current engagement mechanisms to ensure the effectiveness of that engagement. We then factor into our decision making any feedback from that engagement.

Board changes

During the year, Julie Chakraverty was appointed as an independent Non-Executive Director on 1 January 2022, and Jonathan Brooks retired from the Board on 27 January 2022. As announced, Adam Palser stepped down as CEO on 17 June 2022 and Mike Maddison has now replaced him with effect from 7 July 2022. I would like to thank both Adam and Jonathan for their dedicated service over the years and wish them both well for the future. We also welcome Lynn Fordham as an independent Non-Executive Director from 1 September 2022. The biographies of all the Board members can be found on pages 78 and 79.

Board composition and diversity

With regard to our current diversity, I am satisfied that we have an appropriately diverse Board in terms of experience, skills and personal attributes among our Board members. The Directors have many years of experience gained across a variety of industries and sectors, ensuring a mix of views and providing a broad perspective.

During the year, we have made strides to improve the diversity around our Board table, although we recognise that we still have some progress to make in terms of improving the diversity of the Board and our executive team (and indeed our workforce as a whole). With that in mind, during the year ended 31 May 2021, we made the firm commitment that by 2024, we will have at least 33% female representation on our Board and at least one person of colour.

With our recent appointments, we have now delivered on our commitment and are also on course to meet the FTSE Women Leaders Review target of 40% female representation by the end of 2025. Although this is best practice for FTSE 350 companies, we have committed to this target regardless of which share index we are in. To achieve this commitment by the end of 2025 based on our current Board size of eight Directors, we would need to have at least four female Directors out of the eight. Our Board now has 37.5% female representation (three out of eight), and we will look to improve this further still during any future appointments to the Board.

Given that it remains a fairly young Board in terms of tenure, this continued improvement in diversity will not be a quick process but we are very mindful of the need to continue to take positive action, and the matter is fully on our agenda, as can be seen with the appointments we have made during the year. Accessing the candidates we require to reach this target will involve us looking beyond the obvious pool of existing board directors within the UK and we intend to ensure that we extend our talent search to other sectors and countries to ensure we find a diverse pool of candidates from which to choose to provide us with true diversity around our Board table.

Effectiveness

As Chair, I am responsible for providing leadership to ensure that the Board operates effectively. I have been supported in this by all the Directors, in particular Chris Batterham, our Senior Independent Director. The annual reviews of Board effectiveness help the Board to consider how it operates and how its operations can be improved. This year, the review was undertaken internally and the findings of this review have provided us with ideas to further improve the manner in which the Board operates, and build on previous evaluations. The results were very useful and insightful and have been incorporated into our plans for the coming year. In particular, Board succession planning remains a priority, particularly as we look to ensure the Board and Executive Committee have the right set of skills and experience to support the Group as the business evolves.

I have been very impressed by how effectively the business as a whole, and indeed the Board, has transitioned to remote working during the Covid-19 pandemic. Although I feel that longer meetings are best done face to face, we have continued to hold all of our scheduled Board and Committee meetings as planned and also our strategy day in March, which all attendees agreed was our best strategy session to date. While being mindful of the impact of Covid-19 on the wider world and us as a business, our approach as a Board has been one of "business as usual" and we continue to focus on important longer-term strategic and governance issues facing the Group, while supporting management on more short-term tactical decisions.

As lockdowns around the world continue to ease, the Board is very much looking forward to holding more in-person meetings and reconnecting with our colleagues around the world as part of office and site visits.

Our investors

We are in regular contact with our large investors through a regular scheduled programme of meetings attended by our CEO, CFO and Chair. Chris Batterham, our Audit Committee Chair and Senior Independent Director, and Jennifer Duvalier, Remuneration Committee Chair, are also available to meet with investors should the need arise.

I met with our larger investors in February and March 2022 and fed back my findings to Board colleagues at the next Board meeting. In addition, our brokers undertook an investor survey on the back of our half-year results in January 2022 and the results of this were presented and discussed at a Board meeting. Our aim is to engage with our shareholders in an open and meaningful way.

Ensuring that the Directors' remuneration packages align the Directors' and senior managers' interests with the long-term interests of NCC Group and its shareholders is always a key area of interest for investors. Our Directors' Remuneration Policy was approved by shareholders at the 2021 AGM and will last until 2024.

The 2021 Directors' Remuneration Policy received 87.43% of votes in favour at the 2021 AGM. Following the significant vote against our Directors' Remuneration Report in 2020 (following on from two years of strong support) it was pleasing to see that our 2021 Directors' Remuneration Report received 93% of votes in favour, recognising the continued support of our shareholders for our approach to executive remuneration.

The UK Corporate Governance Code 2018 has increased the role and remit of the Remuneration Committee and this is reported on within the Remuneration Report. As part of our new Remuneration Policy, we have now aligned our Executive Directors' pensions with our wider colleague population, and introduced post-employment shareholding rules.

Statement of compliance with the UK Corporate Governance Code

The Company measures itself against the requirements of the UK Corporate Governance Code 2018 (the 'Code'), which is available on the Financial Reporting Council website (www.frc.org.uk).

The following areas of non-compliance are noted below:

- Pensions (before 1 December 2021) – we did not comply with Provision 38 of the Code. This was because the recruitment of the former CEO and current CFO happened before the 2018 Code came into effect and their pension arrangements were negotiated at the time as part of their recruitment at a higher level than the general colleague population. Our non-compliance was caused by the fact that our Remuneration Policy from 2017–2020 did not contain these provisions and in 2020 we effectively rolled forward our existing Remuneration Policy due to the Covid-19 pandemic. There was a risk that continued non-compliance could potentially be perceived by stakeholders and particularly colleagues as unfair and have a demotivating impact on the workforce. We aligned the pension arrangements of our CEO and CFO with effect from 1 December 2021. This is no longer an area of non-compliance.
- Post-employment shareholding guidelines (before 1 December 2021) – we did not comply with Provision 36 of the Code as we did not have post-employment shareholding guidelines. Our non-compliance was caused by the fact that our Remuneration Policy from 2017–2020 did not contain these provisions and in 2020 we effectively rolled forward our existing Remuneration Policy due to the Covid-19 pandemic. There was a risk that continued non-compliance with this would be perceived as not aligned to best practice and we would be a market outlier. This was corrected during the year and we now have post-employment shareholding guidelines. This is no longer an area of non-compliance.
- Combined Chair and CEO (17 June to 7 July 2022) – we did not comply with Provision 10 of the Code. There was a three week window between Adam Palser leaving us as CEO and Mike Maddison joining us as it was very difficult to ensure that Mike was on-board before Adam left. One option considered was for a senior colleague to take on the CEO role but it was felt that Chris Stone was best placed given his length of time at NCC and his career experience as a CEO elsewhere, plus the fact that Chris was Executive Chair for a number of months back in 2017. There is a always a risk that having both roles exercised by the same individual results in poor quality decisions being made and power concentrated in the hands of one individual. This was mitigated by the fact the non-compliance was of an extremely short timeframe with limited material decisions to be made within an existing governance framework. This is no longer an area of non-compliance.

During the prior year the Company had not engaged with the workforce to explain how executive remuneration aligns with the wider Company pay policy as required by the Code. This was rectified during the year ended 31 May 2022 (see pages 106 and 107).

Thank you

We are immensely proud of our colleagues for their extraordinary efforts during the pandemic, recognising that many were still working from home in far from ideal circumstances, acting in the best interests of our customers and our stakeholders. I would like to thank all our colleagues for their incredible contribution in stepping up and meeting the unprecedented challenges of the Covid-19 pandemic.

Chris Stone
Non-Executive Chair
6 September 2022

The different parts of the Company's governance framework are shown below, with a description of how they operate and the linkages between them.

Board

Provides leadership and is responsible for the overall management of NCC Group, its strategy, long-term objectives and risk management. It ensures the right Company structure is in place to deliver long-term value to shareholders and other stakeholders.

Board Committees

Support the Board in its work with specific areas of review and oversight objectives and risk management. They ensure the right Company structure is in place to deliver long-term value to shareholders and other stakeholders.

Audit Committee

Primary function is to assist the Board in fulfilling its financial and risk responsibilities. It also reviews financial reporting, the internal controls in place and the external audit process.

Read more on **pages 94 to 99**

Nomination Committee

Responsible for considering the Board's structure, size, composition, diversity and succession planning.

Read more on **pages 100 to 102**

Cyber Security Committee

Responsible for overseeing and advising on the Group's exposure to cyber risk and its future cyber risk strategy, its cyber security breach response and its crisis management plan and the review of reports on any cyber security incidents.

Read more on **pages 103 to 105**

Remuneration Committee

Responsible for determining the overall remuneration of the Executive Directors and the remuneration of senior managers (ExCom) within the broader institutional context of remuneration practice.

Read more on **pages 106 to 127**

Chief Executive Officer

Has responsibility for managing the business and overseeing the implementation of the strategy agreed by the Board.

Executive Committee (ExCom)

Currently comprises the Group's most senior business and operational executives. It is responsible for assisting the Chief Executive Officer in the performance of its duties including:

- Developing the budget
- Monitoring the performance of the different divisions of the Company against the plan
- Carrying out a formal risk review process
- Reviewing the Company's policies and procedures
- Prioritisation and allocation of resources
- Overseeing the day-to-day running of the Company
- Being responsible for people, talent and culture

For further details on Board composition and division of responsibilities see **pages 82 to 92**

Board of Directors

Our business is led by our Board of Directors. Biographical and other details of the Directors are as follows:

Chris Stone
Non-Executive Chair

N C

Appointment to the Board:
6 April 2017

Career experience
Chris has held various Non-Executive Director and Chief Executive roles at listed and private equity backed technology companies. He was CEO of Northgate Information Solutions plc from 1999 to 2008, until its sale, and stayed as CEO until 2011. From 2013 to 2016, he was CEO of Radius Worldwide. Chris was also a Non-Executive Director of CSR plc, and Chair of the Remuneration Committee, from 2012 until its sale in 2015. Chris was also Chair of AIM listed CityFibre plc from January 2017 until June 2018, when it was sold to private equity buyers.

External appointments
Chris is the Chair of Everynet BV, a privately owned Internet of Things infrastructure business, and Chair of AIM listed Idox plc. Chris is also a Non-Executive Director of Rural Broadband Solutions Plc.

Mike Maddison
Chief Executive Officer

Appointment to the Board:
7 July 2022

Career experience
Mike was formerly head of EY's cyber security, privacy and trusted technology practice for EMEA, a role he has held since 2017. During that time Mike has successfully delivered strong growth across the 97 countries in the region and reinforced EY's position as a leading cyber security adviser. Previously he led PwC's risk services practice across the Middle East and before that was head of Deloitte's cyber security consultancy in EMEA for ten years where he also drove significant growth.

External appointments
Mike does not currently have any external appointments.

Tim Kowalski
Chief Financial Officer and Company Secretary

Appointment to the Board:
23 July 2018

Career experience
Tim is an accomplished CFO with significant listed and private company experience. Prior to joining NCC Group, Tim was Group Finance Director of Findel Plc between 2010 and 2017 and prior to that held similar roles with Homestyle Group Plc and N Brown Group Plc. Tim has significant experience of divisional financial management within the hospitality sector. Tim qualified as a Chartered Accountant with KPMG and spent his early career there. Tim has a wide breadth of finance expertise obtained from experiencing differing finance roles within organisations and also within a variety of companies, and has been involved in a number of high profile financial turnarounds.

External appointments
Tim does not currently have any external appointments.

Internal appointments
Tim is an Executive sponsor of the Race and Ethnicity resource group.

Chris Batterham
Senior Independent Non-Executive Director

A C N R

Appointment to the Board:
1 May 2015

Career experience
Chris is a qualified Chartered Accountant, spending his early career with Arthur Andersen, and also has significant experience in senior finance roles across the technology sector. Chris was Finance Director of Unipalm plc (the first internet company to IPO in the UK) from 1996 until 2001, before becoming CFO of Searchspace Limited until 2005 and has since held a wide variety of non-executive and advisory roles, the majority having a technology focus. Chris was (until March 2022) the Senior Independent Director and Non-Executive Deputy Chair of Blue Prism Group plc (also chairing the nomination committee, as well as being a member of its audit and remuneration committees).

External appointments
Chris is a Non-Executive Director at Nanoco Group plc (and also chairs the audit committee, as well as being a member of its nomination and remuneration committees). Chris is also Chair of Racing Digital Limited.

Committee key:

- A Member of Audit Committee
- C Member of Cyber Security Committee
- N Member of Nomination Committee
- R Member of Remuneration Committee
- ● Committee Chair

Other Directors during the year

Adam Palser

Served as Chief Executive Officer during the year, stepping down on 17 June 2022

Jonathan Brooks

Served as a Director during the year between 1 June 2021 and 27 January 2022

Julie Chakraverty

Independent
Non-Executive Director

A C N R

Appointment to the Board:
1 January 2022

Career experience

Julie has a wealth of PLC board experience, recently serving as a Non-Executive Director on the boards of Santander UK and Abrdn plc (formerly Standard Life Aberdeen plc, having been Senior Independent Director and Chair of the Risk and Innovation Committees for Aberdeen Asset Management plc prior to merging). She has also been Chair of the Remuneration Committee for the global insurer MS Amlin plc, a Non-Executive Director for Spirit Pub Company Limited and a Trustee for The Girls' Day School Trust. During her executive career Julie was a board member of UBS Investment Bank where she held a number of global leadership positions and won industry awards for innovation every year from 2001–2009 for her "CreditDelta" technology product.

External appointments

Julie is the CEO and founder of Rungway Limited, a colleague engagement platform that empowers people to seek and share advice at work, used by leading global firms.

Jennifer Duvalier

Independent
Non-Executive Director

R C N

Appointment to the Board:
25 April 2018

Career experience

Jennifer was Executive Vice President of People at ARM Holdings plc, with responsibility for all people and internal communications activity globally, from September 2013 to March 2017.

External appointments

Jennifer is currently the Senior Independent Director of Trainline plc (where she is also a member of the audit and risk, nomination and remuneration committees) and an independent Non-Executive Director and Chair of the Remuneration Committee of Mitie Group plc (as well as being a member of its nomination committee) (she is also the designated Non-Executive Director for colleague engagement at both companies) and of Guardian Media Group plc. She is Non-Executive Director of The Cranemere Group Ltd, a member of The Council of the Royal College of Art and Chair of the Remuneration Committee, and a senior adviser to the Cleveland Clinic London and M Squared.

Mike Ettling

Independent
Non-Executive Director

A

Appointment to the Board:
22 September 2017

Career experience

Mike has strong sector and non-executive experience. He has had an extensive career in global technology businesses including SAP-Sucessfactors, NorthgateArinso, Unisys, Synstar and EDS and was formerly a Non-Executive Director of Backoffice Associates LLC, a US PE backed data business, and also formerly a Non-Executive Director of Telkom BCX Ltd, a South African IT and telecommunications business. Mike has also served as a Non-Executive Director with Topia Inc, a Silicon Valley cloud relocation software business.

External appointments

Mike is currently CEO of Unit4, a world leader in enterprise applications for services and people organisations. He is also Non-Executive Director of Impellam PLC, an AIM listed recruitment business.

Lynn Fordham

Independent
Non-Executive Director

A C N R

Appointment to the Board:
1 September 2022

Career experience

Lynn, a Chartered Accountant, was most recently Managing Partner of private investment firm Larchpoint Capital LLP, a position she held from 2017 to 2021. Prior to joining Larchpoint, Lynn was CEO of SVG Capital for eight years having previously served as CFO. Before that she held senior finance, risk and strategy positions at Barratt Developments, BAA, Boots, ED&F Man, BAT and Mobil Oil. She also served as a Non-Executive Director on the board of Fuller, Smith & Turner for seven years until 2018, chairing its audit committee. Lynn was also a supervisory board member of Varo Energy BV.

External appointments

Lynn is currently a Non-Executive Director and Chair of the finance, risk and audit committees of Caledonia Investments plc, Dominos Pizza Group and Enfinium Limited. Lynn is also Chair of RMA – The Royal Marines Charity.

Executive Committee

Max Baldwin
Group Sales and Marketing Director

Max joined the Group in October 2019 and is responsible for inspiring and challenging its business growth plans towards continued sustainable and profitable revenue. Max owns the Group marketing function and provides regional sales and portfolio teams with global insight, tools, techniques and direction that support their business winning objectives. Max was the co-sponsor of the Race and Ethnicity resource group in FY22.

Yvonne Harley
Global Director of Sustainability and Corporate Affairs

Yvonne is Global Director of Sustainability and Corporate Affairs responsible for driving our sustainability strategy and setting communication standards, channels, brand reputation, colleague communication, public relations and crisis communication as well as co-sponsoring our inclusion and diversity engagement initiatives with Chief People Officer, Michelle Porteus.

Joining the Group in July 2018, Yvonne has international experience across a range of industry sectors, which includes senior roles in financial services, oil and gas, and shipping.

Nick Rowe
Managing Director, Assurance North America

Nick is Managing Director of the North American Assurance division based in California. He has held positions across business development, consulting and operations management since joining the firm in 1998. Currently Nick is responsible for the Group's North American operations since relocating from the UK in 2013 and while the primary focus is on the growth of this region Nick also sponsors global initiatives across sales, marketing and, as part of the Group-wide commitment to diversity and inclusion, the Neurodiversity resource group in FY22.

Inge Bryan
Managing Director, Assurance Europe

Inge is Managing Director for NCC Group's Continental European operations, including Fox-IT and the former Fort Consult brand (Denmark). With a strong career in cyber and security she has previously held roles with the Dutch National Police and the General Intelligence and Security Service of the Netherlands and served as Home Affairs Counsellor in the Royal Netherlands Embassy in Paris. Before she joined NCC Group Inge was part of the cyber security leadership team with Deloitte Risk Advisory, securing the critical infrastructure of the Netherlands, including central government. In 2019 she was listed in the top 100 most influential women in the Netherlands and one of the 50 most inspiring women in tech. In FY22 Inge co-sponsored the Neurodiversity resource group.

Michelle Porteus
Chief People Officer

Ollie Whitehouse
Chief Technical Officer

Michelle is the Chief People Officer and responsible for all aspects of the Group's people strategy, leading on our global talent strategy to attract, develop and retain our talented teams by maximising their engagement and potential. She also co-sponsors all inclusion and diversity initiatives with Yvonne Harley, Global Director of Sustainability and Corporate Affairs.

Joining the Group in 2019, Michelle has spent the last two years as the HRD of the UK, Spain and APAC region, as well as supporting the global functions.

Michelle is a fellow of her professional institute and has a broad range of experience in both consulting and in-house roles leading transformation and organisational change. Her sector experience spans financial services, retail, manufacturing and pharmaceutical, public sector, utility and transport infrastructure.

Ollie is Chief Technical Officer at NCC Group responsible for the Group's technical strategy, research, product and development functions. Ollie is ultimately tasked with ensuring that NCC Group is well placed with capability and technology to exploit market opportunities now and in the future. In FY22 Ollie was the Executive sponsor of the Gender resource group.

Joining the Group in 2012, over the past 25 years Ollie has worked in a variety of cyber security consultancy, applied research and management roles. Ollie is Chair of a science advisory council to the UK government and is an adviser on matters of cyber security to several government departments.

Ian Thomas
Managing Director,
Assurance UK and RoW

Adrian Ah-Chin-Kow
Interim Global Managing
Director, Software Resilience

Ian joined NCC Group in December 2018 and is responsible for the Group's UK and RoW Assurance division and acts as Executive sponsor for Global Professional Services and for the LGBTQIA+ community. Prior to that he was UK MD at Sopra Steria for two and a half years, following a successful interim career working for a number of global businesses and private equity backed firms, in Managing Director and Sales Director positions. He was at Cable&Wireless for eight years, where he ran global service assurance and the wholesale and public sector divisions.
Ian's early career includes 14 years at British Airways.

Adrian joined NCC Group in February 2020 as Software Resilience's Commercial Director and was responsible for sales, marketing and product development. Adrian moved into his current role of Interim Global Managing Director, Software Resilience in March 2022.

Prior to joining NCC Group, Adrian spent seven years at Insight, a Fortune 500 IT solutions provider. He joined Insight as its UK Corporate Sales Director before moving to become EMEA Director of Cloud Programmes, a role which focused on building Insight's cloud services revenues through the development of new product and services, predominantly hosted in Microsoft Azure.

Board composition and division of responsibilities

Role profiles are in place for the Chair and Chief Executive Officer, which clearly set out the duties of each role.

Role	Responsibilities
Chair of the Board (Chris Stone)	Is responsible for the running and leadership of the Board, setting its agenda and ensuring its effectiveness on all aspects of its role, and promoting a culture of openness, debate and the highest standards of corporate governance. The Chair, in conjunction with the CEO and other Board members, plans the agendas, which are issued with the supporting Board papers in advance of the Board meetings. These supporting papers provide appropriate information to enable the Board to discharge its duties, which include monitoring, assessing and challenging the executive management of the Group.
Chief Executive Officer (Adam Palser/Mike Maddison)	Together with the senior management team (ExCom), is responsible for the day-to-day running of the Group's business, implementing the strategy and policies approved by the Board, and regularly providing performance reports to the Board. The role of CEO is separate from that of the Chair to ensure that no one individual has unfettered powers of decision.
Chief Financial Officer (Tim Kowalski)	Works closely with the CEO with specific responsibility for all financial matters, including Group accounting policies, financial control, tax and treasury management, risk management and financial probity. The CFO is also accountable for the transparency and appropriateness of management information and key performance indicators, internally and externally.
Senior Independent Director (Chris Batterham)	Provides a sounding board for the Chair and serves as an intermediary for other Directors, colleagues and shareholders when necessary. The main responsibility is to be available to the shareholders should they have concerns that they have been unable to resolve through normal channels or when such channels would be inappropriate.
Non-Executive Directors (Julie Chakraverty, Jennifer Duvalier, Mike Ettling and Lynn Fordham)	Bring experience and independent judgement to the Board. Maintain an ongoing dialogue with the Executive Directors, which includes constructive challenge of performance and the Group's strategy.
Designated Non-Executive Director for engagement with the workforce (Julie Chakraverty)	Leads on Board engagement with the workforce (please see separate section on page 86).
Company Secretary (Tim Kowalski)	Ensures good information flows within the Board and its Committees and between senior management and Non-Executive Directors. The Company Secretary is responsible for facilitating the induction of new Directors and assisting with their professional development as required. All Directors have access to the advice and services of the Company Secretary to enable them to discharge their duties as Directors. The Company Secretary is responsible for ensuring that Board procedures are complied with and for advising the Board through the Chair on governance matters. The appointment and removal of the Company Secretary is a matter for the Board as a whole. Tim is supported with his company secretarial duties by a Deputy Company Secretary.

Meetings and attendance

The Board considers that each Director is able to allocate sufficient time to the Company to discharge their responsibilities effectively. The Non-Executive Directors are contracted to spend a minimum of 24 days per annum on the Group's affairs, and the Chair 60 days.

A summary of each current Director's attendance at meetings that they were eligible to attend of the Board and its Committees during the financial year ended 31 May 2022 is shown below. Unless otherwise indicated, all Directors held office throughout the year.

	Board	Audit	Nomination	Cyber Security	Remuneration
Chris Stone [1]	12 12	n/a	8 8 *	2 3 *	n/a
Adam Palser	12 12	n/a	n/a	n/a	n/a
Tim Kowalski	12 12	n/a	n/a	n/a	n/a
Chris Batterham [2]	12 12	5 5 *	7 8	2 3	5 6
Jonathan Brooks [3]	8 8	4 4	6 6	2 2	4 4
Julie Chakraverty [4]	5 5	2 2	3 3	2 2	3 3
Jennifer Duvalier [5]	11 12	n/a	8 8	3 3	6 6 *
Mike Ettling [6]	11 12	4 5	n/a	n/a	n/a

At all times all of the Board and Committee meetings remained quorate.

- ● Meetings attended
- ● Possible meetings
- * Committee Chair
- n/a Director is not required to attend the meeting, but may have attended by invitation

1 Missed one meeting due to an urgent personal matter.

2 Missed one meeting due to a pre-existing personal commitment.

3 Jonathan Brooks retired from the Board on 27 January 2022.

4 Julie Chakraverty was appointed to the Board on 1 January 2022.

5 Unable to attend one meeting due to a medical appointment.

6 Unable to attend one meeting due to sudden illness.

What principal decisions have been made and what have we looked at as a Board during 2021/22?

Section 172 statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, but having regards to a range of factors set in section 172(1)(a)–(f) of the Companies Act 2006. In discharging our section 172 duty, we have regard for these factors, taking them into consideration when decisions are made.

The Board understands the importance of stakeholder engagement and, through regular updates from the Executive Directors and other senior managers, they have provided challenge and oversight throughout the year. The Company's stakeholders are set on pages 24 to 27, with an overview of how we engage with them, how it relates to our strategy and highlights from the previous year.

Principal decisions made during the year

Throughout this Annual Report, we have provided examples of how we have thought about the likely consequences of long-term decisions and detailed below are how the Board considered stakeholders, and the information we received through engagement, into a number of its key decisions in 2021/22.

When making each decision, the Board carefully considered how it impacted on the success of the Group and its long-term (financial and non-financial) impact and had due regard to the others matters set out in section 172(1)(a)–(f) of the Companies Act 2006.

The below should be read in conjunction with our stakeholder section on pages 24 to 27, along with other sections of the Annual Report where appropriate.

Topic	Stakeholder group	Engagement we received	Decision taken and our response	Reference
Board diversity	**Colleagues, shareholders, customers**	We have been cognisant for a while of the need to improve the diversity around our Board table and a number of colleagues and shareholders had also commented on our lack of progress on this. We recognised that our Board was not representative of the society in which we operate and of our colleague and customer bases. The Board had feedback sessions from investors following the half and full-year results and numerous briefings from the Chief People Officer. When bidding for work, a number of customers have commented on our lack of progress with diversity and it was important for us to really pay attention to this to ensure that we would not lose future opportunities based on our lack of diversity.	Last year we made the firm commitment to have at least 33% female representation and at least one person of colour on the Board by 2024. With our recent appointments, we have now delivered on our commitment and are also on course to meet the FTSE Women Leaders Review target of 40% female representation by the end of 2025.	Our Board biographies on pages 78 and 79. Nomination Committee Report on page 101.
IPM acquisition and integration	**Shareholders, colleagues, customers**	Shareholders were engaged throughout the IPM acquisition process including discussing the rationale for the acquisition, with a general meeting held on 1 June 2021 with 100% shareholder approval for the acquisition, showing the extent of our engagement with our shareholders, and that they were extremely supportive of the acquisition. The Board has had a number of updates on the integration progress throughout the year from senior colleagues within Software Resilience, IT and HR. The Audit Committee has also been closely involved with the integration process. Given this is a vital area to get right, the Remuneration Committee has also incentivised the integration. Existing customers of IPM were contacted to ensure a smooth transition post acquisition.	During the acquisition process, the Board wanted to ensure that all shareholders understood the rationale for the acquisition and the impact on the business. Following the acquisition of the IPM business in June 2021 the Board felt that it was vital to be fully appraised of and involved in the key activity of ensuring that the newly acquired business was fully and properly integrated into NCC's existing business, this also included managing any risk of customer attrition. A colleague engagement session with our new IPM colleagues has been arranged and Julie Chakraverty will report back to the Board on the findings from this session, and how our new IPM colleagues are adjusting to life within NCC, and what NCC can learn from their onboarding process.	Chair's statement on page 6. Remuneration Committee Report on page 112.

What principal decisions have been made and what have we looked at as a Board during 2021/22? continued

Principal decisions made during the year continued

Topic	Stakeholder group	Engagement we received	Decision taken and our response	Reference
Interacting with colleagues and colleague engagement	**Colleagues, customers, shareholders**	During the year we have really worked on our face-to-face interaction with colleagues at all levels across the business and during the year held Board dinners with local colleagues in Cheltenham and Delft, along with meeting senior colleagues at a Board dinner in Manchester. Board members have also attended colleague events throughout the year, e.g. the IWD networking session in Manchester. Julie Chakraverty is now hosting in-person engagement sessions wherever possible.	During the Covid-19 pandemic, although the Board continued to hear from colleagues (via the designated Non-Executive Director for colleague engagement) there was felt to be a lack of proper face-to-face engagement with colleagues especially following a global pandemic. A decision was made to rectify this by adding to the Board schedule as much face-to-face colleague engagement as possible. Being a people business, it is important for us to ensure that our colleagues are engaged and motivated and their voice is heard in the boardroom. Having colleagues who are content and feel that NCC is a welcoming place to work is vital to ensure that we can deliver on our promises for our customers, and indeed our shareholders.	Pages 24, 47, 84 and 86.
Shaping future markets and the work of the public affairs team	**Our network, shareholders**	During the year, the Board has had a number of briefings from the public affairs team, which produced its inaugural Public Affairs Impact Report, which the Board also reviewed, in particular the return on investment within stakeholder engagement, requesting that further work be done in this vital area for NCC. The Board also had briefings from the Chief Technical Officer and the Global Head of Research on the risks and opportunities of emerging technologies, all of which will shape future regulatory initiatives globally.	The Board decided to improve its understanding of this important stakeholder group. The public affairs team was enhanced during the year, recognising the strategic importance of this area for future business growth. In addition, our Head of Public Affairs also takes an instrumental lead in shaping and leading on the Board strategy day, ensuring that there is appropriate linkage between this key stakeholder and the Group's overall strategy. Ensuring that we seek to appropriately influence regulatory initiatives should ensure we are well placed to take advantage from any regulatory changes which arise and assist our customers to navigate them, allowing us to grow the business for shareholders in terms of revenue, and maintain our dividend.	Pages 20, 23, 27 and 29.
The customer voice and experience within the boardroom	**Customers, shareholders**	During the year, the Board requested regular updates from the Global Director of Sales and Marketing along with members of his team. The Board asked for more insight into NCC's customer base and every Board pack now contains a summary of the latest position on customer orders and a list of important accounts. Our new CEO, as part of his induction process and getting to know NCC and its customers, will report back to the Board on customers and what they are thinking and what their needs are.	The Board asked that its knowledge of NCC's products and services and customer base be improved. Following the strategy day held in March 2022, the Board approved the decision to increase investment in our Remediation and Microsoft Sentinel service offerings with the appointments of new Commercial Directors for each proposition. Overall, although the customer voice is being heard in the boardroom it was felt that there were more opportunities to improve this further and the Board would look to meet with customers over the coming year. Hearing the voice of our customers in the boardroom will allow us to further improve our customer offering and should allow us to win both new customers and retain existing ones, allowing us to grow the business for shareholders in terms of revenue, and maintaining our dividend.	Pages 30 and 31.

What have we looked at as a Board during 2021/22?

At every meeting the Board reviews the minutes from the previous meeting and the status of any outstanding actions. Colleague engagement is a standing agenda item presented by Julie Chakraverty as our designated Non-Executive Director for workforce engagement. The CEO and CFO present their monthly performance update reports, which are also circulated to Board members in months where there is no scheduled Board meeting. Over the year, the Board has had reports on the Group's trading in light of Covid-19 along with the trading performance of the IPM acquisition.

The Board has also reviewed the following during 2021/22:

Leadership and colleagues

- Appointed a new CEO (Mike Maddison) and a new independent Non-Executive Director (Julie Chakraverty)
- Received an update on colleague engagement and the results of the annual colleague engagement survey
- Approved a number of share scheme grants to colleagues including UK Sharesave, International Sharesave (in Australia, Denmark, the Netherlands and Spain), and the Employee Stock Purchase Plan (in the US and Canada)
- Approved a new Share Incentive Plan (SIP)
- Discussed a number of colleague deaths in service and approved the application of the insurance proceeds to beneficiaries
- Continued with the colleague engagement programme, with an appointed designated Non-Executive Director leading, with an update to the Board at every Board meeting
- Appointed a new Chief People Officer (Michelle Porteus)
- Received updates on the Group's pension scheme

Strategy

- Received regular updates on the Group's transformation programme, "Securing Growth Together" (SGT)
- Held a dedicated one day strategy session (see page 86)
- Discussed the strategy day and the key points arising out of it, and had a strategy day progress check six months later, along with regular check-ins on progress against strategy
- Approved the establishment of a new subsidiary company in Portugal
- Discussed a number of sector IPOs, divestments and M&A activity, plus investments that competitors had made during the year

Governance

- Continued with the colleague engagement programme, with an appointed designated NED leading the Board's engagement activities
- Completed the Board, Committee and Chair effectiveness reviews and discussed the results of these reviews, agreeing on key focus areas for the coming year
- Approved the Notice of AGM and Proxy Form
- Had a number of presentations on the Group's ESG work and progress (labelled as "sustainability" internally)
- Attended the AGM and the general meeting to seek shareholder approval for the IPM acquisition
- Received regular reports from the Deputy Company Secretary on governance matters and best practice updates
- Had presentations on the Group's key stakeholders, e.g. our customers, suppliers and network, and reflected on Board stakeholder engagement and improving the mechanisms for this
- Noted and approved the Group's Tax Strategy
- Received updates on a number of high profile cyber-attacks that had been targeted at other companies and organisations
- Approved some minor amendments of an administrative nature to share plan rules
- Discussed and approved the Group's Modern Slavery Statement
- Reviewed Directors' outside directorships and potential conflicts of interest and also Directors' shareholdings, along with the annual review of Non-Executive Director independence
- Reappointed the external auditor following recommendation from the Audit Committee
- Received reports on any material litigation issues affecting the Group
- Received presentations on TCFD and carbon reduction initiatives

Financial

- Reviewed and approved the Annual Report and Accounts, ensuring that it is fair, balanced and understandable
- Discussed and approved the full-year and half-year results and associated presentations to investors
- Approved the interim and final dividends and discussed the dividend policy
- Noted and approved the 2021/22 Group insurance cover renewal
- Discussed and approved the 2022/23 budget
- Received presentations from the brokers and financial PR advisers
- Considered and approved trading updates at the full and half-year end
- Received regular updates from investor meetings and noted circular investor letters
- Received external presentations on shareholder perspectives on the Company

Other Group business

- Continued to be kept updated on the integration progress following the IPM acquisition in June 2021
- Kept updated on a number of strategic projects including the implementation of new business systems such as Salesforce and Workday and SGT
- Had a number of sales and marketing presentations including presentations on NCC's sales within the financial services and industrials sectors
- Received briefings on Fox-IT, Crypto and Data Diodes during the Board visit to the Netherlands
- Had an update briefing from the new Group IT Director
- Approved a number of major customer contracts and bids
- Received regular updates on material litigation affecting the Group

Board composition and division of responsibilities continued

Board strategy session

As the Group remains focused on securing growth from the growing momentum in its markets, the March 2022 Board strategy day presented an opportunity to analyse the trends in the cyber and software resilience markets, assess the Board's confidence in the Group's strategic direction and discuss our preparedness to make any future changes.

Ahead of the day, Board members had the opportunity to provide individual feedback on what topics they wanted discussions to focus on. Principally, the Board emphasised its desire for a genuinely strategic discussion that went beyond short-term operational challenges but instead focused on unlocking the Group's capabilities in the most impactful way.

To prepare, Board members also received pre-read materials that included a high level summary of each business unit's strategic priorities, alongside financial and market analysis, to allow for high quality, informed discourse on the day.

The Board strategy day focused on the Group's Software Resilience and Assurance divisions, alongside deep dives into our people proposition and the Microsoft XDR (Sentinel) proposition. The Board received an external reflection of the broader technology and cyber services market environment that outlined clearly the market value of a laser-like focus on solving customers' challenges. The following presentations reiterated NCC Group's position as a hub for cyber talent, and the ongoing focus on career and leadership development, and generated excitement for the Sentinel opportunity before in-depth engagement with the divisions' Managing Directors touched upon regional growth opportunities and ambitions for the future. The Board strategy day concluded with a Board-only discussion that focused on driving long-term value creation for NCC Group.

The Board agreed that the 2022 strategy day was excellent and offered firm alignment on the strategic priorities for the coming financial year.

Managing Directors used the feedback from the day to inform their 2022/23 budget considerations and associated approvals, and progress against strategic priorities will be measured on an ongoing basis to ensure the Group successfully executes its ambitions.

Independent advice

All Directors have access to the advice and services of the Company Secretary and Directors are entitled to take independent professional advice if necessary, at the expense of the Company.

Conflicts of interest

The Companies Act 2006 requires Directors to avoid situations where they have, or could have, a direct or indirect interest that conflicts or potentially conflicts with the interests of the Company. The Company's Articles of Association require any Director with a conflict or potential conflict to declare this to the Board.

That Director will not then be involved in the discussions relating to the proposal, transaction, contract or arrangement in which they have an interest, unless agreed otherwise by the Directors of the Company in the limited circumstance specified in the Articles of Association, nor will they be counted in the quorum or be permitted to vote on any issue in which they have an interest. Directors are required to inform the Board without delay should they be aware of any actual or potential conflicts of interest and a check on conflicts is undertaken each year with a report to the Board.

Colleague engagement

Julie Chakraverty is the Board's designated Non-Executive Director to lead the Board's colleague engagement programme (taking over from Jennifer Duvalier on 1 January 2022) and is committed to understanding the views of our colleagues and ensuring they are incorporated into the Board's decision-making process.

Colleagues were introduced to Julie via our internal social channels where she explained her role through a video and written communications. Julie has access to these channels to enable her to engage fully outside of the formal events.

We were keen to build on the momentum in the previous year. Julie is sometimes joined by our Chair, Chris Stone, or other Non-Executives, to meet colleagues, all of whom are invited from below the mid-management level and all parts of the business to ensure diversity of thought. We ensure that no one has their line manager in either the physical or the virtual room to ensure they can speak freely and tell Julie what is on their mind.

Feedback from each session's participants is shared anonymously to the Board and to our CEO. This enables action to be taken, further strengthening the value of listening. Colleagues attending are invited to give their feedback and, so far, results have been positive and valued.

Board independence

As required by the Code, at least 50% of the Board, excluding the Chair, are independent Non-Executive Directors. The Board comprises two Executive Directors, five independent Non-Executive Directors, and the Non-Executive Chair.

The Board has debated and considers that all of the current Non-Executive Directors are independent, and in so doing considered the profile of all of the individuals, concluding that none of them:

- Has ever been a colleague of the Group
- Has ever had a material business relationship with the Group or receives any remuneration other than their salary or fees
- Has close family ties with the advisers, other Directors or senior management of the Group that could reasonably be expected to cause a conflict
- Holds cross-directorships or has significant links with other Directors through involvement with other companies or bodies
- Represents a significant shareholder
- Has at the point of this report served on the Board for more than nine years from the date of their first election

The Non-Executive Directors provide a strong independent element on the Board and are well placed to constructively challenge and help develop proposals on strategy and succession planning. Between them they bring an extensive and broad range of experience to the Group.

Details of the Directors' respective experience are set out in their biographical profiles on pages 78 and 79.

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

Diversity

The principle of Board diversity (and indeed diversity across the Group) is strongly supported by the Board. It is the Board's policy that appointments to the Board will always be based on merit so that the Board has the right balance of individuals in place. The Board recognises that diversity of thought, approach and experience is an important consideration and is therefore one of the selection criteria used to assess candidates prior to any Board appointments. Read more about diversity in the Nomination Committee Report on pages 100 to 102.

The Company's policy is to find, develop and maintain a diverse workforce at all levels with an initial focus on developing a culture where women can achieve and retain senior positions.

Annual re-election

In accordance with the Code, any Directors appointed in the financial year are subject to election by shareholders at the AGM and, in line with best practice, all the other Directors are subject to re-election annually.

Julie Chakraverty – induction and first impressions

We announced in October 2021 that Julie would join our Board (and all of its Committees) with effect from 1 January 2022. Before Julie joined on 1 January 2022, an induction plan was created for her which involved Julie meeting with all of the Executive Committee plus other key colleagues, including the Director of Global Governance and the CISO. Julie also met with the Company's brokers, financial PR consultants, executive remuneration advisers, and KPMG as the Group's auditor. We made the most of the two month window we had between late October 2021 and 1 January 2022 so that Julie had a real understanding of NCC before she started.

Julie has taken on the role of the Board's designated Non-Executive Director for colleague engagement (taking over from Jennifer Duvalier) and this has allowed her to get up to speed on colleague and cultural matters very quickly.

"My comprehensive induction programme and meeting the right colleagues and advisers before 1 January 2022 really meant I "hit the ground running" at NCC. I feel that the insights I gained allowed me to make a positive contribution from my first Board meeting. Although that first Board meeting was a virtual one (due to Covid-19 restrictions at the time) I have now had the opportunity to attend three in-person Board meetings (two in Manchester and one in the Netherlands) and these, together with various events and site visits, have allowed me to engage with a number of colleagues. Being the designated Non-Executive for colleague engagement has provided me with a great channel to meet with and hear feedback from people of all levels across the business, and then synthesise key themes for the Board. I have really enjoyed my early months with NCC and look forward to contributing further and driving the colleague agenda in the boardroom over the coming years."

Julie Chakraverty
Independent Non-Executive Director

Director induction, training and development

New Directors are provided with an induction on appointment, which would include visits to the Group's operations and meetings with operational and executive management. Each Director's induction is tailored to their experience and background with the aim of enhancing their understanding of the Group's strategy, business, operating divisions, colleagues, customers, suppliers and advisers and the role of the Board in setting the tone of our culture and governance standards.

The Company acknowledges the importance of developing the skills of the Directors to run an effective Board. To assist in this, Directors are given the opportunity to attend relevant courses and seminars to acquire additional skills and experience to enhance their contribution to the ongoing progress of the Group. All of the Directors attend sessions which are aimed at updating the Board on trends and developments in corporate governance.

During the coming year we will ensure that our new CEO (Mike Maddison) and our new independent Non-Executive Director (Lynn Fordham) are provided with formal, comprehensive and tailored induction programmes and we will report back on this more fully in next year's Annual Report.

Board and Committee effectiveness review

The performance of the Board and its Committees is appraised annually and an internal effectiveness review was completed for 31 May 2022. The overall rating was very positive meaning that the Board and its Committees continue to function well.

The results were presented to the May 2022 Board meeting and the Chair also held one-to-one calls with Board colleagues for "deeper dives" into any areas they wished to discuss in more detail and with the CEO to discuss areas highlighted by the evaluation process. We have also scheduled in a progress check in September 2022 to ascertain how we are doing against our proposed improvements and whether we need to do anything different in the second half of the financial year.

The evaluation identified changes which would improve the working of the Board, including:

- An increased focus on diversity
- Assessing and monitoring culture
- A continued focus on strategy and strategic discussion
- An increased focus on succession planning and ensuring that these plans are reviewed on a regular basis
- An increased focus on CSR/ESG

How will we improve in these areas?

