

**NCC Group plc**  
**Unaudited interim results for the period ended 30 November 2023**

**First half numbers in line with expectations and strategy transforming the business at pace**

NCC Group plc (LSE: NCC, "NCC Group" or "the Group"), a people-powered, tech-enabled global cyber security and software escrow business, reports its interim results for the six months to 30 November 2023 ("the half year", "HY", "H1 2024", "the period").

## Highlights

### Overall performance in line

- H1 2024 traded in line with management's revenue, gross margin and profitability expectations
- Adjusted Operating profit <sup>1</sup> amounted to £4.8m (H1 2023 restated <sup>3</sup>: £12.9m) under new adjusted operating profit <sup>1</sup> measure. Based on previous measure this would equate to £10.2m (H1 2023: £20.5m), as expected

### Cyber Security stabilised, Managed Services continued growth and gross margin trajectory

- Technical Assurance Services (TAS) has stabilised as demonstrated by H1 2024 revenue only declining by -4.7% as compared to the revenue generated in H2 2023. As expected, TAS Revenue YoY on a constant currency basis <sup>1</sup> has declined by -28.6% (-31.7% actual rates) following the annualisation effect of challenges experienced in Q3 FY23
- Managed Services (MS) revenue has continued to grow strongly as expected on a constant currency basis <sup>1</sup> by +17.3% (actual rates +15.4%)
- Consulting and Implementation (C&I) remains in line with the prior period and an experienced leader has now been recruited for this capability
- Digital Forensics and Incident Response (DFIR) experienced constant currency growth of +32.8% (actual rates +32.8%), reflecting the number of incident responses of Ransomware
- Following actions taken in Q1 2024 to address gross margin, TAS utilisation has improved in Q2 2024 to c.76% as compared to c.60% Q1 FY24 and Q4 FY23, contributing to an improvement in H1 2024 Cyber Security gross margin percentage of +0.7% pts as compared to H2 2023

### Escode revenue and profit continuing to grow

- Escode – the Group's software escrow business, delivered another two consecutive quarters of year-on-year, with constant currency revenue YoY growth <sup>1</sup> of +6.2% driven by increased verification revenues and contracted price increases; this acceleration was aided by Q1 2023 comparator
- Client retention rate remains stable YoY at c.93% and consistent with long term trends

### Strategic progress and cost efficiencies realised

- The Group continues to attract top talent across the Group, including in our new Manila office where we currently have 60 revenue generating colleagues
- Delivery of £5m Group cost efficiencies within gross margin and overheads for FY24 highlighted in September 2023

### Confident outlook and current trading remains in line with expectations

- Whilst TAS, the largest part of our Cyber business, has less forward visibility than other parts of our business due to the nature of the service, our Q2 2024 revenue exit rate gives us confidence in H2 2024. This will be supported by continued strong revenue growth in our Managed Services capability
- We are confident in delivering low single digit revenue growth in Escode in the second half as we continue to benefit from verification and pricing opportunities and the Board has decided not to restart the strategic review of Escode at this juncture
- The strategic actions including cost base efficiencies within gross margin and overheads have been successfully implemented and the performance in H1 2024 mean we are well placed to deliver on our full year expectations
- The Group remains confident in our ability to achieve our medium-term financial goals

**Mike Maddison**, Chief Executive Officer, commented:

"The Group delivered a first-half financial performance in line with expectations while continuing to transform the business at pace. We are emerging as a stronger, more resilient organisation, driven by our new executive team and colleagues. I'm delighted to see Escode go from strength to strength and in Cyber I'm confident we've turned a corner with the Technical Assurance Services market stabilising. Importantly we continue to see predicted demand increasing in other areas which are central to our strategy, particularly Managed Services. Looking ahead, we are well placed for sustainable long-term growth as we deliver on our purpose to create a more secure digital future."

The following table summarises the Group's financial highlights after considering the disclosure changes to adjusted items and measures <sup>3</sup>.

Financial highlights	H1 2024	H1 2023 (restated) <sup>3</sup>	Change at actual rates	Change at constant currency <sup>1</sup>
<b>Revenue (£m) <sup>1</sup></b>	<b>159.2</b>	<b>176.6</b>	<b>(9.9%)</b>	<b>(6.7%)</b>
Cyber Security – continuing (£m)	124.2	143.1	(13.2%)	(10.2%)
Cyber Security – discontinued (£m) <sup>2</sup>	2.6	1.9	36.8%	36.8%
Escode (£m)	32.4	31.6	2.5%	6.2%
<b>Gross margin (%)</b>	<b>37.9%</b>	<b>40.5%</b>	<b>(2.6% pts)</b>	
<b>Adjusted EBITDA (£m) <sup>1,3</sup></b>	<b>15.6</b>	<b>24.2</b>	<b>(35.5%)</b>	
<b>Adjusted Operating profit (£m) <sup>1,3</sup></b>	<b>4.8</b>	<b>12.9</b>	<b>(62.8%)</b>	
<b>Adjusted basic EPS <sup>1,3</sup> (pence)</b>	<b>0.5p</b>	<b>2.5p</b>	<b>(80.0%)</b>	
<b>Net debt excluding lease liabilities (£m) <sup>1</sup></b>	<b>(48.3)</b>	<b>(54.8)</b>	<b>6.5</b>	
<b>Cash conversion <sup>1,3</sup> (%)</b>	<b>89.1%</b>	<b>100.4%</b>	<b>(11.3% pts)</b>	
<b>Interim dividend (pence)</b>	<b>1.50</b>	<b>1.50</b>		<b>-</b>

**Footnotes:**

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

2: Discontinued activities represent the non-core disposal of DetACT in December 2023 that was classified as an asset held for sale at 30 November 2023.

3: After reconsidering FRC best practice guidance around the disclosure of adjusting items and APM's, the Group have reduced the number of adjusted measures and items. The Group now only has one adjusted item 'Individual Significant Items'. Previous adjusted items of Amortisation of acquisition intangibles and Share based payments are no longer disclosed as an adjusted item. Accordingly, comparative numbers have been restated. For further detail, please refer to the Financial Review and Note 3 for an explanation of APMs and adjusting items, including a reconciliation to statutory information.

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### Presentation of results – audio webcast and conference call details:

A briefing for investors and analysts will be held today at 09:00 GMT at the offices of H/Advisors Maitland, 3 Pancras Square, London, N1C 4AG. To register for the in-person event email [NCCGroup-maitland@h-advisors.global](mailto:NCCGroup-maitland@h-advisors.global)

Webcast registration: <https://www.lsegissuerservices.com/spark/NCCGroup/events/ed403766-51d2-4ab3-9b6e-dcfebfc7714>. Audio only where verbal questions can be asked: <https://registrations.events/direct/LON53918>

The slides for this presentation can be downloaded from NCC Group's website: [www.nccgoupplc.com](http://www.nccgoupplc.com) and a recording of the presentation will be uploaded later today.

### About NCC Group plc

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

Driven by a collective purpose to create a more secure digital future, c. 2,200 colleagues across Europe, North America, and Asia Pacific harness their collective insight, intelligence, and innovation to deliver cyber resilience solutions for both public and private sector clients globally.

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

### Cautionary note regarding forward-looking statement

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

# Chief Executive Officer's business review

## Our transformation

We have delivered a first-half financial performance in line with expectations. A lot has changed in these six months, and positively our business has been transforming at pace.

This transformation is being driven by a new executive team executing our *Next Chapter* strategy. I am immensely proud to have brought in cyber leaders from across the globe with deep industry expertise, energy and new perspectives – like our Chief Technology Officer Sian John MBE, Chief Commercial Officer Carolyn Heiken and Chief Operating Officer Kevin Brown.

Our ability to attract individuals of this calibre is one of many indicators in H1 2024 that fills me with optimism as we move into the second half of the year and look to the future. We've been through significant change, but we are emerging as a stronger, more resilient organisation that can truly deliver on its purpose to create a more secure digital future.

I'd like to thank every single NCC Group colleague for their commitment and focus during this period. We are now seeing the impact of that collective effort.

## Clients searching for strategic value

In the first half of the year, we saw existing market trends remain broadly unchanged. Clients are continuing to professionalise their buying habits in relation to cyber services, with greater scrutiny and oversight during procurement. Cyber is no longer a discretionary spend and clients are prioritising strategic investments – which aligns with the end-to-end capabilities we are building.

The demand for Technical Assurance Services – which sees us test infrastructure and applications – has stabilised after a significant fall in H2 2023 driven by the North American tech sector. We don't expect this to rebound to previous levels, but demand is increasing considerably in other areas that are central to our strategy. One area of opportunity is Managed Services, where we monitor and manage a client's security infrastructure round the clock. Now more than ever this is seen as a strategic requirement for organisations, and we have a fantastic proposition that couples cutting-edge technology with our insight, innovation, and intelligence.

This was driven by focusing on what our clients need – and in turn will increase our annual recurring revenue line, making us a more resilient and sustainable business. It's a prime example of our *Next Chapter* strategy in action.

## Strengthening our service portfolio

We've continued to build out our end-to-end capabilities, allowing us to support clients across the whole of the cyber lifecycle.

In Consulting & Implementation we have made several important senior hires. This is a key service line that embeds us deep within our clients' businesses and uncovers further opportunities for us to create value. We've spent time identifying and securing the right individuals and I'm confident we'll see the benefits of this patience in H2 2024 and beyond.

In Digital Forensics and Incident Response (DFIR) we appointed a new senior leader and are seeing strong demand reflecting the number of Ransomware incidents. This is supported by insights our global threat intelligence team identify through constant monitoring of the latest attacks and threats from nation states, organised crime, and others.

We also executed in December 2023 a successful disposal of our standalone fraud offering DetACT in the Netherlands for total gross consideration of €9.0m (subject to working capital adjustment), with completion expected in February 2024 following novation of contracts. The Group will continue to look for opportunities for strategic M&A that accelerates our strategy.

## **Becoming a truly global business**

Our *Next Chapter* strategy sees us move from a business operating internationally to becoming a truly global organisation. In H1 2024 we made significant progress in this area with the opening of our new office in Manila, the Philippines, in Q2 2024.

This was not just the opening of an office in a fast-growing emerging market with some of the best cyber talent globally, it was part of a significant cultural shift within our business. From international to global; from silos to complete integration. The opening of Manila – where we currently have 60 experts working at capacity and with plans to grow headcount for a further 20 by 31 May 2024 – happened alongside the creation of further universal processes and technology platforms.

We are already seeing the benefits of this shift – with global resourcing allowing us to put the right people on the right projects, regardless of location. It means we deliver a better service to clients, as well as improving margin through more effective utilisation and pricing.

H1 2024, saw us go through a lot of change in North America as we responded to changing client demands. Colleagues showed incredible resilience to continue delivering outstanding work for some of the most significant companies in the world. With our newly appointed Chief Commercial Officer Carolyn Hieken, located in the United States and showing great leadership, our offer to clients will strengthen further.

## **Investing in our brand**

The opportunity remains for us to better communicate our story – and ensure all stakeholders understand why we are trusted by the most significant organisations and governments globally to secure their environments.

We made great progress in H1 2024, with the rebrand of our software escrow business to Escode, to be launched on 4 March 2024. The Escode team has performed brilliantly, delivering five consecutive quarters of year-on-year revenue growth - and the new brand identity has energised colleagues even further. There will be plenty of marketing activity following the hard launch of the Escode brand to customers in Q1 of this calendar year.

On the Cyber side of the business, we have significantly increased our market profile with investment in large scale Cyber events such as Black Hat US, Gartner's EMEA Risk and Security Summit and CyberCon in APAC, running aligned C-Suite roundtable events to engage buyers. We've also increased investment in relationship marketing aligned to verticals targeting C-Suite and senior decision makers, along with events with partners such as Splunk and Tanium. All while making progress on visibility of our 'people powered, tech-enabled cyber security' value proposition. We will have more to say on this later in the calendar year.

## **NCC Group and sustainability**

Following completion of our first double-materiality assessment in FY23, we published our inaugural Sustainability strategy, and new framework in H1 2024. We have set realistic KPIs to continue to improve data, with a significant focus on full Scope 1, 2 and 3 emissions as part of our ongoing commitment to achieving Net Zero before 2050, working in partnership with Planet Mark.

