

# Protecting clients and helping to build a more secure digital future

Annual report and accounts  
for the year ended 31 May 2023



nccgroup<sup>®</sup>

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View our latest results: [nccgroup.com](https://nccgroup.com)

NCC Group is a people-powered, tech-enabled global Cyber Security and software escrow business. We harness our collective insight, intelligence and innovation to power end-to-end cyber services that protect our clients from cyber threat.



**It's in our DNA**

It's what makes us different. A part of who we are that underpins everything we do.

# Insight

Read more on page [22](#)

# Innovation

Read more on page [30](#)

# Intelligence

Read more on page [38](#)



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

**Mike Maddison**  
Chief Executive Officer

# Highlights

## IFRS measures

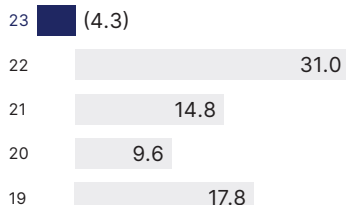
Revenue  
(£m)

**£335.1m**



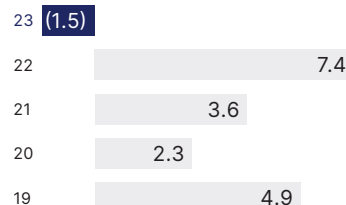
(Loss)/profit before taxation  
(£m)

**£(4.3m)**



Basic EPS  
(p)

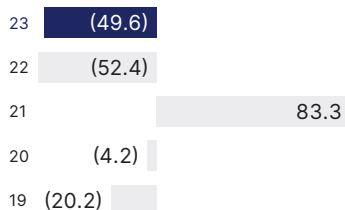
**(1.5p)**



## Alternative Performance Measures

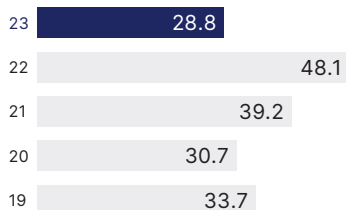
Net (debt)/cash excluding lease liabilities<sup>1</sup>  
(£m)

**£(49.6m)**



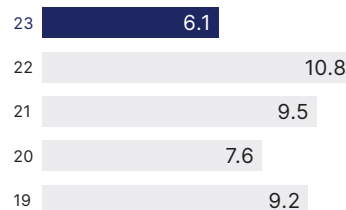
Adjusted operating profit<sup>1</sup>  
(£m)

**£28.8m**



Adjusted EPS<sup>1</sup>  
(p)

**6.1p**



<sup>1</sup> Net (debt)/cash excluding lease liabilities, Adjusted operating profit and Adjusted EPS are APMs and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items. Further information is also contained within the Chief Financial Officer's Review on pages 60 to 69.

## Headlines

We made significant progress implementing our Next Chapter strategy in a challenging environment:

- Market dynamics reinforced the need to implement our new strategy
- While material clients were retained, we saw delays in buying decisions and project cancellations in the North American tech sector and the UK market in general
- In our Cyber Security business we saw growth in Europe, and the UK and APAC region with a decline in North America
- Our Software Resilience business returned to revenue growth in H2
- Current trading for the Group is in line with expectations with cost efficiencies already being realised in FY24. North America Cyber Security revenue performance experienced in H2 FY23 is currently annualising through H1 FY24 giving rise to YoY double digit Q1 revenue decline
- FY24 revenue and Adjusted operating profit<sup>1</sup> expectations remain the same

<sup>1</sup> Adjusted operating profit is an APMs and not IFRS measure. See Note 3 for an explanation of APMs and adjusting items. Further information is also contained within the Chief Financial Officer's Review on pages 60 to 69.



# What we do

NCC Group is a global Cyber Security and Software Resilience business operating across multiple sectors, geographies and technologies.

The trend of technological change within increasingly complex, connected ecosystems, means cyber threats continue to evolve and grow at pace.

We bring decades of collective experience and expertise across the whole cyber spectrum to assess, manage and deliver cyber resilience for clients in both the public and private sector.

We are driven by a collective purpose – to help create a more secure digital future.

## Our business

We have two distinct businesses, through which we deliver solutions to support our clients' operational goals, budgets and risk appetite, providing confidence that their most important assets – business reputation, software and personal data – are safe and secure. As we went to print we concluded the new distinct brand for our Software Resilience business to Escrow, which will roll out from January 2024. See page 36 for more about this.



### CYBER SECURITY

#### We demystify cyber and ensure clients:

- Understand the cyber threats and vulnerabilities across their technology environments, supply chains, processes and products
- Maintain their licence to do business, having achieved their governance, compliance and accreditation objectives in a changing regulatory environment
- Materially improve their resilience against ever-increasing cyber threats by implementing remediation plans and solutions
- Reduce risk and achieve greater resilience for less investment
- Can improve their cyber defence operations and increase their confidence in detecting and responding to cyber event

➤ [Read more on Our solutions on page 32](#)



### SOFTWARE RESILIENCE – ESCROW

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

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

➤ [Read more on Our solutions on page 34](#)




# Where we operate

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

We have a significant market presence in the UK, Europe and North America, and a growing footprint in Asia Pacific, with offices in Australia and Singapore, and our new global delivery and operations centre in Manila, the Philippines.

## Key:

 Our offices



## Group revenues

UK and Asia Pacific

**£144.2m**

(2022: £140.0m)

North America

**£133.8m**

(2022: £120.9m)

Europe

**£57.1m**

(2022: £53.9m)

## Cyber Security revenue

**£270.8m**

(2022: £258.5m)

- Global Professional Services: **£199.3m** (2022: £195.4m)
- Global Managed Services: **£67.8m** (2022: £58.6m)
- Products: **£3.7m** (2022: £4.5m)

## Software Resilience revenue

**£64.3m**

(2022: £56.3m)

- Escrow contracts: **£42.8m** (2022: £38.1m)
- Verification services: **£21.5m** (2022: £18.2m)

# With decades of experience and a rich heritage, NCC Group is trusted by the world's leading businesses and governments to protect them from cyber threats

We draw on our expertise, capabilities and global footprint to develop sustainable solutions to help our clients meet their current and future cyber security challenges. With the ability to attract top talent with both technical expertise and passion, we continue to deliver results in what is a competitive and dynamic market.

### Structural growth in an addressable market

- Cyber Security is not optional; increasingly it's a C-suite and Board issue to operate safely, protect reputation and comply with growing regulatory requirements
- The global threat landscape continues to evolve as new technologies enable even more connectivity in our day-to-day lives, creating new, larger and more complex vulnerabilities for threat actors to exploit
- Global Cyber Security market is expected to exhibit a CAGR of 10% between 2022 and 2027<sup>1</sup>

### A strategy to enhance growth by focusing on Cyber Security

- Focused on broadening our Cyber Security offer in priority sectors, ensuring clients address their full Cyber Security lifecycle
- Building an alliance ecosystem to enhance routes to market, and developing our global delivery model to better serve client needs in the future
- Complemented by a focused acquisition strategy where it makes strategic and financial sense

➤ [Read more on page 27](#)

### Client focused with two distinct businesses

- Cyber Security: a global footprint protecting companies against an evolving spectrum of cyber threats
- Software Resilience (Escrow): market leading business managing commercial risk with software vendors
- Underpinned by insight, innovation and intelligence across our whole organisation

➤ [Read more about our Cyber Security business on pages 32 and 33. Read more about our Software Resilience business on page 34](#)

### A hub for both attracting and developing talent and active alumni network

- Investment in professional development with career paths to promote talent from within
- Established next generation talent programme bringing new cyber talent from non-traditional tech backgrounds
- Partnerships to enhance diversity and make cyber accessible for all

➤ [Read more on page 43](#)

<sup>1</sup> EMR Global Cyber Security Market Report and Forecast 2022–2027.  
[www.expertmarketresearch.com/pressrelease/global-cyber-security-market](http://www.expertmarketresearch.com/pressrelease/global-cyber-security-market)

# Our connected society presents a world of opportunity

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

| Purpose                                | Vision   |
|--|--|
| Creating a more secure digital future. | Our aspiration is to move beyond our historical strengths to become a truly global Cyber Security and Software Resilience services provider capable of delivering an end-to-end cyber solution that harnesses our strengths in insight, intelligence and innovation and is accompanied by a fantastic client experience. |

## Creating growth by putting the client experience at the heart of our proposition

We have a relentless focus on creating value for our stakeholders. Guided by our purpose, focused on our vision, we will continue to evolve and transform with our new growth strategy focused on four core areas:



**Our clients**  
Deeper client engagement on the most pressing Cyber Security needs.



**Our capabilities**  
Broader service portfolio addressing the full Cyber Security lifecycle.



**Global delivery**  
Transitioning from an international to a fully global business.



**Brands**  
Distinct and relevant brands for Cyber Security and Software Resilience.

[Read more on our strategy on pages 24 to 27](#)

## Creating value for our clients

**Insight** (page 22), **Innovation** (page 30) and **Intelligence** (page 38) are in our DNA, helping us to meet future challenges, adapt to changing environments and deliver exceptional value for our clients.

[Read more on our business model on pages 14 and 15](#)

## Our Code of Ethics and values

We are guided by our Code of Ethics – treating everyone and everything with respect, underpinned by common values to bring us together.



We work together



We are brilliantly creative



We embrace difference



We take responsibility

[Read more on our culture on pages 42 to 45](#)



# Delivering value



## 2022/23 key activities

- Developed and communicated the Group's next chapter strategy
- Completed the full operational review of the Software Resilience business to create additional contribution
- Commenced a strategic review of Software Resilience
- Commenced planning for a new global delivery and operations centre in Manila
- Improved Board and executive management diversity and enacted succession planning
- Planning the broad restructuring of the business

## 2023/24 priorities

- Realise cost efficiencies across Cyber Security and corporate functions
- Implement our next chapter strategy with a renewed focus on priority sectors and development of end-to-end Cyber Security services
- Open the new delivery and operations centre in Manila
- Complete the rebrand of both Software Resilience and Cyber Security businesses
- Revisit the strategic review of Software Resilience



It has been a challenging year for NCC Group. However, we have a clear direction of travel and a strategy that will drive us to a new, brighter future."

**Chris Stone**  
Non-Executive Chair

## Introduction

It has been a challenging year for NCC Group. Despite the decline in the rate of our revenue growth and the loss for the year, our new strategy, which gives us a clear direction of travel, fills me with optimism that we are on track for a brighter future.

This was very much a year of two halves. We enjoyed a strong first half, which saw us post strong revenues and profits, but our North American and UK Cyber Security businesses were materially affected by changes in the macro-economic environment in the second half. We are trusted partners to the most significant businesses on the North American West Coast – and each one of these businesses paused projects as they grappled with their own costs and made extensive layoffs. This led to a reduction in our revenues with a direct impact on utilisation and margins.

While this had a considerable effect on our revenues in the year, it validated the next chapter strategy set out in February 2023 by our new CEO Mike Maddison following his appointment in July 2022. It's a strategy designed to set us up for consistent, global growth creating a sustainable business. By focusing on clients, our capabilities, global delivery and brand, harnessing insight, innovation and intelligence, we'll be more resilient in the future. A tangible difference to our business will be the creation of more recurring revenues, giving us a more stable base.

There were several positives in the year, and we are pleased with the performance of our Software Resilience business. Our strategic review announced at our half-year results has been stopped and will be revisited later in the calendar year. This ensures a focus on navigating the market conditions for Cyber Security and implementing strategic actions, so the Group is well positioned to return to growth when the market improves. In the meantime, the Software Resilience business continues to grow and reap the benefits of our acquisition of IPM last year – making us the largest software escrow player globally. The operational improvement programme and new management team that we announced last year have delivered the expected benefits, and we will see the consequent improvement in Software Resilience operating profit margins flow through into next year's results, as well as the benefit we have experienced this year.