To focus on these actions, we have agreed the following:

Action	Progress and our plan
An increased focus on diversity	▪ Firm commitment to have at least 33% female representation and at least one person of colour on the Board by 2024 ▪ Presenters to the Board encouraged to highlight diversity statistics within their business area as happened during the strategy day, when each presenter did this ▪ Appointment of Michelle Porteus as Chief People Officer ▪ Unconscious bias training has now been completed by the Board with the ExCom having already completed it ▪ Significant work continuing internally on creating an inclusive culture throughout the organisation, further helped by Michelle Porteus and Yvonne Harley (Global Director of Sustainability and Corporate Affairs) being co-sponsors of all inclusion and diversity initiatives
Assessing and monitoring culture	▪ More Board discussion on ensuring our culture aligns with our values ▪ Presenters to the Board encouraged to highlight culture initiatives within their business area ▪ Board to have more exposure to senior executives across the business outside Manchester (Board meetings during the year held in Cheltenham and the Netherlands with dinners held the night before on both occasions allowing the Board to meet local senior leaders) ▪ Having a designated NED for workforce engagement reporting back to every Board meeting has helped with this (please see page 86 on colleague engagement for further details) ▪ NEDs to spend more time in the business and at different offices (increasingly being done in person as we emerge from lockdowns) ▪ Reporting on the "mood" of the business within the monthly CEO reports and areas of concern or where there are higher than expected colleague attrition levels ▪ Discussing the results of both the annual colleague engagement survey and the more regular "pulse" surveys

Action	Progress and our plan
A continued focus on strategy and strategic discussion	▪ One day dedicated strategy session now held annually, attended by all divisional Managing Directors and by brokers and advisers to provide an external and wider market perspective ▪ Ensuring strategy is more of an ongoing Board discussion between annual strategy days rather than a once a year activity given the fast-paced and dynamic markets that the Group operates in ▪ Shifting Board discussion away from short-term tactical issues to more longer-term strategic issues ▪ Actions from dedicated strategy day circulated to the Board with a check-in on strategy halfway through the year
An increased focus on succession planning and ensuring that these plans are reviewed on a regular basis	▪ Nomination Committee meetings now being held with a programme of four Committee meetings planned every year with the Committee moving away from a transactional Committee (e.g. to recruit a new Director) to a more holistic view encompassing: future skills needs, talent pipelines, diversity, succession planning, and reviewing leadership needs of the Company ▪ Nomination Committee continuing strong focus on succession planning for the Board and senior management ▪ Chris Stone (Nomination Committee Chair) and Michelle Porteus (Global Chief People Officer) are now meeting regularly and discussing a separate workstream on succession planning
An increased focus on CSR/ESG (labelled as "sustainability" internally)	▪ Global Director of Sustainability and Corporate Affairs taken on ESG lead within the Group and presents every six months to the Board ▪ Gap analysis has been undertaken to provide an action plan to close the gaps and an ESG framework has now been developed ▪ Policies have been refreshed and standardised (e.g. Code of Ethics and Modern Slavery). The whole organisation has undertaken Code of Ethics refresher training ▪ Increasing recognition that this area will become an ever-more important area for new and existing clients and investors when they are evaluating who to buy from and partner with/invest in ▪ Improving the visibility of what the organisation is doing with regard to ESG and ensuring that all the ESG initiatives and activities are being properly recorded and reported ▪ TCFD is reported on page 39. A TCFD Steering Group has been formed. We also have a partnership with Planet Mark to improve our carbon measuring and reduce our overall emissions as a Group ▪ Partnerships with external organisations continue to be developed, e.g. we have now partnered with Planet Mark to gain focused and specific expertise on climate change in line with TCFD reporting

Progress from the previous year

The 2022 evaluation process also reviewed progress on actions identified in previous evaluation processes.

Areas identified in previous evaluations	2022 evaluation – progress
An increased focus on succession planning and ensuring that these plans are reviewed on a regular basis	Good progress has been made and is firmly on the Board's and Nomination Committee's agenda with a firm commitment to have at least 33% female representation on the Board and at least one person of colour by 2024 (see above table for further details).
An increased focus on CSR/ESG	Progress has been made in relation to CSR/ESG; however, this remains a key area of focus (see above table for further details).
A continued focus on strategy and strategic discussion	Good progress, with the 2022 strategy day again felt to be very good and building on previous strategy day sessions (see above table for further details). Some further work was perhaps needed on clearly defining the strategy across the whole Group, i.e. at lower levels within the Company. A new and highly experienced Director of Commercial Finance has been recruited, further improving the strategic discussion.
Enhancing Board interactions and communications with the Company and its customers	Good progress. The Board has continued to interact with a significant number of colleagues on both a Company-wide basis and via receiving presentations from various members of the ExCom plus senior managers. There are regular updates on customers within the CEO's report, although ways to improve the "customer voice" in the boardroom would be reviewed along with opportunities for the Board to meet with some customers on occasions throughout the year.
Developing Board involvement in the Group's culture related initiatives	Good progress has been made in a number of areas (see above table for further details).

Board, Committee and Chair evaluation process 2022

Company Secretary reviewed 2021 questionnaires and evaluation exercise results and, based on this, proposed questionnaires for the 2022 evaluation exercise.

The proposed questionnaires were reviewed and approved by the Chair and Committee Chairs and (for the Chair's review) the Senior Independent Director.

Questionnaires were added to an online survey website, which ensured the anonymous and efficient collection of answers.

Board members, the Company Secretary and regular Committee attendees were then invited to complete the questionnaires.

The responses were collated and analysed by the Company Secretary who then shared these with the Chair and Committee Chairs and (for the Chair's review) the Senior Independent Director.

Summary reports together with the results and comments received were prepared for the Board and Committee meetings where the results were discussed and key actions for the coming year agreed.

The Chair held one-to-one meetings with Board members where areas of interest could be discussed in more detail.

The Senior Independent Director met with the other Non-Executive Directors (without the Chair being present) to discuss the Chair's performance during the year.

The Senior Independent Director met with the Chair to feed back and discuss the Chair evaluation results.

Committee evaluation

During the year, each of the Audit, Cyber Security, Nomination and Remuneration Committees carried out an internal self-evaluation on its effectiveness. The conclusion from the Committee reviews is that, overall, the Committees are working well but some recommendations were made, as per the table below.

Committee	Focus areas
Audit	▪ Continuing to focus on reducing the length of Committee papers (using summaries where appropriate) but acknowledgement that the internal papers had continued to improve ▪ Continuing to ensure that Committee papers were circulated as early as possible ▪ An acknowledgement that the cloud computing issue could have been handled better, and recommendations had been made to improve processes for future ▪ Ensure open communication to discuss any potential accounting issues at an earlier stage, to allow for quick resolution ▪ Continuing to decouple audit committees to board meetings that had previously been held on the same day to allow further time for appropriate discussion and challenge
Cyber Security	▪ Continuing to take the papers/presentations as read and focusing on more value-adding dialogue, discussion and interaction rather than going through the Committee briefing packs ▪ Improving the Committee's knowledge and understanding of how NCC actually uses the tools and processes that it offers to clients ▪ A review of whether external presenters or advisers/consultants could attend future Committee meetings ▪ More frequent updates on the nature of the changing cyber threat landscape, e.g. what are the current major topics within cyber and the significant threats, plus recent security incidents that organisations have experienced

Committee	Focus areas
Nomination	▪ Continuing to build on the strong initial progress with our firm commitment to have at least 33% female representation and at least one person of colour on the Board by 2024 ▪ Succession planning for the Board and senior management ▪ Continuing to improve succession plans for senior executives and improving exposure to senior executives at Board meetings and within more informal settings
Remuneration	▪ Continuing to have opportunities for more open and unfettered discussion (Executive Directors and HR colleagues now only attend part of Committee meetings) ▪ Continuing to embed the 2021–2024 Directors' Remuneration Policy and work closely with the advisers on appropriate bonus and long-term incentive targets ▪ Ensuring that the Group's reward structure aligns to the key issues facing the Group rather than standard industry practice ▪ Continuing to focus on choosing appropriate benchmarks against which to compare NCC Group's remuneration packages

Individual Director appraisal process

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

During the coming year, we will also be undertaking our first ever externally facilitated Board and Committee evaluation and hope that the external evaluator brings richer and deeper insights on the ways Board colleagues work together and areas for improvement.

Operation of governance framework

Role of the Board

The Board is responsible for reviewing, challenging and approving the strategic direction of the Group, while providing strong values-based leadership of the Company, within a framework of prudent and effective controls, which enable risk to be assessed and appropriately managed. The Board reviews the Group's business model and strategic objectives to ensure that the necessary financial and human resources are in place to achieve these objectives, to sustain them over the long term and to review management's performance in their delivery.

The Board sets the tone of the Company's values and ethical standards and manages the business in a manner to meet its obligations to shareholders and other stakeholders.

The Board receives information on at least a monthly basis to enable it to review trading performance, forecasts and strategy and it has a schedule of matters specifically reserved for its decision. The most significant of these are:

- Approval of strategic plans, the annual budget and any material changes to them
- Oversight of the Group's operations, ensuring competent and prudent management, sound planning, and an adequate system of internal control and governance
- Through the Audit Committee, oversight of financial reporting systems and information and adherence to appropriate accounting policies
- Changes to the structure, size and composition of the Board and Executive Committee, and oversight of the Company culture and the ethical standards of the leadership and the independence of Non-Executive Directors, taking into consideration prudent succession planning
- Approval of the acquisition or disposal of subsidiaries and major investments and capital projects
- Approval of the dividend, treasury and banking policies, including the Group's capital structure
- Through the Remuneration Committee, the delivery of an effective executive and senior management Remuneration Policy
- Receiving reports on the views of shareholders and approval of all documents put to shareholders at a general meeting or circulated to shareholders
- Approval of the appointment of key advisers

The Board has a schedule of specific matters reserved for its decision where it feels they are critical to the ongoing success of the business and are of a significant nature to merit the Board having such a decision reserved to it. The Group also has a Group Authority Matrix (which documents the levels of authority delegated from the Board to various role holders within the Group). The schedule of matters reserved for decision by the Board and the Group Authority Matrix are complementary documents and are designed to ensure that decisions are either made by the Board or delegated to an appropriate senior colleague within the Group.

As noted above, the operational management of the Group is delegated to the Executive Committee. The Board also delegates other matters to Board Committees and management as appropriate.

Risk management

The Board has ultimate responsibility for ensuring that business risks are effectively managed. The Board has delegated regular review of the risk management procedures to the Cyber Security Committee in relation to cyber risks, and to the Audit Committee in relation to all other risks. The Board reviews the overall risk environment on at least an annual basis. The day-to-day management of business risks is the responsibility of the Executive Committee (ExCom).

Internal control

The Group has a system of internal controls which aims to support the delivery of the Group's strategy by managing the risk of failing to achieve business objectives and to protect the stewardship of the Group's assets. As with all such systems, the goal is to manage risk within acceptable parameters, rather than to eliminate risk entirely. The Group can therefore only provide reasonable and not absolute assurance that the business objectives and asset stewardship will be delivered successfully.

In addition, the Group insures against various risks, but certain risks remain difficult to insure, due to the breadth and cost of cover. In some cases, external insurance is not available at all, or at least not at an economically viable price. The Group regularly reviews both the type and amount of external insurance that it buys in conjunction with its insurance brokers. For a more detailed review of risk management processes, the principal risks faced by the Group and their mitigation, see pages 64 to 72.

The Audit Committee is responsible for reviewing the effectiveness of the risk management and internal control systems. The steps it takes in relation to the review are set out on page 97.

The Audit Committee makes recommendations to the Board on the effectiveness of risk management and internal controls, which the Board considers, together with reports from the Cyber Security Committee, in forming its own view on the effectiveness of the risk management and internal control systems.

During the year ended 31 May 2022, the Board reviewed the effectiveness of the Group's risk management and internal control systems together with internal control findings issued by our auditor, including the mitigating factors surrounding the use of IT users with certain access rights to our systems. We confirm that the processes outlined above and on page 97 have been in place for the year under review and up to the date of this Annual Report and Accounts, and that these processes accord with the UK Corporate Governance Code and the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. We also confirm that, while no significant failings or weaknesses were identified in relation to the internal audits performed, there is a programme of continuous improvement to support the achievement of higher standards. This has resulted in an increase in benchmarking our systems of internal control against recognised frameworks. For example, while our score against the NIST Framework is in line with similar organisations, we have taken a conscious step to exceed these standards. Therefore, we have established and continue to monitor an aggressive action plan to achieve our objective of being a leader in the market.

Executive remuneration

During the year (until the 2021 AGM), we operated within the Remuneration Policy approved by shareholders at the 2020 AGM. From the 2021 AGM until 31 May 2022, we operated within the Remuneration Policy approved by shareholders at the 2021 AGM. Details of how the Remuneration Policy has been applied during this financial year are set out on pages 121 to 127 of the Remuneration Committee Report.

Shareholder engagement

Share capital structure
The Company's issued share capital at 31 May 2022 consisted of 309,967,243 ordinary shares of 1p each. There are no special control rights or restrictions on share transfer or special rights pertaining to any of the shares in issue and the Company does not have preference shares.

As far as is reasonably known to the Board, the Company is not directly or indirectly owned or controlled by another company or by any government.

Board engagement with shareholders
Communications with shareholders are given high priority. There is a regular dialogue with institutional investors including presentations after the Company's year end and half-year results announcements.

A programme of meetings takes place throughout the year with major institutional shareholders, and private shareholders have the opportunity to meet the Board face to face and ask questions at the AGM.

We are in regular contact with our large investors through a regular scheduled programme of meetings attended by either our CEO or CFO or both of them. Chris Batterham, our Senior Independent Director, and I are also available to meet with investors should the need arise. I met with our larger investors in February and March 2022 and fed back my findings to Board colleagues at the next Board meeting. In addition, our brokers undertook an investor survey on the back of our half-year results in January 2022 and the results of this were presented and discussed at a Board meeting. Our aim is to engage with our shareholders in an open and meaningful way. During the financial year the Directors held a number of meetings with shareholders as set out below.

Board shareholder updates
Feedback from major institutional shareholders is provided to the Board on a regular basis and, where appropriate, the Board takes steps to address their concerns and recommendations.

Investor meetings

One-to-one meetings	Group meetings
78	4

Substantial shareholdings
As at 31 May 2022, the Company had been notified of the following interests of 3% or more in the issued share capital of the Company under the UK Disclosure and Transparency Rules:

Shareholder	Number of ordinary shares	% of NCC's total share capital
Sanford DeLand Asset Management	18,342,500	5.92%
Legal & General Group plc	22,109,703	7.13%
Canaccord Genuity Group Inc	15,580,182	5.04%
Montanaro Asset Management	16,546,426	5.90%
Artemis Investment Management	13,822,640	4.98%
Schroder Investment Management	15,364,318	5.53%
Unicorn Asset Management	10,796,426	3.89%

Directors' shareholdings
For details of Directors' shareholdings, remuneration and interests in the Company's shares and options, together with information on service contracts, see pages 110 to 120 of the Directors' Remuneration Report.

Annual General Meeting
The AGM is an opportunity for shareholders to vote on certain aspects of Group business and provides a useful forum for one-to-one communication with private shareholders. At the AGM shareholders receive presentations on the Company's performance and may ask questions of the Board. The Chair seeks to ensure that the Chairs of the Audit, Remuneration, Nomination and Cyber Security Committees are available at the meeting to answer questions and all Directors attend.

The Company prepares separate resolutions on each substantially separate issue to be voted upon at the AGM. The result of the vote on each resolution is published on the Company's website after the AGM and will be announced via the regulatory information service. At the 2021 AGM, shareholders representing over 75.19% of the Company's issued share capital returned their proxy votes.

On behalf of the Board

Chris Stone
Non-Executive Chair
6 September 2022

Delivering a robust control environment

2021/22 key activities

- Monitoring integration of IPM business including associated risks and costs of integration
- Ensuring adequate controls exist as the Iron Mountain's IPM business is consolidated into the Group's results and that the existing Group controls have been implemented within the newly acquired business
- Ensuring the Iron Mountain's IPM business fair value accounting including the assessment of deferred revenue is appropriately accounted for and disclosed
- Review of SGT progress and time/cost overruns and ensuring any lessons learned are adequately captured
- Focus on future accounting technical announcements
- Reviewing proposed Task Force on Climate-Related Financial Disclosures (TCFD)
- Review of key assumptions used in Group annual impairment review
- Continued focus on quality of earnings and adherence to Individually Significant Items accounting policy

2022/23 priorities

- Ensuring continued improvement of the effectiveness of the Group's risk management and internal control systems in preparation for potential UK SOX requirements
- Planning for regulatory changes arising from the BEIS whitepaper, "Restoring trust in audit and corporate governance", including ensuring that we review and consider all UK governance changes following the establishment of Audit Reporting and Governance Authority (ARGA)
- Undertaking a thorough and comprehensive auditor tender process, leading to the reappointment of KPMG, or the onboarding of a new auditor
- Monitoring ESG reporting, including progress on TCFD, and embedding sustainability into the business

> "NCC continues to maintain a strong focus on control, risk management and governance."

Chris Batterham
Committee Chair

The Audit Committee's key objectives

The purpose of the Audit Committee is to assist the Board in the discharge of its fiduciary duties of stewardship of the Group's assets. The Committee particularly focuses on systems and processes of management control, and the reporting of internal management information and externally reported financial information. The Committee also provides a forum for reporting by the external auditor.

The Audit Committee's responsibilities

The Committee's main responsibilities include:

- Monitoring the integrity of the Financial Statements relating to the Group's financial performance and their compliance with the provisions of IFRS, the UK Corporate Governance Code, the Disclosure Guidance and Transparency Rules and other regulations
- Reviewing material information and significant accounting judgements contained in the Annual Report and Accounts
- Advising the Board on the continuing appropriateness of the Group's existing accounting policies and the application of any new or modified accounting and reporting standards
- Advising the Board on the effectiveness of the processes ensuring that the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable
- Reviewing the audit findings with the external auditor including discussing any major issues that arise during an audit, the accounting and audit judgements made, the level of any errors identified during the audit and the effectiveness of the audit process itself
- Reviewing the effectiveness of the Group's internal control systems
- Reviewing the nature and extent of significant financial risks and how they can be mitigated
- Making recommendations to the Board in relation to the appointment of the external auditor, approving its remuneration and terms of engagement

- Overseeing the relationship with the external auditor including, but not limited to, assessing its independence, objectivity and effectiveness
- Reporting to the Board on the procedures for responding to whistleblowing, fraud or potential breaches of anti-bribery legislation

A full copy of the Committee's terms of reference can be found in the Investor Relations section of the Group's website at www.nccgroup.trust/uk/about-us/investor-relations.

Activities during the year

During the year, the Committee:

- Assessed the effectiveness of the 2021 external audit process and Audit Committee effectiveness
- Reviewed the FRC Audit Quality Inspection and Supervision Report with respect to KPMG LLP
- Undertook a Committee evaluation exercise to assess where the Committee should best focus its attention
- Received a summary of regulatory updates including health and safety updates documenting new initiatives and activities
- Considered recent technical updates including guidance issued by the Financial Reporting Council
- Received regular briefings from the Director of Global Governance summarising risk management and control issues
- Reviewed the findings from the internal audit projects conducted during the year and approved the internal audit plan for the forthcoming year
- Reviewed the findings from the audit for the year ended 31 May 2022 and from the auditor's review of the half-year results to 30 November 2021
- Continued focus on quality of earnings and adherence to Individually Significant Items accounting policy
- Reviewed all significant accounting areas and areas of key estimation. Reviewed KPMG audit conclusions in these areas
- Reviewed the accounting treatment in respect of the acquisition of the IPM business including key estimates associated with this transaction. Reviewed KPMG audit conclusions in these areas
- Reviewed management's going concern and Viability Statement assessment, including macro-economic considerations. Reviewed KPMG audit conclusions in these areas
- Received a self-assessment of the finance controls highlighting enhancements made during the year, areas of continuous improvement and specific actions to implement minimum control standards
- Reviewed a summary of why management considers the Annual Report is fair, balanced and understandable

Composition

The Audit Committee is chaired by me, a Chartered Accountant of 43 years' standing. I have previously served as the Finance Director of Unipalm plc, before becoming Chief Financial Officer of Searchspace Limited until 2005. Both businesses operated in digital technology sectors. My earlier career included roles with BICC Group and accountants Arthur Andersen. Until March 2022, I was also a member of the audit committee at Blue Prism Group plc. I currently chair the audit committee at Nanoco Group plc (both companies are listed companies), which provides me with an additional external perspective to bring to my chairing of this Committee. The Board considers that I have the recent and relevant experience required by the Code.

Mike Ettling served on the Committee throughout the year. Jonathan Brooks served on the Committee from 1 June 2021 until he retired from the Board on 27 January 2022. Julie Chakraverty joined the Committee when she was appointed to the Board on 1 January 2022. On 1 September 2022, Lynn Fordham joined the Committee. Julie and Lynn bring welcome new experience with their strong backgrounds and are strong additions to the Committee's membership. All members of the Committee are considered to be independent and the Committee as a whole continues to have competence in the technology sector.

Summary biographies of each member of the Committee are included on pages 78 and 79.

Meeting frequency and attendance

The terms of reference for the Committee require at least three meetings per year. During this financial year the Committee met five times. As well as the members of the Committee, standing invitations are given to the Chair, the other independent Non-Executive Directors, the Chief Executive Officer, the Chief Financial Officer, the Group Financial Controller, and the Group Director of Global Governance, with other attendees also attending by invitation. The external auditor also attends each meeting. During the year the Committee met, on a number of occasions, with the external auditor without the Executive Directors being present. In addition, following the appointment in early 2020 of the Group's Director of Global Governance, who heads up the Group's internal audit function, a number of meetings were held with her without management being present.

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

Attendee	Meetings attended	
Chris Batterham	5	5
Julie Chakraverty [1]	2	2
Mike Ettling [2]	4	5
Jonathan Brooks [3]	4	4

At all times all of the Committee meetings remained quorate.

Meetings attended

Possible meetings

1 Julie Chakraverty was appointed to the Board on 1 January 2022.

2 Unable to attend one meeting due to sudden illness.

3 Jonathan Brooks retired from the Board on 27 January 2022.

Governance

Significant accounting areas and areas of significant management judgement or estimation uncertainty

The table below summarises the significant accounting issues, judgements and estimates that the Committee considered during the year in relation to the Financial Statements. These are split between those items which are identified either as recurring items that the Committee regularly reviews or as items of current year focus. The table also shows the degree of judgement or estimation that the Committee feels has to be applied for each item. Items with a significant impact but with a "low" judgement level will typically have extensive independent third party evidence of the bases for any judgement. Areas assessed as requiring a "high" level of judgement tend to rely more heavily on management estimates and historical trends than extensive independent third party evidence.

Review items	Accounting judgement	Estimation required
Goodwill carrying values (recurring)	n/a	Low*
Fair value measurement – separately identifiable intangible assets (current year focus)	n/a	High

* At the initial assessment stage, this was assessed as high estimation uncertainty. However, following the conclusion of management's work and the Committee's review, the estimation uncertainty has reduced to low. Given the focus of the Committee on this area in the year, we have included it in the table above as it continues to be an area of focus and close monitoring.

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

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

- The appropriateness of the accounting policies used
- Significant areas of management judgement or estimation
- The effectiveness and changes to the financial control environment
- Compliance with external and internal financial reporting standards and policies
- Disclosure and presentation of GAAP and Alternative Performance Measures (APMs)
- Whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the Group's financial position, performance, business model and strategy

In carrying out this review the Committee challenged the significant estimates and judgements made by the Group's finance team and considered the external auditor's reports setting out its views on the accounting treatments and judgements included in the Financial Statements.

Goodwill carrying value

(Recurring item: see Note 12 to the Financial Statements)

The Group has significant balances relating to goodwill at 31 May 2022, totalling £266.1m (2021: £182.9m). Of this amount £76.9m relates to acquisitions in the current year including the acquisition of the IPM Software Resilience business while the remainder relates to acquisitions made in prior years.

Goodwill is tested for impairment annually at the level of the CGU to which it is allocated. For the year ended 31 May 2021, the recoverable amount of all CGUs concerned was measured on a value in use (VIU) basis. For the year ended 31 May 2022, the recoverable amount of all CGUs concerned was measured on a VIU basis, with the exception of the Europe Assurance CGU and the IPM Software Resilience CGU, which were measured on a fair value less costs to sell basis.

Fair value less costs to sell

In accordance with IAS 36, for the year ended 31 May 2022, the recoverable amount of the Europe Assurance CGU and the IPM Software Resilience CGU has been determined on a fair value less costs to sell (FVLCTS) basis for the purposes of the impairment review. The VIU calculations prepared for both CGUs are highly sensitive to changes in inputs (for example reduced growth rates, particularly beyond a period of three years), which could suggest that they were less than the carrying value of assets. Therefore, the Directors obtained two separate valuations performed by independent third parties that compiled evidence of comparable companies and precedent transactions to allow an assessment of FVLCTS.

The Europe Assurance CGU and IPM Software Resilience CGU FVLCTS valuations have been calculated by assessing the value of the standalone Europe Assurance and IPM Software Resilience businesses calculated using an EBITDA[1] multiple based on sustainable earnings for the year ended 31 May 2022 adjusted for specific items where relevant. For the IPM Software Resilience business, integration costs associated with combining the business into the wider Group have been added back to sustainable earnings used in the calculation. For the Europe Assurance CGU no material adjustments have been made to the sustainable earnings used in the calculation.

Each CGU FVLCTS valuation has been assessed under a Level 3 fair value hierarchy as defined by IFRS 13. The key assumptions used in the FVLCTS is the sustainable earnings and EBITDA[1] multiple. Sensitivity analysis has been performed in respect of certain scenarios where management considers a reasonably possible change in key assumptions could occur. Following this review, it was concluded that there was no reasonably possible change in those inputs that could give rise to an impairment.

Value in use

All other valuations have been assessed on a VIU basis; this involves the preparation of discounted cash flow projections, which require 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 estimates: the rate of revenue growth and the discount rate.

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.

The Committee has reviewed the rationale used to determine the CGUs. The Committee also reviewed the valuation approach applied to assess the recoverable amount of each CGU.

With respect to VIU calculations the Committee reviewed assumptions used in future cash flows that underpin the valuation of goodwill. With respect to FVLCTS calculations the Committee reviewed the sustainable earnings used in the calculation and the multiple applied (considering two valuations performed by independent third parties that compiled evidence of comparable companies and precedent transactions). The Committee concurred with the view of management that no impairment should be recognised as either the discounted future cash flows or fair value was higher than carrying value.

Fair value measurement – separately identifiable intangible assets

(Current year focus item: see Note 34 to the Financial Statements)

As part of the acquisition of the IPM business (see Note 34) the Group has acquired an intangible asset relating to the customer relationships acquired with a fair value of £91.4m. The valuation approach taken is the income approach, specifically the multi-period excess earnings method (MEEM). As part of this valuation exercise the discount rate and revenue growth rate have been identified as key sources of estimation and uncertainty and 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 is described in Note 34.

The Committee has reviewed management's assessment of the fair value of separately identifiable intangible assets acquired by considering the independent valuation performed by a third party, management assumptions and reasonably possible sensitivities and is satisfied that it is reasonable.

The Group's approach to materiality

In considering the materiality of any individual issue or issues in aggregate, the Group looks at a range of qualitative and quantitative measures to assess whether or not omitting, misstating or obscuring information could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The range of measures includes (but is not limited to) the primary Financial Statements themselves, the individual line item in question, and whether or not the issue moves the result from one side of an inflection point to another (for example, turning a profit into a loss or a net asset into a net liability). Qualitative and quantitative measures are both considered as is any potential impact on remuneration or banking arrangements such as debt covenants.

Internal audit

The internal audit function is responsible for internal audit, the assurance of other quality systems and processes, and monitoring the embedding of risk management processes throughout our operations. The internal audit plan was approved by the Committee during the financial year and a number of audits were performed, the findings of which have been reviewed by the Committee. During the year, seven internal audit reports were issued covering a range of risk areas including key financial controls, procurement processes, order to cash, expenses processing, engagement of contractors, and internal cyber security. No significant issues were raised, and all identified control issues and related corrective actions are reported to the Audit Committee. Implementation of the agreed management actions is monitored on an ongoing basis by internal audit. The Group will look to increase the scope of the audit plan during FY23, drawing on third party resource provided under co-source arrangements, and through the use of data analytics.

Internal controls and risk management

The Board is responsible for establishing, maintaining and monitoring the Group's system of risk management and internal control and reviewing its effectiveness. The Committee monitors the performance of management in this area.

We have an ongoing process for identifying, evaluating and managing the principal risks faced by the Group, which has been in place for the year under review are deemed effective up to the date of approval of the Annual Report and Accounts. The Group's non-cyber security risks are monitored by the Audit Committee on behalf of the Board, which sets aside time for an in-depth discussion of notable or changing risks to the business. A description of the process for managing risk, together with a description of the principal risks and strategies to manage those risks, is provided on pages 64 to 72. Cyber risks are reviewed by the Cyber Security Committee; the Cyber Security Committee Report can be found pages 103 to 105.

Internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed. By their nature, however, internal control systems are designed to manage rather than eliminate the risk of failure and can provide only reasonable but not absolute assurance against material misstatement or loss. During the year, the Group has implemented new systems which have brought about some changes in controls, as the Group transitions away from historical systems. These controls are deemed effective, however will require further changes in the forthcoming year as we continue to embed new ways of working across all our systems. Key elements of the risk management and internal control system are described below. Enhancements during the year are highlighted while the other elements have all been in place throughout the year.

Controls relating to financial reporting and preparation of the Annual Report and Accounts

- Information provided to management covering financial performance and key performance indicators, including non-financial measures (enhanced by new KPIs and targeted management reports)
- A detailed budgeting process where business units prepare plans for the coming year (enhanced with new standardised reporting, discretionary cost reviews and consolidation models and systems)
- Procedures for the approval of capital expenditure and investments and acquisitions (enhanced by standardised capital approval request forms)
- Monthly operational reviews to monitor and reforecast results as required against the annual operating plan, with major variances followed up and management action taken where appropriate

Other controls

- Defined management structure and delegation of authority to Committees of the Board, subsidiary boards and associated business units (enhanced by more detailed authorities and guidance notes)
- Recruitment standards and training to ensure the integrity and competence of staff
- Anti-bribery, security and compliance training for all colleagues
- Clearly documented internal procedures set out in the Group's ISO 9001:2015 accredited quality manual
- Regular internal audits of key processes and procedures under the Group's ISO 9001 and ISO 27001 accredited quality assurance process
- Monitoring of any whistleblowing or fraud reports

The external auditor regularly reports its findings on those areas of internal control which it assesses as part of the external audit and half-year review to the Board and the Audit Committee.

Internal controls and risk management continued

Other controls continued

Our internal control effectiveness is assessed through the performance of regular checks, which in the year ended 31 May 2022 included:

- Assessment of the identification and management of risks connected to the Group's strategy and management of strategic change
- Reviewing and testing the Group's financial reporting processes
- Performing compliance monitoring activities
- Assessment of the Group's processes for identifying and mitigating potential conflicts of interest
- Monitoring the completion of the Group's mandatory colleague training

Following these regular checks, it was deemed that the controls were effective and the internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed.

Whistleblowing and confidential reporting procedures

The Group operates a confidential reporting and whistleblowing procedure (known as our "Whistleblowing Policy"). The policy aims to support the stewardship of the Group's assets and the integrity of the Financial Statements as well as protecting colleague welfare. The procedure is reviewed annually by the Committee to ensure that it remains fit for purpose.

The Group has appointed an independent third party reporting agent to be the first point of contact for those who do not wish to use normal internal line management channels for reporting their concerns. This is advertised internally via colleague noticeboards and our intranet. Colleagues are asked to undertake mandatory training on a regular basis. During the year, colleagues were reminded of the Code of Ethics Policy and the Whistleblowing Helpline.

The Committee reviews any whistleblowing or confidential reporting of concerns raised during the year with respect to their nature, scale and any associated or consequential risks.

Review of the Audit Committee's effectiveness

The Committee has reviewed and considered the effectiveness of its performance during the year. The review included the views of members of the Committee and of regular attendees at the various meetings (including the Executive Directors). I am satisfied that the degree of rigour and challenge applied in performing the Committee's responsibilities is appropriate and effective and continues to improve. Please see pages 90 and 91 for further details of the Committee evaluation process.

Auditor's independence and objectivity

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

The Company also operates a rigorous policy designed to ensure that the auditor's independence is not compromised by it undertaking inappropriate non-audit work. The Audit Committee's approval is therefore required for any fees for any non-audit work undertaken by the auditor. However, the Company recognises that it can receive particular benefit from certain non-audit services provided by the external auditor due to its technical skill and detailed understanding of the Company's business.

During this financial year non-audit fees of £80,000 (2021: £75,000) were paid to the external auditor for the half-year review.

All significant pieces of non-audit work are put to informal tender to suitable parties that, if appropriate, can include the external auditor. Upon review as to suitability and price, the work will then be placed with the service provider recommended. If this is the external auditor, then Audit Committee approval is required.

The external auditor was not engaged during the year to provide any services which may have given rise to a conflict of interest. The Committee is satisfied that the overall levels of audit and non-audit fees (i.e. the half-year review fee) are not material relative to the income of the external auditor as a whole and therefore that the objectivity and independence of the external auditor were not compromised.

During the year, our external auditor received ad hoc cyber resilience services in the ordinary course of business. The Committee is satisfied that this work is immaterial to both the external auditor and the Company and therefore the objectivity and independence of the external auditor are not compromised.

External auditor's effectiveness and appointment

The Committee reviews and makes recommendations regarding the reappointment of the external auditor following a formal review of the auditor's performance following completion of the prior year Financial Statements' audit. In making these recommendations the Committee considers:

- The experience, industry knowledge and expertise of the auditor
- The scope and planning of the audit and any variations from the plan
- The quality of the processes adopted
- The auditor's explanations of significant risks to audit quality by reference to the Company's specific circumstances and changes to the risks
- The fees charged
- Its attitude to and handling of key audit judgements
- Its ability to challenge and communicate effectively with management
- The quality of the final report
- The FRC's Audit Quality Review report relating to KPMG

During the financial year, I attended regular meetings with KPMG's engagement partner without management being present. This provided the opportunity for open dialogue. The engagement partner demonstrated her understanding of the Group's business risks and the consequential impact on the Financial Statements. Feedback on the conduct of the audit from the engagement partner's perspective is used to determine if any challenges in the prior year audit would be sufficiently addressed in the next audit cycle.

The Group's current auditor, KPMG LLP, has been in place since 1 November 2013 with a competitive audit tender process having last been undertaken in November 2011 for the year ended 31 May 2014.

It is the intention of the Committee to carry out a competitive audit tender process during the forthcoming year in advance of the next audit cycle (year ending May 2024).

Therefore, having fully considered the effectiveness, independence and objectivity of the external auditor and the reports it has produced in the current financial year, the Committee has concluded that it is appropriate to recommend to the Board the reappointment of KPMG LLP as the Group's external auditor for the next financial year.

Related party transactions and other fees approved by the Committee

Refer to Note 32 for related party transactions in the year.

Fair, balanced and understandable

At the request of the Board, the Committee considered whether the 2022 Annual Report and Accounts, when taken as a whole, was fair, balanced and understandable (FBU) and whether it provided the necessary information for shareholders to assess NCC Group's position and performance, business model and strategy. The reviews outlined in the diagram opposite include reviews of all material matters, as reported elsewhere in this Annual Report and Accounts, and reviews of the balance of good and bad news and ensure the Annual Report and Accounts correctly reflects:

- The Group's position and performance as described on pages 8 to 11 and 56 to 63
- The Group's business model as described on pages 18 and 19
- The Group's strategy as described on pages 28 to 35

The independent reviewers were not major contributors to the Annual Report and Accounts but, at the same time, as members of the Executive Committee or other senior colleagues, are deemed to be sufficiently well informed on the Group's activities to be able to give appropriate feedback on the FBU criteria. They undertake a qualitative review of disclosures and a review of internal consistency throughout the Annual Report and Accounts.

The Directors' statement on a fair, balanced and understandable Annual Report and Accounts is set out on page 133.

Chris Batterham
Chair, Audit Committee
6 September 2022

Fair, balanced and understandable

The following process was followed by the Committee in making its assessment:

1. Financial information
- Prepared by individual business units
- Consolidated by Group finance team
- Reviewed by Group Financial Controller and CFO

2. Narrative disclosures
- Prepared by Group finance team
- Reviewed by Group Financial Controller and CFO
- Various reports prepared by Committee Chairs, CEO and CFO

3. Independent reviewers
- Senior members of the Executive Committee or other senior colleagues
- Those who have not been major contributors

4. Audit Committee Chair
- Review of detailed verification documents
- Review of findings and observations from independent reviewers

Governance

A continued focus on succession planning and diversity

2021/22 highlights

- Recruitment of a new CEO
- Recruitment of two new independent Non-Executive Directors
- Sessions to review senior management and Executive Director succession plans
- Focused on diversity and inclusion in every meeting, including undertaking unconscious bias training
- Undertook a review of the colleague engagement results and continued with the non-executive colleague engagement sessions

2022/23 priorities

Our priorities for the coming year focus on three areas:

- Broadening our approach to talent and succession enabled by Workday
- Continuing to support the development of a diverse leadership profile and pipeline
- Creating the right working environment to support colleague engagement and working post pandemic

"During the year, we have made strides to improve the diversity around our Board table and in the executive team and completed a successful search for a new CEO and Non-Executive Director."

Chris Stone
Committee Chair

The members of the Nomination Committee are Chris Batterham, Julie Chakraverty (from 1 January 2022) and Jennifer Duvalier, along with me. Jonathan Brooks also served on the Committee between 1 June 2021 and 27 January 2022. On 1 September 2022, Lynn Fordham was appointed to the Committee.

The Nomination Committee's objectives and responsibilities

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

- Reviewing the structure of the Board
- Evaluating the balance of skills, knowledge, experience and diversity on the Board
- Making recommendations for further recruitment to the Board or proposing changes to the existing structure of the Board, or individual Directors
- Reviewing the leadership needs of the Company, both Executive and Non-Executive
- Succession planning for Directors and other senior executives within the business
- Recruiting, appointing and exiting of Directors
- Overseeing membership of, and succession to, the various Board Committees
- Reviewing the time commitment required from the Non-Executive Directors on NCC Group business

The Chair of the Board leads the process for the appointment of new Non-Executive Directors to the Board and for the appointment of the Chief Executive Officer. The Chief Executive Officer, in conjunction with the Chair, leads the process for the Chief Financial Officer. The Senior Independent Director leads the process for a new Chair of the Board.

In relation to an appointment to the Board, the Committee draws up a specification and assesses the capabilities and experience required for such a role, taking into account the Board's existing composition, including relevant experience and understanding of our stakeholder groups.

We also assess the time commitment required. Candidates are sought by third party executive search consultants and, where appropriate, through the assessment of internal candidates and are then formally considered by the Nomination Committee. Extensive external referencing is completed.

Diversity

Our objective is to have a broad range of skills, backgrounds, experiences and personal attributes within the Board as this ensures the Board is best placed to serve the Company.

All appointments are made on merit and against objective criteria with due regard for the benefits of diversity on the Board, including gender, nationality, and educational and professional background, as well as individual characteristics which will enhance diversity of thinking on the Board. The Company and the Committee value the aims and objectives of the Hampton-Alexander Review on FTSE women leaders and the Parker Review on ethnic diversity of UK boards and support and apply the Group's diversity policy.

The Group's gender diversity statistics are set out on page 49. At Board level, we currently have three females on our Board and one person of colour, but we note that diversity extends beyond the measurable statistics of gender and ethnicity. As such, while we historically have not set any particular targets, we continue to take diversity in its wider context into account, having regard to the diversity policy, and recommend only the most appropriate candidates for appointment to the Board.

During the year ended 31 May 2021, we made the firm commitment that by 2024, we will have at least 33% female representation on our Board and at least one person of colour. With our recent appointments, we have now delivered on our commitment and are also on course to meet the FTSE Women Leaders Review target of 40% by the end of 2025. Although this is best practice for FTSE 350 companies, we have committed to this target regardless of which share index we are in. (To achieve this commitment by the end of 2025 based on our current Board size of eight Directors, we would need to have at least four female Directors out of the eight.) Our Board now has 37.5% female representation (three out of eight), and we will look to improve this further still during any future appointments to the Board.

We will look to continue to address this during future Board and Executive Committee appointments. Given that it remains a fairly young Board in terms of tenure, this improvement in diversity will not be a quick process but we are very mindful of the need to take positive action, and the matter is fully on our agenda, as can be seen with the action we have taken during the year. Accessing the candidates we require to reach this target will involve us looking beyond the obvious pool of existing board directors within the UK and we intend to ensure that we extend our talent search to other sectors and countries to ensure we find a diverse pool of candidates from which to choose to provide us with true diversity around our Board table.

When a new Director is appointed they receive a full, formal and tailored induction into the Company and discuss with the Chair any immediate training requirements. (To read more about Julie Chakraverty's induction, please see page 87.)

During the coming year we will ensure that our new CEO (Mike Maddison) and our new independent Non-Executive Director (Lynn Fordham) are provided with a formal, comprehensive and tailored induction programme and we will report back on this more fully in next year's Annual Report.

The Committee's terms of reference can be found in the Investor Relations section of the Company's website: www.nccgroupplc.com/investor-relations.

The terms of reference are reviewed annually and updated when necessary.

Committee meetings

During this financial year, the Committee held eight scheduled meetings.

The attendance of individual Committee members at Nomination Committee meetings is shown in the table below. Unless otherwise indicated, all Directors held office throughout the year.

Attendee	Meetings attended	
Chris Stone	8	8
Chris Batterham [1]	7	8
Jonathan Brooks [2]	6	6
Julie Chakraverty [3]	3	3
Jennifer Duvalier	8	8

At all times all of the Committee meetings remained quorate.

● Meetings attended

● Possible meetings

1 Missed one meeting due to a pre-existing personal commitment.

2 Jonathan Brooks retired from the Board on 27 January 2022.

3 Julie Chakraverty was appointed to the Board on 1 January 2022.

Governance

Activities during the year

During the year, the Committee:

- Recruited a new CEO
- Recruited a new independent Non-Executive Director
- Evaluated the skills, knowledge and experience around the Board table
- Reviewed the structure, size and composition of the Board
- Reviewed the Directors' length of service
- Reviewed the diversity of the Board
- Reviewed the memberships of all Committees
- Reviewed the expected time commitment of the Chair and the Non-Executive Directors
- Evaluated its own performance as a Committee

During the year, the Nomination Committee has had several in-depth presentations from the Chief People Officer which focused on people, talent and succession planning. These presentations looked at the overall current position and in particular senior succession, i.e. the Executive Committee and its direct reports.