An example of this commitment is the setting of a new standard for all future NCC locations, with greater landlord engagement on their transition plans as a requirement. This is evidenced by our new office in Manila. The office is situated in the Seven/NEO building, which is a pilot project for the International Finance Corporation's Building Resilience Index (BRI) programme. The BRI aims to promote resilient and sustainable infrastructure development in emerging markets and is currently being piloted in the Philippines.

## **Board composition**

As previously announced, Chris Batterham, one of our independent non-executive Directors stepped down from the Board after eight and a half years of service on 30 November 2023. On behalf of the Board, I would like to thank Chris for his commitment and work over this time.

## **Year-end change**

The Board has changed the year end of the Group from 31 May to 30 September, this is to drive greater efficiency in our corporate reporting and audit process. As a result, the Group will announce H2 2024 results and the 12 months trading to 31 May 2024 on 1 August 2024. In addition, the 16 months trading to 30 September 2024 will be announced in mid-December 2024. In due course, the Group will provide appropriate pro forma information to aid analyst modelling.

**Confident outlook and current trading remains in line with expectations**

- Whilst TAS, the largest part of our Cyber business, has less forward visibility than other parts of our business due to the nature of the service, our Q2 2024 revenue exit rate gives us confidence in H2 2024. This will be supported by continued strong revenue growth in our Managed Services capability
- We are confident in delivering low single digit revenue growth in Escode in the second half as we continue to benefit from verification and pricing opportunities and the Board has decided not to restart the strategic review of Escode at this juncture
- The strategic actions including cost base efficiencies within gross margin and overheads have been successfully implemented and the performance in H1 2024 mean we are well placed to deliver on our full year expectations
- The Group remains confident in our ability to achieve our medium-term financial goals

***Interim dividend***

- Unchanged interim dividend of 1.50p (H1 2023: 1.50p) per ordinary share declared, as the Board prioritises investment in the new strategy

# Financial review

## Highlights – FY24 financial framework

As we measure ourselves against our FY24 financial framework outlined in September 2023, the key points to note are as follows:

- **Sustainable revenue growth**
  - *Returning Cyber Security to growth in H2 2024* – H1 2024 revenue ahead of H2 2023 on both constant currency <sup>1</sup> (growth of 2.1%) and at actual rates +0.6%
  - *Accelerating growth in our recurring Managed Services* – H1 2024 revenue increased by +17.3% at constant currency (15.4% at actual rates)
  - *Maintaining momentum of quarterly growth in Escode* – now experienced five consecutive quarters of revenue growth
- **Improved gross margin**
  - *Improved utilisation* – Q2 FY24 TAS average utilisation of c.76%, significantly higher than c.60% in Q1 FY24 and Q4 FY23
  - *Globalised technical resource footprint* – we currently have 60 operational technical consultants in our new office in Manila, with further investment occurring in H2 2024
- **Efficient cost base**
  - *Delivering c.£5m efficiencies in FY24 within gross margin and overheads in Cyber Security (annualised c.£10m from FY25)* – reduction in cost of sales by 6.0% (£6.3m) and administrative expenses (exc. Share based payments, Depreciation and Amortisation and ISIs) decreased YoY by 1.8% (£0.8m) and 3.9% (£1.8m) compared to H2 2023
  - *Annualising Software Resilience efficiencies delivered in FY23* – improvement in Adjusted EBITDA <sup>1</sup> during H1 FY24 to £14.7m, with further investment required in H2 FY24 to unlock further efficiencies
- **Balance sheet resilience**
  - *Strong cash conversion* – historic cash conversion consistently greater than 85% target, with H1 2024 amounting to 89.1%
  - *Reducing debt* – net debt effectively managed at H1 2024 to £48.3m, with non-core disposal of DeTACT expected to generate c.€9m gross consideration in Q3 2024
  - *Maintaining dividend* – interim dividend maintained at 1.50p, as the Board prioritises investment in the new strategy

## Overview of financial performance

### Revenue

Group revenues decreased by -6.7% on a constant currency basis <sup>1</sup> and at -9.9% at actual rates, following challenges experienced within our Cyber Security business in Q3 FY23.

In our Cyber Security business overall revenue declined by -9.6% on a constant currency basis <sup>1</sup> and at -12.6% at actual rates. Our North American and UK and APAC businesses declined on a constant currency basis <sup>1</sup> by -31.9% and -0.5% respectively (-36.5% and -1.3% at actual rates). However, our EU region increased +18.8% on a constant currency basis <sup>1</sup> (+17.4% at actual rates) due to an increase in Managed Services, Digital Forensics and Incident Response and other services.

As indicated in September 2023, we now manage our Cyber Security business based on specific Cyber Security capabilities as well by geography. Namely, these capabilities are:

- 'Technical Assurance Services' (TAS) which includes all types of penetration testing
- 'Consulting and Implementation' (C&I) which includes consultancy services across all industrial verticals
- 'Managed Services' (MS) which includes XDR
- Digital Forensics and Incident Response (DFIR) - these services are dependent on the timing of incident responses
- 'Other services' that include our Fox-IT Crypto business and Global Cyber Security Research.

DefACT has become discontinued during the period, following its disposal in December 2023, as it was considered a non-core activity of the Group.

The following table summarises the performance of Cyber Security capabilities:

	H1 2024	H1 2023	% change at actual rates	H1 2024	Constant Currency <sup>1</sup>	% change at constant currency <sup>1</sup>
	£m	£m		£m	£m	
Technical Assurance Services (TAS)	56.6	82.9	(31.7%)	56.6	79.3	(28.6%)
Consulting and Implementation (C&I)	22.0	22.4	(1.8%)	22.0	21.8	0.9%
Managed Services (MS)	27.8	24.1	15.4%	27.8	23.7	17.3%
Digital Forensics and Incident Response (DFIR)	8.5	6.4	32.8%	8.5	6.4	32.8%
Other services	9.3	7.3	27.4%	9.3	7.1	31.0%
<b>Total Cyber Security revenue – continuing</b>	<b>124.2</b>	<b>143.1</b>	<b>(13.2%)</b>	<b>124.2</b>	<b>138.3</b>	<b>(10.2%)</b>
Discontinued	2.6	1.9	36.8%	2.6	1.9	36.8%
<b>Total Cyber Security revenue</b>	<b>126.8</b>	<b>145.0</b>	<b>(12.6%)</b>	<b>126.8</b>	<b>140.2</b>	<b>(9.6%)</b>

TAS declined by -28.6% (-31.7% at actual rates) due to challenges we experienced in Q3 FY23, albeit revenue is now stabilising as demonstrated by H1 2024 revenue only declining by -4.7% as compared to the revenue generated in H2 2023 (-5.7% at actual rates). C&I increased slightly by +0.9% (-1.8% at actual rates) with an experienced leader now recruited for this capability. As expected, MS revenue increased by +17.3% (+15.4% at actual rates) with Sales orders for the forthcoming years increased 91.3% from £32.3m to £61.8m. DFIR increased by +32.8% reflecting the number of incident responses of Ransomware.

In our Escode division, revenue increased by +6.2% at constant currency <sup>1</sup> (+2.5% actual rates) with both contract and verification revenues providing growth of c.6% at constant currency.

The following table summarises the Group's overall performance:

	H1 2024						H1 2023 (restated) <sup>3</sup>					
	Cyber Security £m	Escode £m	Central and head office £m	Continuing operations total £m	Discontinued <sup>2</sup> £m	Group £m	Cyber Security £m	Escode £m	Central and head office £m	Continuing operations total £m	Discontinued <sup>2</sup> £m	Group £m
<b>Revenue</b>	<b>124.2</b>	<b>32.4</b>	<b>-</b>	<b>156.6</b>	<b>2.6</b>	<b>159.2</b>	143.1	31.6	-	174.7	1.9	176.6
Cost of sales	(87.1)	(10.0)	-	(97.1)	(1.7)	(98.8)	(94.5)	(9.3)	-	(103.8)	(1.3)	(105.1)
<b>Gross profit</b>	<b>37.1</b>	<b>22.4</b>	<b>-</b>	<b>59.5</b>	<b>0.9</b>	<b>60.4</b>	48.6	22.3	-	70.9	0.6	71.5
Gross margin %	29.9%	69.1%	-	38.0%	34.6%	37.9%	34.0%	70.6%	-	40.6%	31.6%	40.5%
Administrative expenses	(33.8)	(7.6)	(2.5)	(43.9)	(0.1)	(44.0)	(34.8)	(8.0)	(1.9)	(44.7)	(0.1)	(44.8)
Share-based payments <sup>3</sup>	(0.1)	(0.1)	(0.5)	(0.7)	(0.1)	(0.8)	(1.2)	(0.1)	(1.1)	(2.4)	(0.1)	(2.5)
<b>Adjusted EBITDA <sup>1,3</sup></b>	<b>3.2</b>	<b>14.7</b>	<b>(3.0)</b>	<b>14.9</b>	<b>0.7</b>	<b>15.6</b>	12.6	14.2	(3.0)	23.8	0.4	24.2
Depreciation and amortisation	(4.0)	(0.4)	(1.7)	(6.1)	(0.1)	(6.2)	(3.7)	(0.2)	(2.2)	(6.1)	(0.1)	(6.2)
Amortisation of acquired intangibles <sup>3</sup>	(1.8)	(2.8)	-	(4.6)	-	(4.6)	(2.0)	(3.1)	-	(5.1)	-	(5.1)
<b>Adjusted Operating (loss)/ profit <sup>1,3</sup></b>	<b>(2.6)</b>	<b>11.5</b>	<b>(4.7)</b>	<b>4.2</b>	<b>0.6</b>	<b>4.8</b>	6.9	10.9	(5.2)	12.6	0.3	12.9
Individually Significant Items <sup>3</sup>	(3.8)	(0.2)	-	(4.0)	(0.2)	(4.2)	-	-	-	-	-	-
<b>Operating (loss)/profit</b>	<b>(6.4)</b>	<b>11.3</b>	<b>(4.7)</b>	<b>0.2</b>	<b>0.4</b>	<b>0.6</b>	6.9	10.9	(5.2)	12.6	0.3	12.9
Operating margin %	(5.2%)	34.9%	n/a	0.1%	15.4%	0.4%	4.8%	34.5%	n/a	7.2%	15.8%	7.3%
Finance costs				(3.0)	-	(3.0)				(2.6)	-	(2.6)
<b>(Loss)/profit before taxation</b>				(2.8)	0.4	(2.4)				10.0	0.3	10.3
Taxation				0.8	(0.1)	0.7				(2.6)	(0.1)	(2.7)
<b>(Loss)/profit after taxation</b>				(2.0)	0.3	(1.7)				7.4	0.2	7.6
<b>EPS</b>												
Basic EPS				(0.6p)	0.1p	(0.5p)				2.4p	0.1p	2.5p
Basic adjusted EPS <sup>1,3</sup>				0.4p	0.1p	0.5p				2.4p	0.1p	2.5p

**Footnotes:**

1: Adjusted EBITDA and Adjusted basic EPS are Alternative Performance Measures (APMs) and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items, including a reconciliation to statutory information.

2: Discontinued activities represent the non-core disposal of DetACT in December 2023 that was classified as an asset held for sale at 30 November 2023.

3: After reconsidering FRC best practice guidance around the disclosure of adjusting items and APM's, the Group have reduced the number of adjusted measures and items. The Group now only has one adjusted item 'Individual Significant Items'. Previous adjusted items of Amortisation of acquisition intangibles and Share based payments are no longer disclosed as an adjusted item. Accordingly, comparative numbers have been restated. For further detail, please refer to the Financial Review and Note 3 for an explanation of APMs and adjusting items, including a reconciliation to statutory information.

Gross profit decreased by 15.5% to £60.4m (H1 2023: £71.5m) with gross margin percentage decreasing to 37.9% (H1 2023: 40.5%, H2 2023: 38.2%). The 2.6% pts gross margin (%) decrease is mainly due to lower utilisation within Cyber Security in Q1 2024.