In our Cyber Security business, while our financial performance was ultimately disappointing due to the drop off in short-term demand from clients in the US West Coast tech sector in the second half, our underlying technical capability and our next chapter strategy give us solid foundations to diversify our client base. There is a reason the biggest brands in the world trust us to manage their security, and the executive team is building on this trust while ensuring our Cyber Security offer is wholly designed around the needs of our clients. This is why the creation of a new global delivery and operations centre is a central element of the strategy, reflecting our focus on adapting to the changing needs of our clients.

➤ Further details on our strategy and business model are provided on pages 24 to 27 and pages 14 and 15 respectively

### Business performance<sup>1</sup>

The Group delivered revenue growth of 1.5% at constant currency<sup>1</sup> (6.4% at actual rates). Gross margin percentage decreased by 2.7% pts to 39.4% due to reduced revenue contribution from Global Professional Services within Assurance (Cyber Security) and the consequential impact on direct utilisation, offset by an improvement in Software Resilience revenue contribution.

Adjusted EBITDA<sup>1</sup> declined by 30.0% to £41.4m (2022: £59.2m) and Adjusted operating profit<sup>1</sup> 40.1% to £28.8m (2022: £48.1m). On a statutory basis, operating profit decreased by 94.5% to £1.9m (2022: £34.7m) due to:

- Reduced trading performance in Assurance (Cyber Security) offset by an improvement in Software Resilience profitability which was driven by improved operating efficiency, as targeted at the time of the May 2022 operational review
- Recognition of Individually Significant Items (SIs) of £14.7m (of which £9.8m related to the impairment of North American Goodwill within the Assurance (Cyber Security) business)

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

This performance led us to a broad restructuring of the business, which has been planned and implemented with the assistance of a third party and has given rise to Individually Significant Items and cost efficiencies being realised in FY24.

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

➤ Our business performance can be found in more detail on page 61

### Dividend

We are recommending an unchanged final dividend of 3.15p (2022: 3.15p) per ordinary share, making a total for the year of 4.65p (2022: 4.65p). The final dividend of approximately £10m will be paid on 8 December 2023, to shareholders on the register at the close of business on 10 November 2023. The ex-dividend date is 9 November 2023.

### Board and executive management composition

I am responsible for the leadership of our Board, and I am very pleased with the progress we have made to increase diversity across both the Board and the executive team. We appointed Lynn Fordham to the Board on 1 September 2022 and she is Head of the Audit Committee as well as the appointed Non-Executive Director for Sustainability. Julie Chakraverty, who joined us in 2022, has taken over as Senior Non-Executive Director from Chris Batterham and is Head of the Cyber Security Committee. In addition, I am very pleased with our internal promotion of Guy Ellis to Chief Financial Officer following Tim Kowalski's decision to step down on 30 June 2023 after five years in the role.

Guy joined NCC Group in 2021, as Director of Commercial Finance, as well as serving as Interim Managing Director of our Software Resilience business, and most recently as Interim Managing Director of our UK Cyber Security business. Guy has over 25 years' experience in finance and commercial roles in the retail sector for brands including Asda and Specsavers. This experience and the recent interim roles in NCC Group have given him a breadth of understanding of the commercial drivers and operations across the whole business.

Turning to our executive management team composition, Mike Maddison has continued to review the organisation and made good progress in establishing a new Executive Committee, with the appointment of Angela Brown (Chief Marketing Officer), Kevin Brown (Chief Operating Officer), Siân John (Chief Technology Officer), Andrew Lemonofides (Managing Director, Software Resilience) and Rebecca Fox (Chief Information Officer). I am confident this diversity of perspectives and experiences will ensure we make better Board and executive decisions, particularly as the business starts to execute its next chapter strategy in earnest.

➤ Further details on our Board composition are provided on pages 92 to 101

➤ Further details of our executive management composition are provided on pages 90 and 91



## Chair's statement continued

### Sustainability

We continue to recognise the importance of an environmental, social and governance (ESG) framework that drives our operations and measures our sustainability and ethical impact. The Board had a debrief workshop with our environmental partner Planet Mark as part of developing our net zero journey. We also fully supported the partnership with Ever Sustainable to lead our independent materiality assessment – looking at not only inward but also outward impacts – addressing future requirements to comply with the European Corporate Sustainability Reporting Directive (CSRD). The launch of our new sustainability strategy fully supports and will be integral to our business strategy and I am proud of the continuous improvement we make year on year regarding ESG factors.

- Further information on risk management and the key risk identification procedures is set out on pages 70 to 80

### Summary

Overall, this year and in particular the second half, has been challenging. The drop in value of our business has been disappointing, and the Board and Executive Committee are fully focused on restoring shareholder value. However, this has also been a particularly challenging year for our colleagues, and on behalf of the Board I offer our thanks and appreciation for their unwavering commitment and focus. As always, I am personally very grateful for their continuing commitment to NCC Group.

It is through this continued hard work that we will achieve our vision to become the leading Cyber Security and Software Resilience provider globally. We move into this next phase whereby we will realise cost efficiencies across Cyber Security and corporate functions and implement our next chapter strategy.

### Chris Stone

Non-Executive Chair  
28 September 2023

- 1 Revenue growth at constant currency, Adjusted EBITDA, Adjusted operating profit, cash conversion and net debt excluding lease liabilities are APMs and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items. Further information is also contained within the Financial Review.





# A people-powered, tech-enabled business centred around the needs of clients



## 2022/23 key activities

- Completed an operational review of the Software Resilience business to create additional Group contribution
- Introduced the next chapter of our strategy
- Created a new executive team
- Embraced new ways of working including hybrid
- Commenced planning for a new global delivery and operations centre in Manila
- Planning the Restructuring of the business following H2 FY23 performance

## 2023/24 priorities

- Realise cost efficiencies across Cyber Security and corporate functions
- Embed our new strategy with a renewed focus on our clients, priority sectors and development of end-to-end Cyber Security services
- Open the new delivery and operations centre in Manila
- Continue focus on relevant stakeholder engagement and evolve our sustainability agenda



I want to thank colleagues for their support during the challenges this year. They have been truly remarkable and the resilience they have shown in the circumstances has been inspiring.”

**Mike Maddison**  
Chief Executive Officer

## An ever-changing market

There is only one certainty in our industry: change.

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

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

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

### An ever-changing market continued

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

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

### A client-centric approach

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

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

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

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

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

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

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

➔ Further details on this are provided on pages 24 to 27

### True global delivery

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

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

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



**We are trusted by the most significant businesses globally to protect their digital assets."**

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

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

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

➔ Further details on this are provided on pages 24 to 27

### Communicating with impact

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

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

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

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

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

## Financial performance summary

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

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

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

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

In our Software Resilience business, following the completion of the acquisition of IPM in June 2021, we experienced our first full year of IPM contract renewals which contributed to overall growth in the division of +7.5% on a constant currency basis<sup>1</sup> to

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

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

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

- 1 Revenue at constant currency is an Alternative Performance Measures (APMs) and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items, including a reconciliation to statutory information.
- 2 See Note 3 for an explanation of unaudited proforma total Revenue and a revenue adjustment of £4.4m to 2022 Revenue. Unaudited proforma total Revenue is an APM and not a IFRS measure.





## Financial performance summary continued

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

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

1 Adjusted EBITDA, Adjusted operating profit, and Adjusted basic EPS are APMs and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items. Further information is also contained within the Financial Review.

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

3 Depreciation and amortisation excludes amortisation of acquired intangibles.

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

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

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

## A global leader

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

I want to thank colleagues for their support during the challenges this year. They have been truly remarkable and the resilience they have shown in the circumstances has been inspiring. And it's this resilience, which provides the foundations for us to execute our strategy and make NCC Group the global leader in Cyber Security, and Escrow Software Resilience services.

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

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

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

## FY24 current trading

Current trading in line with expectations with:

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

## Outlook

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

## In Cyber Security:

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

## In Software Resilience:

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

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

## Strategy

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

## Mike Maddison

Chief Executive Officer

28 September 2023

# Resetting for future growth

We draw on our expertise, capabilities and global footprint to develop solutions tailored to sectors most at risk to meet current and future cyber challenges. We help to educate policymakers and regulators and we give back to protect our local communities. To address the changing landscape NCC Group needs to continually evolve. In February 2023 we launched our next chapter strategy, resetting how we go to market aligned with our clients’ changing needs.

➔ Read more on market dynamics on page 16

## Inputs

### Sustainable growth strategy

In a fast-moving and complex environment, our strategy puts clients’ needs first, with a roadmap of investments designed to develop future capabilities and a global delivery model to provide clients with the best solution.

### People-powered, tech-enabled

We are a diverse global community of talented and creative individuals, working together and united by the same goal – to make the digital world safer and more secure.

### Culture of innovation

With our roots stretching back to the 1990s we have a track record of being at the cutting edge of innovation. NCC Group was created in 1999 when the National Computing Centre sold its commercial divisions to its existing management; from there we continued to grow through acquisitions. And while history is important, so is the future, with innovation, insights and intelligence the core elements of our DNA.

### Stronger partner relationships

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

### Market-leading reputation

We understand our clients’ challenges and the risks to their business. We continually enhance our global delivery model to bring our insights, intelligence and innovation together to help clients understand and improve the cyber resilience posture.

➔ Read more on our strategy on pages 24 to 27



Insight (page 22), innovation (page 30) and intelligence (page 38) are in our DNA, helping us to meet future challenges, adapt to changing environments and deliver exceptional value for our clients.

At the heart of our proposition is a global delivery model, from our new state of the art centre in the Philippines, to our hubs in Australia, Europe, North America, Singapore and the United Kingdom. This enables us to deliver our complete range of cyber and escrow services in the most efficient and cost effective way for our clients.



**We operate two distinct businesses offering clients a range of services to help secure their digital assets:**

## CYBER SECURITY

Providing clients with a clear understanding of cyber threats and vulnerabilities. We help them maintain their licence to operate, by achieving governance, compliance and accreditation objectives. By implementing remediation plans and solutions, we enhance their resilience against cyber threats. We offer the option to outsource cyber defence operations, as well as complementing existing resources, to reduce risk, achieve greater resilience and give confidence in detecting and responding to cyber threats.

➤ [Read more on pages 32 to 33](#)

## SOFTWARE RESILIENCE – ESCROW

Specialist solutions that protect business critical technology and software applications. Our proposition safeguards buyers from various risks, provides robust business continuity, secures long-term availability of essential business software, and offers assurance and guidance for application management. And with our Escrow-as-a-Service proposition, we facilitate a secure transition to the cloud, enabling clients to adopt cutting-edge technology with confidence.

➤ [Read more on page 34](#)

## Value creation

### Colleagues

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

### Clients

Our resilience solutions enable clients to confidently innovate and embrace new technologies, and build responsible, sustainable and resilient organisations that thrive and succeed.

### Our network

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

### Shareholders

We operate responsibly aiming to create an inclusive and diverse workplace, taking action to reduce our impact on the environment. We strive to be an ethical, responsible employer and supply chain partner to ensure future long-term growth and return on investment opportunity for our shareholders.

➤ [Read more on stakeholder engagement on pages 40 and 41](#)

# Q&A with Siân John



Siân John was appointed Chief Technology Officer (CTO) in July 2023. She joins NCC Group from Microsoft and is the current Chair of techUK's Cyber Security Management Committee and a council member for the Engineering and Physical Sciences Research Council (EPSRC), the funding body for engineering and physical sciences research in the UK. She was awarded an MBE in 2018 for services to Cyber Security.

**Q. Tell us a bit about your career so far**

I've been immersed in technology for over 30 years and 25 of those in cyber, starting off in the Houses of Parliament looking after IT for the guys who carry the mace. I've since worked for a number of major technology businesses, most recently with Microsoft where I had a range of strategic Cyber Security roles.

The pace of change in the industry has been relentless, which is one of the reasons I find this space so fascinating.

**Q. What is your overall approach and ethos when it comes to Cyber Security?**

Security is often seen as a barrier to growth because of a consensus that you can either be secure or productive. But that's simply not true. If we bake security into our products and processes in a way that reflects the right level of risk, it will actually unlock productivity. Security becomes a competitive advantage.