Presentations and updates during the year

This year has been a busy one for the Committee and it has had a number of presentations and updates on various colleague matters across the Group. These include the following:

- Reviewed achievements over the previous year for the global people team and looked forward to priorities for the year ahead
- Reviewed our development of capability with a particular focus on senior succession and talent. We have also reviewed our approach to accelerating and developing our global leadership capability
- Received an update since the previous year on our future state ambition of being "a hub for cyber talent and a destination employer with a quirky, distinctive environment"
- Reviewed the pipeline of step up candidates within the Group
- Considered the generational perspectives of colleagues within the Group and their differing needs from an organisational and leadership perspective
- Reviewed colleague engagement results from the annual colleague survey (BHeard) when mapped against current colleagues and former colleagues. Exit interview data and key themes were also presented to the Committee
- Reviewed both present and former colleague sentiment on social media channels
- Explored our current global leadership KPIs and discussed opportunities for improvement as we launch our leadership development programme in FY23
- Received a comprehensive briefing on the annual colleague survey results (BHeard), along with the agreed next actions
- Received a briefing on the Action Ally programme being rolled out across the Group

Our ambition for our future state is to be "a hub for cyber talent and a destination employer with a quirky, distinctive environment". To support the ambition and our commitment to improving global diversity, we are focusing on:

Processes

- Removing barriers to entry and making our talent attraction and acquisition experience world class
- Continuing to review all our processes/documentation to ensure all bias is removed including adverts and job descriptions

Training

- Providing unconscious bias training for leadership groups (the Board and ExCom have both now undertaken unconscious bias training). Continuing with NCC Conversations and our colleague resource groups – promoting equality and celebrating our difference
- Our commitment to Action Ally, a programme to support allyship at every level of the organisation, creating a safe and inclusive environment where colleagues feel they belong
- Continuing to embed a Manager Essentials programme which covers recruiting and managing a diverse team

Colleague voice

- Our commitment to an ongoing open dialogue with our colleagues, through our annual engagement survey, colleague forums, live leadership ask anything sessions, Board engagement sessions with colleagues, the colleague resource groups, listening sessions and our whistleblowing line, all play an active role in creating a great place to work (for further information, please see the Stakeholder Engagement section on pages 24 to 27)
- Continuing to develop and assess the broad range of opportunities for colleagues to ask questions, to provide feedback and to play an active role in creating a great place to work

Long term

- Developing our employer brand to broaden our attraction strategies supported by a flexible, distinctive proposition to ensure we remain current and attractive in a hot tech talent market globally
- Building strategic partnerships with organisations to support our commitment to create an inclusive and diverse environment
- Connecting the initiatives at every stage of colleagues' lives and careers to create enriched career pathways and achieve the best return for investment with improved colleague retention. Initiatives include work experience, the Next Generation Talent programme, mentoring and CyberFirst bursaries, and Alumni programmes

Committee effectiveness

During the year, the Nomination Committee carried out an internal self-evaluation on its effectiveness.

A number of recommendations were made, including the need to:

- Continue to build on the strong initial progress with our firm commitment to have at least 33% female representation and at least one person of colour on the Board by 2024
- Focus on succession planning for the Board and senior management
- Continue to improve succession plans for senior executives and improve exposure to senior executives at Board meetings and within more informal settings

External search consultancies

During the year, we used the following search consultancies for the following recruitment:

- Julie Chakraverty – Independent Search Partnership LLP
- Mike Maddison – Heidrick and Struggles International Inc
- Lynn Fordham – Sam Allen Associates Limited

None of the three agencies named above have any other connection with the Company.

Chris Stone
Chair, Nomination Committee
6 September 2022

Monitoring the cyber security and data protection landscapes

2021/22 highlights

- Focus on defining the role of NCC as potentially both a controller and processor in certain service lines to maintain compliance with contractual and data transfer obligations
- Project to support maturing global service delivery model from the perspective of data transfer and data sovereignty requirements
- Global information risk management framework, with dedicated information risk scoring matrix, has been embedded and better articulates the data risks faced by the Group and therefore supports continuous improvement
- Establishment of Global Technical Services (GTS) in November 2021, with strong focus on removing legacy technologies and simplifying our IT estate, which will continue into 2022/23
- Cyber Security Review against the NIST Framework in February 2022, and greater use of other third party benchmarks like Microsoft's Secure Score to help objectively prioritise security improvements

2022/23 priorities

- Implementing a ticketing system to improve workload management and reporting requirements for greater visibility and ability to more accurately measure trends
- Revamping the data protection governance structure to include Data Leads and Champions, with Steering Committee membership comprising ExCom
- Streamlining security processes as part of the Global Technical Services target operating model to improve security team efficiency
- Running more complex cyber exercises to test our response processes

> The Committee is dedicated to driving continuous improvement in both the cyber security and data protection environments. This has been achieved through challenging the "norm", proactively managing a changing risk environment, sponsoring key projects, and encouraging innovative solutions."

Chris Stone
Committee Chair

The Cyber Security Committee was formed to focus specifically on the cyber risks faced by the Group. This reflects the significant threat posed by cyber risks, the nature of our business, and the potential damage to the business as a high value target for malicious acts. The Committee's activities aim to challenge and support improvements to the Group's information security and data protection policies, defences and controls, so as to comply with global data protection regulations around the world, and ensure that the Group looks after its own information, and the information that its customers entrust to it, with the proper care and attention.

The Committee was formed in November 2016 and I have been Chair since January 2018.

Chris Batterham and Jennifer Duvalier (both independent Non-Executive Directors) served as members of the Committee throughout the year. Jonathan Brooks stepped down from the Committee when he stepped down from the Board on 27 January 2022. Julie Chakraverty (an independent Non-Executive Director) joined the Committee when she was appointed to the Board on 1 January 2022. Julie brings welcome new experience with her strong financial services and technology background and is a strong addition to the Committee's membership. On 1 September 2022, Lynn Fordham was appointed to the Committee.

The Group's Director of Global Governance, the Group's Chief Information Security Officer (CISO), and the Group's Chief Data Protection and Governance Officer (CDPGO) are standing invitees of the Committee. The Executive Directors are invited to attend Committee meetings when the Committee considers it to be appropriate.

The Cyber Security Committee's objectives and responsibilities

The Cyber Security Committee is responsible for assessing the performance of the Group's internal security and defences and as such its duties are to:

- Oversee and advise the Board on the current cyber risk exposure of the Group and future cyber risk strategy
- Review at least annually the Group's cyber security breach response and crisis management plan
- Review reports on any cyber security incidents and the adequacy of resulting actions
- Receive and consider the regular update reports from the CISO and CDPGO and ensure the CISO and CDPGO are given the right of direct access to the Committee
- Consider and recommend actions in respect of all cyber and data protection risk issues escalated to it
- Keep under review the effectiveness of the Group's controls, services and products to analyse potential vulnerabilities that could be exploited
- Regularly assess what are the Group's most valuable intangible assets and the most sensitive Group and customer information and assess whether the controls in place sufficiently protect those assets and information
- Review the Group's ability to identify and manage new cyber risks
- Assess the adequacy of resources and funding for data protection and cyber security defence and control activities
- Regularly review the cyber and data protection risk posed by third parties including outsourced IT and other partners
- Oversee cyber security and data protection due diligence undertaken as part of an acquisition and advise the Board of the risk exposure
- Annually assess the adequacy of the Group's cyber insurance cover

The Committee's terms of reference can be found in the Investor Relations > Corporate Governance section of the Company's website (www.nccgroupplc.com/investor-relations/corporate-governance). The terms of reference are reviewed annually and updated when necessary.

Committee effectiveness

During the year, the Cyber Security Committee carried out an internal self-evaluation on its effectiveness, as it continues to mature since its formation in November 2016. The Committee was found to be working effectively and I am satisfied that the degree of rigour and challenge applied in performing the Committee's responsibilities is appropriate and effective and continues to improve. In terms of specific focus areas for the year ahead we agreed on the following:

- Continuing to take the papers/presentations as read and focusing on more value-adding dialogue, discussion and interaction rather than going through the Committee briefing packs
- Improving the Committee's knowledge and understanding of how NCC Group actually uses the tools and processes that it offers to clients
- A review of whether external presenters or advisers/consultants could attend future Committee meetings
- More frequent updates on the nature of the changing cyber threat landscape, e.g. what are the current major topics within cyber and the significant threats, plus recent security incidents that organisations have experienced

As an output of both this and previous evaluations, the Committee, along with the Board, reaffirmed that cyber security and data protection are sufficiently important risks for the business and that the Committee should remain focused on this specific set of risks. Therefore, the current structure in which the responsibility for broader risk management remains with the Audit Committee will continue.

Committee activities during the year

- The Committee continues to make sure that the Group's resilience to cyber-attack is maintained and improved as the threat landscape changes. In terms of information security activities, the establishment of Global Technical Services (GTS) in November 2021 and the close working between the CISO and security team in GTS – at full strength after successful internal recruitment activities in the summer and autumn – allowed us to focus on removing or remediating some of our legacy technologies and simplifying our IT estate, while at the same time improving our security visibility across the Board.
- A new ICT asset management system has been introduced and this will be exceptionally valuable for ongoing threat and vulnerability management and will underpin security activities in the future.
- We conducted a Cyber Security Review against the NIST Framework in February 2022, and we are working through the matters arising from that to make improvements where necessary. We have also made greater use of other third party benchmarks like Microsoft's Secure Score to help prioritise security improvements.
- On the threat detection side, we continue to benefit from our global SOC's leading detection methods and techniques, and have just begun to transition to making more use of the Group's fast-developing Microsoft XDR offering.

In terms of our global data protection programme and internal data privacy activities, our three year strategy is underway to pave the way for our intended application for Binding Corporate Rules. Binding Corporate Rules provide colleagues and customers alike with a sense of trust through demonstration of our commitment to protecting personal data, wherever in the world it may be processed during our business activities. The data protection regulatory landscape is continually changing, particularly in light of the UK GDPR, and the team is working closely to stay abreast of such changes. Noteworthy highlights since our previous report include:

- A suite of improvements are either in progress or have been made with the goal of furthering our Data Protection by Design approach, and to make the Data Protection triage assessment process more efficient and easier for the business to engage with. This includes a new ticketing/work log system. The data protection team continues to work closely with IT to embed these improvements into its processes.

- The engagement of a specialist external data protection law firm to provide additional resource to support the internal team during a period of flux in the data protection market. Recruitment activities are underway to secure further permanent resource.
- Significant progress with our project to achieve global compliance with the European Court of Justice Schrems II decision around exporting personal data outside of the EU has been made, focusing first on the global CIRT service. This part now approaches completion.

Committee meetings

During this financial year, the Committee met three times and the attendance of individual Committee members at the Cyber Security Committee meetings is shown in the table below. Unless otherwise indicated, all Directors held office throughout the year.

Attendee	Meetings attended	
Chris Stone [1]	2	3
Chris Batterham [2]	2	3
Jonathan Brooks [3]	2	2
Julie Chakraverty [4]	2	2
Jennifer Duvalier	3	3

At all times all of the Committee meetings remained quorate.

Meetings attended

Possible meetings

1 Missed one meeting due to an urgent personal matter.

2 Missed one meeting due to a pre-existing personal commitment.

3 Jonathan Brooks retired from the Board on 27 January 2022.

4 Julie Chakraverty was appointed to the Board on 1 January 2022.

Chris Stone
Chair, Cyber Security Committee
6 September 2022

Governance

Driving sustainable growth

2021/22 highlights
- Embedding the new Remuneration Policy for 2021–2024 as approved by shareholders at the 2021 AGM
- Making further grants under the Restricted Share Plan for below-Board colleagues, to further broaden colleague share ownership
- Approval of a new Share Incentive Plan (SIP) to enhance colleague share ownership at all levels
- Undertaking a remuneration adviser tender
- Recruiting a new CEO and overseeing the exit terms of the outgoing CEO

2022/23 priorities
- Further implement our Remuneration Policy following approval at the 2021 AGM
- Complete the integration of Iron Mountain remuneration practices into the Group
- Further consider the expansion of ESG measures into incentive arrangements
- Continue to ensure our incentive arrangements support the Group's long-term growth strategy
- Set the remuneration package for the new CEO

> "Our Remuneration Policy aims to support the growth of the business in a highly competitive market for talent."

Jennifer Duvalier
Committee Chair

On behalf of your Board, I am pleased to present our Directors' Remuneration Report (DRR) for the year ended 31 May 2022.

The report is divided into three sections: an Annual Committee Chair's Statement, the Annual Report on Remuneration for FY22, and the previously approved Directors' Remuneration Policy.

At the AGM in November 2021, 93% of shareholders voted in favour of the Directors' Remuneration Report, and I would like to thank shareholders for their continuing support.

Annual Statement

2021/22 was another busy year for the Remuneration Committee and we had six meetings in total. The Committee comprised Chris Batterham, Julie Chakraverty (who joined the Committee on 1 January 2022) and me as Chair. Jonathan Brooks chaired the Committee from 1 June 2021 until he stepped down from the Board on 27 January 2022, and I would like to thank Jonathan for all his work over his years at NCC and his significant contribution to shaping our remuneration framework. Our Board Chair, Chris Stone, also attended all the meetings. We invited our remuneration consultants, Chief People Officer, CEO, CFO and other executives to meetings as required, although we always ensure that we have time without executives present. On 1 September 2022, Lynn Fordham was appointed to the Committee.

Corporate Governance Code remuneration requirements for engagement with shareholders and colleagues

The Committee closely monitors shareholder guidance and feedback on remuneration. Shareholder voting on AGM remuneration resolutions is reviewed annually, shareholders are consulted when changes to policy are being considered, and major shareholders have the opportunity to provide annual feedback to the Board and Remuneration Committee on NCC's remuneration approach at annual engagement meetings.

There are a number of existing channels of communication with colleagues with regard to NCC's remuneration policies and executive remuneration. Our engagement survey enables colleagues to provide feedback confidentially on many employment issues, including remuneration. Our designated NED for colleague engagement also holds a number of colleague engagement sessions during the year in which colleagues are invited to provide feedback and comments on any issue, including executive remuneration and broader remuneration policies. The Committee also receives regular feedback from the Chief People Officer and Director of Reward and HR Operations on how colleagues perceive NCC's remuneration policies and practices in the context of recruitment, retention and motivation. This information is used by the Committee in its monitoring and development of remuneration policies.

Remuneration Policy for 2021–2024

During the 2021/22 financial year, we initially operated within the Remuneration Policy that was approved by shareholders at the 2020 AGM, then switched to the Remuneration Policy that was approved by shareholders at the 2021 AGM in November 2021. The 2021–2024 Directors' Remuneration Policy received 87.43% of votes in favour and I thank shareholders for their support.

As a reminder, with the arrival of the Covid-19 pandemic, changes to the Remuneration Policy in October 2020 were minimal and we, instead, submitted a more significant set of changes at the November 2021 AGM. The aim of these changes was to reflect the strong performance of the business and development of the senior team over a number of years and ensure that the remuneration of our senior team is appropriately positioned against a highly competitive market for talent within the sectors in which NCC Group operates. We refined some changes with our remuneration consultants and then undertook a period of consultation with shareholders in March and April 2021, who were supportive of our approach. Our 2021–2024 Remuneration Policy can be found in this report.

Its main features were to make phased increases to the variable pay opportunity for our CEO and CFO. The first of the changes took place in November 2021 with increased levels of LTIP grants made to the CEO (of 175% of salary) and the CFO (of 150% of salary) (compared with previous grants of 100% for both the CEO and CFO respectively). The implementation of the second increase will take place in 2022/23 when the annual bonus opportunity for both the CEO and CFO will increase from 100% to 125% of salary. The Committee considered this phased approach to be appropriate in the current environment and these increases are balanced by: a reduction in the threshold vesting level for the LTIP; a reduction of Executive Director pension contributions to the workforce level of 4.5%; and the adoption of a more demanding post-employment shareholding policy. Total remuneration remains below the market benchmark level. Further details can be seen in this report.

Base salaries

For the 2021/22 financial year, average salaries in the Group rose by approximately 3.1% but we decided to increase the salary of the CEO by 3%, taking effect from 1 June 2021, taking his salary to £465,000. For 2022/23, average salaries in the Group increased by an average of 5.3% and we have not made any increases to the CEO's salary as he is leaving the Group.

For the CFO, recognising that his salary was below the appropriate level given the size and nature of the role and the incumbent's experience, we consulted with shareholders to increase his pay over a two year period. This plan was fully explained in the Committee Chair's introduction to last year's Remuneration Report. In June 2021 his salary increased to £308,000, representing an increase of 4.9% pts above the average workforce increase (i.e. 8% in total). In June 2022, we implemented the second stage of the planned salary change and increased his salary by 2.9% pts above the average workforce figure. Despite these increases, the salary remains below the relevant benchmark.

Recruitment terms for new CEO (Mike Maddison)

Mike Maddison joined us as our new CEO on 7 July 2022. Mike's remuneration has the same structure as Adam Palser's and consists of a base salary of £500,000, an annual bonus opportunity of 125% of salary, and an annual LTIP grant of 175% of salary. The base salary level for Mike is substantially less than in his previous role. Mike's benefits will be the same as Adam's, except Mike will not receive a car allowance and Mike will be entitled to a pension contribution or allowance of 4.5% of salary, which aligns with our wider workforce. In recognition that the remuneration offer from NCC would otherwise be substantially below his prior remuneration in his previous role, and to replace remuneration foregone on leaving his previous role, the Board will grant a Special Replacement Award of £500k worth of shares, vesting in 2024. The award will be granted in accordance with Listing Rule 9.4.2(R) and the details of the award will be fully disclosed in next year's Remuneration Report.

Leaving arrangements for outgoing CEO (Adam Palser)

As previously reported, Adam Palser stepped down as CEO on 17 June 2022 and his exit terms follow his service contract and our Directors' Remuneration Policy. The full terms of Adam's exit arrangements can be found on our website (www.nccgroupplc.com/media/dfsdz5ix/adam-palser-section-430-2b-of-the-companies-act-statement.pdf); in summary, during his notice period Adam will continue to be paid his monthly salary, and while he remains a colleague, will also receive cash in lieu of pension, car allowance and other benefits in monthly instalments (his notice period will end on 9 May 2023). If Adam wishes to take up alternative employment before the end of his notice period, the Committee may cease the monthly payments.

Adam will receive his 2021/22 bonus (subject to the normal performance conditions and 35% deferral into shares) but will not receive a bonus for the 2022/23 year, nor an LTIP grant for 2022. Adam's 2019–2022 LTIP grant will not be prorated for service (as he will serve the full three years required) and will vest in the normal manner in September/October 2022 subject to the normal performance conditions. Adam's 2020 and 2021 LTIP grants will be prorated for time served from the date of grant until the termination date (9 May 2023), then vest in the usual manner subject to performance conditions at the normal vesting date. The two year post-vesting holding period will apply to all LTIPs. Post-employment shareholding requirements will apply to the 2021 LTIP and the 2022 deferred annual bonus plan, in accordance with the Directors' Remuneration Policy.

Remuneration adviser retender

During the year it was decided to undertake a review of the Committee's remuneration adviser, with the Committee recognising the length of time that the current adviser (Alvarez and Marsal (A&M)) had been in place. A&M and two other advisory firms of comparable calibre and experience were invited to tender for the advisory role. The Committee received pitches from all three advisers at the May 2022 Remuneration Committee meeting. Following a thorough scoring and review process and robust Committee debate, it was agreed that Alvarez and Marsal remain the Committee's adviser.

Grants of shares under a below-Board Restricted Share Plan to broaden colleague share ownership

As a Board, we remain committed to broadening share ownership throughout the Group, both as a reward and retention tool. During the year, we made further grants to around 380 colleagues under our Restricted Share Plan (RSP), authorisation for which had been granted at the 2020 AGM. An increased number of colleagues were made a share award dependent on their continuing service within the Group for a period of up to three years. RSPs are extremely common in the technology sector in the USA, where we have increased our presence in the last few years, and we expect to continue to utilise this mechanism to support colleague retention.

In addition, we also offered colleagues the opportunity to participate in our Save As You Earn/stock purchase share plans in the UK, the US, Canada, the Netherlands, Australia, Denmark and Spain. Once again, these proved popular with high take-up levels.

During the year, we also approved a new Share Incentive Plan (SIP) for UK-based colleagues, further increasing our commitment to cost effective colleague share ownership. We will look to launch this towards the end of 2022.

Non-Executive Director and Chairman's fees

In line with our Remuneration Policy, Non-Executive Director fees were reviewed (by the Company Chair, CEO and CFO) and modest increases were applied with effect from 1 June 2022.

The Remuneration Committee also reviewed the Chairman's fees using data provided by our remuneration consultants. As a result the Chairman's fees were increased by 2.8% to £162,700.

Details of these fees and allowances are given in the Annual Report on Remuneration on **page 119**

Performance related pay – annual bonus

The annual bonus for the year ended 31 May 2022 for both the Chief Executive Officer and Chief Financial Officer was based on the satisfaction of stretching financial and strategic targets.

The financial targets for the 2021/22 financial year were given a weighting of 75% of the bonus opportunity. The performance measures included Group operating profit and individual revenue targets for Assurance and Software Resilience. Strong revenue growth of 12% in Assurance resulted in the stretch target being achieved for this bonus element, but revenue growth in Software Resilience did not meet the threshold target, resulting in no bonus for that element. Overall, Group profit performance was strong with Adjusted operating profit towards the top end of the target range. This financial performance resulted in an award for the financial element of the bonus of 46.88% out of the maximum available of 75%. In assessing Group profit performance, the Committee applied discretion to ensure fair treatment of the transition costs relating to the change of CEO, as detailed in the report.

For the 2021/22 financial year, the strategic objectives for both the CEO and CFO were given a weighting of 25% (this is a reduction from 2020/21 when the weighting on the strategic element was 40%). The bonus award for the strategic element of the bonus was 13% of base salary for the CEO and 19.5% for the CFO out of the maximum available of 25%.

The strategic objectives covered three areas:

- **Integration of Iron Mountain IPM division:** this included specific targets for systems, people, customer and operating model integration
- **Strategic objectives within the existing business:** these included specific targets for the development of the MDR and Remediation businesses
- **Sustainability objectives:** these included objectives with respect to diversity targets, colleague engagement, and corporate social responsibility

Further detail on performance against strategic objectives is provided later in the report.

The total bonus earned was determined to be 59.88% of base salary for the CEO and 66.38% of base salary for the CFO.

For both the CEO and CFO, 35% of the bonuses achieved will be deferred into shares and will vest after two years. Clawback and malus provisions are also in place for the annual bonus.

For 2022/23, the Committee will continue with the annual bonus weightings being 75% financial and 25% non-financial.

For 2022/23, we will continue to use revenue targets to complement the targets on Adjusted operating profit.

Strategic targets for 2022/23

Strategic targets for the CEO will include reviewing the Group strategy and the following measures:

- **Strategic objectives within the Assurance business:** specific revenue growth targets and to grow XDR sales orders (10% in total)
- **Strategic objective for the Software Resilience business:** finalisation of the full operational review of the combined Software Resilience division to create additional Group contribution from FY24 (10% in total)
- **Sustainability and people objectives:** these will include objectives relating to our colleague engagement, retention and corporate social responsibility (5% in total)

For the CFO, the strategic objectives will be similar; however instead of strategic objectives within the Assurance business, he has objectives related to global finance reporting, systems, and improvements to meet the evolving needs of the business.

Performance related pay – LTIP outcome

The 2021–2024 LTIP was granted under the higher shareholder approved limits (i.e. 175% and 150% of salary for the CEO and CFO respectively) in November 2021. The awards will vest subject to demanding EPS, cash and relative TSR targets outlined later in this report.

The LTIP outcome for those LTIPs granted in 2019 was a vesting equivalent to 59.33% of the maximum award. This was based on EPS growth of 10.68% p.a., relative TSR ranking above upper quartile and cash conversion of 106%.

Governance

Performance related pay – LTIP November 2022 grant

Our LTIP award for 2022–2025 will be granted following our full year results in September 2022 and, in line with the Remuneration Policy and last year's grants, the Committee intends to make awards of 175% of base salary for the CEO and 150% for the CFO. These will vest after three years to the extent that demanding performance conditions are satisfied.

NCC is continuing to pursue its growth strategy, and has reviewed targets and weightings in order to incentivise growth, maintain high levels of cash conversion, and take into account market expectations. As a result of the review, the Committee has proposed changes which will result in more weight on relative TSR, continued use of challenging EPS stretch targets, and more stretching cash conversion targets. The outcome of the review and the proposed changes for the performance period FY23 to FY25 are set out below:

1. Relative TSR (20% weighting): the weighting on relative total shareholder return will be increased from 10% to 20% in order to further encourage above-market returns.
2. Cash conversion (20% weighting): the target range has been increased from 80% to 90% compared to 70% to 80% for last year's grant. This will encourage the maintenance of the current strong levels of cash conversion. The weighting on cash conversion will be reduced from 30% to 20%.
3. EPS growth (60% weighting): the EPS performance metric is currently measured on average performance over three years. Instead, the Committee has decided to use a compound annual growth rate (CAGR) methodology, which is more exacting and more common in the market. The Committee has set the range for the FY23 to FY25 performance period to ensure that the stretch target is substantially above the consensus forecast. Taking account of the current consensus forecast, the stretch performance requirement will be 18% CAGR, which is around 5% pts higher than the median for FTSE 250 companies, and the threshold growth requirement of 6% CAGR, which compares to a FTSE 250 median of 5% to 6% CAGR. These targets could be modified prior to grant if there is a material change in outlook prior to the grant date. If the EPS metric varies materially from that shown above, we will disclose this in the RNS at the time of the LTIP grant, and report fully on the metric in next year's Remuneration Report.

These changes should also be seen in the context of NCC's low vesting percentage at threshold performance, which is 15% of maximum for all metrics, compared to the market norm of 25% of maximum.

These changes will provide more focus on delivering above-market TSR, retain stretching EPS growth targets, increase the cash conversion targets, and maintain a conservative level of vesting at threshold performance. Furthermore, the stretch EPS target of 18% CAGR remains above the stretch level, calculated on a CAGR basis, for the LTIP awards granted before the increase in quantum approved under the 2021 policy.

Clawback and malus provisions are in place for the LTIP. The Committee has the discretion to make a downwards adjustment to LTIP vesting levels in the event that there have been unjustified windfall gains, unrelated to performance or resulting from abnormally depressed share prices at the time of grant. In exercising this discretion, the Committee will take account of all the relevant circumstances and the wider remuneration outcomes for the relevant Executive Directors.

In order to further align executives with shareholders, executives are required to retain any LTIP vested shares (net of tax) for a period of two years. After this holding period, all vested shares must also be retained if the shareholding requirement has not been met. In addition, our post-employment shareholding policy requires executives to retain the lower of the value of their holding on cessation or 200% of salary for the first year following cessation, reducing to 100% of salary for the second year following cessation. This will be managed through a restricted account maintained by NCC's registrars and the Company Secretariat.

Conclusion

During the coming year, we intend to focus on further embedding our 2021–2024 Remuneration Policy along with continuing to focus on the Committee's responsibilities under the 2018 UK Corporate Governance Code (the 'Code').

This includes:

- Ensuring that the Remuneration Policy continues to support and incentivise the achievement of our strategy and further developing the incorporation of environmental and social sustainability measures
- Setting the remuneration for the Executive Committee (i.e. the layer of senior management immediately below Board level) and monitoring the success of the below-Board Restricted Share Plan
- Overseeing the wider remuneration policy for the workforce, taking account of colleague feedback on this policy, and considering wider workforce remuneration when setting Directors' remuneration policy and practice

The 2022 Directors' Remuneration Report will be put to the usual, annual advisory vote at the AGM on 2 November 2022. The Committee is committed to engagement and transparency and I welcome the opportunity for discussion of the Group's remuneration with shareholders, at our AGM or at any other time during the year.

Jennifer Duvalier
Chair, Remuneration Committee
6 September 2022

Annual Report on remuneration

This part of the report has been prepared in accordance with Part 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 as amended and 9.8.8R of the Listing Rules.

The following report will be subject to an advisory shareholder vote at the 2022 AGM, which is scheduled to be held on 2 November 2022. The information on pages 110 to 120 has been audited where indicated.

How the Remuneration Policy has been implemented in the year ended 31 May 2022

This section sets out how the Remuneration Policy was implemented in 2021/22. The key implementation decisions during the year related to:

- Review of salaries for Executive Directors
- The determination of annual bonus outcomes for the 2021/22 performance period
- The performance targets and value of awards granted under the LTIP, which will vest in 2024

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

Single total figure of remuneration (audited)

The detailed emoluments received by the Executive and Non-Executive Directors for the year ended 31 May 2022 are below:

Director	Year ended	Salary/ Non-Executive Director fees [1] £000	Benefits [2] £000	Pension benefits [3] £000	SAYE [9] £000	Total fixed pay £000	Annual bonus [4] £000	Long-term incentive [5] £000	Total variable pay £000	Total £000
Chris Stone	**31 May 2022**	**158**	**–**	**–**	**–**	**158**	**–**	**–**	**–**	**158**
	31 May 2021	138	–	–	–	138	–	–	–	138
Adam Palser [10]	**31 May 2022**	**465**	**12**	**22**	**9**	**508**	**278**	**278**	**556**	**1,064**
	31 May 2021	450	16	22	–	488	414	208	622	1,110
Tim Kowalski	**31 May 2022**	**308**	**28**	**22**	**9**	**367**	**204**	**175**	**379**	**746**
	31 May 2021	284	31	28	–	343	247	131	378	721
Chris Batterham	**31 May 2022**	**73**	**–**	**–**	**–**	**73**	**–**	**–**	**–**	**73**
	31 May 2021	59	–	–	–	59	–	–	–	59
Jonathan Brooks [8]	**31 May 2022**	**38**	**–**	**–**	**–**	**38**	**–**	**–**	**–**	**38**
	31 May 2021	53	–	–	–	53	–	–	–	53
Julie Chakraverty [7]	**31 May 2022**	**24**	**–**	**–**	**–**	**24**	**–**	**–**	**–**	**24**
	31 May 2021	–	–	–	–	–	–	–	–	–
Jennifer Duvalier [6]	**31 May 2022**	**66**	**–**	**–**	**–**	**66**	**–**	**–**	**–**	**66**
	31 May 2021	51	–	–	–	51	–	–	–	51
Mike Ettling	**31 May 2022**	**55**	**–**	**–**	**–**	**55**	**–**	**–**	**–**	**55**
	31 May 2021	46	–	–	–	46	–	–	–	46
Total	**31 May 2022**	**1,187**	**40**	**44**	**18**	**1,289**	**482**	**453**	**935**	**2,224**
	31 May 2021	1,081	47	50	–	1,178	661	339	1,000	2,178

1 The Chair and Non-Executive Directors each receive an allowance paid as part of their base fees of £8,200 and £4,750 respectively, to cover all travel and expenses related to their roles on the Board. In light of Covid-19 and the fact that Board meetings were being held virtually, these allowances were not paid between 1 June 2020 and 31 May 2021 but were reinstated from 1 June 2021.

2 Taxable benefits include the provision to every Executive Director of a car or car allowance, payment of private fuel, car insurance, private medical insurance, life assurance and permanent health insurance in 2020/21. Tim Kowalski switched from receiving a car allowance to a leased vehicle at no additional cost to the Group. The P11D value of the leased vehicle is higher than the monthly cash value of the car allowance which he forfeited.

3 Pension benefits include employer contributions to the Group pension scheme and payments in lieu of pension contributions. The Company provided pension payments in lieu of pension contributions for two Executive Directors during the year ended 31 May 2022.

4 Annual bonus payments for performance in the relevant financial year; 35% of this bonus is deferred into nominal cost share options for two years. Dividend equivalents accrue on these shares.

5 Long-term incentive awards vesting under the LTIP, 145,560 shares vested to Adam Palser and 91,888 shares vested to Tim Kowalski with respect to the LTIP granted in 2019 which had a performance period ending on 31 May 2022. These have been valued using a share price of £1.908, which is the three month average share price over March, April and May 2022. These shares were awarded based on a share price of £1.82 on the day before the date of grant. As a result, the change in share price since the date of grant has resulted in an increase in value of £12,809 and £8,086 respectively. With regard to the LTIP awards with a performance period ending on 31 May 2021, 78,914 shares vested to Adam Palser and 49,773 shares vested to Tim Kowalski, which have been valued using the share price at the date of vesting of £2.63. These shares were awarded based on a share price of £2.21 on the day before the date of grant. As a result, the change in share price since the date of grant has resulted in an increase in value of £33,144 and £20,905 respectively.

6 In 2021/22, Jennifer Duvalier received an extra £5,000 per annum to reflect her additional responsibilities for engaging with colleagues on behalf of the Board. Jennifer handed this role over to Julie Chakraverty when she joined the Board on 1 January 2022. Jennifer also took over from Jonathan Brooks as Remuneration Committee Chair on 1 February 2022.

7 Julie Chakraverty joined the Board on 1 January 2022 and took over from Jennifer Duvalier as the designated Non-Executive Director for engaging with colleagues on behalf of the Board.

8 Jonathan Brooks stepped down from the Board and as Remuneration Committee Chair on 27 January 2022.

9 Options over 10,273 shares vested on 1 October 2021 to Adam Palser and Tim Kowalski under the all-colleague SAYE scheme. These awards have been valued at the date of vesting using the share price on that date of £2.60.

10 Single total figure of remuneration for the year ended 31 May 2022 excludes accrued costs in relation to Adam Palser's contractual 12 month notice period that commenced on the date of announcement, 9 May 2022. See page 115 for further details in relation to leaving arrangements of Adam Palser.

Additional information in respect of the single total figure of remuneration

Pension and benefits

Effective 1 December 2021, the CEO's and CFO's pension provision reduced from 5% of base salary and 10% of base salary, respectively, to the level of the wider workforce, which is currently 4.5%. These contributions are cash payments in lieu of formal pension contributions.

Annual bonus

2021/22 annual bonus (audited)

For the year ended 31 May 2022, the maximum potential bonus opportunity for Adam Palser was 100% of salary. For Tim Kowalski, the maximum potential bonus opportunity was also 100% of salary. For the year ended 31 May 2022, bonuses of 59.88% and 66.38% of base salary respectively were payable.

The actual bonus awarded to Adam Palser was £278,442 and to Tim Kowalski was £204,450 based on the achievement of the performance conditions set out below. 35% of each payment will be deferred into nominal cost share options for two years, with the remaining 65% paid in cash. The performance measures and targets are set out below.

Financial targets – up to 75% of the bonus

	Performance targets			Adam Palser	Tim Kowalski
31 May 2022 Adjusted proforma operating profit *	Threshold	£51.5m	Weighting (% of salary)	7.50%	7.50%
	Maximum	£54.5m	Weighting (% of salary)	37.50%	37.50%
	Actual	£53.5m *	Payout (% of salary)	28.13%	28.13%
Revenue constant currency [1] growth – Software Resilience	Threshold	2%	Weighting (% of salary)	3.25%	3.25%
	Maximum	5%	Weighting (% of salary)	18.75%	18.75%
	Actual	(0.6%)	Payout (% of salary)	0%	0%
Revenue constant currency [1] growth – Assurance	Threshold	9%	Weighting (% of salary)	3.25%	3.25%
	Maximum	12%	Weighting (% of salary)	18.75%	18.75%
	Actual	12.1%	Payout (% of salary)	18.75%	18.75%
Strategic targets	The strategic targets were set individually for the Executive Directors based on key strategic objectives for the year in their area of responsibility – see below		Weighting (% of salary)	25.00%	25.00%
			Payout (% of salary)	13.00%	19.50%
			Total payout	**59.88%**	**66.38%**
			Total bonus	**£278,442**	**£204,450**
			Amount paid in cash	**£180,987**	**£132,892**
			Amount deferred in shares	**£97,455**	**£71,558**

* Following the acquisition of IPM, goodwill and intangible assets were recognised amounting to £68.6m and £92.6m respectively. 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 of £12.1m. 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. If the fair value adjustment had not applied, revenue would be £4.4m higher for the 12 months ended 31 May 2022. On this basis, proforma Adjusted operating profit of £52.5m represents Adjusted operating profit [1] of £48.1m and the fair value adjustment of £4.4m (see page 10).

Adjusted proforma operating profit of £52.5m (see page 10) has been amended to £53.5m to exclude accrued CEO transition cost of £1.0m that have not been treated as Individually Significant Items in the Financial Statements. The Remuneration Committee considered that the fair treatment of the unplanned and accelerated costs related to the CEO transition was that most of these should not impact bonuses for FY22. However, the Committee has determined that, for balance, the payment-in-lieu costs for the departing CEO will impact FY23 bonuses for those executives who benefited from the adjustment made in FY22. This will be achieved by raising the FY23 profit targets for these executives by £0.5m.

1 See Note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. Further information is also contained within the Chief Financial Officer's Review and the Glossary of terms on pages 56 to 63 and 203 and 204 respectively.

Additional information in respect of the single total figure of remuneration continued

Annual bonus continued

Strategic targets – up to 25% of the bonus

The table below highlights the key strategic targets and achievements for each Executive Director. Bonus target ranges have been disclosed to the extent possible, but the achievement of some areas is determined by the Committee based on its judgement of performance.

		Bonus award (% of maximum total bonus) 31 May 2022			
		Adam Palser		Tim Kowalski	
Target and performance conditions	Outcome	Weighting	Outcome	Weighting	Outcome
Integration of IPM					
Exit from engineering support in FY22	Not achieved in FY22 but on track to be achieved in FY23	2.0%	0.0%	n/a	n/a
Exit from financial support in FY22	Exited in FY22	2.0%	2.0%	5.0%	5.0%
Customer retention: target to maintain customer retention above 89%	Customer retention above 89%	2.0%	2.0%	n/a	n/a
Staff retention: retain 83% of identified roles	83% of identified roles retained	1.0%	1.0%	n/a	n/a
Staff attrition: target to keep attrition for IPM below 12.5%	Attrition below 12.5%	1.0%	1.0%	n/a	n/a
Revenue synergy from IPM customers: target of £200k	Target significantly exceeded	2.0%	2.0%	n/a	n/a
Integration of IPM accounting in H1 with no delay to H1 reporting	Achieved	n/a	n/a	2.0%	2.0%
Integration of IPM accounting in H1 with no delay to H2 reporting	Achieved	n/a	n/a	3.0%	3.0%
Full integration of finance systems	Two systems set up but some systems delayed	n/a	n/a	5.0%	2.5%
Sub-total – integration of IPM		10.0%	8.0%	15.0%	12.5%
Existing business					
Remediation growth: threshold target growth of 250%	Growth below threshold target	5.0%	0.0%	n/a	n/a
MDR growth: threshold target growth of 18%	Growth below threshold target	5.0%	0.0%	n/a	n/a
Customer KPIs: to be identified and defined	KPIs identified and defined	n/a	n/a	2.0%	2.0%
Cost control: target for costs to be below budget	Actual costs were £1m below budget	n/a	n/a	1.0%	1.0%
Reporting: introduce utilisation reporting	KPI was identified and reported	n/a	n/a	1.0%	1.0%
Improve internal reporting for costs to help management cost control	Progress made but objective not fully achieved	n/a	n/a	1.0%	0.0%
Sub-total – existing business		10.0%	0.0%	5.0%	4.0%
Sustainability					
Committee assessment of progress in colleague engagement for the Group as a whole and finance separately, for Group diversity, and CSR	Colleague engagement: engagement score for the Group increased by 2.2% year on year. Improvements made in wellbeing, career development and management Diversity: colleague resource groups continue to work on diversity initiatives regarding gender, race and ethnicity, LGBTQIA+, and neurodiversity. An Accessibility resource group was also created during the year. Key initiatives included the Menopause Library, the issuing of Ramadan guidance, and sponsoring leadership development for women CSR: produced our TCFD report, identified new climate change risks, and secured an improved Sustainalytics ESG score compared to 12 months ago	5.0%	5.0%	5.0%	3.0%
Sub-total – sustainability		5.0%	5.0%	5.0%	3.0%
Total strategic bonus		25.0%	13.0%	25.0%	19.5%

Long Term Incentive Plan vesting

The LTIP awards made in September 2019 (with a performance period of 1 June 2019–31 May 2022) will vest in September 2022. Adam Palser and Tim Kowalski were beneficiaries of these and achieved a vesting of 59.33% of the award of 245,338 and 154,876 shares respectively, being 145,560 and 91,888 shares respectively:

Executive	Number of LTIP awards [1]	Basis	Performance condition	Performance period
Adam Palser	245,338	100% of base salary	Vesting determined by: ▪ Growth in Adjusted proforma EPS [3,4] over the performance period ▪ Average cash conversion ratio [4] over the performance period ▪ TSR over the performance period vs FTSE 250 comparator group	1 June 2019 to 31 May 2022
Tim Kowalski	154,876			

The performance conditions for these awards are set out below:

Proportion	Component	Metric	Threshold (20% vesting)	Maximum (100% vesting)	Actual performance	Actual % vested	Vesting basis
60%	Adjusted proforma EPS [3,4]	Average growth over a three year period	9%	20%	10.68%	19.33%	Straight line between threshold and maximum
30%	Cash conversion [4]	Average cash conversion ratio [4] over three years	70%	80%	106%	30%	Straight line between threshold and target, then target and maximum
10%	TSR	TSR over three years vs FTSE 250 comparator group (excluding investment trusts)	Median	Upper quartile	Above upper quartile	10%	Straight line between threshold and maximum
Total						59.33%	

Long-term incentives granted during the year (audited)

During the financial year, the Executive Directors were granted awards subject to the performance conditions set out below. The awards were as follows:

Executive	Number of shares under awards [1]	Basis	Face value [2]	Performance condition	Performance period
Adam Palser	338,357	175% of base salary	£813,750	Vesting determined by: ▪ Growth in Adjusted EPS [4] over the performance period ▪ Average cash conversion ratio [4] over the performance period ▪ TSR over the performance period vs FTSE 250 comparator group	1 June 2021 to 31 May 2024
Tim Kowalski	192,099	150% of base salary	£462,000	As above	1 June 2021 to 31 May 2024

The performance conditions for these awards are set out below:

Proportion	Component	Metric	Threshold (15% vesting)	Target (50% vesting)	Maximum (100% vesting)	Vesting basis
60%	Adjusted EPS [4]	Average growth over a three year period	9%	n/a	22.5%	Straight line between threshold and maximum
30%	Cash conversion [4]	Average cash conversion ratio [4] over three years	70%	75%	80%	Straight line between threshold and target, then target and maximum
10%	TSR	TSR over three years vs FTSE 250 comparator group (excluding investment trusts)	Median	n/a	Upper quartile	Straight line between threshold and maximum

1 LTIP awards are structured as nominal cost options.

2 Based on a share price of £2.405, which was the closing mid-market price of the Company's shares on the day before the date of grant.

3 Adjusted proforma EPS has been amended to exclude accrued CEO transition and search costs of £1.0m following Remuneration Committee review and amounts to 12.1p.

4 See Note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. Further information is also contained within the Chief Financial Officer's Review and the Glossary of terms on pages 56 to 63 and 203 and 204 respectively.

SAYE options granted in the year

The Group operates an HMRC-approved SAYE scheme. All eligible colleagues, including Executive Directors, may be invited to participate on similar terms for a fixed period of three years. During the year Adam Palser joined the 2022 SAYE scheme (which matures on 1 May 2025) and has an option over 11,849 shares with an option price of £1.519. Tim Kowalski did not join any new SAYE schemes.

Neither Executive Director participated in the 2020 or 2021 SAYE schemes as both contributed the maximum £500 per month to the 2018 SAYE scheme. The 2018 SAYE scheme matured on 1 October 2021 for both Executive Directors and the shares from this are shown within the share ownership table below.

Directors' interests in shares (audited)

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

Summary of maximum LTIP awards outstanding

	Total LTIP options held at 31 May 2021 [1]	Granted during the period	Exercised during the period	Share price on date of exercise	Lapsed during the period	**Total LTIP options held at 31 May 2022 [1]**
Adam Palser	476,128	338,357	(78,914)	£2.63	(99,778)	**635,793**
Tim Kowalski	300,530	192,099	(49,773)	£2.63	(62,988)	**379,868**

1 Includes only unvested and unexercised LTIP options.

2 £2.63 was the sale price.