Administrative expenses have decreased by 1.8% to £44.0m (H1 2023 £44.8m). This was mostly due to a decrease in people and training costs offset by investments in new offices and foreign exchange. When comparing these expenses to H2 2023, we have seen a reduction of 3.9% (£1.8m).

A loss of £1.7m for the period was recognised giving rise to a basic and diluted EPS of (0.5p) (H1 2023: basic £2.5p and diluted 2.4p). Adjusted basic EPS <sup>1</sup> amounted to 0.5p (H1 2023 restated <sup>3</sup>: 2.5p).

On 30 November 2023, our cash conversion <sup>1</sup> was 89.1% (H1 2023 restated <sup>3</sup>: 100.4%). Net debt excluding lease liabilities <sup>1</sup> amount to £48.3m (H1 2023: £54.8m).

Our Balance Sheet remains strong following our refinancing in December 2022. Our facilities include a four-year £162.5m multi-currency revolving credit facility and additional £75m uncommitted accordion option.

The Board is declaring an unchanged interim dividend of 1.50p per ordinary share (H1 2023: 1.50p). This represents a dividend equal to that paid in the prior period as the Board is conscious of the need to invest in the new strategy.



## Alternative Performance Measures (APMs)

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

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

After reconsidering FRC best practice guidance around the disclosure of adjusting items and APM's, the Group have reduced the number of adjusted measures and items within the period. The Group now only has one adjusted item 'Individual Significant Items'. Previous adjusted items of Amortisation of acquisition intangibles and Share based payments are no longer disclosed as an adjusted item. Accordingly, comparative numbers have been restated.

The following tables reconciles how these changes have affected the historic measures of Adjusted EBITDA, Adjusted operating profit, Adjusted earnings, Adjusted basic EPS and cash conversion which includes Adjusted EBITDA:

Adjusted measure	H1 2024	H1 2023 (restated) <sup>2</sup>	Change
Adjusted EBITDA – previously (£m)	16.4	26.7	(10.3)
Share based payments (£m)	(0.8)	(2.5)	1.7
<b>Adjusted EBITDA – revised (£m)</b>	<b>15.6</b>	24.2	(8.6)
Adjusted Operating profit – previously (£m)	10.2	20.5	(10.3)
Share based payments (£m)	(0.8)	(2.5)	1.7
Amortisation of acquired intangibles (£m)	(4.6)	(5.1)	0.5
<b>Adjusted Operating profit – revised (£m)</b>	<b>4.8</b>	12.9	(8.1)
Adjusted earnings – previously (£m)	5.4	13.3	(7.9)
Share based payments (£m)	(0.8)	(2.5)	1.7
Amortisation of acquired intangibles (£m)	(4.6)	(5.1)	0.5
Tax effect of above items (£m)	1.4	1.9	(0.5)
<b>Adjusted earnings – revised (£m)</b>	<b>1.4</b>	7.6	(6.2)
<b>Basic adjusted EPS - previously (pence)</b>	<b>1.7</b>	4.3	(2.6)
Effect of share-based payments (pence)	(1.5)	(1.6)	0.1
Effect amortisation of acquired intangibles (pence)	(0.2)	(0.8)	0.6
Tax effect of above items (pence)	0.5	0.6	(0.1)
<b>Basic adjusted EPS – revised (pence)</b>	<b>0.5</b>	2.5	(2.0)
<b>Cash conversion – previously (%)</b>	<b>84.8</b>	91.0	(6.2)
Effect of share-based payments (%)	4.3	9.4	(5.1)
<b>Cash conversion – revised (%)</b>	<b>89.1</b>	100.4	(11.3)

The Group still manages internally its performance on an adjusted earnings basis (before Individually Significant Items and tax effect thereon) which management believes represents the underlying trading of the business; on this basis adjusted EPS is still disclosed as an APM. This APM is reconciled to statutory earnings and statutory basic EPS.

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

- Adjusted EBITDA (reconciled in Note 3)
- Adjusted operating profit (reconciled in Note 3)
- Adjusted basic EPS (pence) (reconciled in Note 7)
- Net debt excluding lease liabilities (reconciled in Note 3)
- Net debt (reconciled in Note 3)
- Cash conversion which includes Adjusted EBITDA (reconciled in Note 3)
- Constant currency revenue (reconciled in Note 3)

Apart from the changes noted above, the above APM's are consistent with those reported for the year ended 31 May 2023.

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

The Glossary of APM terms are also contained within Note 3, which provides supplementary information that assists the user in understanding these APMs/non-statutory measures.

## Financial summary

Summary Income Statement:

£m	H1 2024	H1 2023 (restated) <sup>2</sup>	% Change
<b>Continuing and discontinued activities</b>			
<b>Revenue</b>	<b>159.2</b>	176.6	(9.9%)
Cost of sales	<b>(98.8)</b>	(105.1)	(6.0%)
<b>Gross profit</b>	<b>60.4</b>	71.5	(15.5%)
Administrative expenses	<b>(44.0)</b>	(44.8)	(1.8%)
Share based payments <sup>2</sup>	<b>(0.8)</b>	(2.5)	(68.0%)
<b>Adjusted EBITDA <sup>1,2</sup></b>	<b>15.6</b>	24.2	(35.5%)
Depreciation and amortisation	<b>(6.2)</b>	(6.2)	-
Acquired intangible amortisation <sup>2</sup>	<b>(4.6)</b>	(5.1)	(9.8%)
<b>Adjusted Operating profit <sup>1,2</sup></b>	<b>4.8</b>	12.9	(62.8%)
Individually significant items <sup>2</sup>	<b>(4.2)</b>	-	n/a
<b>Operating profit</b>	<b>0.6</b>	12.9	(95.3%)
Finance costs	<b>(3.0)</b>	(2.6)	15.4%
<b>(Loss)/profit before taxation</b>	<b>(2.4)</b>	10.3	(123.3%)
Taxation	<b>0.7</b>	(2.7)	125.9%
<b>(Loss)/profit for the period</b>	<b>(1.7)</b>	7.6	(122.4%)
<b>EPS</b>			
Basic EPS	<b>(0.5p)</b>	2.5p	(120.0%)
Basic adjusted EPS <sup>1,2</sup>	<b>0.5p</b>	2.5p	(80.0%)

### Footnotes:

1: Adjusted EBITDA, Adjusted Operating profit and Adjusted basic EPS are Alternative Performance Measures (APMs) and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items, including a reconciliation to statutory information.

2: After reconsidering FRC best practice guidance around the disclosure of adjusting items and APM's, the Group have reduced the number of adjusted measures and items. The Group now only has one adjusted item 'Individual Significant Items'. Previous adjusted items of Amortisation of acquisition intangibles and Share based payments are no longer disclosed as an adjusted item. Accordingly, comparative numbers have been restated. For further detail, please refer to the Financial Review and Note 3 for an explanation of APMs and adjusting items, including a reconciliation to statutory information.

Revenue summary:

	H1 2024 £m	H1 2023 £m	% change at actual rates	Constant Currency <sup>1</sup> H1 2024 £m	H1 2023 £m	% change at constant currency <sup>1</sup>
Cyber Security – continuing	<b>124.2</b>	143.1	(13.2%)	<b>124.2</b>	138.3	(10.2%)
Cyber Security – discontinued	<b>2.6</b>	1.9	36.8%	<b>2.6</b>	1.9	36.8%
Total Cyber Security revenue	<b>126.8</b>	145.0	(12.6%)	<b>126.8</b>	140.2	(9.6%)
Escode	<b>32.4</b>	31.6	2.5%	<b>32.4</b>	30.5	6.2%
<b>Total revenue – continuing and discontinued</b>	<b>159.2</b>	176.6	(9.9%)	<b>159.2</b>	170.7	(6.7%)
Cyber Security – discontinued	<b>(2.6)</b>	(1.9)	(36.8%)	<b>(2.6)</b>	(1.9)	(36.8%)
<b>Total revenue – continuing</b>	<b>156.6</b>	174.7	(10.4%)	<b>156.6</b>	168.8	(7.2%)

## Divisional performance

### Cyber Security

The Cyber Security division accounts for 79.6% of Group revenue (H1 2023: 82.1%) and 62.9% of Group gross profit (H1 2023: 68.8%).

Cyber Security revenue analysis – by originating country:

	H1 2024 £m	H1 2023 £m	% change at actual rates	H1 2024 £m	Constant Currency <sup>1</sup> H1 2023 £m	% change at constant currency <sup>1</sup>
UK & APAC	60.8	61.6	(1.3%)	60.8	61.1	(0.5%)
North America	37.6	59.2	(36.5%)	37.6	55.2	(31.9%)
Europe	28.4	24.2	17.4%	28.4	23.9	18.8%
<b>Total Cyber Security revenue</b>	<b>126.8</b>	<b>145.0</b>	<b>(12.6%)</b>	<b>126.8</b>	<b>140.2</b>	<b>(9.6%)</b>
Europe - discontinued	(2.6)	(1.9)	(36.8%)	(2.6)	(1.9)	(36.8%)
<b>Total Cyber Security revenue – continuing</b>	<b>124.2</b>	<b>143.1</b>	<b>(13.2%)</b>	<b>124.2</b>	<b>138.3</b>	<b>(10.2%)</b>

Cyber Security revenue - continuing decreased by -10.2% on a constant currency basis<sup>1</sup> and at -13.2% at actual rates. UK & APAC decreased by -0.5% on a constant currency basis<sup>1</sup> (-1.3% at actual rates). North America declined by -31.9% on a constant currency basis<sup>1</sup> (-36.5% at actual rates), whilst Europe experienced an increase of +18.8% on a constant currency basis<sup>1</sup> (+17.4% at actual rates) due to an increase in Managed Services, Digital Forensics and Incident Response and other services.

From a Cyber Security revenue trajectory perspective, the following table compares H1 2024 performance to H2 2023 performance:

	H1 2024 £m	H2 2023 £m	% change at actual rates	H1 2024 £m	Constant Currency <sup>1</sup> H2 2023 £m	% change at constant currency <sup>1</sup>
UK & APAC	60.8	56.8	7.0%	60.8	56.6	7.4%
North America	37.6	40.1	(6.2%)	37.6	38.8	(3.1%)
Europe	28.4	29.2	(2.7%)	28.4	28.9	(1.7)%
<b>Total Cyber Security revenue</b>	<b>126.8</b>	<b>126.1</b>	<b>0.5%</b>	<b>126.8</b>	<b>124.3</b>	<b>2.0%</b>
Europe - discontinued	(2.6)	(2.7)	3.7%	(2.6)	(2.7)	3.7%
<b>Total Cyber Security revenue – continuing</b>	<b>124.2</b>	<b>123.4</b>	<b>0.6%</b>	<b>124.2</b>	<b>121.6</b>	<b>2.1%</b>

Following the implementation of our new strategy, Cyber Security revenue is now analysed in more detail by type of service and capability:

	H1 2024 £m	H1 2023 £m	% change at actual rates	H1 2024 £m	Constant Currency <sup>1</sup> H1 2023 £m	% change at constant currency <sup>1</sup>
Technical Assurance Services (TAS)	56.6	82.9	(31.7%)	56.6	79.3	(28.6%)
Consulting and Implementation (C&I)	22.0	22.4	(1.8%)	22.0	21.8	0.9%
Managed Services (MS)	27.8	24.1	15.4%	27.8	23.7	17.3%
Digital Forensics and Incident Response (DFIR)	8.5	6.4	32.8%	8.5	6.4	32.8%
Other services	9.3	7.3	27.4%	9.3	7.1	31.0%
<b>Total Cyber Security revenue – continuing</b>	<b>124.2</b>	<b>143.1</b>	<b>(13.2%)</b>	<b>124.2</b>	<b>138.3</b>	<b>(10.2%)</b>
Discontinued	2.6	1.9	36.8%	2.6	1.9	36.8%
<b>Total Cyber Security revenue</b>	<b>126.8</b>	<b>145.0</b>	<b>(12.6%)</b>	<b>126.8</b>	<b>140.2</b>	<b>(9.6%)</b>

TAS and MS now represents 44.6% and 21.9% of total Cyber Security revenue as compared to H1 2023 of 57.2% and 16.6% respectively, demonstrating the change in service mix to more annual recurring revenues. In addition, C&I has further opportunities, and we will be investing specifically in this area.