I think it's incumbent on us as Cyber Security advisors to have digital empathy – and by that, I mean a real understanding of the impact security measures have on the user. If we start from that perspective, we typically end up with better solutions to challenges that businesses face.

**Q. What attracted you to NCC Group?**

This is a business that is so well respected in our industry because of the quality of its people.

NCC Group is known for having technical abilities at the bleeding edge, and so the opportunity to work with some of the brightest minds globally was one I simply couldn't turn down.

**Q. Talk to us about NCC Group's insight, intelligence and innovation**

This is what gives us a position in the market that no one else can match, and an offer to our clients that is incredibly strong.

Firstly, insight. We work with thousands of clients across the world. We see directly the challenges they are facing. We understand their pressures. We have a deep understanding of what's happening today, and where it might go tomorrow. And we bring this to every client engagement.

We then add intelligence – our ability to see what threats are out there in the wild in real time. What are our adversaries doing? What techniques are they using? And what is the impact? This means our advice to clients is solely focused on the risks that matter.

And finally, innovation. This is where we drive the market forward through our research – shaped by the challenges we see our clients facing and the passions of our experts.

This is a combination that is unique to NCC Group and what gives me so much confidence about our future.



“

This is a business that is so well respected in our industry because of the quality of its people.”

Siân John  
CTO





# Operating in a dynamic market

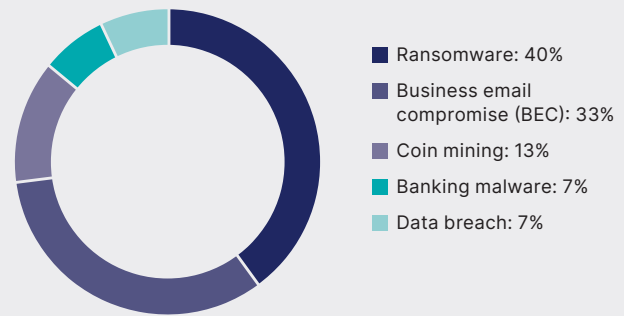
The ever-changing threat landscape and exponential digital transformation, coupled with society’s continued reliance on digital technologies and increasing regulatory and legislative requirements, mean investment in Cyber Security and Software Resilience is not optional and NCC Group’s addressable market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

## A changing threat landscape

2022 was another year that kept us on our toes. The threat landscape was heavily influenced by the conflict between Russia and Ukraine, during which we have seen the whole arsenal of offensive cyber capabilities, deployed by criminals, hacktivists and nation state groups. Though perhaps not the “cybergeddon” that some expected from the next big global conflict, we have seen state-sponsored attacks ramp up, with cyber warfare proving to be critical across this hybrid cyber-kinetic battlefield. The threat from ransomware will remain. However, we are seeing an evolution in the way groups operate not only because of law enforcement intervention but also co-operation among governments and regulations to tackle the problem. Groups will continue to diversify operations and we have started to see less focus on encryption of data and more emphasis on exfiltration of data along with an increase in the use of distributed denial of service attacks.

Threats will persist and organisations must remain vigilant and understand how they could be exposed and take steps to mitigate any risk.

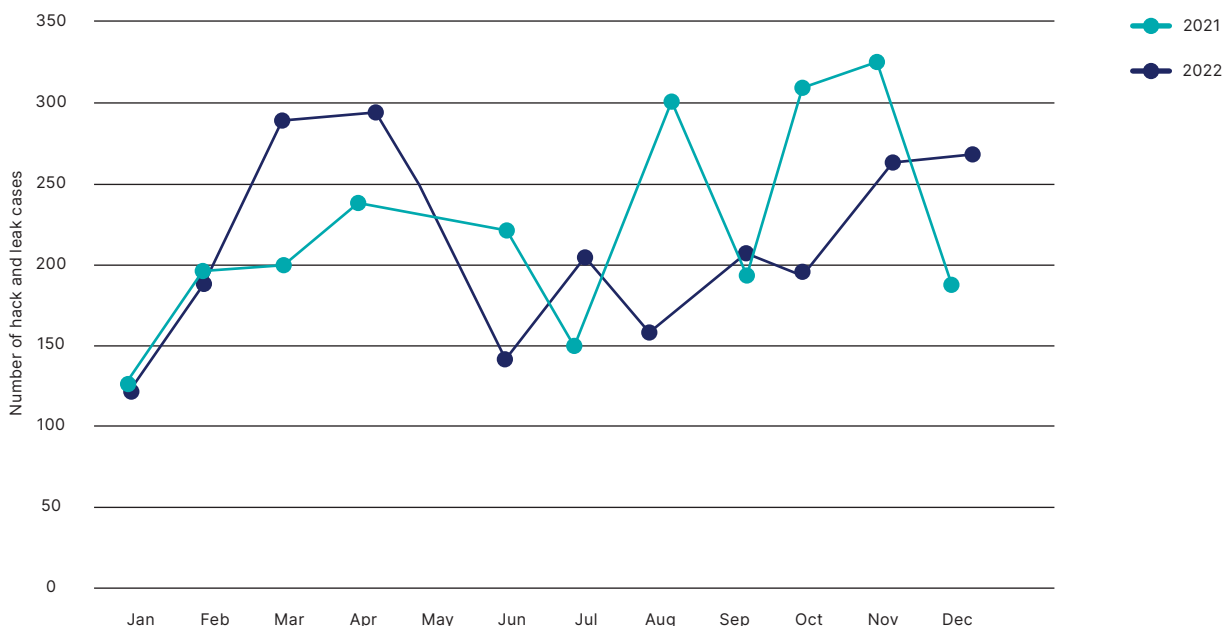
CIRT cases by impact techniques (2022)



Analysis of our cyber incident response team’s (CIRT) activities show that successful ransomware attacks (where data encryption was actually achieved and not just the prior phases) are only slightly more common than business email compromise (BEC) attacks.

## Total hack and leak cases year on year

There has been a general upward trend from July – December, showing that threat actors have now begun readjusting after any major internal changes (rebranding or redistributions) and thus are able to compromise more victims.



**Society's ever-growing reliance on digital technologies**

There is no slowdown of the exponential digital transformation, with investment continuing to be made in technologies, from the increasingly ubiquitous use of machine learning and large language models to significant public and private investment in future telecommunications networks and quantum computing. Digital supply chains upon which our connected environment depends are complex and interdependent, a reality that's been driven home, too, by heightened geopolitical tensions and conflicts.

**Increasing regulatory and legislative requirements**

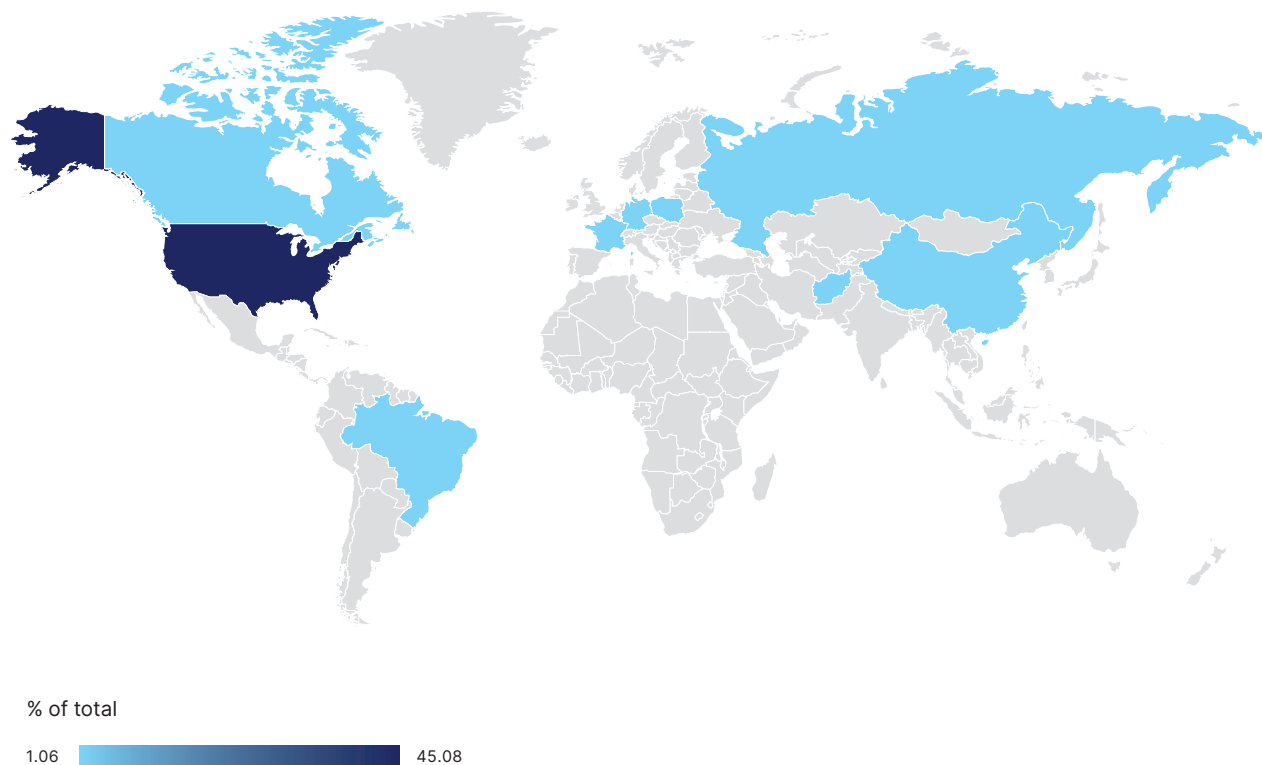
Governments around the world are trying to respond to a threat landscape that is more dynamic than ever. We are seeing significant growth in regulations and legislation globally, creating an ever more complex environment for organisations to navigate and make sense of, and we expect them to focus their cyber investments on meeting growing regulatory requirements.

What is more, we expect the trend of growing cyber regulation to continue as thinking converges that: improved cyber resilience is ultimately an issue of national security; the rising cost of cyber crime needs to be tackled; and (better) regulation should unlock growth, as the assured safety and security of digital technology will drive trust, confidence and therefore uptake.

As a result, we expect to see more coherence and co-ordination of policy and regulatory initiatives across like-minded governments around the world. For example, the governments of the UK, Canada and Singapore published a joint statement of intent on Cyber Security for Internet connected products. It signalled the three governments' intention to promote global alignment on standards and security requirements, reducing "duplication of testing and similar assessments and the challenge for industry of needing to apply to multiple schemes underpinned by identical or very similar requirements". See pages 22 to 23 for how we are contributing to the changes to cyber-related policies and regulations across the world.

**Hotspot map representing concentration of global attacks**

There were 230,519 observed Distributed Denial of Service (DDoS) events over the whole of 2022. We can see from the below graphical representation the proportion of yearly global attacks levied against the ten most targeted nations.



## Market dynamics continued

### Increase in regulatory developments across our key operating regions



#### US National Cyber Security Strategy

Significant shift away from voluntary measures to regulation.



#### Discussion paper on Australia's Cyber Security Strategy 2023–2030: a new Cyber Security Act?

Privacy Act review

Security of Critical Infrastructure (SOC) Act



#### Digital Operational Resilience Act (DORA)

Enacted.

#### NIS2

Enacted.

#### Cyber Resilience Act

In progress.

#### Cyber Solidarity Act

In progress.



#### Telecommunications (Security) Act

Product Security & Telecommunications Infrastructure Act

#### NIS Regulations

Reforms progressing slowly.