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

Share ownership (audited)

The beneficial and non-beneficial interests of the current Directors in the share capital of NCC Group plc at 31 May 2022 are set out below:

	Beneficial interests in ordinary shares [1]		Maximum share awards subject to performance conditions [2]		Share options [3]		Deferred bonus plan [4]		Vested but unexercised nil-cost options		Total	
	31 May 2022	31 May 2021	**31 May 2022**	31 May 2021	**31 May 2022**	31 May 2021	**31 May 2022**	31 May 2021	**31 May 2022**	31 May 2021	**31 May 2022**	31 May 2021
Chris Stone	**162,843**	162,843	**–**	–	**–**	–	**–**	–	**–**	–	**162,843**	162,843
Adam Palser	**195,075**	94,502	**490,223**	397,214	**11,849**	10,273	**69,595**	53,458	**145,560**	78,914	**912,312**	634,361
Tim Kowalski	**96,343**	48,964	**287,974**	250,751	**–**	10,273	**40,958**	27,173	**91,888**	49,773	**517,163**	386,934
Chris Batterham	**55,000**	55,000	**–**	–	**–**	–	**–**	–	**–**	–	**55,000**	55,000
Jonathan Brooks [5]	**–**	50,000	**–**	–	**–**	–	**–**	–	**–**	–	**–**	50,000
Julie Chakraverty	**20,249**	–									**20,249**	–
Jennifer Duvalier	**19,115**	19,115	**–**	–	**–**	–	**–**	–	**–**	–	**19,115**	19,115
Mike Ettling	**50,000**	50,000	**–**	–	**–**	–	**–**	–	**–**	–	**50,000**	50,000

1 This information includes holdings of any connected persons.

2 These awards represent the outstanding LTIP interests, included in the table above, which are due to vest after 31 May 2022.

3 Representative SAYE scheme interests, which either vested in October 2021, or will vest in May 2025.

4 Nominal cost share options granted under the deferred bonus plans, subject to a service condition, tax and National Insurance.

5 Jonathan Brooks stepped down as a Director on 27 January 2022. At that time he held 50,000 shares. His shareholding on 31 May 2022 has not been included as he is no longer a Director.

Shareholding requirements

The Executive Directors are expected to build and retain a shareholding in the Group equivalent to at least 200% of base salary. Executives will normally be required to retain all vested deferred bonus shares and LTIP shares released from the holding period, until they have attained the minimum shareholding requirement and, even then, only when they have held vested LTIP shares for a minimum period of two years. Executive Directors will also be required to retain all shares vesting from SAYE schemes. For the avoidance of doubt, Executive Directors are permitted to sell sufficient shares in order to meet any tax obligation arising from vesting shares.

The percentages within this table have been calculated using a three month average share price (1 March 2022 to 31 May 2022) of £1.908 and include Adam Palser's and Tim Kowalski's vested 2019–2022 LTIP of 145,560 and 91,888 shares respectively on a net of tax and National Insurance basis, and all unvested deferred bonus plans on a net of tax and National Insurance basis.

	Shareholding requirements (% of salary)	Shareholding as at 31 May 2022 (% of salary)	Requirement met
Adam Palser	200%	**127%**	No
Tim Kowalski	200%	**103%**	No

Appointment terms for new Directors

During the year Julie Chakraverty was appointed as an independent Non-Executive Director with a base fee of £50,000 per annum and a travel allowance of £4,750 per annum. Julie also receives an additional fee of £5,000 per annum to reflect her responsibilities for being the Board's designated Non-Executive Director to lead colleague engagement.

Mike Maddison joined the Group on 7 July 2022 and his remuneration will be reported on in depth in the next Annual Report but the main terms of his recruitment are:

- Salary – £500,000
- Pension – contribution or allowance of 4.5% of base salary (in line with the overall workforce)
- Benefits – life assurance and private medical insurance
- Bonus – Mike will have the potential to earn an annual bonus of up to 125% of salary, of which 35% of any payment will be deferred in NCC Group plc shares for two years
- LTIP – Mike will be eligible to be considered for participation in the Group's Long Term Incentive Plan with awards of up to 175% of his salary
- Special Replacement Award – as the remuneration offer from NCC would otherwise be substantially below his remuneration in his previous role, and to replace remuneration foregone on leaving his previous role, the Board will grant a Special Replacement Award of £500k worth of shares, vesting in 2024. The award will be granted in accordance with Listing Rule 9.4.2 (R) and the details of the award will be fully disclosed in next year's Remuneration Report

Leaving arrangements for Adam Palser

Salary, pension and benefits

Adam Palser's contractual 12 month notice period commenced on the date of announcement, 9 May 2022. Adam's base salary will continue to be paid during his notice period in monthly instalments, together with fringe benefits while he remains a colleague. In the event that Adam wishes to take up alternative employment before the end of the notice period, the Company may cease or reduce the monthly payments.

Annual bonus

Adam was eligible in full for annual bonus in respect of the year ended 31 May 2022 as he remained CEO throughout that financial year, subject to the normal performance conditions and 35% deferral requirements. The performance outcome for this bonus is set out earlier in this report. Adam will not be eligible for a bonus for the year ending 31 May 2023.

Deferred Annual Bonus Awards

The 2020 Deferred Bonus Plan award will vest as normal in September/October 2022.

In accordance with the Company's Directors' Remuneration Policy, the Remuneration Committee has exercised its discretion to allow the 2021 award and any 2022 award to vest at the termination date, as performance for these awards was assessed previously in respect of the relevant bonus year. However, any shares vesting from the 2022 award are subject to the post-employment shareholding policy (see below).

Long Term Incentive Plan (LTIP) awards

Adam will not receive a 2022 LTIP grant.

In respect of Adam's existing LTIP awards, the following will apply:

- 2019 LTIP grant – this will vest as normal in September/October 2022, subject to the normal performance conditions, as Adam is expected to still be employed at the vesting date.
- 2020 and 2021 LTIP grants – these will be prorated for time served from the date of grant until the termination date. These will then vest subject to the normal performance conditions at the normal vesting date.

The two year post-vesting holding period will apply to all LTIPs.

Post-employment shareholding requirements

The two year post-employment shareholding requirement, under the Directors' Remuneration Policy, which came into effect from November 2021, will apply to the 2021 LTIP and the 2022 Deferred Annual Bonus Plan award.

Other

Adam will be reimbursed for up to £5,500 for legal costs and in respect of his non-compete agreement, and up to £75,000 for outplacement advice and support.

Annual Report on remuneration continued

Relative importance of the spend on pay

The following table sets out the percentage change in distributions to shareholders and colleague remuneration costs.

	31 May 2022 £m	31 May 2021 £m	% change
Colleague remuneration costs [1]	**207.0**	174.3	18.8%
Dividends [2]	**14.4**	13.0	10.8%

1 Based on the figure shown in Note 7 to the consolidated Financial Statements.

2 Based on the total cash returned to shareholders in the year ended 31 May 2022 through dividends, as shown in Note 10 to the consolidated Financial Statements (excluding the proposed 2022 final dividend).

Percentage increase in the remuneration of the Directors

The table below shows the movement in the salary or fees, benefits and annual bonus for each Director between the current and previous financial year compared to the equivalent changes for all colleagues of the Company.

The comparator group for salaries and benefits is all colleagues in the UK – there were no benefit policy changes in this time.

The comparator group for the bonus is those in the senior management population who also have an annual scheme and excludes those on commission and incentive plans.

	% increase in salary		% decrease in benefits		% (decrease)/increase in annual bonus	
Director	2020/21	**2021/22**	2020/21	**2021/22**	2020/21	**2021/22**
Chris Stone	–	**–**	–	**–**	–	**–**
Adam Palser	1%	**3%**	–	**(25%)**	303%	**(33%)**
Tim Kowalski	1%	**8%**	–	**(10%)**	341%	**(17%)**
Chris Batterham	–	**–**	–	**–**	–	**–**
Jonathan Brooks	–	**–**	–	**–**	–	**–**
Julie Chakraverty	–	**–**	–	**–**	–	**–**
Jennifer Duvalier	–	**–**	–	**–**	–	**–**
Mike Ettling	–	**–**	–	**–**	–	**–**
All colleagues	3.1%	5.1%	–	**–**	173.4%	**(39.8%)**

Chief Executive pay compared to pay of UK colleagues

The following table shows the ratio between the single total figure of remuneration (STFR) of the Chief Executive for 2021/22 and the lower quartile, median and upper quartile pay of our UK colleagues. The salary and total pay and benefits for the lower quartile, median and upper quartile colleagues are also shown.

Total pay ratio

Financial year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2019/20	Option B	18:1	12:1	8:1
2020/21	Option B	27:1	18:1	11:1
2020/21 (restated)	Option C	26:1	16:1	12:1
2021/22	Option C	23:1	14:1	10:1

	CEO	25th percentile	50th percentile	75th percentile
Salary (£000)	465	41	68	94
Total pay and benefits (£000)	1,064	46	74	107

CEO pay ratio

Option B, which uses gender pay gap data to identify the lower quartile, median and upper quartile colleagues, was chosen to calculate the CEO pay ratio in prior years. However, for the financial year 2021/22 a decision was made to use Option C to ensure that the ratio can be more easily calculated and provide a better representation of pay practice at NCC. We have therefore shown the Option C figures above for the financial year 2021/22 and also restated the figures for 2020/21 under Option C for comparability purposes.

Under Option C, we have used the most recent P60 information (for the 2021/22 tax year) to determine the relevant colleague at the 25th, 50th and 75th percentile. As in prior years, we have omitted joiners and leavers from the data to ensure that the data is on a like-for-like basis. This option was chosen in preference to the other possibilities as it uses the most accurate and comprehensive data currently available and provides a fair reflection of the total pay received by colleagues.

This is because our implementation of Option C uses more recent pay data to identify the lower quartile, median and upper quartile colleagues than would be used under Option B. In addition, Option C uses an analysis of total pay in a full year to identify the relevant colleagues, whereas Option B uses a "snapshot" of monthly pay taken in April. Due to the timing of bonus payments at NCC, finding the median colleague based on monthly pay in April does not always lead to a good proxy for the median colleague on a total pay basis.

The CEO pay ratio has decreased compared to the prior year. This decrease is not attributable to a change in remuneration for the CEO, pay and benefits for colleagues as a whole, or the composition of our workforce. Instead, the change in CEO pay ratio is mainly attributable to the decrease in annual bonus paid to the CEO, and the increase in total pay for the median colleague. As CEO pay places greater weight on "at risk" variable remuneration, Company performance has a greater impact on CEO pay than on pay for the median colleague, which leads to greater year-on-year variations.

The pay ratio is consistent with the pay, reward and progression policies currently in place at NCC.

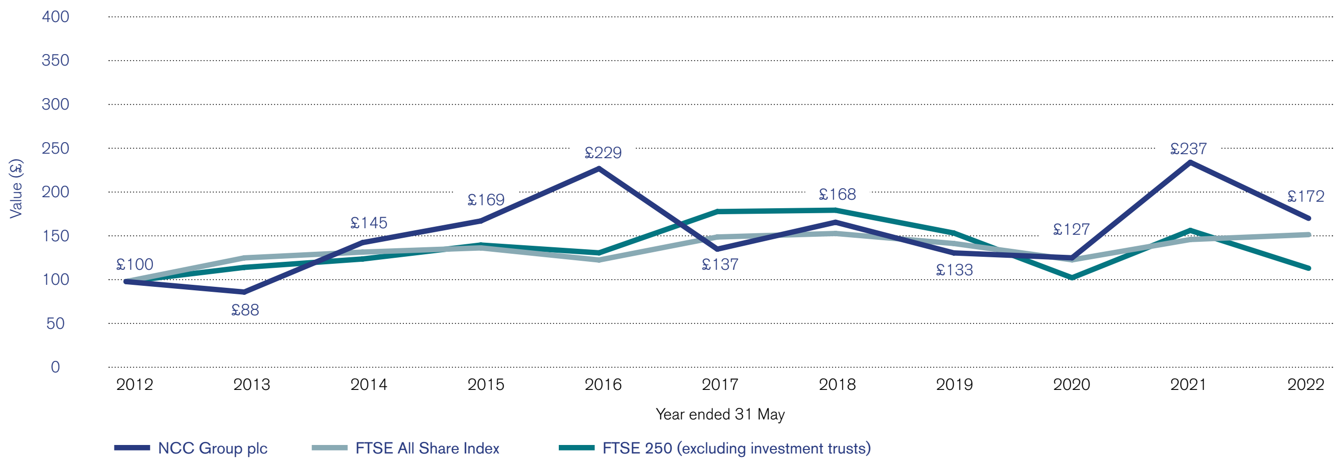
Performance graph and table

The following graph shows the total shareholder return, with dividends reinvested, from 31 May 2012 against the corresponding changes in a hypothetical holding in shares in both the FTSE All Share and FTSE 250 Indices.

The FTSE All Share and FTSE 250 Indices represent broad equity indices. The Company is a constituent member of the FTSE All Share Index and the Committee has adopted the FTSE 250 Index for part of its LTIP performance measure. Both indices give a market capitalisation-based perspective.

During the year, the Company's share price varied between £1.674 and £3.35 and ended the financial year at £2.15.

Ten year historical TSR performance is the growth in the value of a hypothetical £100 holding over ten years. It has been calculated for NCC Group plc, and the FTSE All Share and FTSE 250 Indices (excluding investment trusts) based on spot values.



The share price was £2.95 on 1 June 2021 and £2.15 on 31 May 2022.

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

Year ended [1, 2]	Total remuneration £000	Annual bonus % of maximum [3]	Long-term incentives % of maximum [4]
31 May 2022	1,064	60	59
31 May 2021	1,110	92	40
31 May 2020	861	23	52
31 May 2019	679	48	–
31 May 2018 [1]	292 [1]	32	–
31 May 2018 [2]	257 [2]	32	–
31 May 2017	610	–	–
31 May 2016	1,091	70	20
31 May 2015	993	73	15
31 May 2014	1,089	73	50
31 May 2013	1,118	– [5]	63

1 Adam Palser was appointed on 1 December 2017. The total remuneration figure above is in respect of the period from 1 December 2017 to 31 May 2018.
2 During the year ended 31 May 2018, Brian Tenner acted as Interim Chief Executive Officer for the period 1 June 2017 to 30 November 2017. The total remuneration figure above is the total remuneration received in relation to that six month period.
3 Note that this shows the annual bonus payments as a percentage of the maximum opportunity.
4 This shows the LTIP vesting level as a percentage of the maximum opportunity.
5 In 2012/13 the incumbent CEO waived his right to a bonus, which would have been equal to 32% of salary. This was equivalent to 50% of the maximum bonus opportunity.

Membership and attendance

The Remuneration Committee membership consists solely of Non-Executive Directors and comprises Jennifer Duvalier, Chris Batterham and Julie Chakraverty. Jonathan Brooks served as Chair from 1 June 2021 until he stepped down from the Board on 27 January 2022.

The Company Chair, Chief Executive Officer, Chief Financial Officer, Chief People Officer and Company Secretary attend the Remuneration Committee meetings by invitation of the Chair of the Committee from time to time and assist the Committee with its considerations. No Director is involved in setting their personal remuneration.

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

Attendee	Meetings attended	
Jennifer Duvalier	6	6
Chris Batterham [1]	5	6
Julie Chakraverty [2]	3	3
Jonathan Brooks [3]	4	4

At all times all of the Committee meetings remained quorate.

Meetings attended

Possible meetings

1 Missed one meeting due to a pre-existing personal commitment.

2 Appointed to the Committee 1 January 2022.

3 Jonathan Brooks retired from the Board on 27 January 2022.

Adviser to the Committee

During the year, the Committee received advice on senior executive remuneration from Alvarez and Marsal (A&M) and was comfortable that the advice was objective and independent. A&M is a member of the Remuneration Consultants Group and is a signatory to its Code of Conduct. The total fee charged in 2021/22 for providing advice in relation to executive remuneration was £53,101. A&M did not provide any other services to the Company during the year.

The Committee reviews the performance and independence of its adviser on an annual basis.

During the year the Committee decided to undertake a review of the Committee's remuneration adviser, with the Committee recognising the length of time that the current adviser (Alvarez and Marsal (A&M)) had been the Committee's adviser. A&M and two other advisory firms of comparable calibre and experience were invited to tender for the advisory role. The Committee received pitches from all three advisers at the May 2022 Remuneration Committee meeting. Following a thorough scoring and review process and robust Committee debate, it was agreed that A&M remain the Committee's adviser.

Service contracts and letters of appointment

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

	Date of contract	Notice period
Executive		
Adam Palser	29 November 2017	12 months
Tim Kowalski	16 July 2018	6 months
Mike Maddison	28 April 2022	12 months
Non-Executive		
Chris Stone	31 March 2017	3 months
Chris Batterham	9 April 2015	3 months
Jonathan Brooks	13 March 2017	3 months
Julie Chakraverty	27 October 2021	3 months
Jennifer Duvalier	25 April 2018	3 months
Mike Ettling	21 September 2017	3 months

Dilution

The LTIP has a dilution limit, for new and treasury shares, of 10% of the issued ordinary share capital of the Company in any ten year period for any share option scheme operated by the Company. As at 31 May 2022 the Company had utilised 18,811,502 (31 May 2021: 15,956,413) ordinary shares through LTIP, DABS, SAYE, CSOP, ISO, RSP and ESPP awards counting towards the 10% limit, which represents 6.07% (2021: 5.17%) of the issued ordinary share capital of the Company. To clarify, this figure of 6.07% includes both discretionary and all-colleague share schemes.

How will the Remuneration Policy be implemented in the year ending 31 May 2023?

Executive Directors' base salaries

No increase was applied to the outgoing CEO's base salary for the year ending 31 May 2023. As set out later in this report and in the Committee Chair's introduction, the incoming CEO was appointed on a base salary of £500,000, which is consistent with the market benchmark range for this role, and was set at this level in order to secure the recruitment of the new CEO, who had a significantly higher salary than this in his previous role.

As set out in the Committee Chair's introduction, the base salary of the Chief Financial Officer is below the market level for comparable roles and a base salary increase of approximately 3% pts above the level of the workforce was awarded effective from 1 June 2022. This is the second stage of planned increases that were explained in our Remuneration Report last year. These increases are intended to bring the salary for this role to a level which is more appropriate and sustainable given the size and complexity of the Group.

The table below details the Executive Directors' salaries as at 31 May 2022 and salaries which took effect from 1 June 2022:

	Base salary at 31 May 2022 £000	Base salary at 1 June 2022 £000	% change
Outgoing Chief Executive Officer – Adam Palser [1]	465	465	0%
Incoming Chief Executive Officer – Mike Maddison	n/a	500	n/a
Chief Financial Officer – Tim Kowalski	308	333	8%

1 Base salary used in relation to Adam Palser's contractual 12 month notice period that commenced on the date of announcement, 9 May 2022. See page 115 for further details in relation to leaving arrangements of Adam Palser.

Pension

Pensions will remain aligned with the level for other colleagues.

Non-Executive Directors' fees

In line with the current Policy, Non-Executive Director fees are reviewed annually.

The last increase was applied on 1 June 2022, and following the annual review in 2022, fees were increased as set out in the table below:

	FY 2022/23	FY 2021/22
Chair fee (excluding travel allowance of £8,200)	£154,500	£150,000
Non-Executive Director base fee (excluding travel allowance of £4,750)	£51,500	£50,000
Supplemental fees for additional responsibilities:		
SID	£10,000	£10,000
Audit Committee Chair	£11,000	£10,000
Remuneration Committee Chair	£11,000	£10,000
Cyber Security Committee Chair	£8,000	n/a [1]
Designated NED for colleague engagement	£11,000	£5,000

1 No fee was paid in FY 2021/22 for chairing the Cyber Security Committee as this role was performed by the Company Chair. A supplemental fee has been introduced as the Chair of this Committee is no longer the Company Chair.

No change will be made to the travel allowance. These changes result in the following total fees as at 1 June 2022:

Annualised fees (inclusive of travel allowance of £8,200 for the Chair and £4,750 for other Non-Executive Directors which was waived in 2020/21)	As at 1 June 2022 £000	As at 1 June 2021 £000
Chris Stone	163	158
Chris Batterham	77	75
Jonathan Brooks (stepped down from the Board on 27 January 2022)	–	65
Julie Chakraverty (joined the Board on 1 January 2022)	75	–
Mike Ettling	56	55
Lynn Fordham [1]	56	–
Jennifer Duvalier	67	60

1 Lynn Fordham was appointed on 1 September 2022. The figure in the table is her normal fee rate for a full year.

Annual bonus

The annual bonus maximum for the Chief Executive Officer and the Chief Financial Officer in 2022/23 will be 125% of salary with 75% based on the achievement of certain Adjusted operating profit and revenue targets and 25% based on the achievement of strategic targets as outlined on page 112.

Awards will also be subject to he Committee's assessment of the overall financial health of the business.

In addition, to ensure that this bonus opportunity results in shareholder alignment and provides greater retention value, 35% of any bonus payment will be deferred into nominal cost share options for two years.

The bonus, nominal cost share options and associated dividend equivalents are also subject to malus and clawback provisions.

Long Term Incentive Plan (LTIP)

It is intended that awards with a maximum value of 175% and 150% of base salary to the incoming CEO and the CFO respectively will be made under the LTIP in September/October 2022.

These will be subject to a two year post-vesting holding period for the Executive Directors. As well as the holding period, the executives have to achieve a shareholding requirement of 200% of salary (post shares sold to cover any tax) before they can sell any shares that vest, with these awards also counting towards the post-employment shareholding requirement. The awards are also subject to malus and clawback provisions.

The vesting of these LTIP awards will be based on earnings per share (60%), a cash flow metric (20%) and a relative total shareholder return metric (20%). 15% of each element will vest at the threshold performance level, rising to 100% vesting at maximum. As explained in the Annual Statement, the Committee has reviewed the targets and weightings to ensure they remain aligned with NCC's growth strategy. As a result, the weightings will be changed to focus on growth by reducing the weighting on cash conversion and increasing the weighting on relative TSR. Cash conversion targets will be raised from the previous range of 70–80%, to a higher target of 80–90%. In addition, EPS targets will be set using the more exacting CAGR approach; the stretch target will be substantially above the consensus forecast and remain above the previous stretch level before LTIP award sizes were increased. The proposed targets are as follows:

Metric	Weight	Threshold (15% vests)	Maximum (100% vests)
Earnings per share growth	60%	6% CAGR	18% CAGR
Average cash conversion	20%	80%	90%
Relative TSR vs FTSE 250 (excluding investment trusts)	20%	Median	Upper quartile or above

For performance between threshold and maximum, awards vest on a straight-line basis.

These three measures are transparent, easy to understand, easy to track and communicate, cost effective to measure and fundamentally aligned to the Group's strategic goals. These targets may be subject to amendment prior to the grant of awards in autumn 2022, if there is any significant change in outlook.

Statement of shareholder voting

The following votes were received from the shareholders in respect of the Directors' Remuneration Report and in respect of the Remuneration Policy:

	Remuneration Report (2021 AGM)		Remuneration Policy (2021 AGM)	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For [1]	229,989,664	93.00	217,981,169	87.43
Against	17,300,604	7.00	31,344,728	12.57
Total votes cast (for and against excluding withheld votes)	247,290,268		249,325,897	
Votes withheld [2]	5,332,201		3,296,572	
Total votes cast (including withheld votes)	252,622,469		252,622,469	

1 Includes Chair's discretionary votes.

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

Approved by the Board and signed on its behalf:

Jennifer Duvalier
Chair, Remuneration Committee
6 September 2022

Directors' Remuneration Policy

Overall approach to remuneration

The Remuneration Committee determines the Company's policy on the remuneration of the Executive Directors and (from 1 June 2019) the Executive Committee (ExCom). The principles which underpin the Remuneration Policy for the Company are to:

- Ensure Executive Directors' rewards and incentives are directly aligned with the interests of the shareholders in order to reinforce the strategic priorities of the Group, optimise the performance of the Group and create long-term sustained growth in shareholder value, without encouragement to take undue risk
- Provide the level of remuneration required to attract, retain and motivate Executive Directors and senior executives of an appropriate calibre
- Ensure a proper balance of fixed and variable performance related components, linked to short and longer-term objectives and delivered in a mix of cash and shares
- Reflect market competitiveness, taking account of the total value of all the benefit elements

Our remuneration strategy has been designed to reflect the needs of a complex multinational organisation, which has grown both organically and by acquisition.

Remuneration for the Executive Directors is structured so that the variable pay elements (annual bonus and long-term incentives) form a significant proportion of the overall package. This provides a strong link between the remuneration paid to Executive Directors and the performance of the Group, as well as providing a strong alignment of interest between the Executive Directors and shareholders.

For the purposes of section 226D-(6)(b) of the Companies Act 2006, this Policy was approved by shareholders and took effect from the date of the 2021 AGM on 4 November 2021.

As a reminder, the following table summarises how our shareholder-approved Remuneration Policy fulfils the factors set out in provision 40 of the 2018 UK Corporate Governance Code.

Area of provision 40 of the 2018 UK Corporate Governance Code	How fulfilled
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce	The Committee is committed to providing transparent disclosures to shareholders and the workforce about executive remuneration arrangements and, to this end, the Directors' Remuneration Report sets out the remuneration arrangements for the Executive Directors in a clear and transparent way. Our designated Non-Executive Director for colleague engagement engages with colleagues about our executive remuneration approach. Our AGM allows shareholders to ask any questions on the remuneration arrangements, and we welcome any queries on remuneration practices from shareholders throughout the year.
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand	Our remuneration arrangements for Executive Directors, as well as those throughout the Group, are simple in nature and understood by all participants, having been operated in a similar manner for a number of years. Executive Directors receive fixed pay (salary, benefits and pension), and participate in a single short-term incentive (the annual bonus) and a single long-term incentive (the Long Term Incentive Plan).
Risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated	The Committee has designed incentive arrangements that do not encourage inappropriate risk taking. The Committee retains overarching discretion in both the annual bonus and LTIP schemes to adjust payouts where the formulaic outcomes are not considered reflective of underlying business performance and individual contributions. Robust withholding and recovery provisions apply to variable incentives.
Predictability – the range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the Policy	Payouts under the annual bonus and LTIP schemes are dependent on the performance of the Company over the short and long term, and a significant proportion of Executive Director remuneration is performance linked. These schemes have strict maximum opportunities, with the potential value at threshold, target and maximum performance scenarios provided in the Directors' Remuneration Report.
Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance	Payments from variable incentive schemes require strong performance against challenging conditions over the short and longer term. Performance conditions have been selected to support Group strategy and consist of both financial and non-financial metrics. The Committee retains discretion to override formulaic outcomes in both schemes to ensure that they are appropriate and reflective of overall performance.
Alignment to culture – incentive schemes should drive behaviours consistent with Company purpose, values and strategy	Performance measures used in our variable incentive schemes are selected to be consistent with the Company's purpose, values and strategy. The use of annual bonus deferral, LTIP holding periods and our shareholding requirements provide a clear link to the ongoing performance of the Group and ensure alignment with shareholders, which continues after employment.

Current Policy table for Executive Directors

Purpose and link to short and long-term strategic objectives	Operation (including framework to assess performance)	Maximum opportunity	Changes since last Directors' Remuneration Policy
Salary			
To attract, retain and reward high calibre Executive Directors	The Remuneration Committee reviews salaries for Executive Directors and also the Executive Committee (ExCom) annually unless responsibilities change. Pay reviews take into account Group and personal performance. Salaries are set on appointment and benchmarked periodically against market data for companies operating in IT services, management consulting and relevant high tech sectors, which, although not directly comparable, provide an indicative range. In setting appropriate salary levels the Committee takes into account pay and employment conditions of colleagues elsewhere in the Group, alongside the impact of any increase to base salaries on the total remuneration package. Any changes are normally effective from 1 June each year.	Details of current Executive Director salaries are set out on page 110. Salary increases are normally in line with those for other colleagues but also take account of other factors such as changes to responsibility, development and the complexity of the role.	n/a
Benefits			
To attract, retain and reward high calibre Executive Directors	Benefits in kind currently include the provision of a car or car allowance, payment of private fuel, car insurance, private medical insurance, life assurance and permanent health insurance. Executive Directors may be invited to participate in the Sharesave Scheme approved by HMRC or other benefits introduced for all colleagues.	Market-competitive benefits. SAYE Sharesave Scheme subject to HMRC-approved limits.	n/a
Pension			
To provide a competitive benefit, which attracts high calibre executives and allows flexible retirement planning to suit individual needs	Executive Directors are entitled to a Company pension contribution, which is paid into the Group defined contribution personal pension scheme. They can also opt to have the same level of contribution made in the form of a cash contribution.	Until 30 November 2021: up to 10% of base salary as a contribution into the Group scheme or base salary supplement of 10% of base salary. From 1 December 2021: capped at the level of the majority of the workforce (currently 4.5%).	Alignment of Executive Directors' pensions with the wider workforce from 1 December 2021.
Annual bonus			
To drive and reward sustainable business performance	Based on a range of stretching targets measured over one year. This might include, but not exclusively, profit measures and other strategic objectives such as cash management, brand development, customer satisfaction and retention, business unit sales growth and colleague engagement. Performance below the minimum performance target results in no bonus. No more than 20% of the maximum opportunity is paid for achievement of the threshold performance targets. Payments rise from the threshold payment to 100% of the maximum opportunity for levels of performance between the threshold and maximum targets. The rate of the rise and the various payment targets are determined annually by the Committee. The Committee has discretion to reduce the formulaic bonus outcome if individual performance is determined to be unsatisfactory or if the individual is the subject of disciplinary action. At least 35% of any bonus payment is normally deferred into shares or nominal cost share options which vest after a two year period. Dividend equivalents are paid on vesting share options. Malus and clawback provisions are in place for both cash and deferred elements.	125% of base salary. A lower maximum of 100% of base salary was operated in 2021/22.	With effect from 2022/23, the bonus opportunity for the CEO and CFO was increased to 125% of salary.

Purpose and link to short and long-term strategic objectives	Operation (including framework to assess performance)	Maximum opportunity	Changes since last Directors' Remuneration Policy
Long Term Incentive Plan			
To drive long-term performance in line with Group strategy and incentivise through share ownership	Awards have a performance period of at least three years and normally must be held for a further two years after vesting. The level of vesting is determined by measures appropriate to the strategic priorities of the business. At least half of any award will normally be subject to financial performance measures. Measures might include, but not exclusively, EPS, cash flow and relative TSR metrics. The Remuneration Committee has the discretion to determine the number of measures to be used. Performance below the threshold target results in no vesting. For performance between the threshold target and maximum performance target, vesting starts at 15% and rises to 100% of the shares vesting. Should a change in control of the Group occur, crystallisation of any LTIP awards is within the discretion of the Remuneration Committee. Malus and clawback provisions are in place.	Awards over shares with a face value at grant of 175% of salary p.a. for the CEO, with awards to the CFO normally capped at 150% of salary.	For any awards made following the 2021 AGM, awards are 175% of salary for the CEO, and 150% of salary for the CFO.
Executive Director shareholding requirement			
To align the interests of Executive Directors with the interests of all of the Company's shareholders	The Executive Directors are expected to build and retain a shareholding in the Group at least equivalent to 200% of base salary. Executives will be required to retain all vested deferred bonus shares and LTIP shares released from the holding period until they have attained the minimum shareholding requirement and even then they may normally only sell when they have held vested LTIP shares for a minimum period of two years. For the avoidance of doubt, Executive Directors are permitted to sell sufficient shares in order to meet any tax or withholding obligation arising from vesting shares. Retention of shares post-employment: executives will be expected to retain the lower of their holding on cessation or 200% of salary for the first year following cessation, reducing to 100% of salary for the second year. Only shares granted from the conclusion of the 2021 AGM will count towards this requirement.	n/a	For any awards made following the 2021 AGM, the post-employment shareholding policy will require 200% of base salary to be held in the first year post-employment, falling to 100% for the second year.

Choice of performance measures and target setting

For both the annual bonus and LTIPs, the objective of our Policy is to choose performance measures which help drive and reward the achievement of our strategy and which also provide alignment between executives and shareholders. The Committee reviews metrics annually to ensure they remain appropriate and reflect the future strategic direction of the Group.

Targets for each performance measure are set by the Committee with reference to internal plans and external expectations. Performance is generally measured so that incentive payouts increase pro rata for levels of performance in between the threshold and maximum performance targets.

With regard to the annual bonus, the Remuneration Committee believes that a simple and transparent scheme with sufficiently stretching targets and an element of bonus deferral prevents short-term decisions being made and ensures that the executives are focused on the delivery of sustainable business performance. For 2022/23, overall Adjusted operating profit and revenue growth by division have been selected as the principal financial measures, with non-financial measures selected that support the delivery of our key in-year strategic goals.

With regard to the LTIP, the Committee believes in setting demanding objectives, which reward steady, progressive growth, in order to incentivise and encourage long-term growth and enhance shareholder value. EPS, cash conversion and relative TSR have been chosen for the awards to be granted in 2022/23 as these meet these criteria and are aligned with our strategy.

Performance measures and targets are disclosed in the Annual Report on Remuneration. In cases where targets are commercially sensitive, for example annual profit targets for the annual bonus, they will normally be disclosed retrospectively in the year in which the bonus is paid.

Directors' Remuneration Policy continued

Differences in Remuneration Policy for colleagues and Executive Directors

The principles behind the Remuneration Policy for Executive Directors are cascaded down through the Group and their aims are to attract and retain the best staff and to focus their remuneration on the delivery of long-term sustainable growth by using a mix of salary, benefits, bonus and longer-term incentives.

As a result, no element of the Executive Director Remuneration Policy is operated exclusively for Executive Directors other than the post-employment shareholding policy:

- The annual performance related pay scheme for Executive Directors is largely the same as that of the Executive Committee and other senior managers within the business and all are aligned with similar business objectives.
- Participation in the LTIP is extended to the Executive Committee and other senior managers where possible although restricted shares rather than performance shares are typically granted at levels below the Executive Committee.
- The pension scheme is operated for all permanent colleagues and from 1 December 2021 the Executive Directors received the same level of contribution as the majority of other colleagues.

The main difference between pay for Executive Directors and colleagues is that, for Executive Directors, the variable element of total remuneration is greater while the total remuneration opportunity is also higher to reflect the increased responsibility of the role. In addition, we have the ability to grant awards of restricted shares to Executive Committee members. This will enable us to be competitive in certain markets, most notably the USA, where such plans are very much part of any executive remuneration package.

Non-Executive Director Policy table

Purpose and link to short and long-term strategic objectives	Operation (including framework to assess performance)	Maximum opportunity	Changes since last Directors' Remuneration Policy
Fees			
To attract, reward and retain experienced Non-Executive Directors	Fees for the Non-Executive Directors are determined by the Board within the limits set by the Articles of Association and are based on information on fees paid in similar companies, taking into account the experience of the individuals and the relative time commitments involved. There will be separate disclosures of fees paid for chairing the Audit and Remuneration Committees and for acting as Senior Independent Director or for other additional responsibilities. Fees for the Non-Executive Directors are reviewed annually. Additional fees may be paid in certain circumstances such as taking on extra duties, or if exceptionally the time commitment is significantly increased. An expenses allowance is paid or alternatively any reasonable business related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit.	Current fee levels are set out on page 110. The overall fee limit will be within the current £750,000 limit set out in the Company's Articles of Association, approved on 25 September 2019, which is subject to increase on 25 September each year by the same percentage increase as the percentage increase in the General Index of Retail Prices for all items (or such other comparable index as may be substituted for it from time to time before such anniversary) in the 12 months immediately preceding such date.	The overall fee limit is now £750,000. Extra fees may be paid in certain circumstances such as taking on extra duties.

Approach to recruitment

The principle applied in the recruitment of a new Executive Director is for the remuneration package to be set in accordance with the terms of the approved Remuneration Policy for existing Executive Directors in force at the time of appointment. Further details of this Policy for each element of remuneration are set out below.

Pay element	Approach	Areas of flexibility
Salary	Set to reflect the executive's skills and experience, the Company's intended pay positioning and the market rate for the applicable role.	The Committee will have the discretion to allow phased salary increases over a period of time for newly appointed Directors, even though this may involve increases in excess of the rate for the wider workforce and inflation in circumstances where starting salary was below median levels.
Benefits and pension	Benefits will be provided in line with those offered to other Executive Directors, taking account of local market practice, with relocation expenses or arrangements provided if necessary.	Tax equalisation may also be considered if an Executive Director is adversely affected by taxation due to their employment with the Company. The Company may also pay legal fees and other costs incurred by the individual. These would all be disclosed. Pension would be set in line with the workforce level.

Pay element	Approach	Areas of flexibility
Incentive opportunity	The aggregate ongoing incentive opportunity offered to new recruits will be no higher than that offered under the annual bonus plan and the LTIP to the existing Executive Directors.	Different performance measures and targets may be set initially for the annual bonus plan, taking into account the responsibilities of the individual and the point in the financial year at which they join.
"Buyout" awards		Sign-on bonuses are not generally offered by the Group but, at Board level, the Committee may offer additional cash and/or share-based "buyout" awards when it considers these to be in the best interests of the Company and, therefore, shareholders, including awards made under Listing Rule 9.4.2R. Any such "buyout" payments would be based solely on remuneration lost when leaving the former employer and would reflect the delivery mechanism such as cash, shares, options, time horizons and performance requirements attaching to that remuneration.
Transitional arrangements for internal appointments to the Board	In the case of an internal appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms on grant, adjusted as relevant to take into account the appointment.	In addition, any other ongoing remuneration obligations existing prior to appointment may continue, provided that they are put to shareholders for approval at the first AGM following their appointment.

Approach to service contracts and letters of appointment

The Committee's policy is to offer service contracts for Executive Directors with notice periods of between six and 12 months exercisable by either party. In addition, the Executive Directors are subject to a non-compete clause from the date of termination, where enforceable.

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

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

Policy on payment for loss of office

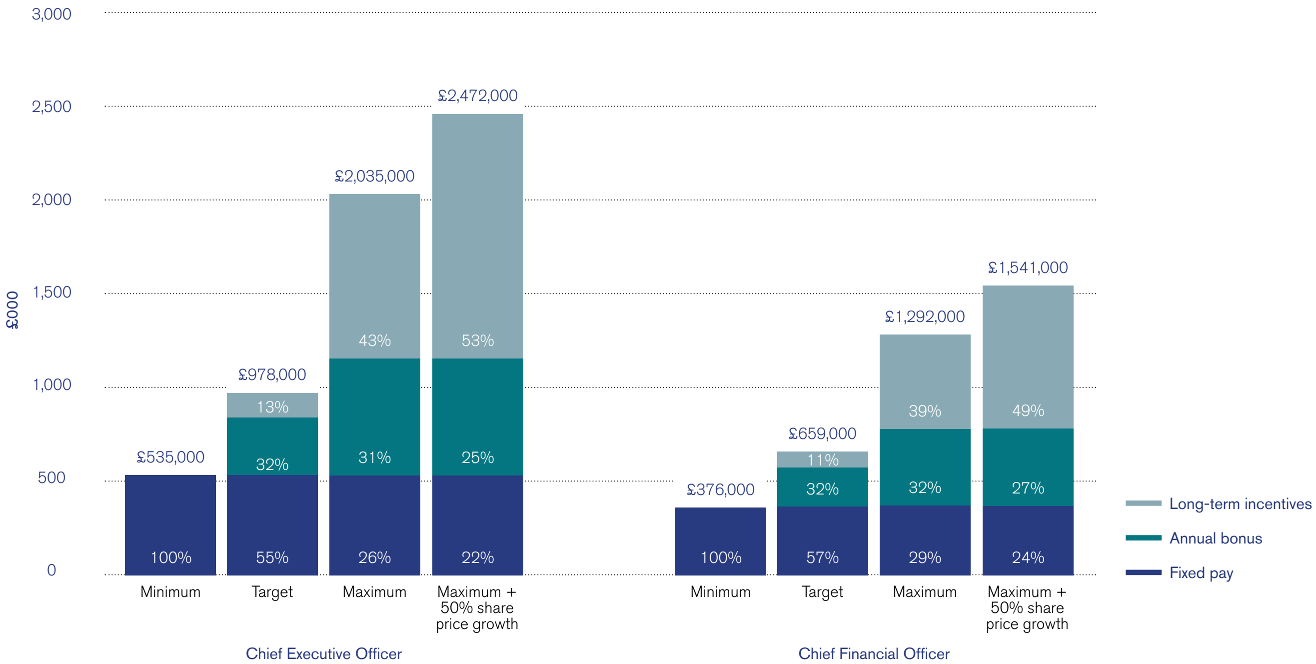
Payments on termination for Executive Directors are restricted to the value of salary and contractual benefits for the duration of the notice period. It is the policy of the Remuneration Committee to seek to mitigate termination payments and pay what is due and fair. There are no predetermined special provisions for Executive Directors with regard to compensation in the event of loss of office. The Company may also pay an amount considered to be reasonable by the Committee where loss of office is due to redundancy or in respect of fees for legal advice for the outgoing Director or to settle or compromise any legal claims. Assistance with outplacement may also be provided.

Elements of variable remuneration would be treated as follows:

Pay element	Approach	Areas of flexibility
Annual bonus	Determined on a case-by-case basis. When the Committee determines that the payment of an annual bonus is appropriate, the annual bonus payment is typically: ▪ Prorated for the period of time served from the start of the financial year to the date of termination and not for any period in lieu of notice or garden leave ▪ Subject to the normal bonus targets, tested at the end of the year, and would take into account performance over the notice period ▪ Subject to deferral of 35% of the value	The Committee has the discretion to pay cash bonus amounts or allow deferred bonus awards to vest on cessation or whether they lapse. If the Committee exercises this discretion, it can also determine if the vesting should be prorated to reflect time served since the beginning of the deferral date. The same discretionary principle would apply to the payment of dividend equivalents on any shares that have been deferred, but not yet vested.
Long Term Incentive Plan	Unvested awards will normally lapse upon cessation of employment.	The Committee has discretion to allow awards to vest at the normal vesting date or earlier. If the Committee exercises this discretion, awards are normally prorated to reflect time served since the date of grant and based on the achievement of the performance criteria. The holding period detailed above will apply to such incentives.
All-colleague share schemes	The Executive Directors, where eligible for participation in all-colleague share schemes, participate on the same basis as for other colleagues.	None.

Illustration of remuneration scenarios

The chart below details the hypothetical composition of each Executive Directors' remuneration package and how it could vary at different levels of performance under the new Remuneration Policy set out above.



Note that the charts are indicative, as actual amounts may depend on share price. Assumptions made for each scenario are as follows:

- **Minimum.** Fixed remuneration only: salary, benefits and pension. Salary based on 2022/23 salary and benefits based on 2021/22 disclosed benefit amounts.
- **Target.** Fixed remuneration plus "target" annual bonus opportunity of 50% of salary for both the Chief Executive Officer and Chief Financial Officer, plus 15% vesting of the maximum award under the Long Term Incentive Plan. NCC does not use the concept of a "target" bonus; however, in order to be fully compliant with the regulations an assumption of 50% of the maximum for 2022/23 has been used.
- **Maximum.** Fixed remuneration plus maximum annual bonus opportunity equivalent to 125% of salary for both the Chief Executive Officer and Chief Financial Officer for 2022/23, as well as 100% vesting of the maximum award under the Long Term Incentive Plan, being 175% of salary for the CEO and 150% of salary for the CFO. Note that from 2022/23 the maximum annual bonus will be increased from 100% of salary to 125% of salary.
- **Effect of a 50% increase in share price.** Same assumptions as for the maximum scenario, but with the additional assumption that the value of LTIP awards increases by 50% as a result of share price appreciation over the performance period.