Cyber Security gross profit is analysed as follows:

	H1 2024 £m	H1 2024 % margin	H1 2023 £m	H1 2023 % margin	% pts change
UK & APAC	22.3	36.7%	22.9	37.2%	(0.5% pts)
North America	7.6	20.2%	16.6	28.0%	(7.8% pts)
Europe	8.1	28.5%	9.7	40.1%	(11.6% pts)
<b>Cyber Security gross profit and % margin</b>	<b>38.0</b>	<b>30.0%</b>	<b>49.2</b>	<b>33.9%</b>	<b>(3.9% pts)</b>

Gross margins declined overall by -3.9% pts, driven by North America lower utilisation in Q1 2024 and a decline in Europe. In Europe, the margin decreased by 11.6% pts due to the recognition of historic project cost compensation of £1.5m in H1 2023. Excluding this item, the margin would have decreased 5.4% driven by inflationary pressures.

When comparing H1 2024 performance to H2 2023, the following table summarises the gross margin trajectory, as the Group realigned its cost base in Q1 2024 and improved utilisation during Q2 2024:

	H1 2024 £m	H1 2024 % margin	H2 2023 £m	H2 2023 % margin	% pts change
UK & APAC	22.3	36.7%	17.4	30.6%	6.1% pts
North America	7.6	20.2%	9.5	23.7%	(3.5% pts)
Europe	8.1	28.5%	10.0	34.2%	(5.7% pts)
<b>Cyber Security gross profit and % margin</b>	<b>38.0</b>	<b>30.0%</b>	<b>36.9</b>	<b>29.3%</b>	<b>0.7% pts</b>

### Escode

The Escode division accounts for 20.4% of Group revenues (H1 2023: 17.9%) and 37.1% of Group gross profit (H1 2023: 31.2%).

Escode revenue analysis – by originating country:

	H1 2024 £m	H1 2023 £m	% change at actual rates	H1 2024 £m	Constant Currency <sup>1</sup> H1 2023 £m	% change at constant currency <sup>1</sup>
UK	13.4	12.3	8.9%	13.4	12.3	8.9%
North America	16.9	17.3	(2.3%)	16.9	16.2	4.3%
Europe	2.1	2.0	5.0%	2.1	2.0	5.0%
<b>Total Escode revenue</b>	<b>32.4</b>	<b>31.6</b>	<b>2.5%</b>	<b>32.4</b>	<b>30.5</b>	<b>6.2%</b>

Escode revenues analysed by service line:

	H1 2024 £m	H1 2023 £m	% change at actual rates	H1 2024 £m	Constant Currency <sup>1</sup> H1 2023 £m	% change at constant currency <sup>1</sup>
Escrow contracts	21.8	21.3	2.3%	21.8	20.5	6.3%
Verification services	10.6	10.3	2.9%	10.6	10.0	6.0%
<b>Total Escode revenue</b>	<b>32.4</b>	<b>31.6</b>	<b>2.5%</b>	<b>32.4</b>	<b>30.5</b>	<b>6.2%</b>

Gross margin is analysed as follows:

	H1 2023 £m	H1 2023 % margin	H1 2023 £m	H1 2023 % margin	% pts change
UK	8.9	66.4%	8.4	68.3%	(1.9% pts)
North America	12.1	71.6%	12.6	72.8%	(1.2% pts)
Europe	1.4	66.7%	1.3	65.0%	1.7% pts
<b>Escode gross profit and % margin</b>	<b>22.4</b>	<b>69.1%</b>	<b>22.3</b>	<b>70.6%</b>	<b>(1.5% pts)</b>

Escode gross profit decreased by -1.5% pts with UK and North America decreasing by -1.9% pts and -1.2% pts respectively due to continued investment to enable Escode to achieve sustainable revenue growth.

## Individually Significant Items

During the period, the Group has incurred Individually Significant Items (ISIs) of £4.2m (H1 2023: £Nil) represented by Re-organisation costs arising from strategic actions of £3.8m, remaining costs associated with strategic review of Escode of £0.2m and disposal costs of £0.2m incurred to date in relation to the disposal of DetACT in December 2023. See note 5 for further details.

## Finance costs

Finance costs for the period were £3.0m compared to £2.6m in H1 2023 due to an increase in borrowing costs following increases in base interest rates. Finance costs include lease financing costs of £0.5m (H1 2023: £0.5m).

## Taxation

The Group's effective statutory tax rate is 29.2% (H1 2023: 26.2%). The increase in the tax rate from H1 2023 to H1 2024 is mainly due to an increase in the UK standard rate of corporation tax. The Group's adjusted tax rate is 22.2% (H1 2023 restated <sup>3</sup>: 26.2%).

## Earnings per share (EPS)

	H1 2024	H1 2023 (restated) <sup>2</sup>
<b>Statutory</b>		
Basic EPS	(0.5p)	2.5p
Diluted EPS	(0.5p)	2.4p
<b>Adjusted <sup>1</sup></b>		
Basic EPS	0.5p	2.5p
<b>Weighted average number of shares (million)</b>		
Basic	310.9	309.4
Diluted	312.1	313.1

## Cash flow and net debt <sup>1</sup>

The table below summarises the Group's cash flow and net debt <sup>1</sup>:

	H1 2024 £m	H1 2023 £m
<b>Operating cash inflow before movements in working capital</b>	<b>13.0</b>	24.8
Movement in working capital	0.9	(0.5)
<b>Cash generated from operating activities before interest and taxation</b>	<b>13.9</b>	24.3
Interest element of lease payments	(0.5)	(0.5)
Finance interest paid	(2.1)	(1.7)
Taxation paid	(3.1)	(3.5)
<b>Net cash generated from operating activities</b>	<b>8.2</b>	18.6
Purchase of property, plant and equipment	(3.5)	(1.6)
Software and development expenditure	(1.6)	(2.1)
Acquisition of trade and assets as part of a business combination	(1.0)	(1.0)
Sale proceeds from business disposal	2.0	-
Equity dividends paid	-	(9.8)
Repayment of lease liabilities (principal amount)	(3.3)	(3.8)
Purchase of own shares	-	(0.5)
Proceeds from the issue of ordinary share capital	-	0.1
<b>Net movement</b>	<b>0.8</b>	(0.1)
Opening net debt <sup>1</sup>	(49.6)	(52.4)
Non-cash movements (release of deferred issue costs)	(0.3)	(0.2)
Foreign exchange movement	0.8	(2.1)
<b>Closing net debt excluding lease liabilities <sup>1</sup></b>	<b>(48.3)</b>	(54.8)
Lease liabilities	(34.8)	(29.3)
<b>Closing net debt <sup>1</sup></b>	<b>(83.1)</b>	(84.1)

Net debt <sup>1</sup> can be reconciled as follows:

	H1 2024 £m	H1 2023 £m
Cash and cash equivalents	17.5	44.5
Bank overdraft	(4.3)	(0.5)
Borrowings (net of deferred issue costs)	(61.5)	(98.8)
<b>Net debt excluding lease liabilities</b> <sup>1</sup>	<b>(48.3)</b>	<b>(54.8)</b>
Lease liabilities	(34.8)	(29.3)
<b>Net debt</b> <sup>1</sup>	<b>(83.1)</b>	<b>(84.1)</b>

The calculation of the cash conversion ratio <sup>1</sup> is set out below:

	H1 2024 £m	H1 2023 (restated) <sup>2</sup> £m	% change/ % pts
Net operating cash flow before interest and taxation (A)	13.9	24.3	(42.8%)
Adjusted EBITDA <sup>1,2</sup> (B)	15.6	24.2	(35.5%)
Cash conversion ratio <sup>1,2</sup> (%) (A)/(B)	89.1%	100.4%	(11.3% pts)

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

<sup>2</sup>: After reconsidering FRC best practice guidance around the disclosure of adjusting items and APM's, the Group have reduced the number of adjusted measures and items. The Group now only has one adjusted item 'Individual Significant Items'. Previous adjusted items of Amortisation of acquisition intangibles and Share based payments are no longer disclosed as an adjusted item. Accordingly, comparative numbers have been restated. For further detail, please refer to the Financial Review and Note 3 for an explanation of APMs and adjusting items, including a reconciliation to statutory information.

Cash capital expenditure during the period was £5.1m (H1 2023: £3.7m) which includes tangible asset expenditure of £3.5m (H1 2023: £1.6m) and capitalised software and development costs of £1.6m (H1 2023: £2.1m). The increase in capital expenditure was mainly due to the opening of our new Manila office.

Acquisition of trade and assets as part of a business combination of £1.0m relates to the further consideration payable in relation to the Adelard acquisition. Sale proceeds from disposals represent part payment of contingent consideration in relation to the disposal of the Group's DDI business, with the remaining proceeds received in January 2024.

### Dividends

Total dividends of £nil were paid in the period (H1 2023: £9.8m), with the FY23 final dividend of £9.8m being paid in December 2023 following the AGM on the 30 November 2023, this represented the final dividend for FY23 of 3.15p. The Board is declaring an unchanged interim dividend of 1.50p per ordinary share (H1 2023: 1.50p).

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

The interim dividend of approximately £4.7m will be paid on 15 March 2024, to shareholders on the register at the close of business on 16 February 2024. The ex-dividend date is 15 February 2024.

## Principal risks and uncertainties

The Board has reconsidered the principal risks and uncertainties published at the full year 2023. The following risks and uncertainties are those that the Directors believe could have the most significant impact on the Group's business and remain unchanged from the year end:

- Strategy – overarching strategic risk
  - Ineffective execution of the Group's strategy
  - Poor and/or ineffective change management mechanisms
  - Over-reliance on market sector, service or client
- Cyber and information security
  - Cyber attack
  - Significant business systems failure
  - Loss of client/colleague data
  - Insufficient quality, integrity and availability of management information
- Innovation and service development
  - Intellectual property theft or exposure
  - Ineffective service management
  - Failed service launch
- People and partners
  - Insufficient workforce resilience
  - Inability to retain/recruit colleagues to meet the resource needs of the businesses
  - Poor colleague health and wellbeing
- Market and competition
  - Economic changes/volatility impact on revenue and profitability
  - Unable to continue to meet the service and resource needs of our clients
  - Lack of visibility in the marketplace
  - Reliance on relationships with third parties
  - International trade
- Brand and reputation
  - Adverse publicity in news and social media
  - Undertaking work with disreputable clients or in sanctioned/undesirable jurisdictions
- Quality and delivery
  - Service delivery does not achieve established quality standards
  - Loss of internationally recognised quality and security standards
- Legal, regulatory compliance and governance
  - Criminal and civil legal action resulting in fines and incarceration
  - Inability to identify and adopt emerging regulations in a timely manner

## Directors' responsibility statement

The responsibility statement below has been prepared in connection with the Group's condensed interim financial statements for the period ended 30 November 2023. We confirm that to the best of our knowledge:

- The condensed set of consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK.
- The interim management report includes a fair review of the information required by:
  - DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Half Year Report is approved and authorised for issue on behalf of the Board on 24 January 2024 by:

**Mike Maddison**  
Chief Executive Officer

**Guy Ellis**  
Chief Financial Officer



# Consolidated income statement

For the period ended 30 November 2023

	Notes	H1 2024			H1 2023		
		Continuing £m	Discontinued <sup>1</sup> £m	Total £m	Continuing £m	Discontinued <sup>1</sup> £m	Total £m
<b>Revenue</b>	4	<b>156.6</b>	<b>2.6</b>	<b>159.2</b>	174.7	1.9	176.6
Cost of sales	4	<b>(97.1)</b>	<b>(1.7)</b>	<b>(98.8)</b>	(103.8)	(1.3)	(105.1)
<b>Gross profit</b>	4	<b>59.5</b>	<b>0.9</b>	<b>60.4</b>	70.9	0.6	71.5
<b>Administrative expenses</b>							
Individually Significant Items		<b>(4.0)</b>	<b>(0.2)</b>	<b>(4.2)</b>	–	–	–
Depreciation and amortisation		<b>(10.7)</b>	<b>(0.1)</b>	<b>(10.8)</b>	(11.2)	(0.1)	(11.3)
Credit losses recognised on financial assets		<b>(0.8)</b>	–	<b>(0.8)</b>	(0.9)	–	(0.9)
Other administrative expenses		<b>(43.8)</b>	<b>(0.2)</b>	<b>(44.0)</b>	(46.2)	(0.2)	(46.4)
<b>Total administrative expenses</b>		<b>(59.3)</b>	<b>(0.5)</b>	<b>(59.8)</b>	(58.3)	(0.3)	(58.6)
<b>Operating profit</b>	4	<b>0.2</b>	<b>0.4</b>	<b>0.6</b>	12.6	0.3	12.9
Finance costs		<b>(3.0)</b>	–	<b>(3.0)</b>	(2.6)	–	(2.6)
<b>(Loss)/profit before taxation</b>		<b>(2.8)</b>	<b>0.4</b>	<b>(2.4)</b>	10.0	0.3	10.3
Taxation		<b>0.8</b>	<b>(0.1)</b>	<b>0.7</b>	(2.6)	(0.1)	(2.7)
<b>(Loss)/profit for the period attributable to the owners of the Company</b>		<b>(2.0)</b>	<b>0.3</b>	<b>(1.7)</b>	7.4	0.2	7.6
<b>Earnings per ordinary share</b>	7						
Basic EPS		<b>(0.6p)</b>	<b>0.1p</b>	<b>(0.5p)</b>	2.4p	0.1p	2.5p
Diluted EPS		<b>(0.6p)</b>	<b>0.1p</b>	<b>(0.5p)</b>	2.3p	0.1p	2.4p

# Consolidated statement of comprehensive income

For the period ended 30 November 2023

	H1 2024 £m	H1 2023 £m
<b>(Loss)/profit for the period attributable to the owners of the Company</b>	<b>(1.7)</b>	7.6
<b>Other comprehensive (loss)/income</b>		
<b>Items that may be reclassified subsequently to profit or loss (net of tax)</b>		
Foreign exchange translation differences	<b>(3.1)</b>	9.8
Total other comprehensive (loss)/income	<b>(3.1)</b>	9.8
<b>Total comprehensive (loss)/income for the period (net of tax) attributable to the owners of the Company</b>	<b>(4.8)</b>	17.4

1: Discontinued activities represent the non-core disposal of DetACT in December 2023 that was classified as an asset held for sale at 30 November 2023.

# Consolidated balance sheet

For the period ended 30 November 2023

	Notes	30 November 2023 £m	30 November 2022 £m	31 May 2023 £m
<b>Non-current assets</b>				
Goodwill		<b>247.3</b>	272.0	255.8
Intangible assets		<b>102.1</b>	120.2	110.9
Property, plant and equipment		<b>13.9</b>	12.5	12.5
Right-of-use assets		<b>23.3</b>	19.6	18.6
Investments		<b>0.3</b>	0.3	0.3
Deferred tax asset		<b>3.0</b>	1.2	2.9
<b>Total non-current assets</b>		<b>389.9</b>	425.8	401.0
<b>Current assets</b>				
Inventories		<b>0.8</b>	1.0	0.8
Trade and other receivables		<b>76.3</b>	77.2	58.1
Contingent consideration receivable		<b>1.8</b>	–	3.8
Current tax receivable		<b>3.8</b>	2.5	3.6
Cash and cash equivalents		<b>17.5</b>	44.5	34.1
<b>Assets classified as held for sale</b>	8	<b>9.2</b>	2.2	–
<b>Total current assets</b>		<b>109.4</b>	127.4	100.4
<b>Total assets</b>		<b>499.3</b>	553.2	501.4
<b>Current liabilities</b>				
Trade and other payables		<b>45.6</b>	53.8	44.7
Bank overdraft		<b>4.3</b>	0.5	1.8
Borrowings		–	19.5	–
Lease liabilities		<b>7.0</b>	4.5	6.0
Current tax payable		<b>0.6</b>	5.7	4.2
Derivative financial instruments		<b>0.3</b>	0.4	0.6
Contingent consideration payable		–	1.0	1.0
Dividends payable		<b>9.8</b>	–	–
Provisions		<b>1.4</b>	1.7	1.2
Contract liabilities - deferred revenue		<b>66.3</b>	53.3	51.6
<b>Liabilities classified as held for sale</b>	8	<b>2.0</b>	1.1	–
<b>Total current liabilities</b>		<b>137.3</b>	141.5	111.1
<b>Non-current liabilities</b>				
Borrowings		<b>61.5</b>	79.3	81.9
Lease liabilities		<b>27.8</b>	24.8	24.0
Deferred tax liabilities		<b>1.3</b>	1.5	1.4
Provisions		<b>1.2</b>	0.9	1.5
Contract liabilities - deferred revenue		<b>5.8</b>	2.3	3.3
<b>Total non-current liabilities</b>		<b>97.6</b>	108.8	112.1
<b>Total liabilities</b>		<b>234.9</b>	250.3	223.2
<b>Net assets</b>		<b>264.4</b>	302.9	278.2
<b>Equity</b>				
Share capital		<b>3.1</b>	3.1	3.1
Share premium		<b>224.1</b>	224.1	224.1
Merger reserve		<b>42.3</b>	42.3	42.3
Currency translation reserve		<b>34.4</b>	44.9	37.5
Retained earnings		<b>(39.5)</b>	(11.5)	(28.8)
<b>Total equity attributable to equity holders of the parent</b>		<b>264.4</b>	302.9	278.2

These financial statements were approved and authorised for issue by the Board of Directors on 24 January 2024 and were signed on its behalf by:

**Mike Maddison**  
Chief Executive Officer

**Guy Ellis**  
Chief Financial Officer

# Consolidated cash flow statement

For the period ended 30 November 2023

	Notes	H1 2024 £m	H1 2023 £m
<b>Cash flow from operating activities</b>			
<b>(Loss)/profit for the period</b>		<b>(1.7)</b>	<b>7.6</b>
Adjustments for:			
Depreciation of property, plant and equipment		<b>2.1</b>	2.2
Depreciation of right of use assets		<b>2.9</b>	3.0
Share-based payments		<b>0.8</b>	2.5
Amortisation of customer contracts and relationships		<b>4.6</b>	5.1
Amortisation of software and development costs		<b>1.3</b>	1.0
Impairment of right-of-use assets		<b>0.5</b>	–
Lease financing costs		<b>0.5</b>	0.5
Other financing costs		<b>2.3</b>	2.0
Foreign exchange loss/(gain)		<b>0.6</b>	(0.6)
Individually significant items (non-cash impact)		<b>0.2</b>	–
Termination of leases		<b>(0.1)</b>	(0.1)
Research and development UK tax credits		<b>(0.2)</b>	(0.2)
Research and development US tax credits		–	(0.1)
Income tax expense		<b>(0.7)</b>	2.8
Decrease in provisions		<b>(0.1)</b>	(0.9)
<b>Cash inflow for the period before changes in working capital</b>		<b>13.0</b>	<b>24.8</b>
(Increase)/decrease in trade and other receivables		<b>(18.9)</b>	1.0
Increase in inventories		–	(0.1)
Increase/(decrease) in trade and other payables		<b>19.8</b>	(1.4)
<b>Cash generated from operating activities before interest and taxation</b>		<b>13.9</b>	<b>24.3</b>
Interest element of lease payments		<b>(0.5)</b>	(0.5)
Other interest paid		<b>(2.1)</b>	(1.7)
Taxation paid		<b>(3.1)</b>	(3.5)
<b>Net cash generated from operating activities</b>		<b>8.2</b>	<b>18.6</b>
<b>Cash flows from investing activities</b>			
Acquisition of trade and assets as part of a business combination		<b>(1.0)</b>	(1.0)
Purchase of property, plant and equipment		<b>(3.5)</b>	(1.6)
Software and development expenditure		<b>(1.6)</b>	(2.1)
Sales proceeds of business disposal		<b>2.0</b>	–
<b>Net cash used in investing activities</b>		<b>(4.1)</b>	<b>(4.7)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of ordinary share capital		–	0.1
Purchase of own shares		–	(0.5)
Principal element of lease payments		<b>(3.3)</b>	(3.8)
Drawdown of borrowings (net of deferred issue costs)		<b>19.0</b>	–
Repayment of borrowings		<b>(38.5)</b>	(31.2)
Equity dividends paid	6	–	(9.8)
<b>Net cash generated used in financing activities</b>		<b>(22.8)</b>	<b>(45.2)</b>
Net decrease in cash and cash equivalents (inc. bank overdraft)		<b>(18.7)</b>	<b>(31.3)</b>
<b>Cash and cash equivalents (inc. bank overdraft) at beginning of period</b>		<b>32.3</b>	<b>73.2</b>
Effect of foreign currency exchange rate changes		<b>(0.4)</b>	2.1
<b>Cash and cash equivalents (inc. bank overdraft) at end of the period</b>		<b>13.2</b>	<b>44.0</b>

Reconciliation of net change in cash and cash equivalents to movement in net debt <sup>1</sup>

	H1 2024	H1 2023
	£m	£m
Net decrease in cash and cash equivalents (inc. bank overdraft)	(18.7)	(31.3)
Change in net debt <sup>1</sup> resulting from cash flows (net of deferred issue costs)	19.5	31.2
Interest incurred on borrowings	2.1	1.7
Interest paid on borrowings	(2.1)	(1.7)
Release of deferred issue costs	(0.3)	(0.2)
Effect of foreign currency on cash flows	(0.4)	2.1
Foreign currency translation differences on borrowings	1.2	(4.2)
<b>Change in net debt <sup>1</sup> during the period</b>	<b>1.3</b>	<b>(2.4)</b>
<b>Net debt <sup>1</sup> at start of period excluding lease liabilities</b>	<b>(49.6)</b>	<b>(52.4)</b>
<b>Net debt <sup>1</sup> at end of period excluding lease liabilities</b>	<b>(48.3)</b>	<b>(54.8)</b>
<b>Lease liabilities</b>	<b>(34.8)</b>	<b>(29.3)</b>
<b>Net debt <sup>1</sup> at end of period</b>	<b>(83.1)</b>	<b>(84.1)</b>

<sup>1</sup>: Net debt is an Alternative Performance Measures (APMs) and not an IFRS measure. See Note 3 for an explanation of APMs and adjusting items, including a reconciliation to statutory information.