#### App: Code of Practice

Consulting on software regulation

### Other common trends include:

- **Shifting the “burden for security” to those with the broadest shoulders:** The US National Cyber Security Strategy announced a clear shift in responsibility for cyber to software vendors and manufacturers in March.
- **More confident regulatory interventions to define dynamically what constitutes critical national infrastructure in the digital sphere and make it more secure and resilient:** The UK announced plans to move forward with legislation to reform its Network and Information Systems (NIS) Regulations in November, extending its scope to managed service providers, and giving the government powers to extend the scope of NIS more easily.
- **Efforts around improving incident reporting, driven by the desire to improve visibility and situational awareness of the threat landscape more holistically:** The Australian government launched an updated Critical Infrastructure Resilience Strategy and Plan in February, outlining those activities the Cyber and Infrastructure Security Centre (CISC) and critical infrastructure community will pursue to enhance resilience, with a clear focus on a greater role for the Trusted Information Sharing Network (TISN).
- **Greater emphasis on developing frameworks and principles for regulating technologies rather than detailed regulatory proposals per se:** Attempts to govern artificial intelligence (AI) are underway in many jurisdictions – a common trend appears to be the desire to open AI decision making to greater scrutiny, as seen in the UK's AI Paper, the US blueprint for an AI Bill of Rights, and the AI Risk Management Framework and the European Commission's AI Act and AI Liability Directive proposals. Similarly, many jurisdictions are working on plans to develop (and regulate) central bank digital currencies, while global initiatives are underway by the Financial Stability Board, and the Organisation for Economic Cooperation and Development (OECD) to regulate crypto-assets and decentralised finance (DeFi).

### NCC Group's continued portfolio evolution and differentiation

As Cyber Security threats change and technology develops to counter them, organisations are demanding fewer, more comprehensive solutions rather than having to manage an increasing number of interdependent but separate tools.

As client needs change in this fast moving, evolving threat, technology and regulatory landscape, we are staying agile to best serve them – and deliver on our purpose.

We are investing in our cyber capabilities. Above all, that means a broader portfolio addressing the full Cyber Security lifecycle:

- Maintain our high quality of Incident Response services to help clients at their critical moments
- Enhance the suite of Managed Services we offer to deliver a global, high quality managed security service that is led with world-class threat intelligence capability, provides transparent value, and is delivered through a consistent technology stack and operating model
- Invest in our core Technical Assurance capabilities, such as continuous, always-on cyber threat detection and penetration testing
- Building additional Consulting & Implementation services proposition to help C-suite buyers confidently meet increasing Cyber Security requirements



“

As client needs change in this fast moving, evolving threat, technology and regulatory landscape, we are staying agile to best serve them – and deliver on our purpose.”







It's in our DNA

# Insight

We understand the sectors our clients operate in, including market trends, regulatory and overall business environment, and the specific threat landscape. We do this by investing in research and data analysis, listening to clients to understand the intricate details in their field of operation.

The value to clients is solutions, which are relevant and personalised and anticipate their current and future requirements. Through our global capability we provide unique perspectives and strategic advice to help clients make more informed decisions and ultimately grow their business responsibly and sustainably.



## How insight supports our strategy



### In focus

As the deadline to meet the UK Telecoms (Security) Act (TSA) compliance looms large over the coming years, UK telecoms providers are under pressure to ensure their systems and services are aligned with the TSA-related Code of Practice (CoP).

While the UK is, in some ways, leading the charge with its TSA, it's actually part of an overall trend in global policymaking aimed at creating a more secure and resilient telecommunications infrastructure. Across the globe, governments in Europe, Canada, the United States, Australia and Singapore have moved, or are moving quickly, to implement telecoms security standards affecting thousands of industry businesses.

Beyond mandatory compliance, there's also a compelling business case for organisations to use the TSA, and its international equivalents, as an opportunity to build more secure, resilient infrastructure.

Working with NCC Group's government affairs team, and our industry partners, our global team brings cyber expertise within the context of telecoms and cloud services, to simplify these new regulations, and explain not only what's required but how achieving compliance proactively can be a competitive differentiator.



To enable the UK – and societies around the world – to take advantage of innovation, it's important that government policies and regulatory frameworks accurately reflect and address security challenges.”

**Mike Maddison**  
CEO



# Executing our strategy

To be more client centric and operate as a global firm, we are restructuring how we operate. This will help us achieve our ambition, providing clients with not only the best, but also the breadth of NCC Group's ever-advancing Cyber Security and Software Resilience solutions.

We are engaging colleagues, helping them to get excited about NCC Group's future, building on the past, and identifying the role they play in delivering for our clients. Every single person at NCC Group takes responsibility for client delivery.

To co-ordinate, execute and track progress, we have created a modest transformation office – bringing together, for the first time, central co-ordination of strategy delivery for the Group. This will help us continue to deliver value – creating a bright new future for colleagues, clients and shareholders alike.

Over the next couple of pages, we outline each of our strategic pillars, what we've achieved since the launch in February 2023 and what is coming up in the near to mid-term future.

**Diji Akinwale**  
Director of Strategy and Transformation

This section provides more information on these four elements, what we've achieved so far, how we will measure progress, and our FY24 priorities in service of our vision to become a truly global Cyber Security and Software Resilience services provider capable of delivering an end-to-end cyber solution that harnesses our strengths in insights, intelligence and innovation, accompanied by a fantastic client experience.

**Link to risks:**

- A** Strategy
- B** Cyber and information security
- C** Innovation and product development
- D** People and partners
- E** Market and competition
- F** Brand and reputation
- G** Quality and delivery
- H** Legal, regulatory compliance and governance

- [Read more on our risks on pages 70 to 80](#)
- [Read more on our business model on pages 14 and 15](#)

In February 2023 we announced our new strategy, signalling the next chapter of NCC Group's story and focused on:



### Our clients

Deeper client engagement on the most pressing Cyber Security and Software Resilience needs.

[Read more on page 25](#)



### Global delivery

Transitioning from an international to a fully global business.

[Read more on page 26](#)



### Our capabilities

Offering a broader service portfolio addressing the full Cyber Security lifecycle.

[Read more on page 25](#)



### Brands

Creating distinct and relevant brands for our Cyber Security and Escrow Software Resilience businesses.

[Read more on page 26](#)



## Our clients

### Deeper client engagement on the most pressing Cyber Security and Software Resilience needs

#### What we said we would do:

In February 2023 we announced our plan to concentrate on the rapidly growing, highly regulated sectors most vulnerable to cyber risk. These sectors include financial services, technology, media, telecommunications, government and public sector, infrastructure, and industrials.

To implement this we are restructuring the organisation. This means moving away from the previous regional P&L model to establishing a global, revenue-focused team, aligned by regions and the sectors identified above.

The aim of this restructure is to enhance our client relationships through targeted expertise, while consistently assessing our impact across different regions. This strategy will expand our range of services within existing client relationships and better capture the global scale of the insight, innovation and intelligence we have historically delivered to clients.

#### What we have done:

Since initiating our strategy in February 2023, we've streamlined our market approach by implementing a sales structure that aligns our major regions by verticals. We have successfully established this vertical alignment in the UK, and the same structure is currently being scaled in North America.

For our smaller regions, we've strategically aligned them with a country-centric focus, incorporating elements of the vertical structure where suitable. This restructuring forms a crucial part of our commitment to meet our clients' needs more effectively across various geographies and sectors.

We have also invested in Cheltenham and New York offices to ensure our property portfolio echoes our commitment to client service and reflects both the needs of our business and our colleagues.

We have also further established our strategic partnerships. We have accelerated our strategic relationship with Microsoft by delivering continued double-digit growth of XDR, achieved 'Global Validation' status from Microsoft, enabling greater access to discount and Microsoft sellers and been awarded a 'managed account' status by Microsoft, recognising our investment and growth.

Beyond Microsoft, we have now signed a global partnership with Splunk that enables better pricing for our clients and access to wider Splunk sales teams.

#### Link to risks:

- A** Strategy
- B** Cyber and information security
- D** People and partners
- E** Market and competition
- F** Brand and reputation
- G** Quality and delivery
- H** Legal, regulatory compliance and governance



## Our capabilities

### Offering broader service portfolio addressing the full cyber security lifecycle

#### What we said we would do:

We proposed that in the coming years, we would look to build out a broader service portfolio addressing the full cyber security lifecycle, including:

- Continuing to invest in our core Technical Assurance capabilities
- Maintaining high quality of Incident Response services to help clients at their critical moments
- Further development of our Managed Services offering, increasing annual recurring revenues (ARR)
- Building an additional Consulting & Implementation services proposition to help C-suite confidently meet increasing cyber security requirements

#### What we have done:

Since February 2023, when we announced our next chapter strategy, we've actively sought to enhance global alignment across our cyber security capabilities by establishing three global capability groups, spearheaded by our new Chief Operating Officer, Kevin Brown; see page 29. This structural shift aims to better manage our global cyber security capabilities and our global delivery and operations centre in Manila (see global delivery pillar). This setup plays a vital role in driving global growth by creating the capacity and ability to cater to our clients' needs.

Our Managed Services sector was the first to align globally, and has seen revenue growth of c.16% in FY23. This underpins the positive impact of a more globally centred focus, particularly under the leadership of Doug Klotnia, who joined NCC Group in the second half of the financial year.

Our ongoing reputation for cyber can be seen in our recent announcement to be one of the first six providers for the UK NCSC's new Level 2 Cyber Incident Response scheme. This recognises our ability to help private and public sector organisations (big or small) as well as charities recover from cyber-attacks and should give buyers confidence about the breadth of our capabilities.

- Read more about this story on our newsroom: [www.newsroom.nccgroup.com/news/ncc-group-announced-as-an-assured-service-provider-in-latest-ncsc-cyber-incident-response-cir-scheme-470825](http://www.newsroom.nccgroup.com/news/ncc-group-announced-as-an-assured-service-provider-in-latest-ncsc-cyber-incident-response-cir-scheme-470825)

#### Link to risks:

- A** Strategy
- B** Cyber and information security
- C** Innovation and product development
- D** People and partners
- E** Market and competition
- F** Brand and reputation
- G** Quality and delivery
- H** Legal, regulatory compliance and governance



### Global delivery

#### Transitioning from an international to a fully global business

##### What we said we would do:

We promised we would globalise our delivery capabilities. This would allow us to move from an international to a truly global business and would involve building a global delivery organisation with new leadership tasked with developing the best skills through flexible resourcing, including a new global delivery and operations centre, with implementation in FY24.

##### What we have done:

We have concluded our search process for a new global delivery and operations centre and selected Manila as the location for our new office. A sustainable site has been secured, with recruitment (both internally and externally) underway and on track to be operational in 2023.

To drive this accelerated launch, our experienced leadership and implementation team have developed local relationships with universities to attract the best skills that will complement recruitment of experienced hires, alongside our global delivery capability, and help deliver existing and new services to clients.

This launch of a global delivery centre has required us to rollout a new scheduling system, Kantata, to our US region as the precursor to a global rollout. Putting this system in place will allow us to seamlessly schedule and allocate work from clients in any region to any of our global delivery colleagues, whether they are based in Manchester or Manila.

#### Link to risks:

- A** Strategy
- B** Cyber and information security
- D** People and partners
- G** Quality and delivery



### Brands

#### Creating distinct and relevant brands for our Cyber Security and Escrow businesses

##### What we said we would do:

In February 2023, we announced we would create distinct and relevant go-to-market brands for both our Cyber Security and Software Resilience businesses. These would help us to differentiate and grow our brand profile.

As part of our broader brand and marketing programme, we said we would increase our focus at key industry events and be more visible in market, and invest in sustained activity to build and strengthen relationships at C-suite level in our target markets.

Finally, we said that we would better leverage our world-class insight and intelligence, such as our regular research from consultants or monthly Threat Intelligence reports.

##### What we have done:

We undertook the work to rebrand the Software Resilience business and it will rollout from January 2024. You can read more about this on page 34. Work is also underway for our Cyber Security rebrand.

We've invested in significant presence at key cyber events such as Gartner's EU Risk and Security Summit 2023, and Black Hat USA 2023 with bolt-on relationship building activity planned.

In the autumn of 2023, we will launch our own events programme, for example, featuring our Global Head of Threat Intelligence, among others, to add value to our clients and the broader cyber community.

#### Link to risks:

- A** Strategy
- C** Innovation and product development
- E** Market and competition
- F** Brand and reputation
- G** Quality and delivery



# Strategy in action in our Cyber Security business

Part of the vision for NCC Group is to become a go-to provider of cyber services for decision makers through a greater focus on clients, capabilities, global delivery and differentiated brands. This means being able to leverage the moments when we add value for our new and existing clients to create greater impact through offering a broader range of services.