Statement of consideration of employment conditions elsewhere in the Group

The Remuneration Committee does not consult directly with colleagues when determining the Remuneration Policy for Executive Directors. However, as stated above, the annual bonus and LTIP are operated for other colleagues to ensure alignment of objectives across the Group and the terms of the pension scheme are comparable with the majority of UK workforce. In addition, the Committee compares information on general pay levels and policies across the Group when setting Executive Director pay. Until 1 January 2022, Jennifer Duvalier and, from 1 January 2022, Julie Chakraverty have undertaken regular colleague engagement sessions where colleagues are able to ask about Executive Director pay. During the year no questions or concerns on executive pay were raised to Jennifer or Julie (please see page 86 for further information).

How shareholder views are taken into account

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

Key areas of discretion in the Remuneration Policy

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

- Selecting the participants in the incentive plans on an annual basis
- Determining the timing of grants of awards and/or payments
- Determining the quantum of awards and/or payments (within the limits set out in the Policy table)
- Reviewing performance against annual bonus and LTIP performance metrics
- Determining the extent of payout or vesting based on the assessment of performance
- Making the appropriate adjustments required in certain circumstances, for instance for changes in capital structure
- Determining "good leaver" status for incentive plan purposes and applying the appropriate treatment
- Undertaking the annual review of weighting of performance measures and setting targets for the incentive plans, where applicable, from year to year
- Discretion to override formulaic outcomes of the incentive schemes if an event occurs which results in the annual bonus plan or LTIP performance conditions and/or targets being deemed no longer appropriate (e.g. material acquisition or divestment); the Committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions are not materially less challenging than the original conditions
- Discretion to override formulaic vesting outcomes if they are judged by the Committee not to be an accurate reflection of Company performance

Legacy arrangements

For the avoidance of doubt, in approving the Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former Directors before the current legislation on remuneration policies came into force or before an individual became a Director, such as the payment of outstanding incentive awards, even where it is not consistent with the Policy prevailing at the time such commitment is fulfilled.

Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

External directorships for Executive Directors

Executive Directors may accept one external non-executive directorship with the prior agreement of the Board, provided it does not conflict with the Group's interests and the time commitment does not impact upon the Executive Director's ability to perform their primary duty. The Executive Directors may retain the fee from external directorships.

The Directors present their report

The Directors present their report and the Group and Company Financial Statements of NCC Group plc (the 'Company') and its subsidiaries (together the 'Group') for the financial year ended 31 May 2022.

Principal activities

The Company is a public limited company incorporated in England, registered number 4627044, with its registered office at XYZ Building, 2 Hardman Boulevard, Spinningfields M3 3AQ.

The principal activity of the Group is the provision of independent advice and services to customers through the provision of Software Resilience and cyber assurance services. The principal activity of the Company is that of a holding company.

Going concern

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

The Financial Statements have been prepared on a going concern basis, which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow and covenant compliance forecasts for the 12 month period ending 30 September 2023 which indicate that, taking account of severe but plausible downsides on the operations of the Group and its financial resources, the Group and Company will have sufficient funds to meet their liabilities as they fall due for that period.

The going concern period is required to cover a period of at least 12 months from the date of approval of the Financial Statements and the Directors still consider this 12 month period to be an appropriate assessment period due to the Group's financial position and trading performance and that its borrowing facilities do not expire until June 2024. The Directors have considered whether there are any significant events beyond the 12 month period which would suggest this period should be longer but have not identified any such conditions or events.

The Group is financed primarily by a £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 Financial Statements.

On 7 June 2021, the Group acquired the IPM business for $216.1m after a final positive net working capital adjustment of £3.9m 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 year ended 31 May 2022, the Group incurred further cash transaction costs of £7.3m in relation to the acquisition. On 10 June 2022, $23.3m of the term loan was repaid, and $23.3m is to be repaid on 10 June 2023 and $23.4m on 10 June 2024.

As of 31 May 2022, net debt (excluding lease liabilities)[1] amounted to £52.4m, which comprised cash of £73.2m, a drawn revolving credit facility of £71.0m and the term loan of £55.4m, with borrowings offset by arrangement fees of £0.8m. In relation to the drawn revolving credit facility, £20.4m is drawn down for working capital requirements and £50.6m in relation to the US acquisition of IPM. Headroom on the Group's banking facilities amounts to £101.9m. In the year ended 31 May 2022, the Group has not taken any of the UK government's Covid-19 Corporate Financing Facility (CCFF) or any other forms of government support worldwide as a result of the Covid-19 pandemic. 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[1]) and interest cover (Adjusted EBITDA[1] to interest charge) that are tested bi-annually on 31 May and 30 November each year. As of 31 May 2022, leverage[1] amounted to 0.9x (2021: (1.8x) as cash positive prior to the acquisition) and net interest cover[1] amounted to 23.4x (2021: 35.0x) 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

1 See Note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. Further information is also contained within the Chief Financial Officer's Review and the Glossary of terms on pages 56 to 63 and 203 and 204 respectively.

normal commercial practice) and are materially similar to GAAP with the exceptions being net debt excludes IFRS 16 lease liabilities and Adjusted EBITDA[1] excludes amortisation of acquired intangibles, share-based payments and Individually Significant Items. The Group was in compliance with the terms of all its facilities during the year, including the financial covenants on 30 November 2021 and 31 May 2022, and, based on forecasts, expects to remain in compliance over the going concern period. In addition, the Group has not sought or is not planning to seek any waivers to its existing facilities.

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

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

1. The performance of FY23 continues to be similar to that of FY22, including the impact on regional and international operations of the Group and a potential reduction in double-digit revenue growth to 9% growth and subsequent impact on margin.
2. Failure of execution of the strategy and loss of key customers resulting in a reduction in revenue and a consequential impact on profitability and cash generation of £22.5m for the going concern period.
3. Software Resilience performance does not achieve expected revenue growth in all territories and experiences a 1% revenue decline.
4. Further inflationary pressures up to 6% arise over the existing base case going concern assessment of 4% and certain day rate price rises to customers do not occur.

These scenarios have been modelled individually in order to assess the Group's ability to withstand specific challenges. The Directors do not believe it is plausible for all of the above downside scenarios to occur concurrently; however, they have modelled scenarios combining risks (3 and 4) and combining risks (1 and 4) because of the Group's historical Software Resilience performance and current global economic uncertainty. The impact of these severe but plausible scenarios has been reviewed against the Group's projected cash flow position, available committed bank facilities and compliance with financial covenants. These forecasts, including the severe but plausible downsides, show that the Group is able to operate within its available committed banking facilities, with no forecasted covenant breaches or requirement for facility waivers, and that the Group will have sufficient funds to meet its liabilities as they fall due for that period.

From a Company perspective, the Company places reliance on other Group trading entities for financial support. The Company controls these Group entities and therefore has the ability to direct the financial activities of the Group. Having reviewed the current trading performance, forecasts, debt servicing requirements, total facilities and risks, the Directors are confident that the Company and the Group will have sufficient funds to continue to meet their liabilities as they fall due for a period of at least 12 months from the date of approval of these consolidated Financial Statements, which is determined as the going concern period. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the Group's Financial Statements for the period ended 31 May 2022.

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

Results and dividends

The Group's and Company's audited Financial Statements for the financial year ended 31 May 2022 are set out on pages 143 to 202.

The Directors propose a final dividend of 3.15p per ordinary share, which, together with the interim dividend of 1.5p per ordinary share paid on 4 March 2022, makes a total dividend of 4.65p for the year.

The final dividend will be paid on 11 November 2022, subject to approval at the AGM on 2 November 2022, to shareholders on the register at the close of business on 14 October 2022. The ex-dividend date is 13 October 2022.

Post-Balance Sheet events

There were no post-Balance Sheet events.

Share capital and control

At the AGM held on 4 November 2021, the Directors were granted authority to allot up to 102,991,000 ordinary shares representing approximately a third of the Company's issued share capital. In addition, the Directors were granted authority to allot a further 102,991,000 ordinary shares, again representing approximately a third of the Company's issued share capital, solely to be used in connection with a pre-emptive rights issue.

As at 31 May 2022, the Company's issued ordinary share capital comprised 309,967,243 ordinary shares with a nominal value of 1p each, of which no ordinary shares were held in treasury.

During the year ended 31 May 2022, 1,011,198 shares in the Company were issued further to the exercise of options pursuant to the Company's share option schemes.

The holders of ordinary shares are entitled, among other rights, to receive the Company's Annual Reports and Accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights.

Share capital and control continued

Details of the movements of the called up share capital of the Company are set out in Note 27 to the Financial Statements and the information in this Note is incorporated by reference and forms part of this Directors' Report.

All rights and obligations attaching to the Company's ordinary shares are set out in the Company's Articles of Association (the 'Articles'), copies of which can be obtained from the Companies House website or by writing to the Company Secretary. Unless otherwise provided in the Articles, the terms of issue of any shares, any restrictions from time to time imposed by laws or regulations (for example insider trading laws) or pursuant to the UK Market Abuse Regulations whereby certain Directors, officers and colleagues of the Group require the approval of the Company to deal in ordinary shares of the Company, any shareholder may transfer any or all of their shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

The Directors may refuse to register a transfer of shares in certificated form that are not fully paid up or otherwise in accordance with the Articles.

Authority to purchase own shares

At the AGM held on 4 November 2021, shareholders authorised the Company to make market purchases of up to 30,897,300 ordinary shares representing approximately 10% of the issued share capital. This authority was not used during the financial year ended 31 May 2022. At the 2022 AGM, shareholders will be asked to give a similar authority.

The Company does not currently hold any ordinary shares in treasury.

Directors

Biographical details of the Company's current Directors are set out on pages 78 and 79 together with the names of Directors that have held office during the year. Subject to law and the Company's Articles of Association, the Directors may exercise all of the powers of the Company and may delegate their power and discretion to Committees.

The Company's Articles of Association give the Directors power to appoint and replace Directors. Under the terms of reference of the Nomination Committee, any appointment to the Board of the Company must be recommended by the Nomination Committee for approval by the Board. The Articles of Association also require one-third of the Directors to retire by rotation each year end and each Director must offer themself for re-election at least every three years. However, in accordance with previous years and in accordance with best practice, all Directors will submit themselves for re-election at the AGM each year. During the year, no Director had any material interest in any contract of significance in the Group's business.

Directors' and Officers' insurance and indemnities

The Company maintains Directors' and Officers' liability insurance, which provides appropriate cover for any legal action brought against its Directors (including those who served as Directors or Officers during 2021/22). This cover was in place throughout the financial year ended 31 May 2022 and up to the date of this Directors' Report. The Directors of the Company have also entered into individual deeds of indemnity with the Company which constitute as qualifying third party indemnity provisions for the purposes of section 234 of the Companies Act 2006.

The deeds were in effect during the course of the financial year ended 31 May 2022 for the benefit of the Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

Colleagues

The Group uses a number of ways to engage with its colleagues on matters that impact them and the performance of the Group. These include briefings by members of the Executive Committee, regular team meetings, the Group's intranet site, global communications and update emails which together provide, among other information, an awareness of the financial and economic factors affecting the Company's performance. Further information on how the Directors engage with colleagues along with how colleague interests are taken into account during decision making can be found within the Corporate Governance Report on pages 84 and 85.

We conduct a colleague engagement survey to ensure all colleagues are given a voice in the organisation. In 2018, using insights from our survey and subsequent colleague engagement, we defined new values for the organisation. Details of these values are set out in the Sustainability Report on page 47.

We offer colleagues the opportunity to purchase ordinary shares in the Company through participation in the Company's Save As You Earn Scheme. At the 2019 AGM, shareholders also approved a Share Incentive Plan. Both schemes help to encourage colleague interest in the performance of the Group.

Business relationships with suppliers, customers and others

The Directors has summarised how they have fostered the Company's business relationships with suppliers, customers and others on pages 24 to 27. In addition, on page 83 the Directors have included the principal decisions taken by the Company during the financial year.

Equal opportunities

The Group is committed to providing equality of opportunity to all colleagues without discrimination and applies fair and equitable employment policies which seek to promote entry into and progression within the Group. Appointments are determined solely by application of job criteria, personal ability, behaviour and competency.

In the opinion of the Directors, all colleague policies are deemed to be effective and in accordance with their intended aims.

Disabled persons

Disabled persons have equal opportunities when applying for vacancies, with due regard to their aptitudes and abilities. Procedures ensure that disabled colleagues are fairly treated in respect of training and career development. For those colleagues becoming disabled during the course of their employment, the Group is supportive so as to provide an opportunity for them to remain with the Group, wherever reasonably practicable.

Political donations

During the year the Company made no political donations (2021: £nil).

Sustainability Report

The Company's Sustainability Report on pages 36 to 55 provides an update on the Group's policies and activities in respect of its wider stakeholders, including colleagues; community, environmental, ethical and health and safety issues; and modern slavery.

Overseas branches

As at 31 May 2022, the Group had no overseas branches.

Research and development

We are committed to using innovative, cost effective and practical solutions for providing high quality services and we recognise the importance of ensuring that we focus our investment on the development of technology. The Group's research and development expenditure is predominantly associated with computer and software systems.

Change of control

In the event of a change of control of the Company, the Group and each of its lenders shall enter into negotiation for a period to determine how the Group's loan facilities may continue and if after negotiation there is no agreement the lender has the right to cancel the commitment.

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

Disclosure of information to the auditor

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

Reappointment of auditor

In accordance with section 489 of the Companies Act 2006, a resolution for the reappointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The notice of the Company's AGM to be held at 1pm on 2 November 2022 at its head office at XYZ Building, 2 Hardman Boulevard, Spinningfields, Manchester M3 3AQ, along with details of the business to be proposed and explanatory notes, will be available on the Group's website together with the Annual Report and Accounts. All shareholders will be notified by post or email, at their request, when the documents have been made available.

The Board recognises that the AGM provides an important opportunity to engage with shareholders. Therefore, the Company will ensure that shareholders can submit any questions in writing prior to the AGM as outlined in the Notice of AGM.

In the event that the government re-introduces restrictions as we have seen before in relation to the Covid-19 pandemic and the arrangements for the meeting have to be changed, information will be released via the RNS and placed on the Company's website.

The result of the poll vote will be made available as soon as possible after the meeting on our website.

Capitalised interest

During the period, no interest was capitalised by the Group (2021: £nil). The tax benefit on this amount was £nil (2021: £nil).

Reporting requirements

The following sets out the location of additional information forming part of the Directors' Report, which is incorporated by reference into this report:

Reporting requirement	Location
Board's assessment of the Group's internal control systems	Corporate Governance Report on pages 74 to 92 and Audit Committee Report on page 97
Details of uses of financial instruments and specific policies for managing financial risk	Note 25 (Financial Instruments) on pages 187 to 191
Directors' interests	Directors' Remuneration Report on page 114
Directors' Responsibilities Statement	Directors' Responsibilities Statement on page 133
Directors' remuneration including disclosures required by Schedule 5 and Schedule 8 of SI2008/410 – Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008	Directors' Remuneration Report on pages 110 to 120
DTR4.1.8.R – Management Report – the Directors' Report and Strategic Report comprise the management report	Directors' Report on pages 128 to 132 and Strategic Report on pages 1 to 72
Going concern statement	Directors' Report on pages 128 to 129 and Going Concern section within Note 1 on pages 152 and 153
Greenhouse gas emissions and energy consumption	Sustainability Report on page 44
Likely future developments of the business and Group	Strategic Report on pages 8 to 11
LR 9.8.4 (4) – Long-term incentive schemes	Directors' Remuneration Report on pages 108 to 109, 113 to 114, 115, 120 and 123
LR 9.8.6 (2) – Substantial shareholders	Shareholder Relations section of Corporate Governance Report on page 93
Statement on corporate governance	Corporate Governance Report, Audit Committee Report, Nomination Committee Report and Directors' Remuneration Report on pages 74 to 127. Statement of compliance with the UK Corporate Governance Code is on page 76
Strategic Report – Companies Act 2006 section 414A-D	Strategic Report on pages 1 to 72

The Strategic Report on pages 1 to 72 and this Directors' Report on pages 128 to 132 have been approved and authorised for issue by the Board. They were signed on its behalf by:

Chris Stone
Non-Executive Chair
6 September 2022

Tim Kowalski
Chief Financial Officer
6 September 2022

Directors' responsibilities statement

Statement of Directors' responsibilities in respect of the Annual Report and Accounts and the Financial Statements

The Directors are responsible for preparing the Annual Report and Accounts and the Group and Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law they are required to prepare the Group Financial Statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the Parent Company Financial Statements on the same basis.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the Group's profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable, relevant and reliable
- State whether they have been prepared in accordance with UK-adopted international accounting standards
- Assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the Financial Statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The Auditor's Report on these Financial Statements provides no assurance over the ESEF format.

Responsibility statement of the Directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- The Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

For an on behalf of the Board

Chris Stone
Non-Executive Chair
6 September 2022

Tim Kowalski
Chief Financial Officer
6 September 2022

Financial statements

IN THIS SECTION

ADDITIONAL INFORMATION

Independent auditor's report
to the members of NCC Group plc

1 Our opinion is unmodified

We have audited the financial statements of NCC Group Plc ("the Company") for the year ended 31 May 2022 which comprise the consolidated income statement, consolidated statement of comprehensive income/(loss), consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity, company balance sheet, company cash flow statement, company statement of changes in equity, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 May 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 1 November 2013. The period of total uninterrupted engagement is for the nine financial years ended 31 May 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality Group financial statements as a whole	£1.4m (2021: £1.2m) 4.5% (2021: 4.5%) of normalised Group profit before tax	
Coverage	79% (2021: 87%) of the total profit and losses that make up Group profit before tax	
Key audit matters		**vs 2021**
Recurring risks	Recoverability of goodwill in respect of the EU Assurance and IPM Software Resilience (IPM) cash generating units (CGUs)	▼
	Assurance revenue recognition in the cut off period	◀▶
	Recoverability of parent company investments and intercompany receivables	◀▶
Event driven	**New:** Valuation of separately identifiable intangible assets recognised as part of the NCC Group Software Resilience (NA) ('IPM') acquisition	New

Financial statements

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Valuation of separately identifiable intangible assets recognised as part of the NCC Group Software Resilience (NA) ('IPM') acquisition Customer relationship valuation £91.4m at acquisition. *Refer to page 97 (Audit Committee Report), pages 153–154 (accounting policy) and pages 200–202 (financial disclosures).*	**Subjective Valuation** In June 2021, the Group completed the acquisition of IPM. The fair value of the customer relationship has been identified as the significant area of estimation uncertainty, specifically the key assumptions being the discount rate and revenue growth rate used in the fair value model. The outcome could vary significantly if different assumptions were applied in the model. As part of our risk assessment, we determined that the valuation of the separately identifiable intangible assets identified as part of the IPM acquisition had a high degree of estimation uncertainty. There is a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 34) disclose the sensitivity estimated by the Group, in particular over the growth rate and discount rate in the customer relationship intangible asset.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our procedures included:** ▪ **Historical comparison:** We assessed the reasonableness of the forecasts used in the customer relationship valuation, by comparing actual results in the year for IPM to the Group's previous forecast for IPM, for the year; ▪ **Methodology choice:** With the assistance of our valuation specialists, we assessed the results of the valuation by checking that the valuation methodology was in accordance with relevant accounting standards and acceptable valuation practice; ▪ **Benchmarking assumptions:** We challenged, with the support of our own valuation specialists, the appropriateness of the valuation methodology and key assumptions used, including the discount rate, having regard for market observable data with regard to risk free rates for comparator companies. We also evaluated the revenue growth assumptions, comparing to data from the rest of the Group, the due diligence performed for the acquisition and external sources of data including industry growth rates; ▪ **Sensitivity analysis:** We performed sensitivity analysis over the key assumptions, including the revenue forecasts and discount rate; ▪ **Assessing transparency:** We assessed the appropriateness of the Group's disclosures in respect of the valuation of separately identifiable intangible assets recognised on acquisition of IPM. **Our results** We found the Group's assessment of the valuation of separately identified acquired intangible assets recognised as part of the NCC Group Software Resilience (NA) ('IPM') acquisition to be acceptable.

2 Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Recoverability of goodwill in respect of the EU Assurance and IPM CGUs Goodwill EU Assurance £65.2m (2021: £64.7m), IPM £76.9m (2021: n/a). *Refer to page 96 (Audit Committee Report), pages 155–156 (accounting policy) and pages 175–178 (financial disclosures).*	**Subjective estimate** Management assess impairment of the EU Assurance and IPM CGUs through their recoverable amounts, which are determined as the higher of their value in use ('VIU') and their fair value less costs to sell ('FVLCTS'), of which the FVLCTS is higher. There is judgement applied in the earnings multiples and sustainable earnings assumptions used to calculate the FVLCTS estimate in the impairment model. The risk is specific to the EU Assurance and IPM CGUs. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the value in use of the EU Assurance and IPM CGUs had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. In conducting our final audit work, we reassessed the degree of estimation uncertainty to be less than that of materiality.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our procedures included:** ▪ **Historical comparison:** We assessed the reasonableness of the sustainable earnings assumption, with reference to the Group's forecasting accuracy in historical results, by comparing actual results in the year to the Group's previous forecast for the year; ▪ **Benchmarking assumptions:** We further challenged the sustainable earnings figures with reference to future forecast growth and whether that appeared reasonable, including challenging any one-off adjustments to the sustainable earnings assumption made by management, by agreeing them to supporting documentation; ▪ **Our valuation expertise:** With the support of our own valuation specialists, we challenged the earnings multiple key assumption, by comparison to external market data and comparable companies; ▪ **Sensitivity analysis:** We performed sensitivity analysis for the key assumptions, including the earnings multiples and sustainable earnings; ▪ **Assessing transparency:** We evaluated the adequacy of the disclosures related to the judgements taken by management. **Our results** We found the Group's assessment of the recoverability of goodwill in respect of the EU Assurance and IPM CGUs to be acceptable (2021 EU Assurance CGU result: acceptable).
Assurance revenue recognition in the cut off period Contract assets – accrued income £20.3m; (2021: £21.3m). *Refer to pages 157–161 (accounting policy) and pages 170, 181 and 185–186 (financial disclosures).*	**2022 sales cut-off** Incentives and pressures to meet market expectations increase the risk of fraudulent revenue recognition. There is a specific risk around the cut-off period at the year end, which is the last month of the year. The risk is with regards to ensuring revenue, including accrued is being recognised in the correct accounting period. This is a particular risk for the assurance business, where projects are ongoing at the year end and there are judgements taken in determining completion and progress to date.	We performed the detailed tests below rather than seeking to rely on any of the Group's controls because our knowledge of related IT controls indicated that we would not be able to obtain the required evidence to support reliance on controls. **Our procedures included:** ▪ **Test of detail:** We agreed a sample of revenue transactions within the cut off period pre-year end to supporting documentation, including timesheets and contracts to assess whether these have been recorded in the correct accounting period. We sampled on a contract basis which included testing the revenue recognised in the year, and the contract asset balances at the year end; ▪ **Analytic sampling:** We used data and analytics tools to identify journals with unusual account combinations involving revenue, specifically in the cut off period and performed testing over the identified items. This included procedures to understand the nature and substance of the transaction and obtaining supporting documentation. **Our results** We found the recognition of Assurance revenue in the cut-off period to be acceptable. (2021 result: acceptable).

2 Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Recoverability of parent company's investments in subsidiaries and intercompany receivables Investments – £276.9m (2021: £151.8m). Intercompany receivables - £32.9m (2021: £162.6m). *Refer to page 155 (accounting policy) and pages 197–199 (financial disclosures).*	**Low risk, high value** The carrying amount of the Parent Company's investments in subsidiaries and intercompany receivables represents 84% (2021: 48%) and 10% (2021: 52%) respectively of the Company's total assets. Their recoverability is not a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Parent Company financial statements, this is the area that had the greatest effect on our overall Parent Company audit.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our procedures included:** ▪ **Test of detail:** We compared the carrying value of investments and intercompany receivables with the relevant subsidiaries' draft balance sheet as at 31 May 2022 to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying value and assessing whether those subsidiaries have historically been profit-marking. **Our results** We found the Group's assessment of the recoverability of the parent company's investments in subsidiaries and intercompany receivables to be acceptable. (2021 result: acceptable).

Changes to Key Audit Matters

Fox IT long term fixed price contract accounting

Following the continued performance of the Fox IT long term fixed price contracts in the past 12 months, the estimation uncertainty has significantly reduced.

Cloud-based software arrangement costs

The accounting treatment of cloud-based arrangements was a significant risk and key audit matter in the prior year. However, due to the profit and loss charge recognised by the Group in respect of this in the prior year, in addition to the fact there are no significant new cloud arrangements in the year, the level of judgement has significantly reduced we have not assessed this as one of our most significant risks in the current year audit.

US R&D tax credits

The estimation uncertainty has reduced on the uncertain tax position following a provision recognised by the Group in the prior year. The provisioning methodology has been consistently applied in the current year, reducing the estimation uncertainty.

We continue to perform work over the above areas. However, as a result of the above reasons, we have not assessed these as the most significant risks in our current year audit and therefore, they are not separately identified in our report this year.

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

Materiality for the Group financial statements as a whole was set at £1.4 million (2021: £1.2 million), determined with reference to a benchmark of Group profit before tax £31.0m (2021: £14.8m), normalised to exclude this year's costs directly attributable to the acquisition of the IPM Software Resilience business, as disclosed in note 5 of £0.9m (2021: profit before tax normalised to exclude costs directly attributable to the acquisition of the IPM Software Resilience business and cloud configuration and customisation costs of £12.7 million) of which it represents 4.5% (2021: 4.5%).

Materiality for the Parent Company financial statements as a whole was set at £0.5 million (2021: £0.3 million), determined with reference to a benchmark of Company total assets, of which it represents 0.3% (2021: 0.1%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 65% (2021: 65%) of materiality for the financial statements as a whole, which equates to £0.93 million (2021: £0.78 million) for the Group and £0.35 million (2021: £0.20 million) for the parent company. We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies during the prior period.

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

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £72,000 (2021: £60,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 45 (2021: 41) reporting components, we subjected 9 (2021: 8) to full scope audits for Group purposes.

We conducted reviews of financial information (including enquiry) at a further 2 (2021: 4) non-significant components as these components were not individually financially significant enough to require an audit for Group reporting purposes but a review was performed to provide further coverage over the Group's results.

The Group team performed procedures on the items excluded from normalised profit before tax.

The components within the scope of our work accounted for the percentages illustrated opposite.

For the residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £0.36m to £0.90m (2021: £0.22m to £0.55m), having regard to the mix of size and risk profile of the Group across the components. The work on 1 of the 9 in scope components (2021: 1 of the 8 components) was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the Group team.

The Group team held video and telephone conference meetings with 1 (2021: 1) component location in the Netherlands to assess audit risk and strategy. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

The scope of the audit work performed was fully substantive as we did not rely upon the Group's internal control over financial reporting.

4 The impact of climate change on our audit

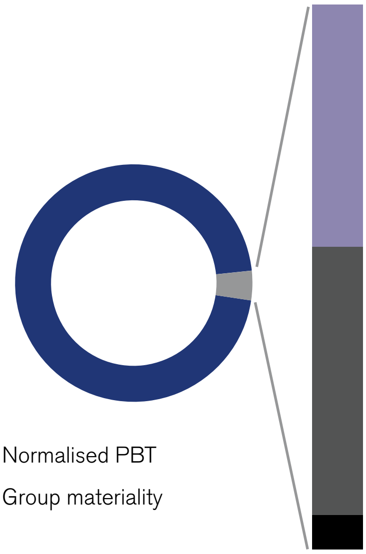
In planning our audit, we have considered the potential impact of risks arising from climate change on the Group's business and its financial statements.

As part of our audit we performed a risk assessment, including making enquiries of management, reading board meeting minutes and applying our knowledge of the Group and sector in which it operates to understand the extent of the potential impact of climate change risk on the Group's financial statements.

We concluded that climate risk has no significant effect this year on the financial statements due to the nature of the Group's current business operations. As a result, there was no impact from climate risk on our key audit matters.

We have read the disclosure of climate related information in the front half of the annual report and considered consistency with the financial statements and our audit knowledge. There were no matters to report in respect of this procedure.

Normalised Group profit before tax
£31.9m (2021: £27.5m)



Normalised PBT
Group materiality

Group materiality
£1.4m (2021: £1.2m)

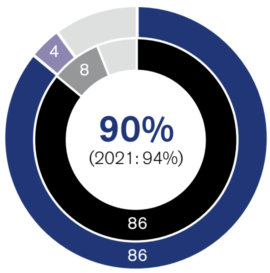
£1.4m
Whole financial statements materiality (2021: £1.2m)

£0.91m
Whole financial statements performance materiality (2021: £0.78m)

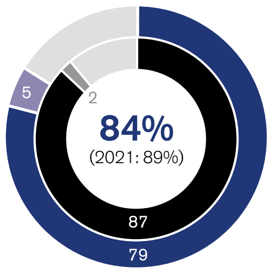
£0.9m
Range of materiality at 9 components (£0.36m–£0.9m) (2021: £0.22m to £0.55m)

£0.07m
Misstatements reported to the audit committee (2021: £0.06m)

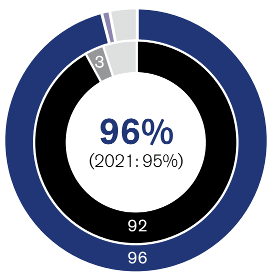
Group revenue



Total profits and losses that made up Group profit before tax



Group total assets



- Full scope for group audit purposes 2022
- Specified risk-focused audit procedures 2022
- Full scope for group audit purposes 2021
- Specified risk-focused audit procedures 2021
- Residual components

5 Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period.

The risks that we considered most likely to adversely affect the Group's and Company's available financial resources, and metrics relevant to debt covenants, over this period were:

- A material and unexpected reduction in revenue and increase in customer attrition due to future events, such as economic downturn.
- Further inflationary pressures arising, due to future events such as economic downturn.

We also considered less predictable but realistic second order impacts, such as the erosion of customer confidence.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks, individually and collectively, against the level of available financial resources and covenants indicated by the Group's financial forecasts.

Our procedures also included:

- A review of the availability of cash and the cash flow forecasts to determine whether the assumptions are realistic, achievable and consistent with the external and internal environment; we assessed loan covenant compliance to consider the headroom forecast for each financial covenant.
- An evaluation of sensitivities over the level of financial resources indicated by the Group's financial forecasts, taking account of reasonably possible (but not unrealistic) adverse effects that could arise from the risks identified individually and collectively.
- An assessment of the adequacy of the going concern disclosure in note 1 to the financial statements.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- the related statement under the Listing Rules set out on pages 128–129 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

6 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee and internal audit; and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, audit committee and remuneration committee minutes.
- Considering remuneration incentive schemes and performance targets for directors including the EPS target for management remuneration.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group to the component audit team of relevant fraud risks identified at the Group level and request to the component audit team to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group level.

As required by auditing standards, and taking into account possible pressures to meet expectation of third parties, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that assurance revenue is recorded in the wrong period and the risk that Group and component management may be in a position to make incorrect accounting entries.

On this audit we do not believe there is a fraud risk related to software resilience revenue recognition because there is minimal opportunity for manipulation since the revenue stream is relatively straightforward and is typically based on annual agreements which set out the period over which revenue is to be recognised.

We did not identify any additional fraud risks.

Further detail in respect of assurance revenue recognition is set out in the key audit matter disclosures in section 2 of this report.

6 Fraud and breaches of laws and regulations – ability to detect continued

Identifying and responding to risks of material misstatement due to fraud continued

We also performed procedures including:

- Cut-off sample testing around the year end over assurance revenue and accrued income.
- Assessing significant accounting estimates for bias.
- Identifying journal entries to test for all full scope components using data analytics tools based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, employment law, and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We assessed the legality of the distribution in the period based on the level of distributable reserves available when the distributions were approved.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

7 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within Viability Statement page 72 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and

7 We have nothing to report on the other information in the Annual Report continued

Disclosures of emerging and principal risks and longer-term viability continued

- the directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability statement, set out on page 72 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

8 We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

9 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 133, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

10 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Frances Simpson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St. Peter's Square
Manchester
M2 3AE
United Kingdom
6 September 2022

Consolidated income statement
for the year ended 31 May 2022

	Notes	2022 £m	2021 £m
Revenue	4	**314.8**	270.5
Cost of sales	4	**(182.2)**	(159.9)
Gross profit	4	**132.6**	110.6
Administrative expenses			
Depreciation and amortisation	6	**(19.7)**	(19.7)
Other administrative expenses		**(77.3)**	(60.9)
Individually Significant Items	5	**(0.9)**	(12.7)
Total administrative expenses		**(97.9)**	(93.3)
Operating profit	4	**34.7**	17.3
Finance costs	8	**(3.7)**	(2.5)
Profit before taxation	6	**31.0**	14.8
Taxation	9	**(8.0)**	(4.8)
Profit for the year attributable to the owners of the Company		**23.0**	10.0
Earnings per ordinary share	11		
Basic EPS		**7.4p**	3.6p
Diluted EPS		**7.4p**	3.5p

Consolidated statement of comprehensive income/(loss)
for the year ended 31 May 2022

	2022 £m	2021 £m
Profit for the year attributable to the owners of the Company	**23.0**	10.0
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss (net of tax)		
Cash flow hedges – effective portion of changes in fair value	**(0.1)**	(0.8)
Foreign exchange translation differences	**14.8**	(11.6)
Total other comprehensive income/(loss)	**14.7**	(12.4)
Total comprehensive income/(loss) for the year (net of tax) attributable to the owners of the Company	**37.7**	(2.4)

The accompanying Notes 1 to 34 are an integral part of these consolidated Financial Statements.

Consolidated balance sheet
at 31 May 2022

	Notes	31 May 2022 £m	31 May 2021 £m
Non-current assets			
Goodwill	12	**266.1**	182.9
Intangible assets	12	**118.6**	21.0
Property, plant and equipment	13	**12.9**	11.5
Right-of-use assets	14	**22.0**	23.8
Investments	15	**0.3**	0.3
Deferred tax asset	18	**1.4**	2.0
Total non-current assets		**421.3**	241.5
Current assets			
Inventories	16	**0.9**	1.1
Trade and other receivables	17	**77.7**	68.7
Derivative financial instruments		**0.2**	–
Current tax receivable		**3.1**	4.5
Cash and cash equivalents	24	**73.2**	116.5
Total current assets		**155.1**	190.8
Total assets		**576.4**	432.3
Current liabilities			
Trade and other payables	19	**48.3**	45.2
Borrowings	24	**18.5**	–
Lease liabilities	20	**5.4**	5.1
Current tax payable		**7.4**	4.0
Derivative financial instruments	25	**–**	0.8
Contingent consideration	34	**1.9**	–
Provisions	21	**2.7**	2.4
Contract liabilities – deferred revenue	22	**61.7**	43.6
Total current liabilities		**145.9**	101.1
Non-current liabilities			
Borrowings	24	**107.1**	33.2
Lease liabilities	20	**27.2**	29.3
Deferred tax liabilities	18	**1.6**	1.2
Provisions	21	**0.8**	0.6
Contract liabilities – deferred revenue	22	**0.6**	0.7
Total non-current liabilities		**137.3**	65.0
Total liabilities		**283.2**	166.1
Net assets		**293.2**	266.2
Equity			
Share capital	27	**3.1**	3.1
Share premium	27	**224.0**	223.2
Hedging reserve	27	**–**	(0.8)
Merger reserve	27	**42.3**	42.3
Currency translation reserve	27	**35.1**	20.3
Retained earnings	27	**(11.3)**	(21.9)
Total equity attributable to equity holders of the Parent		**293.2**	266.2

The accompanying Notes 1 to 34 are an integral part of these consolidated Financial Statements.

These Financial Statements were approved and authorised for issue by the Board of Directors on 6 September 2022. They were signed on its behalf by:

Chris Stone
Non-Executive Chair
6 September 2022

Tim Kowalski
Chief Financial Officer
6 September 2022

Consolidated cash flow statement
for the year ended 31 May 2022

	Notes	2022 £m	2021 £m
Cash flows from operating activities			
Profit for the year		**23.0**	10.0
Adjustments for:			
Depreciation of property, plant and equipment	13	**3.9**	4.4
Depreciation of right-of-use assets	14	**5.4**	5.9
Share-based payments	26	**3.9**	2.8
Cash-settled share-based payments		**(0.5)**	–
Amortisation of customer contracts and relationships	12	**8.6**	6.4
Amortisation of software and development costs	12	**1.8**	3.0
Impairment reversal of right-of-use assets	14	**(0.1)**	–
Lease financing costs	8	**1.2**	1.2
Other financing costs	8	**2.5**	1.3
Foreign exchange		**(0.6)**	1.5
Acquisition of businesses – transaction costs	5	**(7.3)**	(1.2)
Individually Significant Items (non-cash impact)	5	**–**	7.6
Profit on disposal of right-of-use assets		**–**	(0.2)
Profit on sale of intangible assets		**–**	(0.5)
Loss on sale of property, plant and equipment		**–**	0.2
Research and development UK tax credits		**(1.0)**	(0.6)
Research and development US tax credits	9	**(1.1)**	1.9
Income tax expense	9	**9.1**	2.9
Increase in provisions	21	**0.5**	0.7
Cash inflow for the year before changes in working capital		**49.3**	47.3
(Increase)/decrease in trade and other receivables		**(1.8)**	4.7
Decrease/(increase) in inventories		**0.2**	(0.2)
Increase/(decrease) in trade and other payables		**12.6**	(5.5)
Cash generated from operating activities before interest and taxation		**60.3**	46.3
Interest element of lease payments	20	**(1.2)**	(1.2)
Other interest paid		**(2.1)**	(1.1)
Taxation paid		**(2.2)**	(5.1)
Net cash generated from operating activities		**54.8**	38.9
Cash flows from investing activities			
Acquisition of trade and assets as part of business combinations	34	**(153.0)**	–
Purchase of property, plant and equipment		**(5.2)**	(2.7)
Software and development expenditure		**(3.0)**	(2.1)
Proceeds from sale of intangible assets		**–**	0.5
Net cash used in investing activities		**(161.2)**	(4.3)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital	27	**0.8**	72.6
Principal element of lease payments	20	**(5.3)**	(6.0)
Drawdown of borrowings (net of deferred issue costs)		**120.7**	–
Issue costs related to borrowings		**(0.6)**	–
Repayment of borrowings		**(39.4)**	(60.4)
Equity dividends paid	10	**(14.4)**	(13.0)
Net cash generated from/(used in) financing activities		**61.8**	(6.8)
Net (decrease)/increase in cash and cash equivalents		**(44.6)**	27.8
Cash and cash equivalents at beginning of year		**116.5**	95.0
Effect of foreign currency exchange rate changes		**1.3**	(6.3)
Cash and cash equivalents at end of year	24	**73.2**	116.5

Consolidated cash flow statement continued
for the year ended 31 May 2022

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

	Notes	2022 £m	2021 £m
Net (decrease)/increase in cash and cash equivalents		**(44.6)**	27.8
Change in (net debt)/cash[1] resulting from cash flows (net of deferred issue costs)		**(81.3)**	60.4
Interest incurred on borrowings		**2.1**	(1.1)
Interest paid on borrowings		**(2.1)**	1.1
Release of deferred issue costs		**(0.4)**	(0.2)
Issue costs related to borrowings		**0.6**	–
Effect of foreign currency on cash flows		**1.3**	(6.3)
Foreign currency translation differences on borrowings		**(11.3)**	5.8
Change in (debt)/cash[1] during the year		**(135.7)**	87.5
Net cash/(debt)[1] at start of year excluding lease liabilities		**83.3**	(4.2)
Net (debt)/cash[1] at end of year excluding lease liabilities		**(52.4)**	83.3
Lease liabilities	20	**(32.6)**	(34.4)
Net (debt)/cash[1] at end of year		**(85.0)**	48.9

The accompanying Notes 1 to 34 are an integral part of these consolidated 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 on pages 203 and 204.

Consolidated statement of changes in equity
for the year ended 31 May 2022

	Notes	Share capital £m	Share premium £m	Hedging reserve £m	Merger reserve £m	Currency translation reserve £m	Retained earnings £m	Total £m
Balance at 1 June 2020		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	10	–	–	–	–	–	(13.0)	(13.0)
Share-based payments		–	–	–	–	–	2.8	2.8
Tax on share-based payments	9	–	–	–	–	–	0.3	0.3
Shares issued	27	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
Profit for the year		**–**	**–**	**–**	**–**	**–**	**23.0**	**23.0**
Other comprehensive income for the year		**–**	**–**	**(0.1)**	**–**	**–**	**–**	**(0.1)**
Foreign currency translation differences		**–**	**–**	**–**	**–**	**14.8**	**–**	**14.8**
Total comprehensive income for the year		**–**	**–**	**(0.1)**	**–**	**14.8**	**23.0**	**37.7**
Transactions with owners recorded directly in equity								
Dividends to equity shareholders	10	**–**	**–**	**–**	**–**	**–**	**(14.4)**	**(14.4)**
Transfer hedging reserve to retained earnings		**–**	**–**	**0.9**	**–**	**–**	**(0.9)**	**–**
Share-based payments		**–**	**–**	**–**	**–**	**–**	**3.2**	**3.2**
Tax on share-based payments	9	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Shares issued	27	**–**	**0.8**	**–**	**–**	**–**	**–**	**0.8**
Total contributions by and distributions to owners		**–**	**0.8**	**0.9**	**–**	**–**	**(12.4)**	**(10.7)**
Balance at 31 May 2022		**3.1**	**224.0**	**–**	**42.3**	**35.1**	**(11.3)**	**293.2**

The accompanying Notes 1 to 34 are an integral part of these consolidated Financial Statements.

Company balance sheet
at 31 May 2022

Company no: 4627044

	Notes	2022 £m	2021 £m
Non-current assets			
Investments in subsidiary undertakings	33	**276.9**	151.8
Trade and other receivables	17	**32.9**	162.6
Total non-current assets		**309.8**	314.4
Current assets			
Cash and cash equivalents	24	**20.2**	0.6
Total current assets		**20.2**	0.6
Total assets		**330.0**	315.0
Current liabilities			
Trade and other payables	19	**18.2**	13.5
Total current liabilities		**18.2**	13.5
Total liabilities		**18.2**	13.5
Net assets		**311.8**	301.5
Equity			
Share capital	27	**3.1**	3.1
Share premium	27	**224.0**	223.2
Merger reserve	27	**42.3**	42.3
Retained earnings	27	**42.4**	32.9
Total equity		**311.8**	301.5

The accompanying Notes 1 to 34 are an integral part of these Financial Statements.