# Consolidated statement of changes in equity

For the period ended 30 November 2023

	Share Capital £m	Share Premium £m	Hedging reserve £m	Merger Reserve £m	Currency Translation Reserve £m	Retained Earnings £m	Total £m
<b>Balance at 1 June 2023</b>	<b>3.1</b>	<b>224.1</b>	<b>-</b>	<b>42.3</b>	<b>37.5</b>	<b>(28.8)</b>	<b>278.2</b>
Loss for the period	-	-	-	-	-	(1.7)	(1.7)
Other comprehensive loss for the period	-	-	-	-	(3.1)	-	(3.1)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3.1)</b>	<b>(1.7)</b>	<b>(4.8)</b>
<b>Transactions with owners recorded directly in equity</b>							
Dividends to equity shareholders	-	-	-	-	-	(9.8)	(9.8)
Share-based payments	-	-	-	-	-	0.8	0.8
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9.0)</b>	<b>(9.0)</b>
<b>Balance at 30 November 2023</b>	<b>3.1</b>	<b>224.1</b>	<b>-</b>	<b>42.3</b>	<b>34.4</b>	<b>(39.5)</b>	<b>264.4</b>

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

	Share Capital £m	Share Premium £m	Hedging reserve £m	Merger Reserve £m	Currency Translation Reserve £m	Retained Earnings £m	Total £m
<b>Balance at 1 June 2022</b>	<b>3.1</b>	<b>224.0</b>	<b>-</b>	<b>42.3</b>	<b>35.1</b>	<b>(11.3)</b>	<b>293.2</b>
Loss for the year	-	-	-	-	-	(4.6)	(4.6)
Other comprehensive income	-	-	-	-	2.4	-	2.4
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.4</b>	<b>(4.6)</b>	<b>(2.2)</b>
<b>Transactions with owners recorded directly in equity</b>							
Dividends to equity shareholders	-	-	-	-	-	(14.5)	(14.5)
Share-based payments	-	-	-	-	-	2.2	2.2
Tax on share-based payments	-	-	-	-	-	(0.1)	(0.1)
Purchase of own shares	-	-	-	-	-	(0.5)	(0.5)
Shares issued	-	0.1	-	-	-	-	0.1
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>0.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12.9)</b>	<b>(12.8)</b>
<b>Balance at 31 May 2023</b>	<b>3.1</b>	<b>224.1</b>	<b>-</b>	<b>42.3</b>	<b>37.5</b>	<b>(28.8)</b>	<b>278.2</b>

## Notes to the unaudited condensed interim consolidated financial statements

### 1 Accounting policies

#### Basis of preparation

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

The Groups' unaudited condensed interim consolidated financial statements for the six months ended 30 November 2023 (H1 2024), have been prepared on the going concern basis in accordance with IAS 34 'Interim Financial Reporting' as adopted for use in the UK. The unaudited condensed interim consolidated financial statements have been prepared on the historical cost basis, except for consideration payable on acquisitions that is measured at fair value. The condensed interim consolidated financial statements are presented in Pound Sterling (£m) because that is the currency of the principal economic environment in which the Company operates. The unaudited condensed interim consolidated financial statements were approved by the Directors on 24 January 2024 and were not independently reviewed by the Group's auditors.

Following the change in year end from May to September 2024, the consolidated financial statements of the Group for the 16-month period ended 30 September 2024 will be prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the UK and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority the condensed set of interim financial statements has been prepared applying the accounting policies and presentation that were applied in the company's published consolidated financial statements for the year ended 31 May 2023, which were prepared in accordance with IFRSs as adopted for use in the UK. They do not contain all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended 31 May 2023.

The financial statements of the Group for the year ended 31 May 2023 are available from the Company's registered office, or from the website [www.nccgroup.com](http://www.nccgroup.com).

The comparative figures for the financial year ended 31 May 2023 are not the company's statutory accounts for that financial year but are derived from those accounts. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

#### Climate change

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

#### Going concern

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

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

The Directors have prepared cash flow and covenant compliance forecasts for the period ending 31 January 2025 which indicate that, taking account of severe but plausible downsides on the operations of the Group and its financial resources, the Group and Company will have sufficient funds to meet their liabilities as they fall due for that period.

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

The Group is financed primarily by a £162.5m multi-currency revolving credit facility maturing in December 2026. Under these banking arrangements, the Group can also request (seeking bank approval) an additional accordion facility to increase the total size of the revolving credit facility by up to £75m. This accordion facility has not been considered in the Group's going concern assessment as it requires bank approval and is therefore uncommitted as at the date of approval of these condensed interim Financial Statements.

As of 30 November 2023, net debt (excluding lease liabilities) <sup>1</sup> amounted to £48.3m which comprised cash of £17.5m, a bank overdraft of £4.3m, a drawn revolving credit facility of £61.5m had been drawn under these facilities, leaving £101.0m of undrawn facilities, excluding the uncommitted accordion facility of £75.0m. The Group's day-to-day working capital requirements are met through existing cash resources, the revolving credit facility and receipts from its continuing business activities.

The Group is required to comply with financial covenants for leverage (net debt to Adjusted EBITDA <sup>1</sup>) and interest cover (Adjusted EBITDA <sup>1</sup> to interest charge) that are tested bi-annually on 31 May and 30 November each year. As of 30 November 2023, leverage <sup>1</sup> amounted to 1.9x and net interest cover <sup>1</sup> amounted to 4.2x compared to a maximum of 3.0x and a minimum of 3.5x respectively. The terms and ratios are specifically defined in the Group's banking documents (in line with normal commercial practice) and are materially similar to amounts noted in these financial statements with the exceptions being net debt excludes IFRS 16 lease liabilities and Adjusted EBITDA <sup>1</sup> excludes share based payments and IFRS 16. The Group was in compliance with the terms of all its facilities during the period, including the financial covenants on 30 November 2023, and based on forecasts, expects to remain in compliance over the going concern period. In addition, the Group has not sought or is not planning to seek any waivers to its financial covenants noted above.

In Q3 2023, the Group experienced a challenging period with a decline in the rate of revenue growth and overall profitability. The Group's revenue performance and profitability suffered from market volatility within Cyber Security <sup>1</sup>. In particular, the Group experienced buying decision delays and cancellations in the North American tech sector and our UK market. These headwinds have further reinforced the need to accelerate the implementation of our next chapter of the Group strategy following its communication in February 2023. This strategy requires a level of additional investment in 2024. Despite the above, the Group has maintained consistent cash generation during the period.

Following 31 May 2023, the Group engaged in additional generating cost efficiencies across Cyber Security <sup>1</sup> and corporate functions which is resulting in the implementation of a fundamental reorganisation generating further savings compared to the periods. As a result of all of the above, the base case going concern assessment has been prepared on the basis that market volatility within Cyber Security <sup>1</sup> partially continues with overall profitability remaining similar to 2023.

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

- (a) Future performance consistent with Q4 FY23 Cyber Security <sup>1</sup> trading performance, particular in North America
- (b) Loss of key customers
- (c) Shortfall in forecast cost savings
- (d) Further inflationary pressures continue, worse and more prolonged than expected (wages, energy and interest)
- (e) Combination of Scenarios (a) and (d) above

These scenarios have been modelled individually in order to assess the Group's ability to withstand specific challenges. The Directors do not believe it is plausible for all of the above downside scenarios to occur concurrently; however, they have modelled scenarios combining risks (a and d). The impact of these severe but plausible scenarios has been reviewed against the Group's projected cash flow position, available committed bank facilities and compliance with financial covenants. These forecasts, including the severe but plausible downsides, show that the Group is able to operate within its available committed banking facilities, with no forecasted covenant breaches or requirement for facility waivers, and that the Group will have sufficient funds to meet its liabilities as they fall due for that period.

Having reviewed the current trading performance, forecasts, debt servicing requirements, total facilities and risks, the Directors are confident that the Group will have sufficient funds to continue to meet their liabilities as they fall due for a period of at least 12 months from the date of approval of these condensed interim 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 condensed interim consolidated Financial Statements for the period ended 30 November 2023.

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

## **Individually Significant Items**

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

## **Impairment review**

The Group's policy is to test non-financial assets for impairment annually, or if events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. The Group has considered whether there have been any indicators of impairment during the 6 months ended 30 November 2023, which would require an impairment review to be performed. The Group has considered indicators of impairment with regard to several factors, including those outlined in IAS 36 'Impairment of assets'. Based upon this review, the Group has concluded that there are no such indicators of impairment as at 30 November 2023.

As part of this review, management has reviewed the key assumptions underlying the valuation process performed during the annual impairment test at 31 May 2023. Indicators include assessment of the performance of the Group's Cash Generating Units (CGUs) by comparing forecasts used at 31 May 2023 with their latest forecast, expected future performance and recovery of Cyber Security profitability and whether fair value less costs to sell calculations using an appropriate level of sustainable earnings and a multiple applied to adjusted EBITDA<sup>1</sup>. For further detail on sensitivity analysis performed as at 31 May 2023, please see the 31 May 2023 Annual Report.

## **Prior year restatement**

H1 2023 cost of sales has been restated to reclassify £0.8m from administrative expenses to cost of sales to be consistent with internal reporting classification of costs. The impact of this re-statement is to increase cost of sales from £104.3m to £150.1m and decrease administrative expenses from £59.4m to £58.6m. There is no impact on overall profit for the period. These costs relate to the Escode operating segment.

## **2. Critical accounting judgements and key sources of estimation uncertainty**

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

### **2.1 Critical accounting judgements**

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

### **2.2 Key sources of estimation uncertainty**

Information about estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying values of assets and liabilities 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.

## **Impairment of goodwill**

The Group has significant balances relating to goodwill at 30 November 2023 as a result of acquisitions of businesses in previous years. The carrying value of goodwill at 30 November 2023 is £247.3m (2022: £272.0m). Goodwill balances are tested annually for impairment. The Group allocates goodwill to cash-generating units (CGUs) which represent the lowest level of asset groupings that generate separately identifiable cash inflows that are not dependent on other CGUs.

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



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

The two CGUs which are most sensitive to reasonably possible changes in sustainable earnings are US Cyber Security and Europe Cyber Security. A description of such estimates and reasonably possible sensitivities is provided in the 31 May 2023 Annual report.

### 3 Alternative Performance Measures (APMs) and adjusting items

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

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

After reconsidering FRC best practice guidance around the disclosure of adjusting items and APM's, the Group have reduced the number of adjusted measures and items within the period. The Group now only has one adjusted item 'Individual Significant Items'. Previous adjusted items of Amortisation of acquisition intangibles and Share based payments are no longer disclosed as an adjusted item. Accordingly, comparative numbers have been restated.

The following tables reconciles how these changes have affected the historic measures of Adjusted EBITDA, Adjusted operating profit, Adjusted earnings, Adjusted basic EPS and cash conversion which includes Adjusted EBITDA:

Adjusted measure	H1 2024	H1 2023 (restated) <sup>2</sup>	Change
Adjusted EBITDA – previously (£m)	16.4	26.7	(10.3)
Share based payments (£m)	(0.8)	(2.5)	1.7
<b>Adjusted EBITDA – revised (£m)</b>	<b>15.6</b>	<b>24.2</b>	<b>(8.6)</b>
Adjusted Operating profit – previously (£m)	10.2	20.5	(10.3)
Share based payments (£m)	(0.8)	(2.5)	1.7
Amortisation of acquired intangibles (£m)	(4.6)	(5.1)	0.5
<b>Adjusted Operating profit – revised (£m)</b>	<b>4.8</b>	<b>12.9</b>	<b>(8.1)</b>
Adjusted earnings – previously (£m)	5.4	13.3	(7.9)
Share based payments (£m)	(0.8)	(2.5)	1.7
Amortisation of acquired intangibles (£m)	(4.6)	(5.1)	0.5
Tax effect of above items (£m)	1.4	1.9	(0.5)
<b>Adjusted earnings – revised (£m)</b>	<b>1.4</b>	<b>7.6</b>	<b>(6.2)</b>
<b>Basic adjusted EPS - previously (pence)</b>	<b>1.7</b>	<b>4.3</b>	<b>(2.6)</b>
Effect of share-based payments (pence)	(1.5)	(1.6)	0.1
Effect amortisation of acquired intangibles (pence)	(0.2)	(0.8)	0.6
Tax effect of above items (pence)	0.5	0.6	(0.1)
<b>Basic adjusted EPS – revised (pence)</b>	<b>0.5</b>	<b>2.5</b>	<b>(2.0)</b>
<b>Cash conversion – previously (%)</b>	<b>84.8</b>	<b>91.0</b>	<b>(6.2)</b>
Effect of share-based payments (%)	4.3	9.4	(5.1)
<b>Cash conversion – revised (%)</b>	<b>89.1</b>	<b>100.4</b>	<b>(11.3)</b>

The Group still manages internally its performance on an adjusted earnings basis (before Individually Significant Items and tax effect thereon) which management believes represents the underlying trading of the business; on this basis adjusted EPS is still disclosed as an APM. This APM is reconciled to statutory earnings and statutory basic EPS.

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

- Adjusted EBITDA (reconciled in Note 3)
- Adjusted operating profit (reconciled in Note 3)
- Adjusted basic EPS (pence) (reconciled in Note 7)
- Net debt excluding lease liabilities (reconciled in Note 3)
- Net debt (reconciled in Note 3)
- Cash conversion which includes Adjusted EBITDA (reconciled in Note 3)
- Constant currency revenue (reconciled in Note 3)

Apart from the changes noted above, the above APM's are consistent with those reported for the year ended 31 May 2023.