We demonstrate this with a case where we were brought in to support an international organisation possessing a complex on-premise and multi-cloud architecture. They had experienced multiple Cyber Security incidents in recent years and brought us in to provide consultancy services to consolidate and enhance their Cyber Security posture quickly.

As part of the consulting services initially requested, our team conducted a compromise assessment, where we deployed tools to identify indicators of compromise that threat actors leave during an attack. This led to us carrying out a high level review of its whole infrastructure to identify any vulnerabilities that would present a critical risk to its business operations, examining its external attack surface (including its public cloud services) for potential exposure of data or vulnerable services, analysing data sets related to previous breaches for evidence of undetected data exfiltration.

As a result of this consulting work, the client was able to move forward with confidence that there were no urgent issues to address before thinking about the long-term requirements. One of the long-term critical gaps identified during the consulting review was the lack of ongoing protective monitoring.

Through our development of Managed Services, we were perfectly placed to plan and implement a rapid deployment of our NCC Group Managed XDR service using Microsoft Sentinel and Defender. The initial launch of this service was completed within five weeks and addressed the on-premise and high priority cloud infrastructure requirements. Later phases completed the roll out to the whole organisation and the client is moving forward with its programme of security improvement in the knowledge its starting position is not critical, and any new threats will be identified quickly if they arise through protective monitoring.

We expect in future that much of our growth will come from our ability to offer and embed a greater variety of services with our clients. Our strategy enables this by ensuring that our expanding range of capabilities can be delivered to clients across the globe. This allows us to build on our historical strengths and create greater impact for our clients across the full lifecycle of Cyber Security decisions that they will make.

▶ Read more on our cyber solutions pages 32 and 33





We are a Company with a unique perspective. Most Cyber Security business's operate from the outside in – they attempt to sell and advise without having a real understanding of what's going on within a business's technology infrastructure. But we operate from the inside out."

**Kevin Brown**  
COO



# Q&A with Kevin Brown



Kevin Brown was appointed COO in June 2023. He spent 20 years in high level UK policing before moving to BT in 2012, where he built a \$1bn managed security services business. Most recently, he has been resident CISO for private equity firm Insight Partners, leading its “C-suite in residence” programme and working with cyber companies to challenge and refine their strategies.

## Q. What attracted you to NCC Group?

I gave a lot of thought to what I wanted in my next role. I was looking for three things.

Firstly, I only wanted to join a pure-play Cyber Security business. This is where my passion lies. Secondly, I was looking for a company with a clear vision and going for growth. And finally, it had to have the right culture – somewhere that people were supported to do brilliant work.

I found all three at NCC Group so in the end it was an easy decision to make.

## Q. What makes NCC Group different?

We are a company with a unique perspective. Most Cyber Security businesses operate from the outside in – they attempt to sell and advise without having a real understanding of what’s going on within a business’s technology infrastructure.

But we operate from the inside out. We are often in privileged positions where we gain an intimate knowledge of our clients’ challenges through our world-class incident response capability or ongoing penetration testing. We are trusted to hold the “tip of the spear”. And this means the subsequent consultancy and end-to-end support we deliver is designed around the specific needs of each client. This really sets us apart.

## Q. Where do you see the biggest opportunities?

We are building out a set of services that will act as a natural flywheel. There’s a sequential nature to what we do – one informs the other and allows us to create deeper relationships with our clients.

We have all the constituent parts, as well as from some of the most significant businesses globally. This is simply about knitting each element together – and we are already taking some very meaningful steps forward.

## Q. How do you view the global opportunity for NCC Group?

We are already an international business. We have fantastic client relationships and incredible talent in every major market.

The opportunity for us lies in greater global consistency – ensuring shared best practice across markets – and flexibility in resourcing, both of which will result in an even better service for clients. Our new global delivery centre in Manila is a prime example of how a global approach can make our business more efficient, agile and scalable.





It's in our DNA

# Innovation

The world around us continuously evolves and so must how we operate to stay at the cutting edge of our industry. We think forward, we adapt and we're not afraid to take calculated risks.

For our clients this means access to the latest Cyber Security solutions that offer them peace of mind, knowing that, working in collaboration, we'll always be scanning and preparing for threats to ensure their business stays operational.



## How innovation supports our strategy



### In focus

## NCC Group drives for innovation, to improve the security of the industry, our capabilities and the way that we support our clients

### Strategic partnership

Innovation thrives in the land of collaboration, which is why we have built strategic relationships with industry leaders, allowing us to quickly integrate cutting-edge technologies and capabilities into our solutions providing well-rounded competitive offerings.

### Expert Cyber Security professionals

Our Company strengths lie in the proficiency of our Cyber Security experts. We lean upon this core strength to innovate our product and services to provide continuous consultant-led solutions.

As an example of this, we continue to evolve our threat intelligence capability to help our clients and the broader cyber community dealing with the rapidly changing risk landscape. Our insights have been cited in the press and clients are increasingly looking to us for intelligence and advice and insights on their exposure and response. This has culminated in our newest threat intelligence service, Online Exposure Monitoring.

Online Exposure Monitoring is an example of how we've built a partnership, fed requirements and utilised our internal experts to create a new innovative service that fits with our wider portfolio to solve multiple client problems.

Online Exposure Monitoring provides a lens that looks from the inside out, creating continuous visibility into a client's digital risk.



Our Company strengths lie in the proficiency of our Cyber Security experts."

**Siân John**  
CTO



# Cyber Security

## INCIDENT RESPONSE



Our global response capability provides immediate support to clients under attack and in preparing for attacks. In the event of an attack our service minimises disruption to their business, mitigates threats, protects valuable data, reduces financial loss and safeguards reputation by swiftly identifying, containing and recovering from cyber attacks.

### Impact

**Sector:** IT/technology

**Challenge:** Highly sophisticated threat actor had maintained elevated access over considerable part of the environment for months.

**Solution:** NCC Group enabled the client to increase its visibility in the environment while tracking the threat actor's activity and reverse engineer its custom tooling to achieve a successful eradication outcome.

**Value:** The full extent of the compromise was identified, and the threat actor was successfully removed from the environment. The client improved its overall security posture and additional recommendations to further fortify the environment were provided, as well as additional reports to satisfy any enquiring authorities.

### Revenue sources

- Non-recurring revenue but is an entry point for other services that we offer

### Strategic objectives

- Continue to evolve and maintain the high quality we have today of this critical, niche service

## MANAGED SERVICES



Our managed security services are known for delivering high quality, consistent protection, informed by our world-class threat intelligence. Our clients can expect us to deliver solutions fit for their unique environment, presented transparently. The outcome is real time threat protection against a very sophisticated group of bad actors.

### Impact

**Sector:** Education

**Challenge:** Ireland's National Education and Research Network organisation, HEAnet, was looking for a partner for its new dedicated Security Operations Centre (SOC) to support the Irish education sector's fight against cyber crime.

**Solution:** Building on a similar engagement for the Netherlands (SURFnet), we are providing a Managed Detection and Response (MDR) service, with 24/7 security information and event management (SIEM), and security operation centre services, along with rapid intelligence sharing.

**Value:** We provide a critical support service to HEAnet's offering to over 30 educational institutions in its network. With our integrated, collaborative alert system, and ongoing monitoring, HEAnet is able to provide institutions with the knowledge they need to build strong defences and quickly respond to evolving threats.

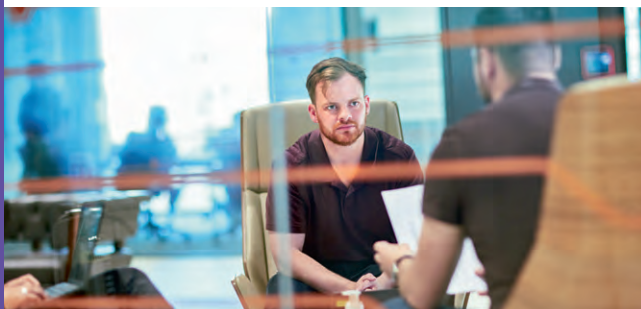
### Revenue sources

- Largely recurring revenue

### Strategic objectives

- As a future growth driver we are investing to enhance our offer to increase annual recurring revenues, and gain a larger share of our client's Cyber Security spend

## CONSULTING & IMPLEMENTATION



Our Cyber Security experts work in collaboration with our clients to identify potential vulnerabilities, develop a strategy to mitigate these weaknesses, and then execute the plan to strengthen the overall security posture to protect valuable assets from potential threats.

### Impact

**Sector:** Technology, media and telecommunications (TMT)

**Challenge:** Group executives lacked confidence in an external security review and wanted an expert technical opinion to drive security spend.

**Solution:** We baselined their technical capability and researched their threat landscape. We expanded our review into a comprehensive understanding of their system security and produced a roadmap for security investment and capability development.

**Value:** Provided peace of mind and a solution to reduce the client's attack surface, removed system vulnerabilities, increased security awareness, and improved its ability to monitor for and respond to threats.

### Revenue sources

- Non-recurring revenue but with potential for other services

### Strategic objectives

- As a future growth driver, we are investing in broadening our portfolio of Cyber Security consulting services so that we can better advise clients on their cyber risk strategy and then help them implement technologies and supporting processes that mitigate their cyber risk

## TECHNICAL ASSURANCE



We provide clients with proactive defence of their digital assets through vulnerability assessment, penetration testing, sophisticated adversary simulation, staff training, third party assurance, and constant compliance and security monitoring to enhance their system resilience and data protection.

### Impact

**Sector:** Technology

**Challenge:** The client lacked security coverage and needed a partner to provide manual testing services and manage critical vulnerabilities with remediation testing to verify fixes were in place.

**Solution:** We provided the client with 24/7 coverage from our global team, focusing on security testing and providing reliable and effective coverage to help maintain the security of its applications, as an extension to the in-house security team covering multiple time zones and technical specialities.

**Value:** The client had access to a global team of skilled testers bringing diverse expertise and knowledge to address potential security vulnerabilities. As a result it reduced pressure on the in-house team and avoided costly recruitment costs by outsourcing the capability.

### Revenue sources

- Non-recurring revenue but with potential for other services

### Strategic objectives

- Invest in our core Technical Assurance capability, including our continuous, always-on testing proposition

# Software Resilience – Escrow

## ESCROW AGREEMENT



An Escrow Agreement is a simple and effective tri-party arrangement with mutually agreed terms between the software customer, software supplier and NCC Group. Under the Escrow Agreement, the supplier periodically deposits a copy of the software source code and associated materials for secure storage within NCC Group's secure physical or virtual vaults, ensuring that the material can be accessed and released should the need arise. In the event of a release, the software customer can utilise the escrow deposit to maintain the software, working from the source code, whether that be in house or by engaging with another supplier.

### Impact

**Sector:** Renewable energy

**Challenge:** When solar energy pioneer BrightSource wanted to develop large-scale innovative projects, its partners and bankers needed insurance against any potential risks that may disrupt the smooth construction and operation of its plants.

Documenting the build and technical know-how through IP escrow and verification added a level of reassurance at every stage with key project milestones included tied to the release of project funding.

**Solution:** To meet the needs of both BrightSource and investors, NCC Group and BrightSource worked together to develop a tailor-made business continuity and risk management solution to allow investors to witness important developmental stages themselves and to have access to important documentation should the need arise.

### Revenue sources

- Recurring annual revenue through contract renewal

### Strategic objectives

- Increase our footprint in key growth areas of North America, Australia and the critical infrastructure market

## ESCROW VERIFICATION



Software Escrow Verification tests the source code and material held under the Software Escrow Agreement to ensure it is correct and complete and can be rebuilt into the working application, providing a higher level of resilience and business continuity assurance.