These Financial Statements were approved and authorised for issue by the Board of Directors on 6 September 2022. They were signed on its behalf by:

Chris Stone
Non-Executive Chair
6 September 2022

Tim Kowalski
Chief Financial Officer
6 September 2022

Company cash flow statement
for the year ended 31 May 2022

	Notes	2022 £m	2021 £m
Cash flows from operating activities			
Profit for the year	28	**20.0**	25.0
Cash inflow for the year before changes in working capital		**20.0**	25.0
Decrease/(increase) in trade and other receivables		**8.5**	(20.6)
Increase in trade and other payables		**4.7**	0.5
Net cash generated from operating activities		**33.2**	4.9
Cash flows from investing activities			
Investments in subsidiary undertakings	33	**–**	(70.7)
Net cash used in investing activities		**–**	(70.7)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital	27	**0.8**	72.6
Equity dividends paid	10	**(14.4)**	(13.0)
Net cash (used in)/generated from financing activities		**(13.6)**	59.6
Net increase/(decrease) in cash and cash equivalents		**19.6**	(6.2)
Cash and cash equivalents at beginning of year		**0.6**	6.8
Cash and cash equivalents at end of year		**20.2**	0.6

The accompanying Notes 1 to 34 are an integral part of these Financial Statements.

Company statement of changes in equity
for the year ended 31 May 2022

	Notes	Share capital £m	Share premium £m	Merger reserve £m	Retained earnings £m	Total £m
Balance at 31 May 2020 and 1 June 2020		2.8	150.9	42.3	18.1	214.1
Profit for the year		–	–	–	25.0	25.0
Total comprehensive income for the year		–	–	–	25.0	25.0
Transactions with owners recorded directly in equity						
Dividends to equity shareholders	10	–	–	–	(13.0)	(13.0)
Increase in subsidiary investment for share-based charges		–	–	–	2.8	2.8
Shares issued	27	0.3	72.3	–	–	72.6
Total contributions by and distributions to owners		0.3	72.3	–	(10.2)	62.4
Balance at 31 May 2021		3.1	223.2	42.3	32.9	301.5
Profit for the year		**–**	**–**	**–**	**20.0**	**20.0**
Total comprehensive income for the year		**–**	**–**	**–**	**20.0**	**20.0**
Transactions with owners recorded directly in equity						
Dividends to equity shareholders	10	**–**	**–**	**–**	**(14.4)**	**(14.4)**
Increase in subsidiary investment for share-based charges		**–**	**–**	**–**	**3.9**	**3.9**
Shares issued	27	**–**	**0.8**	**–**	**–**	**0.8**
Total contributions by and distributions to owners		**–**	**0.8**	**–**	**(10.5)**	**(9.7)**
Balance at 31 May 2022		**3.1**	**224.0**	**42.3**	**42.4**	**311.8**

The accompanying Notes 1 to 34 are an integral part of these Financial Statements.

Notes to the Financial Statements
for the year ended 31 May 2022

1 Accounting policies

Basis of preparation

NCC Group plc (the "Company") is a public company incorporated in the UK, with its registered office at XYZ Building, 2 Hardman Boulevard, Manchester M3 3AQ. The Group Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The principal activity of the Group is the provision of independent advice and services to customers through the supply of cyber assurance and Software Resilience services. The Parent Company Financial Statements present information about the Company as a separate entity and not about the Group. These Financial Statements have been approved for issue by the Board of Directors on 6 September 2022.

These Group and Parent Company Financial Statements have been prepared and approved by the Directors in accordance with international accounting standards in accordance with UK-adopted international accounting standards ("UK-adopted IFRS"). On publishing the Parent Company Financial Statements here together with the Group Financial Statements, the Company is also taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual Income Statement and related notes that form a part of these approved Financial Statements.

Ukraine conflict

Management has reviewed the potential impact of the Ukraine conflict on the consolidated Financial Statements. The conflict is not considered to have a direct material impact due to the Group having limited direct exposure in the affected region. The conflict has an indirect impact due to the increased risks arising from the global economic impact on inflation and interest rates. Additionally, the Group will seek to deliver any additional revenue opportunities to provide additional cyber security services as a result of the conflict.

Climate change

The Directors have reviewed the potential impact of climate change and the Task Force on Climate-Related Financial Disclosures (TCFD) on the consolidated Financial Statements. Our overall exposure to physical and transitional climate change is considered low due to the nature of the business and cyber resilience industry. Further details are contained within pages 39 to 46 of the Annual Report.

The Directors have considered climate change in the following areas of the consolidated Financial Statements, noting no material financial impact in each area:

- Critical accounting judgements and key sources of estimation uncertainty
- Going concern assessment
- Property, plant and equipment – economic life and residual values
- Impairment of assets – the impact of environmental change on growth rates and projected cash flows
- Inventories – realisable value issues
- Provisions – recognition of new liabilities or contingent liabilities arising from climate change and Group physical and transition risks of:
  - Greenhouse gas emissions – increased costs associated with more taxes and levies
  - Move to net zero – increased costs required to lower emissions
  - Margin risk – impact on delivery day rates and associated erosion of profit margin due to increased costs
  - Reputational risk – failure to comply with regulations resulting in negative impact on Group
  - Supply chain – increased supply costs and delayed deliveries impacting customer contracts/provision of services
  - Extreme weather or rising sea levels – reduction in revenue and increased costs
- Fair value measurement – climate change variables being incorporated into market participant valuations
- Financial instruments – expected credit losses and risk of default on Group borrowings (RCF and term loan)
- IFRS 16 'Leases' – changes to property lease portfolio or car lease agreements. The Group is moving in FY23 from a company car scheme to a salary sacrifice scheme (leased directly by the colleague); this will result over time to a reduction in the motor vehicle right-of-use-asset and corresponding lease liabilities, as the contract lease terms ends

1 Accounting policies continued

New and amended accounting standards that have been issued but are not yet effective

At the date of authorisation of these Financial Statements, the following standards and interpretations were in issue but have not been applied in these Financial Statements as they were not yet mandatory:

- IFRS 17 'Insurance Contracts'
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Property, Plant and Equipment – Proceeds Before Intended Use (Amendments to IAS 16)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)
- Annual Improvements to IFRS Standards 2018–2020 Cycle – Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards', IFRS 9 'Financial Instruments', IFRS 16 'Leases', and IAS 41 'Agriculture'

These IFRSs are not expected to have a material impact on the Group's consolidated financial position or performance of the Group.

Application of significant new or amended EU-endorsed accounting standards

The following amended standards and interpretations were also effective during the year; however, they have not had a material impact on our consolidated Financial Statements.

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Covid-19-Related Rent Concessions Beyond 30 June 2021 (Amendment to IFRS 16)

Basis of measurement

The consolidated Financial Statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments and investments. In addition, at the date of the acquisitions consideration payable is at fair value.

Functional and presentation currency

The Group and Company Financial Statements are presented in millions of Pounds Sterling (£m) because that is the currency of the principal economic environment in which the Group operates.

Going concern

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

The Financial Statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors have prepared cash flow and covenant compliance forecasts for the 12 month period ending 30 September 2023 which indicate that, taking account of severe but plausible downsides on the operations of the Group and its financial resources, the Group and Company will have sufficient funds to meet their liabilities as they fall due for that period.

The going concern period is required to cover a period of at least 12 months from the date of approval of the Financial Statements and the Directors still consider this 12 month period to be an appropriate assessment period due to the Group's financial position and trading performance and that its borrowing facilities do not expire until June 2024. The Directors have considered whether there are any significant events beyond the 12 month period which would suggest this period should be longer but have not identified any such conditions or events.

The Group is financed primarily by a £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 Financial Statements.

On 7 June 2021, the Group acquired the IPM business for $216.1m after a final positive net working capital adjustment of £3.9m 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 year ended 31 May 2022, the Group incurred further cash transaction costs of £7.3m in relation to the acquisition. On 10 June 2022, $23.3m of the term loan was repaid, and $23.3m is to be repaid on 10 June 2023 and $23.4m on 10 June 2024.

As of 31 May 2022, net debt (excluding lease liabilities)[1] amounted to £52.4m which comprised cash of £73.2m, a drawn revolving credit facility of £71.0m and the term loan of £55.4m, with borrowings offset by arrangement fees of £0.8m. In relation to the drawn revolving credit facility, £20.4m is drawn down for working capital requirements and £50.6m in relation to the US acquisition of IPM. Headroom on the Group's banking facilities amounts to £101.9m. In the year ended 31 May 2022, the Group has not taken any of the UK government's Covid-19 Corporate Financing Facility (CCFF) or any other forms of government support worldwide as a result of the Covid-19 pandemic. 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.

1 Accounting policies continued

Going concern continued

The Group is required to comply with the same financial covenants on both banking facilities for leverage (net debt to Adjusted EBITDA [1]) and interest cover (Adjusted EBITDA [1] to interest charge) that are tested bi-annually on 31 May and 30 November each year. As of 31 May 2022, leverage [1] amounted to 0.9x (2021: (1.8x) as cash positive prior to the acquisition) and net interest cover [1] amounted to 23.4x (2021: 35.0x) compared to a maximum of 3.0x and a minimum of 3.5x respectively. The terms and ratios are specifically defined in the Group's banking documents (in line with normal commercial practice) and are materially similar to GAAP with the exceptions being net debt excludes IFRS 16 lease liabilities and Adjusted EBITDA [1] excludes amortisation of acquired intangibles, share-based payments and Individually Significant Items. The Group was in compliance with the terms of all its facilities during the year, including the financial covenants on 30 November 2021 and 31 May 2022, and, based on forecasts, expects to remain in compliance over the going concern period. In addition, the Group has not sought or is not planning to seek any waivers to its existing facilities.

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

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

1. The performance of FY23 continues to be similar to that of FY22, including the impact on regional and international operations of the Group and a potential reduction in double-digit revenue growth to 9% growth and subsequent impact on margin.
2. Failure of execution of the strategy and loss of key customers resulting in a reduction in revenue and a consequential impact on profitability and cash generation of £22.5m for the going concern period.
3. Software Resilience performance does not achieve expected revenue growth in all territories and experiences a 1% digit revenue decline.
4. Further inflationary pressures up to 6% arise over the existing base case going concern assessment of 4% and certain day rate price rises to customers do not occur.

These scenarios have been modelled individually in order to assess the Group's ability to withstand specific challenges. The Directors do not believe it is plausible for all of the above downside scenarios to occur concurrently; however, they have modelled scenarios combining risks (3 and 4) and combining risks (1 and 4) because of the Group's historical Software Resilience performance and current global economic uncertainty. The impact of these severe but plausible scenarios has been reviewed against the Group's projected cash flow position, available committed bank facilities and compliance with financial covenants. These forecasts, including the severe but plausible downsides, show that the Group is able to operate within its available committed banking facilities, with no forecasted covenant breaches or requirement for facility waivers, and that the Group will have sufficient funds to meet its liabilities as they fall due for that period.

From a Company perspective, the Company places reliance on other Group trading entities for financial support. The Company controls these Group entities and therefore has the ability to direct the financial activities of the Group. Having reviewed the current trading performance, forecasts, debt servicing requirements, total facilities and risks, the Directors are confident that the Company and the Group will have sufficient funds to continue to meet their liabilities as they fall due for a period of at least 12 months from the date of approval of these consolidated Financial Statements, which is determined as the going concern period. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the Group's Financial Statements for the period ended 31 May 2022.

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

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 on pages 203 and 204.

Business combinations

Business combinations are accounted for by applying the acquisition method at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Acquisitions

The Group measures goodwill at the acquisition date as:

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

1 Accounting policies continued

Acquisitions continued

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

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

Any deferred or contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of contingent consideration are recognised in the Income Statement. On a transaction-by-transaction basis, the Group elects to measure non-controlling interests either at their fair value or at their proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases.

Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Intercompany transactions and balances between subsidiaries are eliminated on consolidation.

Intangible assets and goodwill

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

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

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

Research and development

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

Software costs

The Group capitalises "software costs" in accordance with the criteria of IAS 38. Software costs comprise third party costs and internal colleague time costs for internal system developments. Capitalised amounts are initially measured at cost and amortised on a straight-line basis over the period for which the developed system is expected to be in use as a business platform. Software costs incurred as part of a service agreement are only capitalised when it can be evidenced that the Group has control over the resources defined in the arrangement.

The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use and capitalised borrowing costs. Other development expenditure is recognised in the Income Statement as an expense as incurred. Software customisation and configuration costs relating to software not controlled by the Group are expensed over the period such services are received. Software costs are stated at cost less accumulated amortisation and less accumulated impairment losses.

When the Group incurs customisation and configuration costs, as part of a service agreement for Software-as-a-Service (SaaS), Infrastructure-as-a-Service (IaaS) or Platform-as-a-Service (PaaS), judgement is applied in assessing whether the Group has control over the resources defined in the arrangement. These costs are treated in accordance with the March 2019 IFRIC update with regard to the Customer's Right to Receive Access to the Supplier's Software Hosted on the Cloud (IAS 38 'Intangible Assets') and the IFRIC interpretation ratified by the Interpretations Committee in April 2021 with regard to Configuration or Customisation Costs in a Cloud Computing Arrangement, as follows:

- In specific circumstances, development costs incurred may give rise to an identifiable asset, for example where code/intellectual property hosted on third party cloud infrastructure is controlled by the Group and the cost of moving the asset to another provider or bringing on-premise is not prohibitive.
- Amounts paid to the cloud vendor or third party for configuration and customisation that are not distinct from access to the cloud software are expensed over the contract term.
- In all other instances, configuration and customisation costs will be expensed as the customisation and configuration services are received, for example a cloud provider's monthly subscription.

1 Accounting policies continued

Intangible assets

Expenditure on internally generated goodwill is recognised in the Income Statement as an expense as incurred.

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

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in the Income Statement as an expense as incurred.

Amortisation

Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful economic lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each Balance Sheet date. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Acquired customer contracts and relationships	– between three and twenty years
Software	– between three and five years
Capitalised development costs	– between three and five years

Financial instruments

Financial assets and financial liabilities, in respect of financial instruments, are recognised in the Group and Parent Balance Sheet when the Group or Company becomes a party to the contractual provisions of the instrument.

Classification and measurement of financial assets and liabilities

Classification of financial assets is generally based on the business model in which the financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at amortised cost if it is held with the objective of collecting the contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All other financial assets are measured at fair value through other comprehensive income or the Income Statement.

Financial assets at amortised cost

Trade and other receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as financial assets measured at amortised cost.

Under the IFRS 9 "expected credit loss" model, a credit event (or impairment "trigger") no longer needs to occur before credit losses are recognised.

The Group analyses the risk profile of trade receivables based on past experience and an analysis of the receivables' current financial position, potential for a default event to occur, adjusted for specific factors, general economic conditions of the industry in which the receivables operate and assessment of both the current and the forecast direction of conditions at the reporting date. A default event is considered to occur when information is obtained that indicates that a receivable is unlikely to be paid to the Group.

Credit risk is regularly reviewed by management to ensure the expected credit loss (ECL) model is being appropriately applied. The Group has performed the calculation of ECL separately for each business unit.

Financial liabilities at amortised cost

Trade payables

Trade payables are other financial liabilities initially measured at fair value and subsequently measured at amortised cost.

Impairment of non-financial assets

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

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash generating units (CGUs). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

1 Accounting policies continued

Impairment of non-financial assets continued

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the Income Statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Related party transactions

A related party is a person or entity that is related to the Group or Company. Related party transactions are the transfer of resources, services or obligations between parties regardless of whether a price is charged. In these circumstances, the Group or Company will disclose the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the Financial Statements in accordance with IAS 24 'Related Party Transactions'.

Details of related party transactions are set out in Note 32 to these Financial Statements.

Property, plant and equipment

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

Computer equipment	– between three and five years
Plant and equipment	– between three and five years
Furniture	– between three and five years
Fixtures and fittings	– five years
Motor vehicles	– four years

Property, plant and equipment is also tested for impairment whenever there is an indication of potential impairment.

Leases

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

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

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

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

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

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

1 Accounting policies continued

Leases continued

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

Lease rental costs in respect of short-term leases (less than one year) and low value assets which are exempt from being accounted for under IFRS 16 are charged to the Income Statement on a straight-line basis over the period of the lease.

Investments

Investments in subsidiaries are carried at cost less impairment. Investments in property and unlisted shares are carried at cost less impairment, which is based on the fair value at acquisition.

Inventory

Inventory is held at the lower of cost or net realisable value.

Revenue recognition

Summary

The Group provides independent global cyber assurance security and Software Resilience services.

The revenue streams in relation to Assurance include:

- Global Professional Services (GPS) – global cyber security consultancy services
- Global Managed Services (GMS) – operational cyber defence, incident response, scanning, simulation and managed security operations centres (SOCs) including new Microsoft XDR (Sentinel) proposition
- Product sales – sale of own manufactured and/or resale of third party products

The revenue streams in relation to Software Resilience include:

- Escrow contract services – securely maintain in "escrow" the long-term availability of business critical software and applications
- Verification services – verify source code, and provide a fully managed secure service and result validation

While the detailed recognition is contract specific, and set out in the table on pages 158 to 161, in most cases:

- GPS revenues are recognised on an input method over time
- GMS revenues are bifurcated according to the separate performance obligations (see pages 158 to 160)
- Product sales are recognised when control passes, usually on delivery
- Escrow contract revenues are recognised over time
- Verification services are recognised on the completion of the verification service

Revenue is presented net of VAT and other sales related taxes.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

Due to the nature of the Group's activities, the Group transaction price for the majority of its contracts is entirely variable consideration as these contracts are on a time and material basis, using set contractual rates per hour/day worked, giving rise to no estimation or reversal risk at period end. The Group does not have any material obligations in respect of returns, refunds or warranties. The impact of any financing component within contracts with customers has been assessed and concluded to be immaterial.

On contract inception, the probability of collectability is assessed across the Group and, unless there is a significant change in facts and circumstances, revenue is recognised. During the year, no instances have been identified where reassessment of the collectability has had to be reassessed, nor have there been any new contracts with customers for which the collection of consideration has not been assessed at inception as probable. This current year assessment also takes into account the impact of Covid-19 on the Group's customer base with no adverse material impact.

Detailed policies

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers by reportable segments, including significant payment terms, and the related revenue recognition policies.

Notes to the Financial Statements continued
for the year ended 31 May 2022

1 Accounting policies continued
Assurance

Revenue stream	Nature	Timing of satisfaction of performance obligations and significant payment terms	Revenue recognition policies, including determination of transaction price and rationale
Global Professional Services (GPS)	GPS is the Group's core consulting service represented by consultants providing cyber security consultancy services to a customer over time or to a set deliverable. Some contracts may contain multiple services (e.g. cyber security assessment and certified product evaluation services). These will be identified as separate performance obligations, and the transaction price allocated to each of these is determined by using the fixed contract rate based upon day rates, being the relative standalone selling price basis. Specifically, the contract terms range from time and materials (based upon consultants' time and expenses) and discrete statements of work, whereby the customer benefits gradually over the period over which the work is performed, unless there is a set deliverable (for example a defined security assessment report).	The customer simultaneously receives the benefits of the consulting services provided by the Group over the period over which the work is performed and one promise (performance obligation) is identified. Work is performed on a daily basis. Invoices are raised monthly or based on an agreed invoicing profile with the customer. Invoices are usually payable within 30 days. No discounts or retrospective rebates are provided.	Revenue is recognised on an input basis to measure the satisfaction of performance obligations over time. This is done according to the number of days worked in comparison to the total contracted number of days of the performance obligation. The work performed occurs on a daily basis (for example security assessment of a customer's security environment). It is considered that as the customer benefits over time based on consultants' time, the input method faithfully depicts the Group's performance towards complete satisfaction of the single performance obligation. Transaction price is determined by fixed contract rates based upon day rates and number of days.
		Where a set deliverable is required and the customer receives the incremental benefit at the end of the work when the deliverable is transferred to the customer, this represents one performance obligation. In this situation, the contract will have no abortive revenue rights; therefore, the Group has no right to consideration for performance to date. Invoicing will usually be on completion of the set deliverable and payable within 30 days.	Revenue is recognised at a point in time, on completion of the performance obligation deliverable. It is considered that as the customer benefits once the set deliverable is received, the point in time method faithfully depicts the Group's performance towards complete satisfaction of the single performance obligation. Transaction price is determined by fixed contract rates.
	The Group in certain situations operates on agreed customer terms, which allow the Group to recover any abortive revenue from its customer in the event that a customer terminates a contract before the contract or deliverable is complete.	The customer simultaneously receives and consumes the benefits of the consulting services provided by the Group over the period over which the work is performed by the Group and one performance obligation is identified. Invoices in relation to the abortive revenue will be recognised when aborted. Invoices are usually payable within 30 days.	Revenue is recognised on an input basis to measure the satisfaction of performance obligations over time. This is done according to the number of days worked in comparison to the total contracted number of days of the performance obligation. Transaction price is determined by fixed contract rates based upon day rates and number of consultancy days.
Global Managed Services (GMS)	These services provide operational cyber defence, incident response, scanning, simulation and managed security operations centres (SOCs). Services are typically for an extended delivery duration, with contract lengths varying up to a maximum of five years.	The customer will benefit from the services over the period of the contract. However, the type of contract will depend on how the customer benefits from the software licence(s).	The amount of revenue recognised in relation to software licence(s) depends on whether the Group acts as an agent or as a principal. The Group acts as principal when the Group controls the specified software licence or service prior to transfer (MSP model).

1 Accounting policies continued

Assurance continued

Revenue stream	Nature	Timing of satisfaction of performance obligations and significant payment terms	Revenue recognition policies, including determination of transaction price and rationale
Global Managed Services (GMS) continued	The proposition will also provide the customer with software licence(s) to enable these services to occur. On this basis, the Group operates two types of contracts: ▪ A Managed Service Provider (MSP) model whereby the customer is supplied with one complete integrated service including the software licence(s) ▪ A reseller model whereby the Group sources the software licence(s) on behalf of the customer and provides the Managed Detection and Response services These services will also include set-up fees. Set-up fees represent workshops, design, and configuration to create a "connection" between systems. Following services going live, the Group will also provide a certain level of professional service consultancy days based on a day rate (post-go-live fees).	Where an MSP model is selected by the customer, the Group recognises three performance obligations: ▪ Set-up fees ▪ Post-go-live fees ▪ Combined monitoring cyber and licence service The MSP model is considered to be under a principal arrangement whereby the Group controls the service prior to transfer. Where a reseller model is selected by the customer, the Group recognises four performance obligations: ▪ Sourced software licence(s) ▪ Set-up fees ▪ Post-go-live fees ▪ Monitoring cyber service The reseller model is considered to be under an agency arrangement whereby the customer receives the benefit and control of the licence on delivery. Invoices are raised monthly or based on an agreed invoicing profile with the customer. Invoices are usually payable within 30 days.	When the Group acts as a principal the revenue recorded is the gross amount billed. The transaction price is determined by a contract price (cost plus mark-up). The transaction price for the overall service is outlined within the customer contract. In certain scenarios, the contract will outline the price for each performance obligation, which is considered to be the standalone selling price of the services/goods, and the transaction price is allocated to each performance obligation on this basis. Where the contract does not stipulate the price per performance obligation, management determines the relative standalone selling price for each performance obligation based on a market assessment approach for the services provided in comparison to market prices, and the contract transaction price is allocated to each performance obligation in proportion to those standalone selling prices. Under a reseller model, the Group's responsibility is to arrange for a third party to provide a specified software licence(s) to the customer. In these cases, the Group is acting as an agent and the Group does not control the relevant licence(s) before it is transferred to the customer. In particular, the Group does not have inventory risk, have access to its source code or hold the IP rights. When the Group is acting as an agent, the revenue is recorded at the net amount retained (commission) at a point in time as the customer receives immediate benefit from access to the licence and the Group does not have any further obligations in relation to the provision of the licence. The commission transaction value represents the mark-up on the licence provided. Set-up fees are recognised over time of the set-up. In particular, the level of administrative tasks involved in the set-up process is considered immaterial and therefore the work performed is considered a distinct promised service and incremental benefit of the installation to the customer. The fees are based on day rates incurred (defined by an in-house day rate sales pricing matrix). Accordingly, the charge out rates are recognised and allocated to these tasks when performed akin to technical professional day rate services. These rates are considered to be the standalone selling prices and are not discounted or reduced for other services. Post-go-live fees are recognised on delivery of consultancy services over time as the customer obtains incremental benefit from the hours provided. Revenue is recognised on an input basis (day rates) to measure the satisfaction of performance obligations over time.

1 Accounting policies continued

Assurance continued

Revenue stream	Nature	Timing of satisfaction of performance obligations and significant payment terms	Revenue recognition policies, including determination of transaction price and rationale
Global Managed Services (GMS) continued			Transaction price is determined by fixed contract rates based upon day rates and number of post-go-live consultancy days. One performance obligation, being a combined monitoring cyber and licence service, is identified in relation to the MSP model monitoring service. Revenue is recognised over the contract length as the software and monitoring process is an overall service, whereby the Group retains control of the licence and provides a complete monitoring service to the customer. If the customer cancels the contract, the Group will retain control of the licence. The customer benefits from a 24/7 monitoring service whereby benefit is obtained daily and therefore revenue is recognised on straight-line basis as the performance obligation is satisfied over time. The transaction price is determined by fixed contract rates for the combined services. Revenue in relation to the reseller model monitoring service is recognised over the contract length on a straight-line basis as the performance obligation is satisfied over time. The customer benefits from a 24/7 monitoring service whereby benefit is obtained daily on straight-line basis.
Product sales	This revenue represents the sale of own manufactured and/or resale of third party products with no connection to other Group services.	The customer only benefits from the products on delivery. Invoices are raised monthly or based on an agreed invoicing profile with the customer. Invoices are usually payable within 30 days.	Revenue is recognised when control of the product is transferred to the customer. This occurs upon delivery under the contractual terms. On certain sales of third party products, the control of the product is considered to pass from the vendor to the end customer and in these cases the Group acts as an agent, and hence only records a commission on sale as opposed to gross revenue and costs of sale.
Long-term fixed price contracts	This revenue represents the long-term development and/or manufacture of specialised software and hardware solutions.	Delivery of the product is considered to represent one performance obligation. The development and/or manufacturing work carried out by the Group is not considered to create an asset with an alternative use to the entity. The Group is entitled to payment as performance of the contract is completed. On this basis, revenue is recognised over time. Invoices are raised based on achievements of pre-defined milestones in the contract. Invoices are usually payable within 30 days.	Revenue is recognised on an input basis to measure the satisfaction of the performance obligation over time. This is done according to total costs incurred in comparison to the total expected costs to be incurred to satisfy the performance obligation. This input measure is driven by the nature of the activities carried out in satisfying the performance obligation. The transaction price is fixed within the terms of the contractual arrangement.

1 Accounting policies continued

Assurance continued

Revenue stream	Nature	Timing of satisfaction of performance obligations and significant payment terms	Revenue recognition policies, including determination of transaction price and rationale
Software Resilience			
Escrow contract services	These services securely maintain in "escrow" the long-term availability of business critical software and applications while protecting the intellectual property rights (IPR) of technology partners. The service will include set-up time, which is administrative in nature.	The customer benefits from the escrow service evenly over a contract period, usually at least a year and potentially up to three years. The service represents one performance obligation. Invoices are raised based on an agreed invoicing profile with the customer. Invoices are usually payable within 30 days.	Revenue is recognised over time on a straight-line basis representing the service delivery agreement. The nature of the agreement gives rise to the customer having the benefit of software resilience if and when required over the contract period. Revenue is recognised on a straight-line basis as the pattern of benefit to the customer as well as the Group's efforts to fulfil the contract are generally even throughout the period. The transaction price is determined by a contract price. Set-up time is not considered distinct and a separate performance obligation due to the administrative nature and therefore is recognised over the period of the contract.
Verification services	These services verify source code based upon an agreed scope between all parties and provide a fully managed secure service and result validation, typically delivered over a short period of time (days). These include SaaS services and ICANN services.	The customer benefits from the verification service on completion because the source code will only have been fully verified/validated at that point. The service represents one performance obligation. Invoices are raised monthly or based on an agreed invoicing profile with the customer. Invoices are usually payable within 30 days.	Revenue is recognised on completion of the verification services. Transaction price is determined by fixed contract rates based upon day rates and number of verification days.

Contract costs

Contract costs comprise incremental sales commissions paid to sales agents or external third parties, which can be directly attributed to an acquired or retained contract. Capitalised commission costs are amortised on a systematic basis that is consistent with the transfer to the customer of the services when the related revenues are recognised. In all other cases, all internal and external costs of obtaining the contract are recognised as incurred.

Costs directly incurred in fulfilling a contract with a customer, which comprise labour hours on long-term contracts, are recognised as an asset to the extent they are recoverable. Such costs are amortised on a systematic basis that is consistent with the transfer to the customer of the services when the related revenues are recognised.

Accrued income (contract asset)

Accrued income represents the Group's rights to consideration for work completed but not billed at the reporting date. Remaining balances are transferred to receivables when the rights become unconditional.

Deferred revenue (contract liability)

Deferred revenue represents advanced consideration received from customers, for which revenue is recognised over time.

Long-term loss-making contracts

Long-term contracts are reviewed annually to establish if the contract is onerous in nature. In particular, the long-term contract becomes an onerous contract when the unavoidable costs (i.e. the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil it) exceed the economic benefits expected to be received under the contract. The assessment of cost to fulfil includes costs that relate directly to the contract and includes direct costs of production, direct costs of supplies/hardware from external suppliers (materials), direct labour in relation to performance obligations and if appropriate any potential contractual fine dependent on items (performance obligations) not being delivered/performed. Any assets dedicated to the specific contract are also tested for potential impairment.

1 Accounting policies continued

Determination and presentation of operating segments

The Group determines and presents operating segments based on the information that is provided to the Board, which acts as the Group's chief operating decision maker (CODM) in order to assess performance and to allocate resources.

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

The Group reports its business in two key segments: the Assurance division and the Software Resilience division. 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 CODM. 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. Both of the Group's divisions (segments) are run by a senior executive team; those teams make all decisions on resource allocation, product development, marketing and areas for focus and investment.

Allocation of central costs

Some costs are collected and managed in one location but are actually incurred on behalf of multiple operating segments or reporting segments. These costs are then allocated to the reporting segments. The allocation is based on logical or activity driven cost algorithms. The allocation is necessary to give an accurate picture of the consumption of resources by each reporting segment.

Individually Significant Items

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

Foreign currencies

Transactions in foreign currencies are recorded using the appropriate monthly exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rate ruling at the Balance Sheet date and the gains or losses on translation are included in the Income Statement.

The assets and liabilities of overseas subsidiaries denominated in foreign currencies are retranslated at the exchange rate ruling at the Balance Sheet date. The income statements of overseas subsidiary undertakings are translated at the average exchange rates for the financial year. Gains and losses arising on the retranslation of overseas subsidiary undertakings are taken to the currency translation reserve. They are released to the Income Statement upon disposal of the subsidiary to which they relate.

Foreign currency differences arising from the translation of qualifying cash flow hedges are recognised in OCI to the extent that the hedges are effective.

Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss. The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts (forward points) is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

1 Accounting policies continued

Colleague benefits – defined contribution pensions

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

Short-term benefits

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

Share-based payment transactions

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

The grant date fair value of share-based payment awards granted to colleagues is recognised as a colleague expense, with a corresponding increase in equity, over the period that the colleagues become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted.

The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Group receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Group's equity instruments are accounted for as cash settled share-based payments. The fair value of the amount payable to colleagues is recognised as an expense, with a corresponding increase in liabilities, over the period in which the colleagues become unconditionally entitled to payment. The liability is remeasured at each Balance Sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense within the Income Statement.

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

Holiday or vacation pay

The Group recognises a liability in the Balance Sheet for any earned but not yet taken holiday entitlement for staff. Earned holiday is calculated on a straight-line basis over a holiday year, which can vary by business unit. Taken holiday is based on actually taken holiday. Any movement in the liability between the opening and closing balance in the year is recorded as a colleague cost or a reduction in colleague costs in the Income Statement in the year.

Borrowings

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

Finance costs

Finance costs are recognised within the Income Statement in the year in which they are incurred.

Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Taxation

Taxation on the profit or loss for the year comprises current and deferred taxation. Taxation is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Balance Sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

UK RDEC tax credits are recognised for the UK tax jurisdiction within administrative expenses and R&D US tax credits within income tax for the US tax jurisdiction.

1 Accounting policies continued

Intra-group financial instruments

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

Cash and cash equivalents

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

Treasury shares

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

2 Critical accounting judgements and key sources of estimation uncertainty

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

Accounting area	Accounting judgement?	Accounting estimate?
Valuation of separately identifiable intangible assets	No	Yes

2.1 Critical accounting judgements

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

2.2 Key sources of estimation uncertainty

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

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

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

Valuation of separately identifiable intangible assets

As part of the acquisition of the IPM business (see Note 34) the Group has acquired an intangible asset relating to the customer relationships acquired with a fair value of £91.4m. The valuation approach taken 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 is described in Note 34.

3 Alternative Performance Measures (APMs) and adjusting items

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

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

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

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

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

- Adjusted EBITDA (reconciled below)
- Adjusted operating profit (reconciled below)
- Adjusted basic EPS (pence) (reconciled in Note 11)
- Net (debt)/cash excluding lease liabilities (reconciled below)
- Net (debt)/cash (reconciled below)
- Cash conversion (reconciled below)
- Constant currency revenue (reconciled below)
- Revenue excluding IPM acquisition (reconciled below)
- Software Resilience revenue excluding IPM acquisition (reconciled below)

The above APMs are consistent with those reported for the year ended 31 May 2021, except for the inclusion of revenue excluding IPM acquisition and Software Resilience revenue excluding IPM acquisition to allow stakeholders to understand the revenue performance of the existing business for the year ended 31 May 2022 prior to acquiring IPM in June 2021. In comparison to those APMs reported for the period ended 30 November 2021, one APM (cash conversion excluding IPM acquisition costs) has been removed to reduce the level of APMs reported.

The Group also 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 and they are also reconciled below.

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.

3 Alternative Performance Measures (APMs) and adjusting items continued

Adjusted EBITDA and Adjusted operating profit

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

	2022 £m	2021 £m
Operating profit	**34.7**	17.3
Depreciation of property, plant and equipment	**3.9**	4.4
Depreciation of right-of-use assets	**5.4**	5.9
Amortisation of customer contracts and relationships (acquired intangibles)	**8.6**	6.4
Amortisation of software and development costs	**1.8**	3.0
Individually Significant Items (Note 5)	**0.9**	12.7
Share-based payments charge (Note 26)	**3.9**	2.8
Adjusted EBITDA	**59.2**	52.5
Depreciation and amortisation (excluding amortisation charged on acquired intangibles)	**(11.1)**	(13.3)
Adjusted operating profit	**48.1**	39.2

Net (debt)/cash

The calculation of net (debt)/cash is set out below:

	2022 £m	2021 £m
Cash and cash equivalents (Note 24)	**73.2**	116.5
Borrowings (Note 24)	**(125.6)**	(33.2)
Net (debt)/cash excluding lease liabilities	**(52.4)**	83.3
Lease liabilities	**(32.6)**	(34.4)
Net (debt)/cash	**(85.0)**	48.9

Cash conversion ratio

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

	2022 £m	2021 £m
Cash generated from operating activities before interest and taxation (A)	**60.3**	46.3
Adjusted EBITDA (B)	**59.2**	52.5
Cash conversion ratio (%) (A)/(B)	**101.9%**	88.2%

Net operating cash flow before interest and taxation includes the cash outflow from acquisition costs of £7.3m (2021: £1.2m). Adjusting the cash conversion ratio for these acquisition costs would give rise to a cash conversion ratio of 114.2% compared to the prior period of 90.5%.

Constant currency revenue

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

Group

Revenue:

	Revenue 2022 £m	Revenue 2021 £m	% change at actual rates	Revenue 2022 £m	Constant currency revenue 2021 £m	% change at constant currency
Revenue	**314.8**	270.5	16.4%	**314.8**	267.0	17.9%

Revenue excluding the performance of IPM:

	Revenue 2022 £m	Revenue 2021 £m	% change at actual rates	Revenue 2022 £m	Constant currency revenue 2021 £m	% change at constant currency
Revenue	**314.8**	270.5	16.4%	**314.8**	267.0	17.9%
Less: IPM acquisition	**(20.2)**	–	n/a	**(20.2)**	–	n/a
Revenue excluding IPM acquisition	**294.6**	270.5	8.9%	**294.6**	267.0	10.3%

3 Alternative Performance Measures (APMs) and adjusting items continued

Constant currency revenue continued

Assurance

Assurance revenue analysis – by originating country:

	Revenue 2022 £m	Revenue 2021 £m	% change at actual rates	Revenue 2022 £m	Constant currency revenue 2021 £m	% change at constant currency
UK and APAC	**114.6**	102.7	11.6%	**114.6**	102.5	11.8%
North America	**94.1**	82.7	13.8%	**94.1**	82.1	14.6%
Europe	**49.8**	48.5	2.7%	**49.8**	46.1	8.0%
Total Assurance revenue	**258.5**	233.9	10.5%	**258.5**	230.7	12.1%

	Revenue H1 2022 £m	Revenue H1 2021 £m	% change at actual rates	Revenue H1 2022 £m	Constant currency revenue H1 2021 £m	% change at constant currency
UK and 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%

	Revenue H2 2022 £m	Revenue H2 2021 £m	% change at actual rates	Revenue H2 2022 £m	Constant currency revenue H2 2021 £m	% change at constant currency
UK and APAC	**60.0**	51.8	15.8%	**60.0**	51.7	16.1%
North America	**50.1**	39.7	26.2%	**50.1**	41.7	20.1%
Europe	**25.2**	25.3	(0.4%)	**25.2**	24.1	4.6%
Total Assurance revenue	**135.3**	116.8	15.8%	**135.3**	117.5	15.1%

Assurance revenue analysed by type of service/product line:

	Revenue 2022 £m	Revenue 2021 £m	% change at actual rates	Revenue 2022 £m	Constant currency revenue 2021 £m	% change at constant currency
Global Professional Services (GPS)	**189.0**	172.2	9.8%	**189.0**	170.2	11.0%
Global Managed Services (GMS)	**58.6**	56.2	4.3%	**58.6**	54.9	6.7%
Product sales (own and third party)	**10.9**	5.5	98.2%	**10.9**	5.6	94.6%
Total Assurance revenue	**258.5**	233.9	10.5%	**258.5**	230.7	12.1%

Software Resilience

Software Resilience revenue analysis – by originating country:

	Revenue 2022 £m	Revenue 2021 £m	% change at actual rates	Revenue 2022 £m	Constant currency revenue 2021 £m	% change at constant currency
UK	**25.4**	25.2	0.8%	**25.4**	25.2	0.8%
North America	**26.8**	7.3	267.1%	**26.8**	7.1	277.5%
Europe	**4.1**	4.1	–	**4.1**	4.0	2.5%
Total Software Resilience revenue	**56.3**	36.6	53.8%	**56.3**	36.3	55.1%

Financial statements

Notes to the Financial Statements continued
for the year ended 31 May 2022

3 Alternative Performance Measures (APMs) and adjusting items continued

Constant currency revenue continued

Software Resilience continued

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

	Revenue 2022 £m	Revenue 2021 £m	% change at actual rates	Revenue 2022 £m	Constant currency revenue 2021 £m	% change at constant currency
UK	**24.5**	25.2	(2.8%)	**24.5**	25.2	(2.8%)
North America	**7.5**	7.3	2.7%	**7.5**	7.1	5.6%
Europe	**4.1**	4.1	–	**4.1**	4.0	2.5%
Total Software Resilience revenue excluding IPM	**36.1**	36.6	(1.4%)	**36.1**	36.3	(0.6%)
IPM	**20.2**	–	n/a	**20.2**	–	n/a
Total Software Resilience revenue	**56.3**	36.6	53.8%	**56.3**	36.3	55.1%

	Revenue H1 2022 £m	Revenue H1 2021 £m	% change at actual rates	Revenue H1 2022 £m	Constant currency revenue 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 excluding IPM	**17.6**	18.5	(4.9%)	**17.6**	18.2	(3.3%)
IPM	**9.3**	–	n/a	**9.3**	–	n/a
Total Software Resilience revenue	**26.9**	18.5	45.4%	**26.9**	18.2	47.8%

	Revenue H2 2022 £m	Revenue H2 2021 £m	% change at actual rates	Revenue H2 2022 £m	Constant currency revenue H2 2021 £m	% change at constant currency
UK	**12.3**	12.4	(0.8%)	**12.3**	12.4	(0.8%)
North America	**4.1**	3.6	13.9%	**4.1**	3.7	10.8%
Europe	**2.1**	2.1	–	**2.1**	2.0	5.0%
Total Software Resilience revenue excluding IPM	**18.5**	18.1	2.2%	**18.5**	18.1	2.2%
IPM	**10.9**	–	n/a	**10.9**	–	n/a
Total Software Resilience revenue	**29.4**	18.1	62.4%	**29.4**	18.1	62.4%

Software Resilience revenues analysed by service line:

	Revenue 2022 £m	Revenue 2021 £m	% change at actual rates	Revenue 2022 £m	Constant currency revenue 2021 £m	% change at constant currency
Software Resilience contracts	**38.1**	24.0	58.8%	**38.1**	23.8	60.1%
Verification services	**18.2**	12.6	44.4%	**18.2**	12.5	45.6%
Total Software Resilience revenue	**56.3**	36.6	53.8%	**56.3**	36.3	55.1%

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

	Revenue 2022 £m	Revenue 2021 £m	% change at actual rates	Revenue 2022 £m	Constant currency revenue 2021 £m	% change at constant currency
Software Resilience contracts	**22.6**	24.0	(5.8%)	**22.6**	23.8	(5.0%)
Verification services	**13.5**	12.6	7.1%	**13.5**	12.5	8.0%
Total Software Resilience revenue excluding IPM	**36.1**	36.6	(1.4%)	**36.1**	36.3	(0.6%)

4 Segmental information

The Group is organised into the following two (2021: two) reportable segments: Assurance and Software Resilience. The two reporting segments provide distinct types of service. Within each of the reporting segments the operating segments provide a homogeneous group of services. The operating segments are grouped into the reporting segments on the basis of how they are reported to the chief operating decision maker (CODM) for the purposes of IFRS 8 'Operating Segments', which is considered to be the Board of Directors of NCC Group plc. Operating segments are aggregated into the two reportable segments based on the types and delivery methods of services they provide, common management structures, and their relatively homogeneous commercial and strategic market environments. Performance is measured based on reporting segment profit, which comprises Adjusted operating profit[1] and adjusting items are not allocated to business segments. Interest and tax are also not allocated to business segments and there are no intra-segment sales. The IPM business acquired on 1 June 2021 is considered to be part of the Software Resilience business segment.

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

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 on pages 203 and 204.