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

See below for further details on APM's/non-statutory measures:

#### Income Statement measures:

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Note reference for reconciliation	Definition, purpose and considerations made by the Directors
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 and service capabilities on a constant currency basis to reflect the underlying performance considering constant foreign exchange rates year on year. This involves translating comparative numbers to current year rates for comparability to enable a growth factor to be calculated.
Adjusted operating profit	Operating profit or loss	Operating profit or loss before Individually Significant Items  <i>(Previously: Operating profit or loss before amortisation of acquired intangibles, share-based payments and Individually Significant Items)</i>	3	Represents operating profit before Individually Significant Items (the only adjusting item).  This measure is to allow the user to understand the Group's underlying financial performance as measured by management.  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 item, depreciation and amortisation, finance costs and taxation	3	Represents operating profit before adjusting item, 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.

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Note reference for reconciliation	Definition, purpose and considerations made by the Directors
Adjusted basic EPS	Statutory basic EPS	Statutory basic EPS before Individually Significant Items and the tax effect thereon  <i>(Previously: before amortisation of acquired intangibles, share-based payments, Individually Significant Items and the tax effect thereon)</i>	7	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.

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**Balance Sheet measures:**

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Note reference for reconciliation	Definition, purpose and considerations made by the Directors
Net debt excluding lease liabilities	Total borrowings (excluding lease liabilities) offset by cash and cash equivalents		3	Represents total borrowings (excluding lease liabilities) offset by cash and cash equivalents. It is a useful measure of the progress in generating cash, strengthening of the Group Balance Sheet position, overall net indebtedness and gearing on a like-for-like basis.  Net debt, when compared to available borrowing facilities, also gives an indication of available financial resources to fund potential future business investment decisions and/or potential acquisitions.

Net debt	Total borrowings (including lease liabilities) offset by cash and cash equivalents		3	Represents total borrowings (including lease liabilities) offset by cash and cash equivalents. It is a useful measure of the progress in generating cash, strengthening of the Group Balance Sheet position, overall net indebtedness and gearing including lease liabilities.  Net 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.
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**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 Adjusted EBITDA	3
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The cash conversion ratio is a measure of how effectively operating profit is converted into cash and effectively highlights both non-cash accounting items within operating profit and also movements in working capital.

It is calculated as net cash flow from operating activities before interest and taxation (as disclosed on the face of the Cash Flow Statement) divided by adjusted EBITDA for continued and discontinued activities.

The cash conversion ratio is a measure widely used by various stakeholders and hence is disclosed to show the quality of cash generation and also to allow comparison to other similar companies.

Reconciliations for certain APMs are below:

**Adjusted EBITDA <sup>1</sup>**

Following the changes noted above to the number of adjusting items, the revised calculation of Adjusted EBITDA <sup>1</sup> is set out below:

	H1 2024 £m	H1 2023 (restated) <sup>2</sup> £m
Operating profit (including share-based payments of £0.8m (H1 2023: £2.5m))	0.6	12.9
Depreciation and amortisation	6.2	6.2
Amortisation of acquired intangibles	4.6	5.1
Individually Significant Items (Note 5)	4.2	–
<b>Adjusted EBITDA</b>	<b>15.6</b>	<b>24.2</b>
Depreciation and amortisation and amortisation charge on acquired intangibles	(10.8)	(11.3)
<b>Adjusted operating profit - revised</b>	<b>4.8</b>	<b>12.9</b>

Previously this adjusted measure would have been calculated as follows:

	H1 2024 £m	H1 2023 £m
Operating profit	0.6	12.9
Depreciation and amortisation	6.2	6.2
Amortisation of acquired intangibles	4.6	5.1
Individually Significant Items (Note 5)	4.2	–
Share-based payments charge	0.8	2.5
<b>Adjusted EBITDA - previously</b>	<b>16.4</b>	<b>26.7</b>
Depreciation and amortisation (excluding amortisation charge on acquired intangibles of £4.6m (H1 2023: £5.1m))	(6.2)	(6.2)
<b>Adjusted operating profit - previously</b>	<b>10.2</b>	<b>20.5</b>

Net debt <sup>1</sup> can be reconciled as follows:

	H1 2024 £m	H1 2023 £m
Cash and cash equivalents	17.5	44.5
Bank overdraft	(4.3)	(0.5)
Borrowings (net of deferred issue costs)	(61.5)	(98.8)
<b>Net debt excluding lease liabilities <sup>1</sup></b>	<b>(48.3)</b>	<b>(54.8)</b>
Lease liabilities	(34.8)	(29.3)
<b>Net debt <sup>1</sup></b>	<b>(83.1)</b>	<b>(84.1)</b>

The calculation of the cash conversion ratio <sup>1</sup> is set out below:

	H1 2024	H1 2023	% change/ % pts
	£m	(restated) <sup>2</sup> £m	
Net operating cash flow before interest and taxation (A)	13.9	24.3	(42.8%)
Adjusted EBITDA <sup>1,2</sup> (B)	15.6	24.2	(35.5%)
Cash conversion ratio <sup>1,2</sup> (%) (A)/(B)	89.1%	100.4%	(11.3% pts)

<sup>1</sup>: See above for an explanation of Alternative Performance Measures (APMs) and adjusting items. Further information is also contained within the Financial Review.

<sup>2</sup>: After reconsidering FRC best practice guidance around the disclosure of adjusting items and APM's, the Group have reduced the number of adjusted measures and items. The Group now only has one adjusted item 'Individual Significant Items'. Previous adjusted items of Amortisation of acquisition intangibles and Share based payments are no longer disclosed as an adjusted item. Accordingly, comparative numbers have been restated. For further detail, please refer to the Financial Review and above for an explanation of APMs and adjusting items, including a reconciliation to statutory information.

## Constant currency revenue growth

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

### Group

	H1 2024	H1 2023	% change at actual rates	H1 2024	Constant Currency <sup>1</sup> H1 2023	% change at constant currency <sup>1</sup>
	£m	£m		£m	£m	
Cyber Security – continuing	124.2	143.1	(13.2%)	124.2	138.3	(10.2%)
Cyber Security – discontinued	2.6	1.9	36.8%	2.6	1.9	36.8%
Total Cyber Security revenue	126.8	145.0	(12.6%)	126.8	140.2	(9.6%)
Escode	32.4	31.6	2.5%	32.4	30.5	6.2%
<b>Total revenue – continuing and discontinued</b>	<b>159.2</b>	<b>176.6</b>	<b>(9.9%)</b>	<b>159.2</b>	<b>170.7</b>	<b>(6.7%)</b>
Cyber Security – discontinued	(2.6)	(1.9)	36.8%	(2.6)	(1.9)	36.8%
<b>Total revenue – continuing</b>	<b>156.6</b>	<b>174.7</b>	<b>(10.4%)</b>	<b>156.6</b>	<b>168.8</b>	<b>(7.2%)</b>

### Cyber Security

Cyber Security revenue analysis – by originating country:

	H1 2024	H1 2023	% change at actual rates	H1 2024	Constant Currency <sup>1</sup> H1 2023	% change at constant currency <sup>1</sup>
	£m	£m		£m	£m	
UK & APAC	60.8	61.6	(1.3%)	60.8	61.1	(0.5%)
North America	37.6	59.2	(36.5%)	37.6	55.2	(31.9%)
Europe	28.4	24.2	17.4%	28.4	23.9	18.8%
<b>Total Cyber Security revenue</b>	<b>126.8</b>	<b>145.0</b>	<b>(12.6%)</b>	<b>126.8</b>	<b>140.2</b>	<b>(9.6%)</b>
Europe - discontinued	(2.6)	(1.9)	36.8%	(2.6)	(1.9)	36.8%
<b>Total Cyber Security revenue – continuing</b>	<b>124.2</b>	<b>143.1</b>	<b>(13.2%)</b>	<b>124.2</b>	<b>138.3</b>	<b>(10.2%)</b>

The following table compares H1 2024 performance to H2 2023 performance:

	H1 2024	H2 2023	% change at actual rates	H1 2024	Constant Currency <sup>1</sup> H2 2023	% change at constant currency <sup>1</sup>
	£m	£m		£m	£m	
UK & APAC	60.8	56.8	7.0%	60.8	56.6	7.4%
North America	37.6	40.1	(6.2%)	37.6	38.8	(3.1%)
Europe	28.4	29.2	(2.7%)	28.4	28.9	(1.7)%
<b>Total Cyber Security revenue</b>	<b>126.8</b>	<b>126.1</b>	<b>0.5%</b>	<b>126.8</b>	<b>124.3</b>	<b>2.0%</b>
Europe - discontinued	(2.6)	(2.7)	3.7%	(2.6)	(2.7)	3.7%
<b>Total Cyber Security revenue – continuing</b>	<b>124.2</b>	<b>123.4</b>	<b>0.6%</b>	<b>124.2</b>	<b>121.6</b>	<b>2.1%</b>

Cyber Security revenue analysed by type of type of service and capability:

	H1 2024	H1 2023	% change at actual rates	H1 2024	Constant Currency <sup>1</sup> H1 2023	% change at constant currency <sup>1</sup>
	£m	£m		£m	£m	
Technical Assurance Services (TAS)	56.6	82.9	(31.7%)	56.6	79.3	(28.6%)
Consulting and Implementation (C&I)	22.0	22.4	(1.8%)	22.0	21.8	0.9%
Managed Services (MS)	27.8	24.1	15.4%	27.8	23.7	17.3%
Digital Forensics and Incident Response (DFIR)	8.5	6.4	32.8%	8.5	6.4	32.8%
Other services	9.3	7.3	27.4%	9.3	7.1	31.0%
<b>Total Cyber Security revenue – continuing</b>	<b>124.2</b>	<b>143.1</b>	<b>(13.2%)</b>	<b>124.2</b>	<b>138.3</b>	<b>(10.2%)</b>
Discontinued	2.6	1.9	36.8%	2.6	1.9	36.8%
<b>Total Cyber Security revenue</b>	<b>126.8</b>	<b>145.0</b>	<b>(12.6%)</b>	<b>126.8</b>	<b>140.2</b>	<b>(9.6%)</b>

## Escode

Escode revenue analysis – by originating country:

	H1 2024	H1 2023	% change at actual rates	H1 2024	Constant Currency <sup>1</sup> H1 2023	% change at constant currency <sup>1</sup>
	£m	£m		£m	£m	
UK	13.4	12.3	8.9%	13.4	12.3	8.9%
North America	16.9	17.3	(2.3%)	16.9	16.2	4.3%
Europe	2.1	2.0	5.0%	2.1	2.0	5.0%
<b>Total Escode revenue</b>	<b>32.4</b>	<b>31.6</b>	<b>2.5%</b>	<b>32.4</b>	<b>30.5</b>	<b>6.2%</b>

Escode revenues analysed by service line:

	H1 2024	H1 2023	% change at actual rates	H1 2024	Constant Currency <sup>1</sup> H1 2023	% change at constant currency <sup>1</sup>
	£m	£m		£m	£m	
Escrow contracts	21.8	21.3	2.3%	21.8	20.5	6.3%
Verification services	10.6	10.3	2.9%	10.6	10.0	6.0%
<b>Total Escode revenue</b>	<b>32.4</b>	<b>31.6</b>	<b>2.5%</b>	<b>32.4</b>	<b>30.5</b>	<b>6.2%</b>

## 4 Segmental information

The Group is organised into the following two (H1 2023: two) reportable segments: Cyber Security and Escode (previously known as 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 <sup>1</sup>. Interest and tax are not allocated to business segments and there are no intra-segment sales.