### Impact

**Sector:** Financial services

**Challenge:** One of our customers, a multinational systemic bank, had two challenges:

- (1) Risk aversion – storage of source code to mitigate crisis scenarios where supplier was no longer able to provide support for software deployed in house
- (2) Regulatory – ability to demonstrate that the mitigation process was a successfully stressed exit plan as required by the PRA SS2/21 outsourcing and third party regulation

**Solution:** An Escrow Agreement had been in place for several years, but the appropriate level of verification had not yet been completed. To meet the requirements of the PRA SS2/21 regulation, a complete end-to-end Escrow Verification was completed. This was conducted in a clean environment at NCC Group, without reliance on the software owner's infrastructure, using the deposit materials collated as a result of an Entry Level Verification.

**Value:** All results were documented in a comprehensive report and distributed to all stakeholders. Successfully delivering this verification demonstrates the scenario of a release event and ensured that the application could be built from the source code.

With the escrow arrangement and the confirmation of the Independent Build Verification, the bank has the peace of mind that it is compliant with the PRA requirements and has a tried and tested plan, should anything happen to its supplier.

### Revenue sources

- Recurring annual revenue through contract renewal and a schedule of verification tests

### Strategic objectives

- Continue to increase our verification attach rate to Escrow Agreements



# Q&A with Andrew Lemonofides



Andrew was appointed as Global Managing Director for NCC Group's Software Resilience – Escrow business in November 2022. Before joining NCC Group, Andrew was CEO of the then AIM-listed Tungsten Network, and Group Chief Strategy and Transformation Officer of IWG plc (formerly Regus). Prior to that, Andrew held a variety of leadership roles within the technology sector, at Dell Computer Corporation and Toshiba Information Systems, having begun his career with IBM.

## Q. What have you learned since joining NCC Group?

My greatest learning has been that the Software Resilience business has more untapped opportunity than I realised. In any business where revenue has plateaued, you expect to find operating model inefficiencies. The ability to address these comes down to the support from the Board, from the ExCom, our people and our clients. I have found that in abundance, with everyone becoming involved in, and committed to, delivering sustainable growth through a plan that addresses those operating inefficiencies to build the right foundations that underpin growth. The future growth of the Software Resilience – Escrow business hinges on continuing to put the client at the centre of all that we do, radically simplifying our processes and utilising new and emerging technology to deliver an enhanced client experience.

## Q. What are your achievements of note since stepping into the role?

As a team, I am proud that we returned the business to growth in H2 FY23 by focusing our sales and delivery teams on a single objective – which was to meet the needs and requirements of our clients. Overburdened with priorities, this was achieved through identifying and focusing on the “critical few actions”, which are transformative to our business, our bottom line and our client experience. These included improving internal communications, developing and launching a roadmap to simplify our processes, and building and implementing a credible growth plan.

We have witnessed a strong increase in colleague engagement over the period and I am incredibly proud of not only what the team has achieved, but the drive to be innovative in what we deliver to our clients. Today, we have a team who believe in themselves and in the value they are adding and who are passionately committed to our clients and to achieving growth.

## Q. What makes NCC Group's Software Resilience business different?

Without question our people, our offerings and our clients.

At the heart of our organisation are the teams that sell to, support and deliver for our clients. I have spent a great deal of time getting to know the team and listening to their input, which has been used to help shape our change agenda. The commitment and passion the team show continues to make me proud to have each of them within the organisation.

Our product portfolio is impressive, not just software escrow, but extending into many related products and offerings, which are some of our best kept secrets. In FY24, we need to be far more vocal about what we offer and what we can do to meet our clients' needs.

Our clients are highly innovative and working with them has enabled us to change the way that we work to help deliver the right solutions to them at the right time. At the end of the day, our clients want to feel protected, safe and reassured that they are receiving the best levels of service and that their needs matter and are being answered.

## Meet the Global Managing Director of Software Resilience – Escrow continued

### Q. Where do you see the opportunity for Software Resilience?

I believe the future for Software Resilience is bright. There is opportunity within our existing client base and within the existing market whitespace for acquiring new clients, and within new and emerging markets, and we have new and emerging products. What we need to maintain is a planned and focused approach, which gives a rigorous approach to the way we manage and develop our business. We will deliver on our simplified, scalable business model to underpin our ability to realise the market opportunities.

### Q. What are the key initiatives for FY24?

In FY24, we will continue to invest in simplifying our processes; we will retire several duplicated systems, enabling us to have a simplified and more effective client journey. We will build out our presence in our existing markets, while also growing our presence in both Europe and Asia. Another focus area for us will be to expand our product portfolio and identify key market adjacencies to further drive growth.

Added to this, we will launch our new brand, which will see us move away from the Software Resilience name, amplifying our brand presence and creating a distinct and separate brand from NCC Group's Cyber Security business.

In all, FY24 will be an exciting year for the business, as we demonstrate what the team is truly capable of.

### Q. How would you describe how the Software Resilience business contributes to the performance of the Group?

Our profitability and recent flat revenue performance clearly make us a cash cow for the Group; however, with our team, our client base and our growth plan, we can be so much more!

### Q. How well known is Software Resilience in the market?

It's a little-known fact that NCC Group is the creator of software escrow as a service, and today we are the world's largest software escrow provider. We protect and verify code for some of the world's leading companies and Government organisations. But we don't tell people enough – now all that's about to change! Back in February 2023, Mike Maddison, our CEO, said that NCC Group would create distinct brands for both the Cyber and Software Resilience businesses. I'm pleased to say that as of now, we are on the cusp of rolling out our new brand for escrow.

### Q. What will be the new brand for Software Resilience, and what difference do you think it will make?

I'm really excited about our own distinctive brand, Escode, that I think will help us to differentiate and stand out in the market. Visually it's striking, but a brand is so much more than that. This creates the opportunity for us to build our own identity, to reconnect, and to engage with customers past and present, helping us to build a better connection and creating an opportunity to tell our story.

### Q. When will we start to see the new brand in the market?

We unveiled our new brand to colleagues in September 2023, and expect Escode to be rolled out, including a new website, early in 2024. Exciting times!



I believe the future for Software Resilience is bright. There is opportunity within our existing client base, within the existing market whitespace for acquiring new clients, and within new and emerging markets, and we have new and emerging products.”

**Andrew Lemonofides**  
Global Managing Director,  
Software Resilience – Escrow



Our new centre in Manila







It's in our DNA

# Intelligence

We use, analyse and interpret the vast amount of data we collate to make strategic decisions – for our own business and that of our clients through the solutions we offer. We use technology, data and machine learning to make smarter, data-driven decisions, to operate efficiently and predict trends.

The value to our client comes from our ability to turn that intelligence into smart solutions. And while we utilise artificial intelligence and other technologies to deliver services at a faster rate, and lower cost, it's the intelligence of our expert colleagues that provides a higher quality and trusted service to our clients.





## How intelligence supports our strategy



### In focus

Feeding intelligence into our Managed XDR solution – aligning 60 unique data feeds – helps our clients defend against the latest indicators of compromise (IOCs) and attacker techniques.

We're constantly assessing, investigating and aggregating threat intelligence from the dark web, research and our learned insights from client engagements across the globe.

Our intelligence provides for the deployment of defences against the latest attacker techniques and IOCs.

Our clients are able to leverage NCC Group's advanced threat intelligence which feeds directly into our custom threat detections.



With a local presence in all continents around the world, we constantly enrich our threat intelligence database with global incident data – we identify and discover the threats that others do not."

**Siân John**  
CTO

# Listening to learn

We believe we have a responsibility to listen to our stakeholders, considering all their needs, and using insights and learnings to improve how we make important decisions. Our Code of Ethics guides us, informing and helping us to build enduring and trusted relationships.

Listening insights are used to inform decision making at every level of the organisation.

**Link to strategy:**



Our clients



Our capabilities



Global delivery



Differentiated brands



## Colleagues



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

**The opportunity**

- Know they are contributing to our success
- Feel confident they have the skills to do their job or are supported to learn on the job
- Know what is expected of them through structured and fair performance management process
- Have the opportunity to grow their career through our learning and development offering
- Spend quality time with their line manager and feel listened to

**How we listen and engage**

- Regular virtual and in-person meetings at different levels in the organisation with line managers and Executives
- Internal news and collaboration channels to connect colleagues to what is happening and also enabling them to easily share approved content

- Elected colleague forums and a works council (Europe) where appropriate
- Quarterly engagement pulse and Non-Executive Director led engagement sessions with colleagues (see page 95)

**Highlights in 2022/23**

- Launch of new Talent Partnership Framework to attract diverse talent – entering into partnerships with Women in Cyber Security (WiCyS), SANS Cyber Diversity, Uptree and Dutch Innovation Factory
- Launch of a global Speak Up policy to provide clear guidance and signposting to colleagues across our global teams
- Scoped and planned launch of gathering of diversity data, due to launch in FY24



## Clients



Rooted in our sector knowledge, we develop solutions tailored to the unique needs of our clients. Bringing our in-depth understanding of the threat and regulatory landscape, we assist our clients in addressing their complex Cyber Security challenges.

**The opportunity**

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

**How we listen and engage**

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

**Highlights in 2022/23**

- Streamlined our market approach implementing a sales structure aligning our major regions by verticals. Smaller regions have been strategically aligned with a country-centric focus incorporating elements of the vertical structure where suitable. This forms a crucial part of our commitment to meet our clients’ needs more effectively across various geographies and sectors





## Shareholders



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

### The opportunity

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

### How we listen and engage

- Strategic and financial updates issued via RNS Reach and RNS respectively
- Regular meetings with investor relations, management and Board members
- Investor roadshows after the full and half-year results
- Open-door policy with investors
- AGM

### Highlights in 2022/23

- Appointment of NCC Group's first Director of Investor Relations in January 2023
- Implementation of investor management system – Ingage IR – to improve how we communicate and engage with both shareholders and analysts
- New strategy launched in February 2023, with investor roadshow to build deeper understanding of our vision
- Following our trading update in March 2023, the management team offered shareholders the opportunity to meet to discuss what had happened and further engage how the new strategy would address concerns



## Suppliers



We engage with many different suppliers across our global business and value the role our supply chain plays in supporting responsible business operations. Our procurement operations have been endorsed in line with industry best practice and we proactively work with a consolidated supply chain network to drive innovation, deliver commercial value, mitigate risk and improve operational benefit.

### The opportunity

- Long-term trusted partnerships facilitating sustainable overhead cost reduction and cost of sale margin improvement
- Fit for purpose contracts and payment terms, ensuring a safe and responsible supply chain with suppliers delivering to acceptable service levels and protecting NCC Group from any long-term commercial inflation

### How we listen and engage

- Regular meetings are held with key suppliers to help them understand our strategy and future forecasting of service
- Due diligence completed at the beginning of our relationship with suppliers and structured on-boarding process

### Highlights in 2022/23

- Engaging existing suppliers in ESG to support our journey to net zero
- Introduction of a consistent global supplier on-boarding and due diligence process to gain better visibility and control of third party risks
- Improved supplier relationship management process implemented to drive better commercial value, operational delivery and future innovation
- Successful progression and management of the Group's real estate strategy to provide quality and productive environments



## Our network



Our expertise plays a pivotal role in shaping evidence-based policy decisions. By adopting a proactive engagement approach, we harness our insights to contribute meaningfully towards a more secure digital society and differentiate ourselves in the market.

### The opportunity

- Building on our technology heritage and our role as trusted advisors to governments and regulators we provide independent, technical expertise to improve cyber resilience policies
- By understanding and shaping new and emerging regulations and policy proposals we can develop the right solutions to prepare for our clients' future needs and requirements

### How we listen and engage

- Building alliances with global think tanks and foundations, trade associations and campaign groups to pool resources, amplify our messages and maximise impact
- Strategic relationships with national technical authorities, and support for government initiatives across all our regions through direct engagement

- Representation on senior government advisory panels

### Highlights in 2022/23

- Engaged with regulators around the world to advocate for the adoption of "Resilience by Design" shaping regulations in Canada, Switzerland, the UK and India, paving the way for our Software Resilience – Escrow services to effectively support compliance
- Joined the United Nations' intersessional consultation on a new cyber crime convention, making recommendations on how to improve international collaboration between law enforcement authorities, promote cyber capacity building, and protect the contribution of the industry in tackling cyber crime

# Our culture



At NCC Group we embrace difference and are connected by our purpose to make the digital world safer and more secure. Across our global operations we form a phenomenal network, working together, collaborating and innovating to support our clients.