Segmental analysis 2021	Assurance £m	Software Resilience £m	Central and head office £m	Group £m
Revenue	233.9	36.6	–	270.5
Cost of sales	(149.5)	(10.4)	–	(159.9)
Gross profit	84.4	26.2	–	110.6
Gross margin %	36.1%	71.6%	–	40.9%
General administrative expenses allocated	(45.4)	(9.5)	(3.2)	(58.1)
Adjusted EBITDA[1]	39.0	16.7	(3.2)	52.5
Depreciation and amortisation	(9.4)	(0.7)	(3.2)	(13.3)
Adjusted operating profit[1]	29.6	16.0	(6.4)	39.2
Individually Significant Items (Note 5)	–	(7.6)	(5.1)	(12.7)
Amortisation of acquired intangibles	(1.3)	–	(5.1)	(6.4)
Share-based payments	(1.5)	(0.1)	(1.2)	(2.8)
Operating profit	26.8	8.3	(17.8)	17.3
Finance costs				(2.5)
Profit/(loss) before taxation				14.8
Taxation				(4.8)
Profit for the year				10.0

4 Segmental information continued

Segmental analysis 2022	Assurance £m	Software Resilience £m	Central and head office £m	Group £m
Additions to non-current assets	9.0	161.5	4.7	175.2
Reportable segment assets	128.7	236.9	210.8	576.4
Reportable segment liabilities	(102.0)	(36.5)	(144.7)	(283.2)

Segmental analysis 2021	Assurance £m	Software Resilience £m	Central and head office £m	Group £m
Additions to non-current assets	6.0	–	2.1	8.1
Reportable segment assets	69.3	13.5	349.5	432.3
Reportable segment liabilities	(94.9)	(4.5)	(66.7)	(166.1)

The Central and head office cost centre is not considered to be a separate operating segment nor part of any other operating segment as it does not generate any revenues. Included within Central and head office are assets and liabilities not specifically allocated to the reporting segments and include investments, head office tangible and intangible assets, deferred tax assets and liabilities, right-of-use assets and associated lease liabilities, Parent Company cash balances, the RCF facility and certain provisions. Central and head office assets and liabilities are disclosed to allow a reconciliation back to the Group's assets and liabilities.

The net book value of non-current assets is analysed geographically as follows:

	2022 £m	2021 £m
UK and APAC	175.6	172.0
North America	230.5	60.5
Europe	11.3	9.0
Total non-current assets	**417.4**	241.5

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

	Assurance £m	Software Resilience £m	2022 Total £m	Assurance £m	Software Resilience £m	2021 Total £m
Revenue by originating country						
UK and APAC	114.6	25.4	140.0	102.7	25.2	127.9
North America	94.1	26.8	120.9	82.7	7.3	90.0
Europe	49.8	4.1	53.9	48.5	4.1	52.6
Total revenue	258.5	56.3	314.8	233.9	36.6	270.5

	Assurance £m	Software Resilience £m	2022 Total £m	Assurance £m	Software Resilience £m	2021 Total £m
Revenue by category						
Services	247.6	56.3	303.9	228.3	36.6	264.9
Products	10.9	–	10.9	5.6	–	5.6
Total revenue	258.5	56.3	314.8	233.9	36.6	270.5
Timing of revenue recognition						
Services and products transferred over time	49.6	37.6	87.2	47.9	24.0	71.9
Services and products transferred at a point in time	208.9	18.7	227.6	186.0	12.6	198.6
Total revenue	258.5	56.3	314.8	233.9	36.6	270.5

There are no customer contracts in either 2022 or 2021 which account for more than 10% of segment revenue.

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 3).

Individually Significant Items (ISIs)	2022 £m	2021 £m
Costs directly attributable to the acquisition of the IPM Software Resilience business	0.9	7.6
Cloud configuration and customisation costs	–	5.1
Total ISIs	**0.9**	12.7

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

Cloud configuration and customisation costs

These costs relate to the material 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, as part of the Group's Securing Growth Together digital transformation programme met the Group's policy for ISIs.

6 Expenses and auditor's remuneration

Continuing activities	2022 £m	2021 £m
Profit before taxation is stated after charging/(crediting):		
Amounts receivable by auditor and its associates in respect of:		
Audit of these Financial Statements	1.0	0.7
Audit of Financial Statements of subsidiaries pursuant to legislation	0.2	0.1
Total audit [1]	1.2	0.8
Amortisation of development costs (Note 12)	0.9	2.0
Amortisation of software costs (Note 12)	0.9	1.0
Amortisation of acquired intangibles (Note 12)	8.6	6.4
Depreciation of property, plant and equipment (Note 13)	3.9	4.4
Depreciation of right-of-use assets (Note 14)	5.4	5.9
Impairment reversal of right-of-use assets (Note 14)	(0.1)	–
Costs directly attributable to the acquisition of the IPM Software Resilience business (included within ISIs) (Note 5)	0.9	7.6
Cloud configuration and customisation costs (Note 5)	–	5.1
Credit losses recognised on financial assets	0.6	0.8
Cost of inventories recognised as an expense	1.0	1.1
Foreign exchange (gains)/losses	(0.6)	1.5
Lease rental costs charged:		
– Hire of property, plant and equipment [2]	0.1	0.1
Research and development expenditure	1.0	0.5
Profit on disposal of intangible assets	–	(0.5)
Profit on disposal of right-of-use assets	–	(0.2)
Loss on sale of property, plant and equipment	–	0.2

1 The only non-audit service provided by the auditor was for the interim review at 30 November 2021, for which the fee was £80,000 (2021: £75,000).

2 The charge to the Income Statement in respect of lease rental costs relates entirely to short-term leases for which the Group has taken the exemption allowed from applying the principles of IFRS 16.

7 Staff numbers and costs

Directors' emoluments are disclosed in the Remuneration Committee Report. Total aggregate emoluments of the Directors in respect of 2022 were £2.2m (2021: £2.2m). Employer contributions to pensions for Executive Directors for qualifying periods were £nil (2021: £nil). The Company provided pension payments in lieu of pension contributions for two Executive Directors during the year ended 31 May 2022 amounting to £44,000 (2021: £50,000). The aggregate net value of share awards granted to the Directors in the period was £0.4m (2021: £0.3m). The net value has been calculated by reference to the closing mid-market price of the Company's shares on the day before the date of grant. During the year, 237,448 (2021: 128,687) share options were exercised by Directors and their gain on exercise of share options was £20,895 (2021: £54,049).

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

	Number of colleagues	
	2022	2021
Operational	**1,848**	1,523
Administration	**417**	374
Total	**2,265**	1,897

The aggregate payroll costs of these persons were as follows:

	2022 £m	2021 £m
Wages and salaries	**180.7**	152.5
Share-based payments (Note 26)	**3.9**	2.8
Social security costs	**17.3**	13.7
Other pension costs (Note 31)	**5.1**	5.3
Total payroll costs	**207.0**	174.3

8 Finance costs

	2022 £m	2021 £m
Interest payable on bank loans and overdrafts	**2.5**	1.3
Interest expense on lease liabilities	**1.2**	1.2
Finance costs	**3.7**	2.5

The above finance costs relate entirely to liabilities not at fair value through profit or loss.

9 Taxation

Recognised in the Income Statement

	2022 £m	2021 £m
Current tax expense		
Current year	**2.2**	(0.8)
Adjustment to tax expense in respect of prior periods	**0.2**	(0.4)
Impact of prior year US R&D tax credits	**(1.1)**	2.7
Foreign tax	**6.5**	4.3
Total current tax	**7.8**	5.8
Deferred tax expense		
Origination and reversal of temporary differences	**(0.4)**	(0.7)
Movement in tax rate	**(0.1)**	0.4
Derecognition of deductible timing differences	**0.8**	–
Impact of prior year US R&D tax credits	**–**	(0.8)
Adjustment to tax expense in respect of prior periods	**(0.1)**	0.1
Total deferred tax	**0.2**	(1.0)
Tax expense	**8.0**	4.8

9 Taxation continued

Reconciliation of effective tax rate

	2022 £m	2021 £m
Profit before taxation	**31.0**	14.8
Current tax using the UK corporation tax rate of 19% (2021: 19%)	**5.9**	2.8
Effects of:		
Items not deductible/(assessable) for tax purposes	**0.5**	(0.5)
Adjustment to tax charge in respect of prior periods	**0.1**	(0.3)
Impact of prior year US R&D tax credits	**(1.1)**	1.9
Impact of current year US R&D tax credits	**(0.2)**	(0.3)
Differences between overseas tax rates	**1.7**	0.7
Movements in temporary differences not recognised	**1.2**	0.1
Movement in tax rate	**(0.1)**	0.4
Total tax expense	**8.0**	4.8

Current and deferred tax recognised directly in equity was a debit of £0.3m (2021: credit £0.3m).

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 deferred tax balances as at 31 May 2021 and 31 May 2022 are generally measured at a rate of 25%.

Tax uncertainties

The tax expense reported for the current year and prior year is affected by certain positions taken by management where there may be uncertainty. The most significant source of uncertainty arises from claims for US R&D tax credits relating to 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 ended 31 May 2017 to 31 May 2022, the aggregate net current tax benefit to the Income Statement relating to the US R&D tax credits is £4.0m (2021: £2.7m). As at 31 May 2022, the gross deferred tax asset relating to the US R&D tax credits is £0.5m (2021: £1.0m), although due to the uncertainty a partial provision of £0.3m (2021: £0.6m) has been made against this asset. The gross cumulative amount of US R&D tax credits amounts to £9.3m (2021: £8.2m) and net cumulative amount of US tax credits amounts to £4.2m (2021: £3.1m), giving rise to a cumulative provision of £5.1m (2021: £5.1m). The cumulative provision of £5.1m comprises a deferred tax element (£0.3m) relating to tax credits as yet unutilised against US tax and a current tax element (£4.8m) relating to utilised tax credits. The latter provision will unwind as the statute of limitation windows expire for claims made in particular periods. The provision relating to utilised tax credits of £4.8m is expected to unwind as follows: FY23: £1.6m, FY24: £1.2m, FY25: £0.9m, FY26: £0.8m and FY27: £0.3m.

10 Dividends

	2022 £m	2021 £m
Dividends paid and recognised in the year	**14.4**	13.0
Dividends per share paid and recognised in the year	**4.65p**	4.65p
Dividends per share proposed but not recognised in the year	**3.15p**	3.15p

The proposed final dividend for the year ended 31 May 2022 of 3.15p per ordinary share (approximately £9.8m) was approved by the Board on 6 September 2022 and will be paid on 11 November 2022, to shareholders on the register at the close of business on 14 October 2022. The ex-dividend date is 13 October 2022. The dividend will be recommended to shareholders at the AGM on 2 November 2022. The dividend has not been included as a liability as at 31 May 2022. The payment of this dividend will not have any tax consequences for the Group.

Dividend policy

Dividends are the way the Company makes distributions from the Company's distributable reserves to shareholders. The Board decides the level of the dividend with each half-year reporting period (i.e. 30 November and 31 May). If an interim or final dividend is declared, the Company pays the dividend approximately eight weeks after the results announcement. A dividend is paid for each share, so the amount you receive depends on the number of shares you own.

The Company currently continues to pay a dividend equal to that paid in the prior years 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.

11 Earnings per ordinary share

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

	2022 £m	2021 £m
Statutory earnings (A)	**23.0**	10.0

	Number of shares m	Number of shares m
Basic weighted average number of shares in issue (C)	**309.5**	281.2
Dilutive effect of share options	**1.4**	1.5
Diluted weighted average shares in issue (D)	**310.9**	282.7

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.

	2022 Pence	2021 Pence
Earnings per ordinary share		
Basic (A/C)	**7.4**	3.6
Diluted (A/D)	**7.4**	3.5

Adjusted basic EPS [1] is reconciled as follows:

	2022 £m	2021 £m
Statutory earnings (A)	**23.0**	10.0
Amortisation of acquired intangibles	**8.6**	6.4
Share-based payments	**3.9**	2.8
Individually Significant Items (see Note 5)	**0.9**	12.7
Tax effect of above items	**(2.9)**	(5.1)
Adjusted earnings (B)	**33.5**	26.8

	2022 Pence	2021 Pence
Adjusted earnings per ordinary share		
Basic (B/C)	**10.8**	9.5
Diluted (B/D)	**10.8**	9.5

12 Goodwill and intangible assets

	Goodwill £m	Software £m	Development costs £m	Customer contracts and relationships £m	Intangibles sub-total £m	Total £m
Cost						
At 1 June 2020	259.3	12.8	11.5	88.2	112.5	371.8
Additions	–	1.7	0.6	–	2.3	2.3
Disposals	(10.2)	–	–	(13.0)	(13.0)	(23.2)
Effects of movements in exchange rates	(10.2)	–	(0.4)	(2.1)	(2.5)	(12.7)
At 31 May 2021	238.9	14.5	11.7	73.1	99.3	338.2
Additions	**–**	**1.6**	**1.3**	**–**	**2.9**	**2.9**
On acquisition (see Note 34)	**69.7**	**2.5**	**–**	**91.4**	**93.9**	**163.6**
Effects of movements in exchange rates	**13.5**	**0.1**	**(0.1)**	**12.3**	**12.3**	**25.8**
At 31 May 2022	**322.1**	**18.7**	**12.9**	**176.8**	**208.4**	**530.5**
Accumulated amortisation						
At 1 June 2020	(66.2)	(10.8)	(7.3)	(65.4)	(83.5)	(149.7)
Charge for year	–	(1.0)	(2.0)	(6.4)	(9.4)	(9.4)
Disposals	10.2	–	–	13.0	13.0	23.2
Effects of movements in exchange rates	–	–	0.3	1.3	1.6	1.6
At 31 May 2021	(56.0)	(11.8)	(9.0)	(57.5)	(78.3)	(134.3)
Charge for year	**–**	**(0.9)**	**(0.9)**	**(8.6)**	**(10.4)**	**(10.4)**
Effects of movements in exchange rates	**–**	**–**	**0.1**	**(1.2)**	**(1.1)**	**(1.1)**
At 31 May 2022	**(56.0)**	**(12.7)**	**(9.8)**	**(67.3)**	**(89.8)**	**(145.8)**
Net book value						
At 31 May 2022	**266.1**	**6.0**	**3.1**	**109.5**	**118.6**	**384.7**
At 31 May 2021	182.9	2.7	2.7	15.6	21.0	203.9

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

Cash generating units (CGUs)

Goodwill and intangible assets are allocated to CGUs in order to be assessed for potential impairment. CGUs are defined by accounting standards as the lowest level of asset groupings that generate separately identifiable cash inflows that are not dependent on other CGUs. The Directors have reviewed the continuing applicability of the judgements made in the prior year in determining the CGUs within the Group and in allocating goodwill to these CGUs and are satisfied these judgements remain appropriate.

In respect of the IPM business acquired on 1 June 2021 (See Note 34), work to integrate this business into the wider North America Software Resilience CGU is ongoing and at 31 May 2022, the cash inflows relating to this business are considered to be separately identifiable. As such a new CGU has been identified relating to the acquired IPM business.

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

Cash generating units	**Goodwill 2022 £m**	Goodwill 2021 £m
UK Software Resilience	**22.9**	22.9
IPM Software Resilience	**76.9**	–
North America Software Resilience	**8.5**	7.5
Europe Software Resilience	**7.3**	7.2
Total Software Resilience	**115.6**	37.6
UK and APAC Assurance	**45.4**	44.2
North America Assurance	**39.9**	36.4
Europe Assurance	**65.2**	64.7
Total Assurance	**150.5**	145.3
Total Group	**266.1**	182.9

12 Goodwill and intangible assets continued

Impairment review

Goodwill is tested for impairment annually at the level of the CGU to which it is allocated. For the year ended 31 May 2021, the recoverable amount of all CGUs concerned was measured on a value in use basis (VIU). For the year ended 31 May 2022, the recoverable amount of all CGUs concerned was measured on a value in use basis (VIU), with the exception of the Europe Assurance CGU and the IPM Software Resilience CGU, which was measured on a fair value less costs to sell basis.

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

Fair value less costs to sell

For the year ended 31 May 2022, the recoverable amount of the Europe Assurance CGU and the IPM Software Resilience CGU has been determined on a fair value less costs to sell basis for the purposes of the impairment review. The Directors assessed the recoverable amount of these CGUs on a VIU basis, as in the prior period for Europe Assurance. The VIU calculations prepared for both CGUs are highly sensitive to changes in inputs, which could suggest that they were less than the carrying value of assets. This is because the forecast growth rates applied beyond a period of five years are expected to be higher than the terminal growth rate that would be applied. Therefore, the Directors considered that the fair value less costs to sell exceeded the value in use.

The Europe Assurance CGU and IPM Software Resilience CGU valuation has been calculated by assessing the value of the standalone Europe Assurance and IPM Software Resilience business calculated using an EBITDA [1] multiple based on sustainable earnings for the year ended 31 May 2022 adjusted for specific items where relevant. For the IPM Software Resilience business, integration costs associated with combining the business into the wider Group have been added back to sustainable earnings used in the calculation. For the Europe Assurance CGU no material adjustments have been made to the sustainable earnings used in the calculation. The sustainable earnings input is a level 3 measurement; level 3 measurements are inputs which are normally unobservable to market participants.

The EBITDA [1] multiple used in the calculations is based on independent third party assessments of the implied enterprise value of the business based on a population of comparable companies and precedent transactions. The estimated cost of disposal was based on other recent transactions that the Group has undertaken.

Sensitivity analysis

The key assumptions used in the fair value less costs to sell calculation are the EBITDA [1] used and the multiple applied to that sustainable earnings. For the Europe Assurance CGU and the IPM Software Resilience CGU there is no reasonably possible change in those inputs that could give rise to an impairment.

Value in use

VIU represents the present value of the future cash flows that are expected to be generated by the CGU to which the goodwill is allocated.

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

VIU calculations are an area of management estimation. These calculations require the use of estimates (inputs), specifically: pre-tax cash flow projections; long-term growth rates; and a pre-tax discount rate. Further detail in relation to these assumptions used in the Group's goodwill annual impairment review is as follows:

Pre-tax cash flow projections

Pre-tax cash flow projections are based on the Group's budget for the forthcoming financial year and longer-term three year strategic plans to 2025. The budget and three year strategic plan are compiled by the business unit management teams using a detailed, bottom-up process with respect to revenue, margin and overheads, taking into account factors specific to that business unit as well as wider economic factors such as industry growth expectations and the impact of Covid-19 or the Ukraine conflict.

The Group's revenue forecasts are developed using the most reliable data available, such as the size of the existing contract base and details of confirmed orders, as well as assumptions over key operational inputs to underpin the forecast for each revenue stream. The combined effect of these individual assumptions on the overall growth rate assumed for each area of the business is then compared to management's experience of growth and the industry's expected growth rate.

12 Goodwill and intangible assets continued

Pre-tax cash flow projections continued

For cost forecasts, the majority of which are people related, headcount changes are forecast for delivery and sales staff in order that there are sufficient resources to support the forecasted required revenue delivery capacity as well as to deliver against sales targets, while also factoring in payroll inflation expectations. Overhead costs are also forecast using a bottom-up process.

Forecasts go through a detailed review process and are subject to challenge at each stage of review, including by the Executive Committee. Ultimately the forecasts are approved by the Board.

Assumptions have then been applied for expected revenue, margin growth, overheads and Adjusted EBITDA [1] for the subsequent two years from the end of 2025. Adjusted EBITDA [1] is considered a proxy for operating cash flow before changes in working capital. Pre-tax cash flow projections also include assumptions on working capital and capital expenditure requirements for each CGU.

These assumptions are based on management's experience of growth and knowledge of the industry sectors, markets and the Group's internal opportunities for growth and margin enhancement. The projections beyond five years into perpetuity use an estimated long-term growth rate. Management has taken into account the impact of Covid-19 in formulating the above assumptions, and the underlying uncertainty of Covid-19 has been reflected in the assumptions underpinning the cash flow forecasts for each CGU rather than the pre-tax discount rates used in the impairment test.

Forecast working capital and capital expenditure included within the pre-tax cash flow projections are based on management's expectations of future expenditure required to support the Group and current run rate requirements.

The revenue % growth for the Assurance CGU is considered by management to be appropriate for the specific industry in which the CGU operates. Management has considered available external market data in determining the revenue growth rates over the five year forecast period.

Long-term growth rates

To forecast growth beyond the detailed cash flows into perpetuity, a long-term average growth rate ranging between 1.5% and 2.5% (2021: between 1.5 and 1.7%) has been used based on the specific geography of the CGU, as shown in the table below. This range represents management's best estimate of a long-term annual growth rate aligned to an assessment of long-term GDP growth rates. A higher sector-specific growth rate would be a valid alternative estimate. A different set of assumptions may be more appropriate in future years dependent on changes in the macro-economic environment. These rates are not greater than the published International Monetary Fund average growth rates in gross domestic product for the next five year period in each relevant territory in which the CGUs operate.

	Growth rate (%) 2022	Growth rate (%) 2021
UK Software Resilience	2.2	1.7
North America Software Resilience	2.5	1.6
Europe Software Resilience	1.5	1.5
UK and APAC Assurance	2.2	1.7
North America Assurance	2.5	1.6
Europe Assurance	n/a	1.5

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 on pages 203 and 204.

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12 Goodwill and intangible assets continued

Pre-tax discount rates

Discount rates can change relatively quickly for reasons both inside and outside of management's control. Those outside management's direct control or influence include changes in the Group's Beta, changes in risk free rates of return and changes in Equity Risk Premia.

The discount rates are determined using a capital asset pricing model and reflect current market interest rates, relevant equity and size risk premiums and the risks specific to the CGU concerned. On this basis, specific discount rates are used for each CGU in the VIU calculation, and the rates reflect management's assessment on the level of relative risk in each respective CGU. The table below summarises the pre-tax discount rates used for each CGU:

	Pre-tax discount rate (%) 2022	Pre-tax discount rate (%) 2021
UK Software Resilience	**13.5**	12.9
North America Software Resilience	**14.4**	15.3
Europe Software Resilience	**12.5**	13.6
UK and APAC Assurance	**13.5**	13.0
North America Assurance	**14.4**	14.2
Europe Assurance	**n/a**	13.7

Sensitivity analysis

Sensitivity analysis has been performed in respect of certain scenarios where management considers a reasonably possible change in key assumptions could occur. The outcome of applying sensitivity analysis in respect of the above inputs indicated that there is no reasonably possible scenario in which the carrying value of goodwill would be considered impaired.

13 Property, plant and equipment

	Computer equipment £m	Fixtures, fittings and equipment £m	Motor vehicles £m	Total £m
Cost				
At 1 June 2020	19.7	21.0	0.1	40.8
Additions	1.8	0.9	–	2.7
Disposals	(0.1)	(3.6)	–	(3.7)
Movement in foreign exchange rates	(0.6)	(1.0)	–	(1.6)
At 31 May 2021	20.8	17.3	0.1	38.2
Additions	**3.7**	**1.5**	**–**	**5.2**
Movement in foreign exchange rates	**0.1**	**0.3**	**–**	**0.4**
At 31 May 2022	**24.6**	**19.1**	**0.1**	**43.8**
Depreciation				
At 1 June 2020	(15.3)	(11.5)	(0.1)	(26.9)
Charge for year	(2.8)	(1.6)	–	(4.4)
Disposals	0.2	3.3	–	3.5
Movement in foreign exchange rates	0.4	0.7	–	1.1
At 31 May 2021	(17.5)	(9.1)	(0.1)	(26.7)
Charge for year	**(2.7)**	**(1.2)**	**–**	**(3.9)**
Movement in foreign exchange rates	**–**	**(0.3)**	**–**	**(0.3)**
At 31 May 2022	**(20.2)**	**(10.6)**	**(0.1)**	**(30.9)**
Net book value				
At 31 May 2021	3.3	8.2	–	11.5
At 31 May 2022	**4.4**	**8.5**	**–**	**12.9**

The Directors have considered the impact of climate change on property, plant and equipment, with no material impact identified.

14 Right-of-use assets

	Land and buildings £m	Motor vehicles £m	Total £m
Cost			
At 1 June 2020	32.8	3.0	35.8
Additions	3.1	–	3.1
Reclassifications from provisions	(1.4)	–	(1.4)
Disposals	(0.7)	–	(0.7)
At 31 May 2021	33.8	3.0	36.8
Additions	**1.9**	**1.6**	**3.5**
At 31 May 2022	**35.7**	**4.6**	**40.3**
Depreciation			
At 1 June 2020	(6.0)	(1.1)	(7.1)
Charge for year	(4.8)	(1.1)	(5.9)
At 31 May 2021	(10.8)	(2.2)	(13.0)
Charge for year	**(4.2)**	**(1.2)**	**(5.4)**
Reversal of impairment	**0.1**	**–**	**0.1**
At 31 May 2022	**(14.9)**	**(3.4)**	**(18.3)**
Net book value			
At 31 May 2021	23.0	0.8	23.8
At 31 May 2022	**20.8**	**1.2**	**22.0**

The Directors have considered the impact of climate change on right-of-use assets and as the Group is moving in FY23 from a company car scheme to a salary sacrifice scheme (leased directly by the colleague) this will result over time to a reduction in the motor vehicles right-of-use asset and corresponding lease liabilities, as the contract lease terms end.

15 Investments

	Group 2022 £m	Group 2021 £m
Interest in unlisted shares	**0.3**	0.3

The investment in unlisted shares relates to a 3.35% ordinary shareholding in an unlisted company acquired as part of the Accumuli acquisition. The investment's carrying value at acquisition date was considered appropriate to use as the fair value. The Directors consider there has been no change in the year.

16 Inventory

	Group 2022 £m	Group 2021 £m
Goods for resale	**0.9**	1.1

The Group holds stock of certain critical components for key customers in relation to our own product sales (as opposed to third party products). The carrying value of inventory is expected to be recovered or settled within one year. There have been no write-downs of inventory in the year (2021: £nil).

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

17 Trade and other receivables

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Current				
Trade receivables	**40.6**	35.2	**–**	–
Prepayments	**11.8**	8.3	**–**	–
Contract costs	**1.1**	0.4	**–**	–
Other receivables	**1.2**	1.9	**–**	–
Contract assets – accrued income	**23.0**	22.9	**–**	–
Non-current				
Amounts owed by Group undertakings	**–**	–	**32.9**	162.6
Total	**77.7**	68.7	**32.9**	162.6
Disclosed as follows:				
Current assets	**77.7**	68.7	**–**	–
Non-current assets	**–**	–	**32.9**	162.6
	77.7	68.7	**32.9**	162.6

The carrying value of trade and other receivables classified at amortised cost approximates fair value.

No credit losses have been recognised in respect of amounts owed by Group undertakings (Parent Company only) in the year (2021: £nil).

Amounts owed by Group undertakings in the Parent Company Balance Sheet have been disclosed as repayable after more than one year. Although these are repayable on demand, the disclosure as non-current is based on management's expectation of the timing of repayment.

The ageing of trade receivables, other receivables and contract assets at the end of the reporting period was:

Group	Gross 2022 £m	Expected credit losses 2022 £m	Net 2022 £m	Gross 2021 £m	Expected credit losses 2021 £m	Net 2021 £m
Trade receivables:						
Not past due	**28.0**	**(0.1)**	**27.9**	24.3	(0.1)	24.2
Past due 0–30 days	**7.7**	**–**	**7.7**	6.6	(0.1)	6.5
Past due 31–90 days	**4.6**	**(0.1)**	**4.5**	3.7	(0.1)	3.6
Past due more than 90 days	**3.8**	**(3.3)**	**0.5**	2.3	(1.4)	0.9
	44.1	**(3.5)**	**40.6**	36.9	(1.7)	35.2
Other receivables:						
Not past due	**1.2**	**–**	**1.2**	1.9	–	1.9
Contract assets:						
Not past due	**23.2**	**(0.2)**	**23.0**	23.1	(0.2)	22.9
Total	**68.5**	**(3.7)**	**64.8**	61.9	(1.9)	60.0

The Company had no trade receivables (2021: £nil).

The standard period for credit sales varies from 30 days to 60 days. Trade receivables which are over 30 days past due are considered to be credit impaired. The Group assesses creditworthiness of all trade debts on an ongoing basis providing for expected credit losses in line with IFRS 9. The Group has considered credit risk rating grades; these are based on the ageing categories above. Covid-19 has not had a material impact on the collection of trade receivables, and consequently has not materially impacted our forward-looking estimates for expected credit losses. New customers are subject to stringent credit checks.

17 Trade and other receivables continued

The movement in the expected credit losses of trade and other receivables is as follows:

	Group 2022 £m	Group 2021 £m
Balance at 1 June	(1.7)	(2.5)
On acquisition (Note 34)	(1.4)	–
(Charged)/released to the Income Statement	(0.4)	0.8
Balance at 31 May	**(3.5)**	**(1.7)**

18 Deferred tax assets and liabilities (Group)

Deferred tax assets and liabilities on the Consolidated Statement of Financial Position are offset in accordance with IAS 12. A summary of this, offset with significant jurisdictions, is shown below:

	2022				
Asset/(liability)	UK £m	US £m	Netherlands £m	Denmark £m	Total £m
Plant and equipment	0.3	(0.4)	0.3	–	0.2
Short-term temporary differences	0.2	6.2	–	–	6.4
IFRS 16 assets/liabilities	0.3	0.2	–	–	0.5
Intangible assets	(1.8)	(5.2)	(1.8)	–	(8.8)
Share-based payments	0.9	0.6	–	–	1.5
Deferred tax (liability)/asset	**(0.1)**	**1.4**	**(1.5)**	**–**	**(0.2)**
Analysed as follows:					
Non-current assets	–	1.4	–	–	1.4
Non-current liabilities	(0.1)	–	(1.5)	–	(1.6)

	2021				
Asset/(liability)	UK £m	US £m	Netherlands £m	Denmark £m	Total £m
Plant and equipment	0.6	–	0.3	–	0.9
Short-term temporary differences	0.1	4.5	0.2	–	4.8
IFRS 16 assets/liabilities	0.3	0.2	–	–	0.5
Intangible assets	(1.7)	(3.9)	(1.9)	–	(7.5)
Share-based payments	0.7	0.7	0.2	–	1.6
Tax losses	–	–	–	0.5	0.5
Deferred tax asset/(liability)	–	1.5	(1.2)	0.5	0.8
Analysed as follows:					
Non-current assets	–	1.5	–	0.5	2.0
Non-current liabilities	–	–	(1.2)	–	(1.2)

18 Deferred tax assets and liabilities (Group) continued

Movement in deferred tax during the year:

	1 June 2021 £m	Recognised in income £m	Exchange differences £m	Recognised in equity £m	Acquisition £m	**31 May 2022 £m**
Plant and equipment	0.9	(0.5)	(0.2)	–	–	**0.2**
Short-term temporary differences	4.8	0.9	0.7	–	–	**6.4**
IFRS 16 assets/liabilities	0.5	–	–	–	–	**0.5**
Intangible assets	(7.5)	(0.3)	(0.3)	–	(0.7)	**(8.8)**
Share-based payments	1.6	0.2	0.1	(0.4)	–	**1.5**
Tax losses	0.5	(0.5)	–	–	–	**–**
Total	0.8	(0.2)	0.3	(0.4)	(0.7)	**(0.2)**

	1 June 2020 £m	Recognised in income £m	Exchange differences £m	Recognised in equity £m	Acquisition £m	31 May 2021 £m
Plant and equipment	0.9	–	–	–	–	0.9
Short-term temporary differences	6.1	(0.8)	(0.5)	–	–	4.8
IFRS 16 assets/liabilities	0.5	–	–	–	–	0.5
Intangible assets	(9.0)	0.8	0.7	–	–	(7.5)
Share-based payments	0.5	0.9	(0.1)	0.3	–	1.6
Tax losses	0.4	0.1	–	–	–	0.5
Total	(0.6)	1.0	0.1	0.3	–	0.8

In the year ended 31 May 2022, the Group has recognised no deferred tax asset in relation to tax losses. In 2021, the Group recognised a deferred tax asset in relation to tax losses of £0.5m as management considered it probable that future taxable profits would be available against which it could be utilised. The Group has not recognised a deferred tax asset on £35.7m (2021: £25.6m) of tax losses carried forward in the United Kingdom (£27.5m), Denmark (£4.1m), Australia (£3.6m) and North America (£0.5m) due to current uncertainties over their future recoverability (and in the case of United Kingdom/North America because of specific legislative restrictions). A deferred tax asset of £0.5m (2021: £1.0m) in respect of R&D tax claims submitted in North America has been partially provided against due to uncertainty with regard to recoverability; an amount of £0.3m has been provided (2021: £0.6m).

No deferred tax liability is recognised on temporary differences of £0.4m (2021: £0.2m) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

19 Trade and other payables

	Group 2022 £m	Group 2021 £m	**Company 2022 £m**	Company 2021 £m
Trade payables	**8.7**	3.3	**–**	–
Non-trade payables	**11.4**	7.9	**–**	–
Accruals	**28.2**	34.0	**–**	–
Amounts owed to Group companies	**–**	–	**18.2**	13.5
Total	**48.3**	45.2	**18.2**	13.5

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

20 Lease liabilities

	Land and buildings £m	Motor vehicles £m	Total £m
At 1 June 2020	36.0	2.2	38.2
Additions	1.3	1.8	3.1
Disposals	(0.9)	–	(0.9)
Lease payments	(5.9)	(1.3)	(7.2)
Interest expense	1.1	0.1	1.2
At 1 June 2021	31.6	2.8	34.4
Additions	**1.9**	**1.6**	**3.5**
Lease payments	**(5.4)**	**(1.1)**	**(6.5)**
Interest expense	**1.0**	**0.2**	**1.2**
At 31 May 2022	**29.1**	**3.5**	**32.6**

Analysed as follows:

	2022 £m	2021 £m
Current	**5.4**	5.1
Non-current	**27.2**	29.3

The maturity of lease liabilities is as follows:

	2022 £m	2021 £m
Less than one year	**5.4**	5.1
Two to five years	**16.5**	15.8
More than five years	**10.7**	13.5
Total lease liabilities	**32.6**	34.4

The total cash outflow for leases in the year was £6.6m (2021: £7.3m), which consists of £6.5m (2021: £7.2m) lease payments disclosed above and £0.1m (2021: £0.1m) lease payments charged to the Income Statement in respect of short-term leases.

The Group has used its incremental borrowing rate of 3.3% (2021: 3.3%) as the discount rate for the calculation of the lease liabilities.

Some leases contain break clauses or extension options to provide operational flexibility. Potential future undiscounted lease payments not included in the reasonably certain lease term, and hence not included in lease liabilities, total £4.0m (2021: £4.0m).

The Directors have considered the impact of climate change on lease liabilities and as the Group is moving in FY23 from a company car scheme to a salary sacrifice scheme (leased directly by the colleague) this will result over time to a reduction in the motor vehicles right-of-use asset and corresponding lease liabilities, as the contract lease terms end.

21 Provisions

	Loss-making contracts £m	Onerous property costs £m	Other provisions £m	Total £m
Balance as at 31 May 2020 and 1 June 2020	0.2	2.9	0.6	3.7
Reclassification to right-of-use assets	–	(1.4)	–	(1.4)
Reclassification	1.7	–	–	1.7
Provisions created in the year	1.9	1.0	–	2.9
Provisions utilised during the year	(2.7)	(0.8)	(0.4)	(3.9)
Balance as at 31 May 2021 and 1 June 2021	1.1	1.7	0.2	3.0
Provisions created in the year	**1.9**	**–**	**0.6**	**2.5**
Provisions utilised during the year	**(1.2)**	**(0.7)**	**(0.1)**	**(2.0)**
Balance as at 31 May 2022	**1.8**	**1.0**	**0.7**	**3.5**
Analysed as follows (2022):				
Current	**1.5**	**0.5**	**0.7**	**2.7**
Non-current	**0.3**	**0.5**	**–**	**0.8**
Analysed as follows (2021):				
Current	1.1	1.1	0.2	2.4
Non-current	–	0.6	–	0.6

The loss-making contracts provision represents the estimated remaining net lifetime loss on long-term development and supply contracts that are now expected to be fully completed in the 2023 calendar year mainly due to supply chain sourcing. It was expected in the prior year that these contracts would have been completed in 2022. During the year, revenue has been recognised in relation to these long-term contracts of £2.3m (2021: £1.8m).

The onerous property costs provision relates to unused floors in the Manchester head office building. The provision of £1.0m (2021: £1.7m) at 31 May 2022 includes £0.4m (2021: £1.2m) of non-rent costs relating to the onerous properties including service charges and insurance and also the estimated costs of disposing or terminating these leases, which includes rent incentives, renovation costs and letting fees. The provision at 31 May 2022 also includes estimated dilapidations liabilities of £0.6m (2021: £0.5m) relating to the Group's leased premises. Both of these provisions are expected to unwind over the period of the relevant leases (2022–2034).

Other provisions of £0.7m (2021: £0.2m) include reorganisation and CEO transition costs to which the Group was committed at 31 May 2022 and are expected to be settled within the next financial year.

22 Contract liabilities – deferred revenue

Deferred revenue represents advanced consideration received from customers, for which revenue is recognised over time. Deferred revenue is analysed as follows and is considered a contract liability:

	Group 2022 £m	Group 2021 £m
Analysed as follows:		
Current	**61.7**	43.6
Non-current	**0.6**	0.7
	62.3	44.3

Revenue recognised in the year ended 31 May 2022 that was included in the contract liability at 1 June 2021 amounted to £43.6m (2021: £39.5m).

The Group has taken advantage of the IFRS 15 practical expedient not to disclose when revenue will unwind for all contracts less than 12 months in length. The increase in deferred revenue in the year is due to the growth of the Assurance division and the acquisition of IPM.

23 Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	Notes	Group 2022 £m	Group 2021 £m
Receivables, which are included in trade and other receivables	17	40.6	35.2
Contract assets – accrued income	17	23.0	22.9
Contract costs – costs to obtain	17	1.1	0.4
Contract liabilities – deferred income	22	(62.3)	(44.3)

Receivables represent invoiced services usually payable within 30 days whereby performance obligations have been satisfied.

Accrued income of £23m (of which £20.3m (2021: £21.3m) represents Assurance accrued income) is the Group's rights to consideration for work completed but not billed at the reporting date. Remaining balances are transferred to receivables when the rights become unconditional. Credit losses of £nil (2021: £0.1m) have been recognised in respect of contract assets.

The contract assets were not impacted by any impairment charge. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. Invoices usually become payable within 30 days.

The contract costs to obtain of £1.1m (2021: £0.4m) represent incremental sales commissions to obtain specific contracts.

The contract costs to fulfil represent recoverable costs relating to future performance obligations and economic benefits to the customer in relation to a long-term onerous contract.

Contract liabilities primarily relate to advanced consideration received from customers, for which revenue is recognised over time in line with the respective performance obligation.

No information is provided about remaining performance obligations at 31 May 2022 or at 31 May 2021 that have an original expected duration of one year or less, as allowed by IFRS 15.

24 Cash and cash equivalents and borrowings

Cash and cash equivalents

Cash and cash equivalents comprise:

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Cash at bank and in hand	73.2	116.5	20.2	0.6

Borrowings are analysed as follows:

	Maturity	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Current liabilities:					
Bank term loan	2024	18.5	–	–	–
Non-current liabilities:					
Revolving credit facility		70.5	33.2	–	–
Bank term loan	2024	36.6	–	–	–
Total borrowings		125.6	33.2	–	–

The maturity profile is as follows:

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Less than one year	18.5	–	–	–
Two to five years	107.1	33.2	–	–
Total borrowings	125.6	33.2	–	–

24 Cash and cash equivalents and borrowings continued

Cash and cash equivalents continued

The Group utilises a revolving credit facility (RCF) of £100m with a five year term expiring in June 2024. The interest payable on drawn down funds ranges from 0.9% to 2.0% above SONIA/SOFR subject to the Group's leverage (net debt [1] to Adjusted EBITDA [1]) ratio. The Group can also request an additional accordion facility to increase the total size of the revolving credit facility by up to £75m. The Group is required to comply with financial covenants for leverage (net debt [1] to Adjusted EBITDA [1]), interest cover (Adjusted EBITDA [1] to interest charge) and provisions relating to guarantor coverage such that guarantors must exceed a prescribed threshold of the Group's gross assets and Adjusted EBITDA [1]. Covenants are tested bi-annually at 31 May and 30 November each year. Arrangement fees incurred of £1.0m are being amortised over the term with £0.4m unamortised as at 31 May 2022 (2021: £0.6m). Since the new facility is on broadly similar pricing terms to the previous facility, the refinancing has been accounted for as a non-substantial modification with no gain or loss arising on modification.

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 fund the acquisition of the IPM Software Resilience business. 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 with £0.4m unamortised as at 31 May 2022 (2021: £nil). The Term Facility Agreement also contains financial covenants relating to leverage and interest cover and provisions relating to guarantor coverage consistent with the RCF.

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.

As at 31 May 2022, the Group had committed bank facilities of £155.1m (2021: £149.3m), of which £126.4m (2021: £33.8m) had been drawn under these facilities, leaving £28.7m (2021: £115.5m) of undrawn facilities. Unamortised arrangement fees of £0.8m (2021: £0.6m) have been offset against the amounts drawn down, resulting in a carrying value of borrowings at 31 May 2022 of £125.6m (2021: £33.2m).

The fair value of borrowings is not materially different to its amortised cost.

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 on pages 203 and 204.

25 Financial instruments

Loans and borrowings

	Group 2022 £m	Group 2021 £m	**Company 2022 £m**	Company 2021 £m
Non-current				
Variable rate:				
Revolving credit facility	**(70.5)**	(33.2)	**–**	–
Bank term loan	**(36.6)**	–	**–**	–
	(107.1)	(33.2)	**–**	–
Current				
Variable rate:				
Bank term loan	**(18.5)**	–	**–**	–
Total loans and borrowings (excluding lease liabilities)	**(125.6)**	(33.2)	**–**	–
Cash	**73.2**	116.5	**20.2**	0.6
Net (debt)/cash (excluding lease liabilities) [1]	**(52.4)**	83.3	**20.2**	0.6
Non-current				
Lease liabilities	**(27.2)**	(29.3)	**–**	–
Current				
Lease liabilities	**(5.4)**	(5.1)	**–**	–
Net (debt)/cash [1]	**(85.0)**	48.9	**20.2**	0.6

Financial statements

25 Financial instruments continued

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

Group	2022 £m	2021 £m
Revolving credit facility/bank term loan:		
Drawdown on facility	**120.7**	12.0
Repayment of facility	**(39.4)**	(72.4)
Transaction costs	**(0.6)**	–
Interest costs (non-cash)	**2.1**	1.1
Interest paid on borrowings	**(2.1)**	(1.1)
Release of deferred arrangement fees	**0.4**	0.2
Foreign exchange movement	**11.3**	(5.8)
Movement in borrowings	**92.4**	(66.0)
IFRS 16 lease liability:		
New leases entered into	**3.5**	3.1
Leases terminated	**–**	(0.9)
Principal element of lease payments	**(5.3)**	(6.0)
Interest element of lease payments	**(1.2)**	(1.2)
Interest cost (non-cash)	**1.2**	1.2
Movement in lease liabilities	**(1.8)**	(3.8)

Financial risk management

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

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

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

Capital management

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net (debt)/cash [1] divided by total capital. Net (debt)/cash [1] is calculated as total borrowings as shown in the Consolidated Balance Sheet, less cash and cash equivalents. Total capital is calculated as equity, as shown in the Consolidated Balance Sheet, plus net debt [1]. As at 31 May 2022 the Group's gearing ratio was 15.5% (2021: (45.5)%).

Financial instruments policy

All instruments utilised by the Company and Group are for financing purposes. The financial management and treasury activities of the Group are controlled centrally for all operations with local finance teams responsible for day-to-day banking activities.

Fair value of financial instruments

As at 31 May 2022 the Group and Company had no other financial instruments other than those disclosed below. In addition, no embedded derivatives have been identified. There have been no transfers between levels in the year.

The following table presents the Group's financial assets and liabilities that are measured at fair value by level of fair value hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

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 on pages 203 and 204.

25 Financial instruments continued

Fair value of financial instruments continued

Borrowings are held at amortised cost, which is considered to equate to fair value. All other assets and liabilities are held at either fair value or their carrying value, which approximates to fair value.