	Cyber Security	Escode	Central and head office	Continuing activities	Discontinued <sup>2</sup>	Total Group
	£m	£m	£m	£m	£m	£m
<b>Segmental analysis H1 2024</b>						
<b>Revenue</b>	124.2	32.4	-	156.6	2.6	159.2
Cost of sales	(87.1)	(10.0)	-	(97.1)	(1.7)	(98.8)
<b>Gross profit</b>	37.1	22.4	-	59.5	0.9	60.4
Gross margin %	29.9%	69.1%	-	38.0%	34.6%	37.9%
Administrative expenses	(33.8)	(7.6)	(2.5)	(43.9)	(0.1)	(44.0)
Share-based payments	(0.1)	(0.1)	(0.5)	(0.7)	(0.1)	(0.8)
<b>Adjusted EBITDA <sup>1</sup></b>	3.2	14.7	(3.0)	14.9	0.7	15.6
Depreciation and amortisation	(4.0)	(0.4)	(1.7)	(6.1)	(0.1)	(6.2)
Amortisation of acquired intangibles	(1.8)	(2.8)	-	(4.6)	-	(4.6)
<b>Adjusted Operating (loss)/profit <sup>1</sup></b>	(2.6)	11.5	(4.7)	4.2	0.6	4.8
Individually Significant Items (Note 5)	(3.8)	(0.2)	-	(4.0)	(0.2)	(4.2)
<b>Operating (loss)/profit</b>	(6.4)	11.3	(4.7)	0.2	0.4	0.6
Finance costs				(3.0)	-	(3.0)
<b>(Loss)/profit before taxation</b>				(2.8)	0.4	(2.4)
Taxation				0.8	(0.1)	0.7
<b>(Loss)/profit for the period</b>				(2.0)	0.3	(1.7)

	Cyber Security	Escode	Central and head office	Continuing activities	Discontinued <sup>2</sup>	Total Group
	£m	£m	£m	£m	£m	£m
<b>Segmental analysis H1 2023</b>						
<b>Revenue</b>	143.1	31.6	-	174.7	1.9	176.6
Cost of sales	(94.5)	(9.3)	-	(103.8)	(1.3)	(105.1)
<b>Gross profit</b>	48.6	22.3	-	70.9	0.6	71.5
Gross margin %	34.0%	70.6%	-	40.6%	31.6%	40.5%
Administrative expenses	(34.8)	(8.0)	(1.9)	(44.7)	(0.1)	(44.8)
Share-based payments	(1.2)	(0.1)	(1.1)	(2.4)	(0.1)	(2.5)
<b>Adjusted EBITDA <sup>1</sup></b>	12.6	14.2	(3.0)	23.8	0.4	24.2
Depreciation and amortisation	(3.7)	(0.2)	(2.2)	(6.1)	(0.1)	(6.2)
Amortisation of acquired intangibles	(2.0)	(3.1)	-	(5.1)	-	(5.1)
<b>Adjusted Operating profit <sup>1</sup></b>	6.9	10.9	(5.2)	12.6	0.3	12.9
Individually Significant Items (Note 5)	-	-	-	-	-	-
<b>Operating profit</b>	6.9	10.9	(5.2)	12.6	0.3	12.9
Finance costs				(2.6)	-	(2.6)
<b>Profit before taxation</b>				10.0	0.3	10.3
Taxation				(2.6)	(0.1)	(2.7)
<b>Profit for the period</b>				7.4	0.2	7.6

1: Adjusted EBITDA and Adjusted Operating profit are Alternative Performance Measures (APMs) and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items, including a reconciliation to statutory information.

2: Discontinued activities represent the non-core disposal of DetACT in December 2023 that was classified as an asset held for sale at 30 November 2023. See note 8 for further information.

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

Revenue by originating country	H1 2024			H1 2023		
	Cyber Security	Escode	Total	Cyber Security	Escode	Total
	£m	£m	£m	£m	£m	£m
UK & APAC	60.8	13.4	74.2	61.6	12.3	73.9
North America	37.6	16.9	54.5	59.2	17.3	76.5
Europe	28.4	2.1	30.5	24.2	2.0	26.2
<b>Total revenue</b>	<b>126.8</b>	<b>32.4</b>	<b>159.2</b>	<b>145.0</b>	<b>31.6</b>	<b>176.6</b>
Europe – discontinued	(2.6)	-	(2.6)	(1.9)	-	(1.9)
<b>Total revenue – continuing</b>	<b>124.2</b>	<b>32.4</b>	<b>156.6</b>	<b>143.1</b>	<b>31.6</b>	<b>174.7</b>

Revenue by category	H1 2024			H1 2023		
	Cyber Security	Escode	Total	Cyber Security	Escode	Total
	£m	£m	£m	£m	£m	£m
Services	124.5	32.4	156.9	143.3	31.6	174.9
Products	2.3	-	2.3	1.7	-	1.7
<b>Total revenue</b>	<b>126.8</b>	<b>32.4</b>	<b>159.2</b>	<b>145.0</b>	<b>31.6</b>	<b>176.6</b>

Timing of revenue recognition	H1 2024			H1 2023		
	Cyber Security £m	Escode £m	Total £m	Cyber Security £m	Escode £m	Total £m
Services and products transferred over time	118.8	21.8	140.6	136.3	21.3	157.6
Services and products transferred at a point in time	8.0	10.6	18.6	8.7	10.3	19.0
<b>Total revenue</b>	<b>126.8</b>	<b>32.4</b>	<b>159.2</b>	145.0	31.6	176.6

## 5. Individually Significant Items

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

	Reference	H1 2023 £m	H1 2023 £m
Fundamental reorganisation costs	a	3.8	–
Costs associated with strategic review of Escode business	b	0.2	–
Costs directly attributable to the disposal of DetACT business	c	0.2	–
<b>Total ISIs</b>		<b>4.2</b>	–

### (a) Fundamental reorganisation costs

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

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

Costs incurred during the period mainly represent Phase 2 of this restructuring programme.

### (b) Costs associated with strategic review of Escode business

During February 2023, the Group announced its ongoing strategic review of the Software Resilience business and of other core and non-core assets. During the year ended 31 May 2023, professional fees totalling £3.0m (2022: £nil) mainly in respect of advisory services had been incurred. Such costs meet the Group's policy for ISIs as they have been incurred as part of the wider re-structuring/re-organisation activities that are ongoing within the Group. The Group stopped the strategic review of the business in Q1 2024 and remaining costs of £0.2m have been incurred in this period. The Board has decided not to restart the strategic review of Escode, at this juncture.

### (c) Costs directly attributable to the disposal of DetACT business

During the period, the Group has been in the process of disposing of its DetACT business. The Group have disposed of the business in December 2023 (see note 8). The costs incurred up to 30 November 2023 that are directly attributed to the disposal have been recognised as an ISI. The directly attributable costs and the resultant assets/liabilities and disposal proceeds will be recognised as an ISI in H2 2024 in accordance with the Group's ISIs policy.

## 6. Dividends

	H1 2024	H1 2023
Dividends recognised in the period (£m)	9.8	9.8
Dividends per share proposed but not recognised in the period (pence)	1.50p	1.50p

Total dividends of £nil were paid in the period (H1 2023: £9.8m), with the FY23 final dividend of £9.8m being paid in December 2023 following the AGM (and shareholder approval of the dividend) on the 30 November 2023, this represented the final dividend for FY23 of 3.15p. On the basis of shareholder approval of the final dividend on the 30 November 2023, the dividend has been recognised within H1 2024.



The Board is declaring an unchanged interim dividend of 1.50p per ordinary share (H1 2023: 1.50p). This represents a dividend equal to that paid in the prior period as the Board is conscious of the need to invest in new strategy.

The interim dividend of approximately £4.7m will be paid on 15 March 2024, to shareholders on the register at the close of business on 16 February 2024. The ex-dividend date is 15 February 2024.

## 7. Earnings per ordinary share (EPS)

Earnings per ordinary share are shown below:

	H1 2024 £m	H1 2023 £m
Statutory earnings (A)	(1.7)	7.6
Statutory earnings – continuing activities (E)	(2.0)	7.4
Statutory earnings – discontinued activities (F)	0.3	0.2

	Number of shares m	Number of shares m
Weighted average number of shares in issue	311.6	310.4
Less: Weighted Average Holdings by Group ESOT	(0.7)	(1.0)
Basic weighted average number of shares in issue (C)	310.9	309.4
Dilutive effect of share options	1.2	3.7
Diluted weighted average shares in issue (D)	312.1	313.1

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

Group	H1 2024 pence	H1 2023 pence
Earnings per ordinary share		
Basic (A/C)	(0.5)	2.5
Diluted (A/D)	(0.5)	2.4

Continuing activities	H1 2024 pence	H1 2023 pence
Earnings per ordinary share		
Basic (E/C)	(0.6)	2.4
Diluted (E/D)	(0.6)	2.3

Discontinued activities	H1 2024 pence	H1 2023 pence
Earnings per ordinary share		
Basic (F/C)	0.1	0.1
Diluted (F/D)	0.1	0.1

Adjusted basic EPS <sup>1</sup> is reconciled as follows:

	H1 2024 £m	H1 2023 (restated) <sup>3</sup> £m
Statutory earnings (A)	(1.7)	7.6
Individually Significant items (Note 5) <sup>3</sup>	4.2	–
Tax effect of above items <sup>3</sup>	(1.1)	–
Adjusted earnings (B) <sup>3</sup>	1.4	7.6
Adjusted earnings – continuing (G)	1.0	7.4
Adjusted earnings – discontinued (H)	0.4	0.2

Group	H1 2024 pence	H1 2023 (restated) <sup>3</sup> pence
Adjusted earnings per ordinary share <sup>1</sup>		
Basic (B/C)	0.5	2.5
Diluted (B/D)	0.4	2.4

	H1 2024	H1 2023
	pence	pence
<b>Continuing activities</b>		
Adjusted earnings per ordinary share <sup>1</sup>		
Basic (G/C)	0.4	2.4
Diluted (G/D)	0.3	2.3

	H1 2024	H1 2023
	pence	pence
<b>Discontinued activities <sup>2</sup></b>		
Adjusted earnings per ordinary share <sup>1</sup>		
Basic (H/C)	0.1	0.1
Diluted (H/D)	0.1	0.1

1: Adjusted EPS is an Alternative Performance Measures (APMs) and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items.

2: Discontinued activities represent the non-core disposal of DetACT in December 2023 that was classified as an asset held for sale at 30 November 2023.

3: After reconsidering FRC best practice guidance around the disclosure of adjusting items and APM's, the Group have reduced the number of adjusted measures and items. The Group now only has one adjusted item 'Individual Significant Items'. Previous adjusted items of Amortisation of acquisition intangibles and Share based payments are no longer disclosed as an adjusted item. Accordingly, comparative numbers have been restated. For further detail, please refer to the Financial Review and Note 3 for an explanation of APMs and adjusting items, including a reconciliation to statutory information.

## 8 Asset held for sale, discontinued activities and post balance sheet event

### Current year disclosures

Under IFRS 5, when certain conditions are met, a disposal group is classified as held for sale.

During November 2023, the Group were finalising the strategic disposal of DetACT. DetACT is a non-core offering within NCC's European Cyber Security division serving European financial service clients.

On 20 December 2023, the Group signed an asset purchase agreement to dispose of DetACT for a total gross consideration of €9.0m to DataExpert BV, which is subject to a potential net working capital adjustment and the novation of certain contracts. It is expected that contract novations will be fully completed in the forthcoming weeks and the transaction will be used to pay down net debt of the Group. The disposal also involves a Transactional Services Agreement to allow an efficient transition of the business to DataExpert BV.

On this basis, at 30 November 2023, the sale of this business was considered highly probable. Due to size of the business, the Group has also classified its activities as discontinued, restating comparatives accordingly.

Values of the major provisional classes of assets and liabilities classified as held for sale at 30 November 2023 for the DetACT business, are as follows:

	H1 2024
	£m
<b>Assets classified as held for sale:</b>	
Goodwill	6.5
Intangible Assets	2.2
Trade and other receivables	0.5
<b>Total assets classified as held for sale</b>	<b>9.2</b>
<b>Liabilities associated with assets classified as held for sale:</b>	
Trade and other payables	(0.5)
Contract liabilities – deferred revenue	(1.4)
Deferred tax	(0.1)
<b>Total liabilities associated with assets classified as held for sale</b>	<b>(2.0)</b>

### Prior year disclosures

In November 2022, the Group signed Heads of Terms for the disposal of its business for the delivery of managed and professional services in relation to DDI solutions within the Assurance business unit ("DDI business"). At 30 November 2022, the sale of this business was considered highly probable.

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

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

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