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

## Our values



### **We work together**

We have each other's back



### **We are brilliantly creative**

We look at things differently



### **We embrace difference**

We respect each other



### **We take responsibility**

We get things done in the right way



Our mission unites us as a global community. Our colleagues are technically outstanding, and work on challenging, exciting projects to protect many of the world's leading businesses. Our focus is to create a culture where these talented colleagues are supported to be their very best, and they feel empowered with managers and leaders who inspire them. We provide clarity on their role and as a people-led business, support for wellbeing is at the heart of our proposition.

Above all, we give colleagues the opportunity to follow their vocation and say with conviction that what they do makes the digital world safer and more secure, whatever role they play at NCC Group."

**Michelle Porteus**  
Chief People Officer



## Wellbeing

Our work can be exciting and intense, delivered by passionate, committed teams. We recognise the level of focus required to deliver to high standards, and acknowledge that the pressures of external and internal factors, when combined, can lead to burnout. We've come through a pandemic where the focus was very much on mental and physical wellbeing, into some challenging economic headwinds – not just for NCC Group but also personally for colleagues. This year we enhanced our wellbeing programme to cover financial wellbeing too. As we headed into the Group's first redundancy programme in February 2023, the support was welcomed by those impacted, and their teammates who remained.

### Mental wellbeing

We have a global network of trained Mental Health First Aiders, who provide support to their colleagues as required or requested. This complements the Employee Assistance Programmes (EAP) in place for colleagues around the world, as well as on the ground support through the people team. All managers are offered training in mental health awareness and throughout the year we run various colleague engagement campaigns to ensure that it's always okay to talk about mental health.

### Physical wellbeing

As we continue to evolve how we work, we have made decisions to close offices and embrace hybrid working practices for those close to our main office hubs. Colleagues are supported financially to set up their homeworking space, to ensure they are operating in a safe environment.

In the US, we changed the policy for new colleagues, to enable them to access negative vacation of up to 40 hours within their first six months (a period that is normally used to accrue future time off) and putting emphasis on the balance of work and time away from the business, ensuring they are empowered to take time off to rest and recharge as needed.

In the UK we launched a new salary sacrifice benefit – Holiday Buy Scheme – to enable colleagues to purchase up to five additional days off. 18% of eligible colleagues took up the offer.

In addition, long-service colleagues received additional days off added to their annual allowance with the first milestone for an additional day being four years.

## Financial wellbeing

In the US we ran our first financial wellbeing week providing colleagues with an extensive programme of support on personal budgeting, saving for the future, retirement and much more. We also introduced a wellness bundle that supports financial, physical and mental wellness.

Our UK financial wellbeing programme included introducing new mortgage broker benefits and free one-to-one pension adviser meetings as well as a host of other internal and external resources for colleagues to access.

In Spain we ran two external training sessions to help colleagues learn how to manage stress and build financial resilience.

Bringing it all together we also launched Perkbox, a global discounts and perks app which also includes access to a wellbeing hub.

## Professional development

NCC Group has become a hub for talent, a place where people can develop personally and professionally. We offer a broad range of career options across our technology, sales and professional practices. We strive to create an inclusive environment to grow, and we have an embedded transparent performance management process to support this.

### Performance management

Colleagues and their managers are encouraged to meet on a regular basis to review performance, with a formal documented review at the half and full year.

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

In FY23 504 colleagues were promoted to more senior roles, 64 colleagues took up new roles within the organisation, and 518 colleagues were hired across our global operations.

### Learning and development

In FY23 we brought the local training teams together as one global team to enhance our learning and development programme. The team is focused on building capabilities to support our move to a global operating model – we'll continue to invest in career paths and equipping colleagues with the tools and knowledge to develop their own careers, supported by our performance management process.



**Professional development continued**  
**Colleague engagement**

In 2022 we decided to move away from the annual colleague survey to a more progressive way of measuring sentiment on a quarterly basis. We partnered with Glint, the LinkedIn engagement programme, with the benefits of managers having direct access to results (while still preserving anonymity of participants) and being empowered to own the results, the conversation and actions locally with their teams.

This regular pulse is critical while NCC Group moves through this phase of transformation in the next chapter of the strategy and provides the executive team with a rounded view on how colleagues are feeling. Other sources of feedback are also sought, and this includes regular and very successful listening sessions hosted by Non-Executive Director Julie Chakraverty (see page 113) and local town halls, as well as the team meetings and one-to-one sessions as part of the performance management process.

We use these sessions to encourage discussion and opinion on executive remuneration and how this aligns with the wider Company pay policy. Our designated NED also reminds colleagues where the information can be located and answers any questions as they arise.

In the UK, Spain and Australia we operate colleague forums, where colleagues are elected by their peers to meet with management on a regular basis to discuss what’s on their minds. And in the Netherlands, colleagues have appointed representatives forming a Works Council.

With the implementation of our new strategy and changing organisation, we are refreshing our popular NCC Diamonds colleague recognition scheme with the aim of relaunching it in the second half of FY24.

**Diversity and inclusion**

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

In 2020 we established our colleague resource groups in support of our four focus areas: Gender, LGBTQIA+, Neurodiversity, and Race and Ethnicity, and in 2022 we also launched an Accessibility group. Each of the groups has a people team partner who supports it in running engagement activities and making change happen.

Our colleague resource groups have been actively engaged in:

- Reviewing and editing our US and Canada Colleague Handbook
- Enabling the choice in use of pronouns in Workday – our HR management system – and use of these in our Active Directory and across our Microsoft tools
- Developing our first diversity data collection project to enable us to benchmark where we are today and track year on year improvement
- Changing the US holiday calendar from 2024 to enable colleagues to observe Martin Luther King Jr. Day, in addition to Juneteenth being observed from 2022

Colleague Resource Groups continue to actively create engagement opportunities for the wider community, bringing everyone together to learn, embrace and celebrate differences.

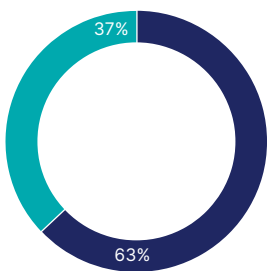
**Gender diversity**

As a UK-based company we see the requirement to publish gender pay gap figures as a positive indicator of our progress towards a fully inclusive workplace. From 2022 we extended this practice to include North America and the Netherlands.

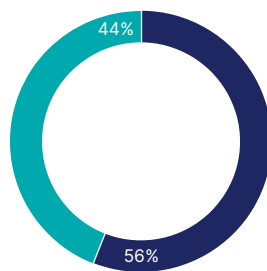
We are seeing steady progress but not as fast we would like it to be. Pay gaps exist because genders are not represented equally at different levels in the Company – not because we’re not paying equally. NCC Group still has too few women at senior levels of the organisation and while female representation has significantly improved, and we see women moving from lower pay quartiles to upper pay quartiles, we know there’s still much more to do.

Improving gender representation really matters to us. Overcoming the barriers of inclusion to achieve a gender-balanced workplace will take time and sustained effort, underpinned by a plan to drive change. We remain committed to progress on inclusion for the longer term, both for our current colleagues and future talent coming into our industry.

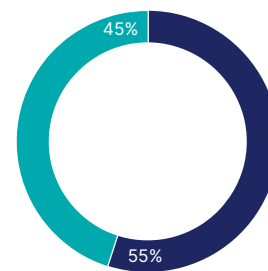
Board



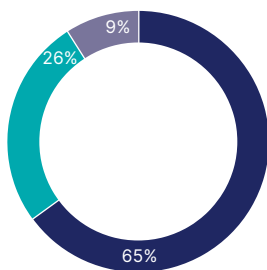
Executive Committee\*



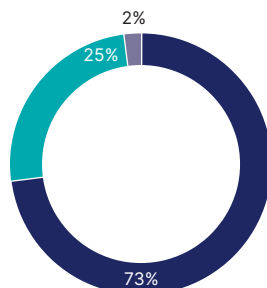
Direct reports to the Executive Committee



New hires in FY22



Group



■ Male  
■ Female  
■ Undisclosed

\* Includes the CEO and CFO.



“

NCC Group has become a hub for talent, a place where people can develop personally and professionally.”





# Championing sustainability through strategic action

As a part of our commitment to bolstering sustainability, this year marks an important milestone in our journey. We partnered with Ever Sustainable to undertake a comprehensive materiality assessment. This initiative has granted us the chance to engage directly with our colleagues, clients and shareholders, and the broader industry to benchmark our current standing, define our future priorities and integrate sustainability deeply into our operations.



Upon completion of the materiality assessment, we proudly present our inaugural sustainability strategy, available in our detailed launch report.

## Making the digital world safer and more secure

We recognise the paramount importance of Cyber Security as the world becomes more connected and relies on technology to progress. As a people-driven, technology-empowered global Cyber Security and Software Resilience business, we provide solutions that aim to make the digital world more secure and resilient. Our focus extends from cutting-edge technologies critical to achieving net zero transition plans, to fortifying existing technologies against potential cyber threats. It's what we do every day for our clients.

To further share our expertise, we developed a global giving back programme. This initiative empowers our colleagues to actively protect our local communities and fosters the next generation of cyber talent through partnerships and sponsorships.

- Delve into our business model on pages 14 and 15
- Explore our sustainability strategy launch report

## The change begins within

Recognising the vital role of sustainability, we assigned a Board member, Non-Executive Director and Head of the Audit Committee Lynn Fordham, to be responsible for sustainability in January 2023. Last summer, the Board took part in a workshop with our climate partner, Planet Mark, and now, with our new sustainability strategy in place, we are ready to enhance sustainability engagement at every level of our organisation.

Expanding our Climate Change Working Group to support TCFD reporting, we are setting in motion a structure wherein each key area identified in our sustainability launch report has executive ownership and associated KPIs. This will enable us to measure, track and report our progress, in alignment with our overarching business strategy.

➤ Read more on our strategy on pages 24 to 28



We are wholly committed to doing the right thing in the right way. It is our responsibility to uphold the promise we've made to our stakeholders, placing sustainability at the core of our business ethos. We are at the dawn of our journey, and armed with a culture of resilience and passion and a sustainability strategy shaped by our materiality assessment, we look forward to amplifying our positive impact."