	2022			2021		
	Level 1 £m	Level 2 £m	Level 3 £m	Level 1 £m	Level 2 £m	Level 3 £m
Financial (assets)/liabilities at fair value through profit or loss	–	(0.2)	–	–	0.3	–
Derivative financial instruments – cash flow hedge	–	–	–	–	(0.8)	–
Total financial instruments	–	(0.2)	–	–	(0.5)	–

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Exposure to credit risk

The carrying value of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Trade receivables	40.6	35.2	–	–
Other receivables	1.2	1.9	–	–
Accrued income	23.0	22.9	–	–
Cash and cash equivalents	73.2	116.5	20.2	0.6
Total	138.0	176.5	20.2	0.6

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

Debtors by geographical segment	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
UK and APAC	15.2	17.0	–	–
North America	14.3	11.0	–	–
Europe	12.4	9.1	–	–
Total	41.9	37.1	–	–

The maximum exposure to credit risk at the reporting date by business segment was:

Debtors by business segment	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Assurance	35.4	30.0	–	–
Software Resilience	6.5	7.1	–	–
Total	41.9	37.1	–	–

The trade receivables of the Group typically comprise many amounts due from a large number of customers and represent a spread of industry sectors. The largest amount due from a single customer at the reporting date represented 4.4% (2021: 3.9%) of total Group receivables. All of the Group's cash is held with financial institutions of high credit rating.

The provisions in respect of trade receivables are used to record expected credit losses. The Group has dedicated credit control teams, which regularly review customer debt balances to assess the risk of recovery.

25 Financial instruments continued

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages and minimises liquidity risk by using global cash management solutions and actively monitoring both actual and projected cash outflows to ensure that it will have sufficient liquidity to meet its liabilities when due and have headroom to provide against unforeseen obligations.

In response to Covid-19, the Group has undertaken regular detailed reviews of both the potential short-term effects of the pandemic on working capital and the longer-term forecast liquidity position. Cash collections have remained strong. The Ukraine conflict is not considered to have a direct material impact on liquidity risk in the short term due to Group having limited direct exposure in the affected region. Longer term, the Group has assessed its liquidity forecast as part of the viability assessment and its ability to continue trading as a going concern. For further detail on the Group's assessment of liquidity risk refer to the Viability Statement on page 72.

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

At 31 May 2022	Carrying amount £m	Contractual cash flows £m	<1 year £m	1–2 years £m	2+ years £m	5+ years £m
Borrowings	**(125.6)**	**(110.7)**	**(19.7)**	**(19.7)**	**(71.3)**	**–**
Lease liabilities	**(32.6)**	**(36.4)**	**(6.5)**	**(5.5)**	**(13.4)**	**(11.0)**
Trade and other payables	**(48.3)**	**(48.3)**	**(48.3)**	**–**	**–**	**–**
At 31 May 2021						
Borrowings	(33.2)	(34.7)	(0.3)	(0.3)	(34.1)	–
Lease liabilities	(34.4)	(39.6)	(6.3)	(5.7)	(12.8)	(14.8)
Trade and other payables	(45.2)	(45.2)	(45.2)	–	–	–

The contractual cash flows for borrowings disclosed above relate to the Group's RCF facility, which terminates in June 2024, and new Term Loan Facility Agreement. The contractual cash flows include an estimate of the interest payable based on the assumption that the borrowings remain drawn based upon 31 May 2022 levels, except that the term loan is repayable over its term. Interest is calculated based on SONIA/SOFR plus a margin based on the current leverage ratio.

Currency risk

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

	2022					2021				
	Sterling £m	**EUR £m**	**USD £m**	**Other £m**	**Total £m**	Sterling £m	EUR £m	USD £m	Other £m	Total £m
Trade receivables	**12.9**	**11.7**	**15.9**	**0.1**	**40.6**	14.8	9.1	10.4	0.9	35.2
Other receivables	**0.5**	**–**	**0.6**	**0.1**	**1.2**	0.8	–	0.6	0.5	1.9
Cash and cash equivalents	**26.4**	**2.4**	**42.4**	**2.0**	**73.2**	85.0	16.1	7.3	8.1	116.5
Borrowings	**(26.2)**	**–**	**(99.4)**	**–**	**(125.6)**	(30.4)	–	(2.8)	–	(33.2)
Lease liabilities	**(21.4)**	**(2.0)**	**(7.3)**	**(1.9)**	**(32.6)**	(21.5)	(2.1)	(8.6)	(2.2)	(34.4)
Trade and other payables	**(28.1)**	**(9.0)**	**(8.9)**	**(2.3)**	**(48.3)**	(27.3)	(7.6)	(6.9)	(3.4)	(45.2)
Total	**(35.9)**	**3.1**	**(56.7)**	**(2.0)**	**(91.5)**	21.4	15.5	–	3.9	40.8

A change in exchange rate of 10% would have an impact of £19.0m (2021: £15.2m) on revenue, £4.2m (2021: £2.7m) on operating profit, £43.6m (2021: £8.1m) on net assets and £9.9m (2021: £0.3m) on borrowings.

The Group's risk management policy is to hedge foreign currency exposure in respect of significant material transactions that may arise from time to time. At 31 May 2021, the Group had entered into one cash flow hedge in respect of funds to be used as part of the acquisition of the IPM Software Resilience business. No such hedges were in place at 31 May 2022. The Group uses forward exchange contracts to hedge its currency risk, which are short term in nature to match the maturity of the hedged item. These contracts are generally designated as cash flow hedges.

The Group designates the spot element of forward foreign exchange contracts to hedge its currency risk and applies a hedge ratio of 1:1. The forward elements of forward exchange contracts are excluded from the designation of the hedging instrument and are separately accounted for as a cost of hedging, which is recognised in equity in a cost of hedging reserve. The Group's policy is for the critical terms of the forward exchange contracts to align with the hedged item.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. Given the short-term nature of these hedges there is limited risk of ineffectiveness.

25 Financial instruments continued

Currency risk continued

At 31 May 2022, the Group held the following instruments to hedge exposures to changes in foreign currency rates, all of which were due to mature within one month of the Balance Sheet date.

Forward exchange contracts	2022 £m	2021 £m
Net exposure (£m)	–	70.7
Average GBP:USD forward contract rate	–	1.402205

Interest rate risk

The Group and Company finance their operations through a combination of retained profits and bank borrowings. The Group borrows and invests surplus cash at floating rates of interest based upon bank base rate. The cash and cash equivalents of the Group and Company at the end of the financial year were as follows:

Group	2022 £m	2021 £m
Sterling denominated financial assets	26.4	85.0
Euro denominated financial assets	2.4	16.1
US Dollar denominated financial assets	42.4	7.3
Other denominated financial assets	2.0	8.1
Total	73.2	116.5

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

Company	2022 £m	2021 £m
Financial assets		
Sterling denominated financial assets	20.2	0.6
Amounts owed by Group undertakings	32.9	162.6
Total	53.1	163.2
Financial liabilities		
Amounts owed to Group undertakings	18.2	13.5
Total	18.2	13.5

A change of 100 basis points in interest rates would result in a difference in annual pre-tax profit of £1.3m (2021: £0.3m).

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

	2022					2021				
	Sterling £m	EUR £m	USD £m	Other £m	Total £m	Sterling £m	EUR £m	USD £m	Other £m	Total £m
Less than one year	(30.7)	(9.9)	(28.9)	(2.7)	(72.2)	(29.5)	(8.4)	(8.3)	(4.1)	(50.3)
Two to five years	(35.8)	(1.1)	(85.2)	(1.5)	(123.6)	(39.8)	(1.2)	(8.4)	(1.5)	(50.9)
More than five years	(9.9)	–	(0.8)	–	(10.7)	(10.0)	–	(1.6)	–	(11.6)
Total	(76.4)	(11.0)	(114.9)	(4.2)	(206.5)	(79.3)	(9.6)	(18.3)	(5.6)	(112.8)

Climate change

The Directors have considered the impact of climate change on fair value measurement and financial instruments, with no material impact identified.

Financial statements

26 Share-based payments

The Company has a number of share option schemes under which options to subscribe for the Company's shares have been granted to Directors and colleagues, details of which are illustrated in the tables below. Expected term of options represents the period over which the fair value calculations are based. The share-based payment charge for the year was £3.9m (2021: £2.8m) of which £3.4m (2021: £2.3m) related to equity settled payments and £0.5m (2021: £0.5m) to cash settled payments. The share-based payments charge increased during the year due to the introduction of new schemes in the year with a higher fair value than historical schemes that have reached maturity in the current year.

Company Share Option (CSOP) scheme – equity settled

Under the CSOP scheme, options will vest if the average EPS growth for the three years following their grant is greater than 10% per annum. Options granted in September 2019 do not have any performance criteria.

Date of grant	Expected term of options	Exercisable between	Exercise price	2022 Number outstanding
July 2012	7 years	July 2015–July 2022	£1.36	–
August 2018	7 years	August 2021–August 2028	£2.20	–
August 2018	7 years	August 2021–August 2028	£2.20	–
September 2019	7 years	September 2022–September 2029	£1.79	**324,001**

Sharesave schemes – equity settled

The Company operates sharesave schemes, which are available to all colleagues based in the UK, the Netherlands, Denmark, Spain and Australia, and full-time Executive Directors of the Company and its subsidiaries who have worked for a qualifying period.

Date of grant	Expected term of options	Exercisable between	Exercise price	2022 Number outstanding
August 2017	3 years	October 2020–March 2021	£1.56	–
March 2018	3 years	May 2021–October 2021	£1.58	–
August 2018	3 years	October 2021–March 2022	£1.75	**3,493**
March 2019	3 years	May 2022–October 2022	£0.99	**106,040**
March 2020	3 years	May 2023–October 2023	£1.84	**456,752**
March 2020	3 years	May 2023–October 2023	£1.84	**233,482**
May 2021	3 years	July 2023–December 2023	£2.15	**135,518**
May 2021	3 years	July 2023–December 2023	£2.15	**554,050**
May 2022	3 years	May 2025–November 2025	£1.52	**457,772**
May 2022	3 years	May 2023–November 2025	£1.52	**1,767,606**

Colleague stock purchase plan – equity settled

The Company operates a stock purchase plan, which is available to all US-based colleagues who have worked for a qualifying period. All options are to be settled by equity. Under the scheme the following options have been granted and are outstanding at year end.

Date of grant	Expected term of options	Exercisable in	Exercise price	2022 Number outstanding
May 2021	1 year	May 2022	£2.15	–
May 2022	1 year	May 2023	£1.58	**506,218**

Incentive Stock Option (ISO) scheme – equity settled

Under the ISO scheme, options granted will be subject to performance criteria. Options will vest if the average EPS growth for the three years following their grant is greater than 10% per annum.

Date of grant	Expected term of options	Exercisable between	Exercise price	2022 Number outstanding
August 2018	7 years	August 2021–August 2028	£2.22	–
September 2019	7 years	September 2022–September 2029	£1.82	**60,434**

26 Share-based payments continued

Long Term Investment Plan (LTIP) schemes – equity settled

Options granted on or after November 2017 to May 2021 have three separate vesting conditions as set out below:

- 60% will vest based on achieving an average increase in Group EPS of 20% or more over a three year period. If growth is equal to an average of 9% (threshold), then 12% of the award will vest. If, however, growth is less than 9%, none of the award element will vest. Between these two points, vesting is determined on a straight-line basis.
- 30% will vest based on achieving a cash conversion ratio [1] expressed as a percentage over the measurement period of greater than 70% per annum on average. If cash conversion [1] is greater than or equal to 80% per annum, then 100% of the award element will vest. If, however, cash conversion is less than 70% per annum, none of the award element will vest. Between these two points, vesting is determined on a straight-line basis.
- 10% will vest based on the Group's total shareholder return (TSR) ranking when measured against the FTSE 250 (excluding investment trusts). If the Group's TSR is consistent with the median group, 20% of the award will vest; below this level, none of the award element will vest. If the TSR is within the upper quartile or above, 100% of the award element will vest; between the median and upper quartile, vesting is determined on a straight-line basis.

Options granted in November 2021 have three separate vesting conditions as set out below:

- 60% will vest based on achieving an average increase in Group EPS of 22.5% or more over a three year period. If growth is equal to an average of 9% (threshold), then 15% of the award will vest. If, however, growth is less than 9% per annum, none of the award element will vest. Between these two points, vesting is determined on a straight-line basis.
- 30% will vest based on achieving a cash conversion ratio [1] expressed as a percentage over the measurement period of greater than 70% per annum on average. If cash conversion [1] is greater than or equal to 80% per annum, then 100% of the award element will vest. If, however, cash conversion is less than 70% per annum, none of the award element will vest. Between these two points, vesting is determined on a straight-line basis.
- 10% will vest based on the Group's total shareholder return (TSR) ranking when measured against the FTSE 250 (excluding investment trusts). If the Group's TSR is consistent with the median group, 20% of the award will vest; below this level, none of the award element will vest. If the TSR is within the upper quartile or above, 100% of the award element will vest; between the median and upper quartile, vesting is determined on a straight-line basis.

Date of grant	Expected term of options	Exercisable between	Exercise price	2022 Number outstanding
August 2018	3 years	June 2021–August 2022	£nil*	**9,502**
September 2019	3 years	June 2022–August 2023	£nil	**1,092,631**
March 2020	3 years	June 2022–August 2024	£nil	**194,116**
May 2021	3 years	June 2023–August 2025	£nil	**682,427**
November 2021	3 years	June 2024–August 2026	£nil	**1,225,045**

* The option exercise price is £nil; however, £1 is payable on each occasion of exercise. Options exercised after 31 May 2022.

Restricted State Unit (RSU) schemes – equity settled

Options granted related to the RSU schemes on or after August 2018 have three separate vesting conditions as set out below:

- 60% will vest based on achieving an average increase in Group EPS of 20% or more over a three year period. If growth is equal to an average of 9% (threshold), then 12% of the award will vest. If, however, growth is less than 9%, none of the award element will vest. Between these two points, vesting is determined on a straight-line basis.
- 30% will vest based on achieving a cash conversion ratio [1] expressed as a percentage over the measurement period of greater than 70% per annum on average. If cash conversion [1] is greater than or equal to 80% per annum, then 100% of the award element will vest. If, however, cash conversion is less than 70% per annum, none of the award element will vest. Between these two points, vesting is determined on a straight-line basis.
- 10% will vest based on the Group's total shareholder return (TSR) ranking when measured against the FTSE 250 (excluding investment trusts). If the Group's TSR is consistent with the median group, 20% of the award will vest; below this level, none of the award element will vest. If the TSR is within the upper quartile or above, 100% of the award element will vest; between the median and upper quartile, vesting is determined on a straight-line basis.

The options are to be settled in equity.

Date of grant	Expected term of options	Exercisable between	Exercise price	2022 Number outstanding
August 2018	3 years	June 2021–August 2021	£0.01	**–**
September 2019	3 years	June 2022–August 2022	£0.01	**610,157**
May 2021	3 years	June 2023–August 2023	£0.01	**138,554**

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 on pages 203 and 204.

26 Share-based payments continued

Restricted Share Plan (RSP) – equity settled

The vesting condition for the award of RSPs relates to colleagues remaining with the Group for a certain period of time, namely two years to receive 50% of the award, and a further year to receive the remaining 50%. There are no other performance conditions.

Date of grant	Expected term of options	Exercisable between	Exercise price	2022 Number outstanding
May 2021	2/3 years	50% exercisable August 2022 to August 2031, 50% exercisable August 2023 to August 2031	£nil (£0.01 in the US and Canada)	**1,183,482**
November 2021	2/3 years	50% exercisable October 2023 to August 2032, 50% exercisable October 2024 to August 2032	£nil (£0.01 in the US and Canada)	**1,550,930**

Deferred share scheme – equity settled

Date of grant	Expected term of options	Exercisable between	Exercise price	2022 Number outstanding
September 2019	2 years	June 2021–August 2029	£nil	**–**
May 2021	2 years	August 2022–April 2031	£nil	**18,937**
October 2021	2 years	October 2023–October 2031	£nil	**91,616**

Phantom schemes – cash settled

Phantom schemes are used to allow the grant of LTIPs to members of the Executive Committee based in certain overseas locations at a time when the Group's option scheme rules were not structured to allow overseas grants. The vesting conditions for the award of the phantom schemes, related to options granted in August 2016, relate to growth in the Group's EPS over the performance period. If growth is equal to 25% or more per annum, then 100% of the award will vest. If, however, growth is less than 10% per annum, none of the award will vest. Between these two points, vesting is determined on a straight-line basis.

Options granted in October 2017 and November 2017 have three separate vesting conditions as set out below:

- 60% will vest based on achieving an average increase in Group EPS of 20% or more over a three year period. If growth is equal to an average of 9% (threshold), then 12% of the award will vest. If, however, growth is less than 9%, none of the award element will vest. Between these two points, vesting is determined on a straight-line basis.
- 30% will vest based on achieving a cash conversion ratio [1] expressed as a percentage over the measurement period of greater than 70% per annum on average. If cash conversion [1] is greater than or equal to 80% per annum, then 100% of the award element will vest. If, however, cash conversion is less than 70% per annum, none of the award element will vest. Between these two points, vesting is determined on a straight-line basis.
- 10% will vest based on the Group's total shareholder return (TSR) ranking when measured against the FTSE 250 (excluding investment trusts). If the Group's TSR is consistent with the median group 20% of the award will vest; below this level, none of the award element will vest. If the TSR is within the upper quartile or above, 100% of the award element will vest; between the median and upper quartile, vesting is determined on a straight-line basis.

Options granted in September 2019 do not have any performance criteria.

Date of grant	Expected term of options	Exercisable between	Exercise price	2022 Number outstanding
October 2017	3 years	June 2020–October 2021	£nil*	**–**
November 2017	3 years	June 2020–November 2021	£nil*	**–**
September 2019	3 years	September 2022–September 2023	£nil	**27,931**

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

26 Share-based payments continued

Measurement of fair values

The fair value of services received in return for share options is calculated with reference to the fair value of the award on the date of grant. The fair value is spread over the period during which the colleague becomes unconditionally entitled to the award, adjusted to reflect actual and expected levels of vesting.

The assumptions used in the models are illustrated in the table below:

	Grant date	Fair value at measurement date	Exercise price	Expected volatility	Option expected term	Risk free interest rate
CSOP scheme	September 2019	£0.55	£1.79	42.2%	7 years	0.35%
Sharesave scheme	August 2018–May 2022	£0.70–£0.86	£0.99–£2.15	39.7–53.2%	3 years	0.50–2.20%
ESPP scheme	February 2020–May 2022	£0.55–£0.68	£1.58–£2.30	37.60%	1 year	0.50%
ISO scheme	August 2018–September 2019	£0.54–£0.65	£1.82	40.7–48.4%	7 years	0.38–1.50%
LTIP scheme	August 2018–November 2021	£1.61–£2.87	£nil *	37.4–51.5%	3 years	0.21–2.00%
RSU scheme	August 2018–November 2021	£1.60–£2.87	£nil *–£0.01	47.6–51.5%	3 years	0.32–2.00%
RSP scheme	May–November 2021	£2.36–£2.85	£nil	N/A	10 years	N/A
Deferred shares	September 2019–October 2021	£1.84–£2.91	£nil	40.4–55.0%	2 years	0.35–1.50%
Phantom schemes	October 2017–November 2021	£1.84–£2.75	£nil	31.0–47.6%	3 years	1.81–1.96%

* The option exercise price is £nil; however, £1 is payable on each occasion of exercise for the August 2018 scheme only.

The expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour. For the options granted in the year ended 31 May 2022, dividend yield assumed at the time of option grant is 1.75% (2021: 2.5%).

Reconciliation of outstanding share options

The options outstanding at 31 May 2022 have an exercise price in the range of £nil to £2.15 (2021: £nil to £2.15) and a weighted average contractual life of three years (2021: three years).

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, outstanding share awards during the year:

	2022 No ('000)	**2022 WAEP**	2021 No ('000)	2021 WAEP
Outstanding at 1 June	**9,494**	**£0.79**	8,995	£0.83
Granted during the year	**5,605**	**£0.75**	3,537	£0.91
Exercised during the year	**(1,028)**	**£0.89**	(1,821)	£0.88
Forfeited in the year	**(2,640)**	**£1.39**	(1,217)	£0.59
Outstanding at 31 May	**11,431**	**£0.68**	9,494	£0.79
Exercisable at end of year	**119**	**£1.00**	363	£1.13

Scheme	Number of instruments as at 1 June 2021	Instruments granted during the year	Options exercised in the year	Forfeitures in the year	**Number of instruments as at 31 May 2022**
CSOP schemes	490,093	–	(58,812)	(107,280)	**324,001**
Sharesave/SAYE schemes	2,898,920	2,230,709	(486,847)	(928,069)	**3,714,713**
ESPP schemes	689,315	506,218	–	(689,315)	**506,218**
ISO schemes	74,944	–	–	(14,510)	**60,434**
LTIP schemes	2,866,326	1,225,045	(337,276)	(550,374)	**3,203,721**
RSU schemes	1,005,520	–	(83,188)	(173,621)	**748,711**
RSP scheme	1,200,000	1,550,929	–	(16,518)	**2,734,411**
Deferred shares	80,631	91,616	(61,694)	–	**110,553**
Phantom schemes	188,345	–	–	(160,414)	**27,931**
	9,494,094	5,604,517	(1,027,817)	(2,640,101)	**11,430,693**

The liability for the cash settled share-based payments at 31 May 2022 was £0.1m (2021: £0.5m).

27 Called up share capital and reserves

Allotted, called up and fully paid	2022 Number of shares	2021 Number of shares	2022 £m	2021 £m
Ordinary shares of 1p each at the beginning of the year	**308,956,045**	278,909,171	**3.1**	2.8
Ordinary shares of 1p each issued in the year	**1,011,198**	30,046,874	**–**	0.3
Ordinary shares of 1p each at the end of the year	**309,967,243**	308,956,045	**3.1**	3.1

During the year, 1,011,198 (2021: 2,140,474) new ordinary shares of 1p were issued as a result of the exercise of share options. The proceeds of £0.8m (2021: £2.4m) were credited to the share premium account.

During the prior year, 27,906,400 new ordinary shares of 1p were issued as part of funding the acquisition of the IPM Software Resilience business. Of the gross proceeds of £72.6m, £72.3m were credited to the share premium account net of issue costs of £2.4m. See Note 34 for further details.

As at 31 May 2022, no shares were held in treasury (2021: nil).

Share premium
The share premium account records the difference between the nominal amount of shares issued and the fair value of the consideration received. The share premium account may be used for certain purposes specified by UK law, including to write off expenses incurred on any issue of shares and to pay fully paid bonus shares. The share premium account is not distributable but may be reduced by special resolution of the Company's ordinary shareholders and with court approval.

Hedging reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability. The reserve is £nil at 31 May 2022 as the hedging instrument has now expired.

Merger reserve
The merger reserve arose in 2015 from the acquisition of Accumuli plc through a share-for-share exchange in part consideration for the business.

Currency translation reserve
The results of overseas operations are translated at the average foreign exchange rates for the year, and their balance sheets are translated at the rates prevailing at the Balance Sheet date. Exchange differences arising on the translation of opening net assets and results of overseas operations are recognised in the currency translation reserve. All other exchange differences are included in the Income Statement.

Retained earnings
Retained earnings for the Group are made up of accumulated reserves.

For the Company, retained earnings are made up of accumulated reserves and are considered distributable reserves.

28 Profit attributable to members of the Parent Company
The profit for the year dealt with in the accounts of the Parent Company was £20.0m (2021: £25.0m).

29 Other financial commitments

Non-cancellable lease rental costs are payable as follows:

	2022		2021	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Within one year or less	–	0.1	–	–

The lease commitments disclosed above represent short-term (less than one year) leases only, for which the Group has taken the exemption from accounting for under IFRS 16.

30 Contingencies

There are no contingent liabilities not provided for at the end of the financial year (2021: £nil). Similarly, there are no contingent assets (2021: £nil).

31 Pension scheme

The Group operates a defined contribution pension scheme that is open to all eligible colleagues. The pension cost charge for the year represents contributions payable by the Group to the fund and amounted to £5.1m (2021: £5.3m).

For the Company, the pension cost charge for the year represents contributions payable by the Company to the fund and amounted to £nil (2021: £nil).

32 Related party transactions

The Group's key management personnel comprise the Directors of the Group. Details of the remuneration paid to key management personnel are as follows:

Group	2022 £m	2021 £m
Salary costs (including bonus)	1.8	1.8
Share-based payments	0.4	0.4
Total	**2.2**	2.2

There were no other related party transactions during the year.

33 Investments in subsidiary undertakings

Company	Shares in Group undertakings £m
At 1 June 2020	78.3
Increase in subsidiary investment for share-based charges	2.8
Investment in subsidiary undertakings	70.7
At 31 May 2021	151.8
Increase in subsidiary investment for share-based charges	3.9
Investment in subsidiary undertakings	121.2
At 31 May 2022	**276.9**

On 26 May 2022, the Company acquired 121,205,727 ordinary shares of £0.01 in NCC Group Holdings Limited for a consideration of £121,205,727 settled through intercompany.

On 26 May 2021, the Company acquired 70,700,000 ordinary shares of £0.01 in NCC Group Holdings Limited for cash consideration of £70,700,000.

Fixed asset investments are recognised at cost.

Notes to the Financial Statements continued
for the year ended 31 May 2022

33 Investments in subsidiary undertakings continued

The undertakings in which the Company has a 100% interest at 31 May 2022 are as follows:

Subsidiary undertakings	Country of incorporation	Principal activity	Registered office
NCC Group Holdings Limited	England and Wales	Holding company	XYZ Building, 2 Hardman Boulevard, Spinningfields, Manchester M3 3AQ (XYZ)
NCC Group (Solutions) Limited	England and Wales	Holding company	XYZ [1]
NCC Group Corporate Limited	England and Wales	Corporate cost centre	XYZ [1]
NCC Group Finance Limited	England and Wales	Financing company	XYZ [1]
The National Computing Centre Limited	England and Wales	Dormant	XYZ [1]
NCC Group Software Resilience Limited	England and Wales	Holding company	XYZ [1]
NCC Group Software Resilience (UK) Limited	England and Wales	Holding company	XYZ [1]
NCC Services Limited	England and Wales	Software Resilience	XYZ [1]
NCC Group Escrow Limited	England and Wales	Dormant	XYZ [1]
NCC Group Software Resilience (Europe) BV	Netherlands	Holding company	Van Heuven Goedhartlaan 13A, 1181LE Amstelveen, the Netherlands
NCC Group GmbH	Germany	Software Resilience	c/o Deloitte Legal Rechtsanwaltsgesellschaft mbH, Rosenheimer Platz 6, 81669, Munich, Bavaria, Germany
NCC Group Escrow Europe BV	Netherlands	Software Resilience	Van Heuven Goedhartlaan 13A, 1181LE Amstelveen, the Netherlands
NCC Group Escrow Europe (Switzerland) AG	Switzerland	Software Resilience	Ibelweg 18A, 6300 Zug, Switzerland
NCC Group Software Resilience (MEA-APAC) Limited	England and Wales	Holding company	XYZ [1]
NCC Group FZ-LLC	United Arab Emirates	Software Resilience	Office 30, Building 16, Dubai Internet City, Dubai, UAE
NCC Group Cyber Security Limited	England and Wales	Holding company	XYZ [1]
NCC Group Cyber Security (UK) Limited	England and Wales	Holding company	XYZ [1]
NCC Group Security Services Limited	England and Wales	Assurance	XYZ [1]
NCC Group Audit Limited	England and Wales	Assurance	XYZ [1]
ArmstrongAdams Limited	England and Wales	Assurance	XYZ [1]
NCC Group Signify Solutions Limited	England and Wales	Assurance	XYZ [1]
NCC Group Accumuli Security Limited	England and Wales	Assurance	XYZ [1]
NCC Group Cyber Security (Europe) BV	Netherlands	Holding company	Fox-IT [3]
NCC Group A/S	Denmark	Assurance	2nd Floor, Svanevej 12, DK–2400 København NV, Denmark
NCC Group UAB	Lithuania	Assurance	Vilnius, Jogailos st. 9, Lithuania
NCC Group Security Services Espana SLU	Spain	Assurance	Plaza Manuel Gómez Moreno, número 2, Edificio Alfredo Mahou, planta 19ª, letra B, 28020, Madrid, Spain

33 Investments in subsidiary undertakings continued

Subsidiary undertakings	Country of incorporation	Principal activity	Registered office
Cyber Assurance Sweden AB	Sweden	Assurance	c/o Advokatfirman Delphi, P.O. Box 1432, 111 84 Stockholm
Fox-IT Holding B.V.	Netherlands	Holding company	Olof Palmestraat 6, 2616 LM Delft, the Netherlands (Fox-IT [3])
Fox-IT Group B.V.	Netherlands	Holding company	Fox-IT [3]
Fox-IT B.V.	Netherlands	Assurance	Fox-IT [3]
Fox-IT Operations B.V.	Netherlands	Assurance	Fox-IT [3]
Fox Crypto B.V.	Netherlands	Assurance	Fox-IT [3]
NCC Group Cyber Security (APAC) Limited	England and Wales	Holding company	XYZ [1]
NCC Group Pte Limited	Singapore	Assurance	20 Collyer Quay, #19-03, Singapore (049319)
NCC Group Pty Limited	Australia	Assurance	Suite 23.01, Level 23, 45 Clarence Street Sydney, NSW 2000
NCC Group Japan KK	Japan	Assurance	Level 18, Yesibu Garden Place Tower, 4-20-3 Ebisu Shibuya-Ku, Tokyo
NCC Group (Americas) Inc.	USA	Holding company	650 California Street, Suite 2950, San Francisco, CA 94108, USA (North America HQ [2])
NCC Group, LLC	USA	Software Resilience and central/head office costs	North America HQ [2]
NCC Group Cyber Security (Americas), LLC	USA	Holding company	North America HQ [2]
NCC Group Security Services, Inc.	USA	Assurance	North America HQ [2]
NCC Group Secure Registrar, Inc.	USA	Domain services	North America HQ [2]
NCC Group Domain Services, Inc.	USA	Domain services	North America HQ [2]
NCC Group Security Services Corporation	Canada	Assurance	2800 Park Place, 666 Burrard Street, Vancouver, BC V6C 2Z7, Canada
Payment Software Company, Inc.	USA	Assurance	North America HQ [2]
Payment Software Company Limited	England and Wales	Assurance	XYZ [1]
NCC Group Software Resilience (Americas), LLC	USA	Holding company	North America HQ [2]
NCC Group Escrow Associates, LLC	USA	Software Resilience	North America HQ [2]
NCC Group Software Resilience (NA), LLC	USA	Software Resilience	North America HQ [2]

The undertakings in which the Company holds less than a 100% interest at the year end are as follows:

Undertaking	% interest	Country of incorporation	Principal activity
Deposit AB	24%	Sweden	Software Resilience

The Directors consider the above ownership structure and no Board representation give rise to no significant influence over the undertaking. Accordingly, the undertaking has not been consolidated.

1 2 Hardman Boulevard, Spinningfields, Manchester M3 3AQ.

2 650 California Street, Suite 2950, San Francisco, CA 94108, USA.

3 Olof Palmestraat 6, 2616 LM Delft, the Netherlands.

34 Acquisitions

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' existing customer base
- Present an exciting new opportunity to sell NCC's cyber security services from its Assurance division into the IPM business' 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 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 (see Note 3). Transfer of consideration for the acquisition was made on 7 June 2021, which is commonly referenced within these Financial Statements as being the date of practical completion of the transaction.

Details of assets acquired that are subject to provisional fair value adjustments are noted below. The acquisition for an original total consideration of $220.0m was subsequently adjusted during the year ended 31 May 2022 to $216.1m (£152.0m) to reflect a normalised working capital adjustment of $2.7m and a final positive net working capital adjustment of $1.2m. 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 $47.7m 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 fair value of assets and liabilities acquired can be summarised as follows:

	Fair value £m
Identifiable intangible assets (Note 12):	
Customer relationships	91.4
Computer software	1.2
Right-of-use assets	0.2
Trade and other receivables	3.8
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	83.4
Goodwill (Note 12)	68.6
Total consideration	152.0
Satisfied by:	
Cash	152.0

No cash was acquired as part of the acquisition.

Total 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 year ended 31 May 2022 (£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 £3.8m and a gross contractual value of £5.2m.

34 Acquisitions continued

Acquisition of IPM business continued

The goodwill of £68.6m arising from the acquisition consists of the know-how and expertise of the colleagues 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 its 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 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. On 31 May 2022, no further information has become available that suggests the fair value of this contingent consideration will be greater than £nil.

During the 12 months since the acquisition of the IPM business a final working capital adjustment has been agreed with the vendor resulting in an amount of £0.8m being returned to the Group and giving rise to a decrease in the fair value of consideration of £0.8m to £152.0m. This adjustment leads to a decrease in goodwill of £0.8m. Additionally, management has identified new information in respect of the opening provision for expected credit losses and has subsequently decreased the fair value of acquired trade and other receivables by £0.8m to £3.8m. This adjustment leads to an increase in goodwill of £0.8m. On this basis, goodwill of £68.6m remains unchanged from that reported for the period ended 30 November 2021.

The IPM business contributed £20.2m of the Group's revenue, £15.6m to the Group's gross profit and £2.9m operating profit for the period between the date of acquisition (1 June 2021) and 31 May 2022.

Measurement of fair values

Assets acquired

Computer software	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.
Customer relationships	The valuation approach taken is the 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 three 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 discounting 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.
Lease liabilities	The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition.
Right-of-use assets	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.
Deferred income	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.

34 Acquisitions continued

Measurement of fair values continued

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 is described below:

Description of key assumption	Reasonably possible scenario	Impact
The valuation of the customer relationships intangible asset of £91.4m 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-acquisition.	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 the year ended 31 May 2022 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 the year ended 31 May 2022 would increase by £0.3m.
The valuation of the customer relationships intangible asset of £91.4m 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 the year ended 31 May 2022 would reduce by £0.2m.

Acquisition of Adelard business

On 20 April 2022, shareholder approval was passed for the acquisition of substantially all of the assets of Adelard LLP for £3m subject to normalised working capital adjustment that will be finalised in due course. This gave rise to provisional goodwill of £1.1m, intangible assets of £1.3m, right of use assets £0.2m, trade receivables and other receivables £0.9m and current liabilities £0.5m. Consideration payable of £3m is represented by £1.0m cash and a further contingent consideration (dependent on novation of contracts and FY23 revenue performance) of £1.9m (discounted).

Adelard is an assurance expert in high value critical systems for national and industrial infrastructure and its services are complementary to the Group.

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
Income Statement measures:				
Constant currency revenue growth rates	Revenue growth rates at actual rates of currency exchange	Retranslation of comparative numbers at current year exchange rates to provide constant currency	3	The Group also reports certain geographic regions on a constant currency basis to reflect the underlying performance 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 year ended 31 May 2022 prior to acquiring IPM.
Software Resilience revenue excluding IPM acquisition	Revenue	Software Resilience revenue excluding the revenue performance of the IPM acquisition	3	The Group reports Software Resilience revenue excluding the IPM acquisition to allow stakeholders to understand the revenue performance of the existing Software Resilience business for the year ended 31 May 2022 prior to acquiring IPM.
Adjusted operating profit	Operating profit or loss	Operating profit or loss before amortisation of acquired intangibles, share-based payments and Individually Significant Items	3	Represents operating profit before amortisation of acquired intangibles, share-based payments and Individually Significant Items. This measure is to allow the user to understand the Group's underlying financial performance as measured by management, reported to the Board and used as a financial measure in senior management's compensation schemes. The Directors consider amortisation of acquired intangibles is a non-cash accounting charge inherently linked to losses associated with historical acquisitions of businesses. The Directors consider share-based payments to be an adjusting item on the basis that fair values are volatile due to movements in share price, which may not be reflective of the underlying performance of the Group. 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.

Glossary of terms – Alternative Performance Measures (APMs) continued

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Note reference for reconciliation	Definition, purpose and considerations made by the Directors
Income Statement measures continued:				
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	11	Represents basic EPS before amortisation of acquired intangibles, share-based payments and Individually Significant Items. This measure is to allow the user to understand the Group's underlying financial performance as measured by management, reported to the Board and used as a financial measure in senior management's compensation schemes. See further details above in relation to amortisation of acquired intangibles and share-based payments.
Balance Sheet measures:				
Net cash/(debt) excluding lease liabilities	Total borrowings (excluding lease liabilities) offset by cash and cash equivalents		3	Represents total borrowings (excluding lease liabilities) offset by cash and cash equivalents. It is a useful measure of the progress in generating cash, strengthening of the Group Balance Sheet position, overall net indebtedness and gearing on a like-for-like basis. Net cash/(debt), when compared to available borrowing facilities, also gives an indication of available financial resources to fund potential future business investment decisions and/or potential acquisitions.
Net cash/(debt)	Total borrowings (including lease liabilities) offset by cash and cash equivalents		3	Represents total borrowings (including lease liabilities) offset by cash and cash equivalents. It is a useful measure of the progress in generating cash, strengthening of the Group Balance Sheet position, overall net indebtedness and gearing including lease liabilities. Net cash/(debt), when compared to available borrowing facilities, also gives an indication of available financial resources to fund potential future business investment decisions and/or potential acquisitions.
Cash flow measure:				
Cash conversion ratio	Ratio % of net cash flow from operating activities before interest and tax divided by operating profit	Ratio % of net cash flow from operating activities before interest and tax divided by EBITDA	3	The cash conversion ratio is a measure of how effectively operating profit is converted into cash and effectively highlights both non-cash accounting items within operating profit and also movements in working capital. It is calculated as net cash flow from operating activities before interest and taxation (as disclosed on the face of the Cash Flow Statement) divided by EBITDA for continued and discontinued activities. The cash conversion ratio is a measure widely used by various stakeholders and hence is disclosed to show the quality of cash generation and also to allow comparison to other similar companies.

Glossary of terms – other terms

Other terms	Definition and usage
Code	Guidance, issued by the Financial Reporting Council in 2016 and updated in 2018, on how companies should be governed, applicable to UK-listed companies including NCC Group plc.
Adjusted	Any result described as adjusted excludes the impact of Individually Significant Items, and any tax on any of these items.
Adjusted earnings	Adjusted earnings are defined as statutory earnings before amortisation of acquisition intangibles, Individually Significant Items and the share-based payments charge, net of the tax effect of these items.
Adjusted operating profit margin [1]	Calculated as Adjusted operating profit divided by revenue from continuing activities.
AGM	Annual General Meeting of shareholders of the Company held each year to consider ordinary and special business as provided in the Notice of AGM.
Alternative Performance Measure (APM)	An Alternative Performance Measure (which is denoted in each case or use thereof by a footnote) is a non-GAAP performance metric used by management either internally or externally to present management's view of the underlying business performance. They are not superior to GAAP-based measures and are simply an alternative way of looking at performance. See Note 3 for further information.
Board	The Board of Directors of the Company (for more information see pages 78 and 79).
Cash conversion ratio [1]	Calculated as cash generated from operating activities before interest and taxation divided by Adjusted EBITDA [1], expressed as a percentage.
CDO	Cyber Defence Operations.
CEO	Chief Executive Officer.
CFO	Chief Financial Officer.
CISO	Chief Information Security Officer.
Company, Group, NCC, we, our or us	We use these terms, depending on the context, to refer to either NCC Group plc, the individual Company, or to NCC Group plc and its subsidiaries collectively.
CPO	Chief People Officer.
CTO	Chief Technology Officer.
Directors, Executive Directors and Non-Executive Directors	The Directors/Executive Directors and Non-Executive Directors of the Company whose names are set out on pages 78 and 79 of this report.
EBIT	Earnings before interest and tax.
EBIT margin %	EBIT margin % is calculated as follows: Adjusted EBIT divided by revenue.
EBITDA	Earnings before interest, tax, depreciation and amortisation. Calculated as operating profit before Individually Significant Items and adding back depreciation and amortisation charged.
EBITDA margin %	EBITDA divided by revenue.
EPS	Earnings per share. Profit for the year attributable to equity shareholders of the Parent allocated to each ordinary share.
FCA	Financial Conduct Authority.
Financial year	For NCC Group this is an accounting year ending on 31 May.
FRC	Financial Reporting Council.
Free cash flow	Net cash from operating activities less net capital expenditure and acquisition costs.
FRS	A UK Financial Reporting Standard as issued by the UK Financial Reporting Council (FRC).

Glossary of terms – other terms continued

Other terms	Definition and usage
Gross profit	Gross profit is revenue less direct costs of sale. It excludes costs considered to be overheads that are supporting the business as a whole as opposed to a specific revenue item.
Gross margin %/GM %	Calculated as gross profit divided by revenue from continuing activities.
HMRC	Her Majesty's Revenue & Customs, the tax collecting authority of the UK.
IAS or IFRS	An International Accounting Standard or International Financial Reporting Standard, as issued by the International Accounting Standards Board (IASB). IFRS is also used as the term to describe international generally accepted accounting principles as a whole.
Individually Significant Items	Items that the Directors consider to be material in nature, scale or frequency of occurrence that need to be excluded when calculating some non-statutory performance measures in order to allow users of the Financial Statements to gain a full understanding of the underlying business performance. See Note 5 for further information.
KPMG	The Company's external auditor, KPMG LLP.
LTIP	Long Term Incentive Plan established to align the interests of senior and Executive management with those of shareholders. The plan is formally known as the NCC Group Long Term Incentive Plan 2013 (approved by shareholders in 2013).
MD	Managing Director.
MDR	Managed Detection and Response.
Net debt[1]	Total borrowings offset by cash and cash equivalents.
Ordinary shares	Voting shares entitling the holder to part ownership of a company.
SAYE/Sharesave	Save As You Earn, being a tax efficient scheme to encourage colleague share ownership.
Software Resilience	Software Resilience represents our Escrow resilience services.
Subsidiary	A company or other entity that is controlled by NCC Group.
TSC	Technical Security Consulting.
TSR	Total shareholder return, which is share price growth plus dividends reinvested (where applicable) over a specified period of time, divided by the share price at the start of the period.

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 on pages 203 and 204.

Other information

Directors

Chris Stone	–	Non-Executive Chair
Mike Maddison	–	Chief Executive Officer
Tim Kowalski	–	Chief Financial Officer
Chris Batterham	–	Senior Independent Non-Executive Director
Julie Chakraverty	–	Independent Non-Executive Director
Jennifer Duvalier	–	Independent Non-Executive Director
Mike Ettling	–	Independent Non-Executive Director
Lynn Fordham	–	Independent Non-Executive Director

Company Secretary
Tim Kowalski

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Registered number
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Registered in England and Wales

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Solicitors
DLA Piper UK LLP
1 St Peter's Square
Manchester
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Bankers
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Manchester
M3 3EB

National Westminster Bank plc
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Manchester
M3 3AQ

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8–10 Moorgate
London
EC2R 6DA

Registrars
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Financial calendar

Ex-dividend date	13 October 2022
Record date	14 October 2022
AGM	2 November 2022
Dividend payment date	11 November 2022
2023 half-year end	30 November 2022
2023 interim statement	2 February 2023
2023 year end	31 May 2023
2023 year end trading pre-close statement	June 2023
2023 preliminary year end statement	September 2023

These dates are provisional and may be subject to change.

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