**Mike Maddison**  
Chief Executive Officer





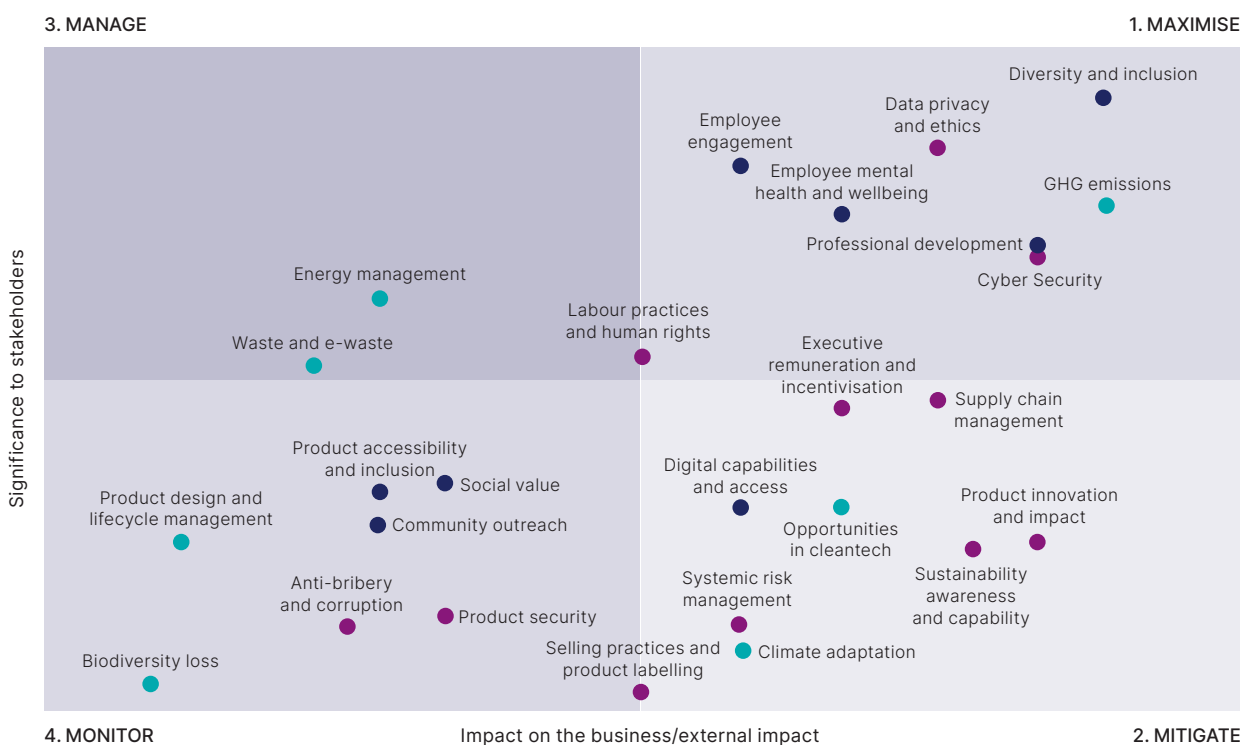
In preparation for reporting against the European Union Corporate Sustainability Reporting Directive (CSRD), we commissioned an independent materiality assessment that sought to understand stakeholder perception of how an issue could impact the Company and how the Company's activities have an external impact. This double materiality approach enables us to consider both the risk and the opportunity.

### Methodology

Based on the insights we have gained over the past few years from our stakeholders – from rating agencies to colleague surveys and client bid requests – we decided to assess impact against 26 topics across environmental, social and governance factors. It was important to us that we didn't restrict this list or close out any risks or opportunities, and we gave stakeholders further opportunity to comment on anything they thought was missing.

The assessment process sought to integrate industry research, risk, opportunity and impact analysis and insights gained from the stakeholder engagement process. These were then converted into quantitative scores where possible.

### Taking a multidimensional approach to materiality



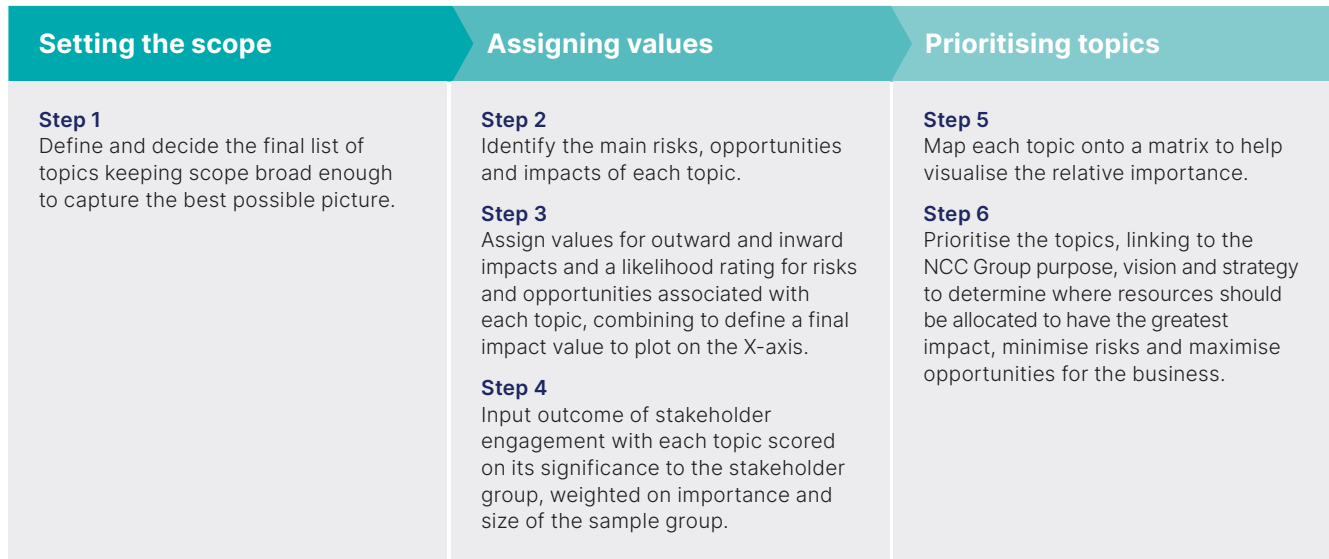
- |  |  |   |  |
|--|--|---|--|
| <b>1. MAXIMISE</b><br>● Diversity and inclusion<br>● GHG emissions<br>● Data privacy and ethics<br>● Professional development<br>● Cyber Security<br>● Employee mental health and wellbeing<br>● Employee engagement | <b>2. MITIGATE</b><br>● Supply chain management<br>● Executive remuneration and incentivisation<br>● Product innovation and impact<br>● Opportunities in cleantech<br>● Sustainability awareness and capability<br>● Digital capabilities and access<br>● Systemic risk management<br>● Climate adaptation | <b>3. MANAGE</b><br>● Labour practices and human rights<br>● Energy management<br>● Waste and e-waste | <b>4. MONITOR</b><br>● Social value<br>● Product accessibility and inclusion<br>● Community outreach<br>● Product security<br>● Anti-bribery and corruption<br>● Product design and lifecycle management<br>● Selling practices and product labelling<br>● Biodiversity loss |
|--|--|---|--|

Key: ● Environmental ● Social ● Governance

# Non-financial and sustainability information statement continued

## Taking a multidimensional approach to materiality continued

In assessing the relative importance of the topics in our materiality assessment we used the following process:



## Using materiality to drive strategy and impact

The materiality assessment helped us to identify what environmental, social and governance issues were most material and significant to our business and stakeholders. We looked at the topics plotted on the matrix through four lenses to do this and to identify areas to maximise, mitigate, monitor and manage.







The materiality assessment is just the start, and we will now develop specific goals and targets within our control in line with our business objectives and stakeholder expectations.

Enhancing our approach to sustainability enables us to mitigate risks (see page 70) and take advantage of new opportunities for growth and innovation – something that is at the heart of NCC Group’s DNA.

➔ Read more in our Q&A with Siân John on page 16

With a new framework, informed by the materiality assessment, we will continue to improve not only how we report and adhere to reporting regulations, but more importantly how we continue to drive responsible business practice.

The full detail of this and how that led to our new framework can be found in the sustainability strategy launch report.



### Securing our future

We firmly believe that our purpose and approach to sustainability are intertwined, ultimately securing our future as a business. Central to our purpose is the drive to make the digital world safer and more secure, building a global Cyber Security and Software Resilience capability that enhances and advances sustainable development.

Sustainable development relies on the adoption of digital technologies. The transition to a greener, more equitable and inclusive society manifests through the development of innovative solutions such as smart cities, renewable energy grids and clean transportation, as well as the accessibility and widespread adoption of remote education and healthcare solutions. However, these transformative benefits can only be fully realised when these digital solutions are resilient and trusted, which requires robust Cyber Security measures.

By advancing Cyber Security solutions and capacity building, we are facilitating a secure digital space that allows for the full potential of these sustainable initiatives to be unleashed. This makes Cyber Security not merely a defensive measure but a proactive enabler of progress and development.

Our purpose to make the digital world safer and secure transcends all five pillars of The United Nations Global Goals – peace, prosperity, people, the planet and partnerships. Digital transformation is a key enabler for all 17 of the Sustainable Development Goals (SDGs). Through effective global partnerships, we can ensure a safer, fairer world for everyone, in our increasingly digital lives.

Our purpose and our vision as a people-led, tech-enabled business position us as an essential partner in digital transformation and sustainable development.

# Climate action

## Greenhouse gas (GHG) emissions

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

Scope 3 emissions for transmission and distribution, and travel distances were calculated using the units of energy consumption and travel distances provided respectively, multiplied by the relevant BEIS emissions factors. Some conversions were used, for example gigajoules (GJ) to kilowatt-hours (kWh) and miles to kilometres (km).

Scope 3 emissions are not complete in FY23 – a survey was sent to our top suppliers (circa 80% of global spend) and to colleagues but neither received the response rate required to provide accurate benchmark data for their respective calculations. Our priority in FY24 is to improve on this with an engagement plan.

In FY23 we committed to improving the data collection process required from landlords. We significantly improved the number of offices in our calculations through improved landlord engagement, as well as extending coverage of our external data centres.

We have outlined our commitment to decarbonisation and our continuing net zero journey in our new sustainability strategy – and this includes focusing on including the relevant Scope 3 categories in future reporting. Once we have an accurate report on our emissions, we can then work with Planet Mark, and other experts where applicable, to set credible, science-based targets to achieve net zero before 2050.

The reporting period is aligned with our financial reporting year – 1 June to 31 May – and details GHG emissions from activities for which NCC Group is directly responsible. Having considered the production metrics within the business, we have concluded that annual turnover is the most appropriate to achieve a benchmark, which aligns with the carbon reduction policy and methodology we will work towards in FY24.

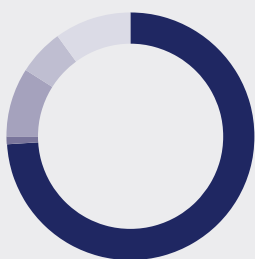
Our benchmark was set against a year still impacted by restrictions on travel caused by the global pandemic, and therefore this year we’ve observed an increase in travel and office usage. This has led to a temporary rise in our overall carbon intensity.

As a people-led business, this revitalisation of travel and face-to-face time was essential, and this is something impacting other businesses too. Despite the overall increase in emissions we were successful in reducing emissions per colleague by 4.6%, which is one of our metrics as we mature our carbon disclosure reporting capability.

Our focus continues on improving data, to fully understand the source of our emissions, and to enable us to set credible, science-based reductions to achieve net zero before 2050. By net zero, we follow the guidance from Planet Mark, which is aligned to the principles of the Science Based Targets initiative (SBTi) Corporate Net-Zero standard, which requires us to reduce absolute emissions across all three Scopes by at least 90%.

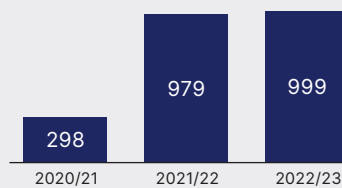
[Read more on our journey to net zero in our sustainability strategy launch report](#)

## Emissions by type (%)

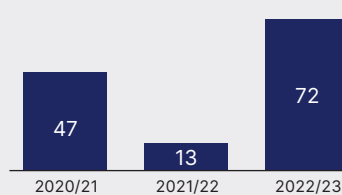


- Electricity: 74% (2022: 78.1%)
- Heat and steam: 1% (2022: 0.4%)
- Natural gas: 9% (2022: 15.1%)
- Company car travel: 6% (2022: 1.1%)
- Business travel: 10% (2022: 5.3%)

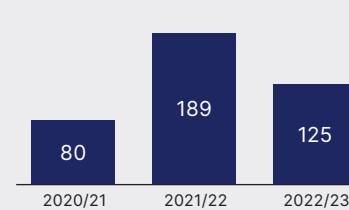
## Electricity and heat and steam (tCO<sub>2</sub>e)



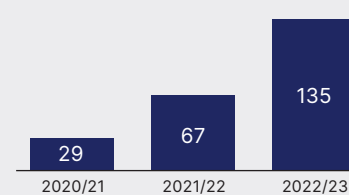
## Company owned cars (tCO<sub>2</sub>e)



## Gas (tCO<sub>2</sub>e)



## Business travel (tCO<sub>2</sub>e)





| Source  | Total GHG tCO <sub>2</sub> e |         |         | tCO <sub>2</sub> e change from previous year | % change from previous year |
|---|------------------------------|---------|---------|--|-----------------------------|
|   | 2021                         | 2022    | 2023    |  |                             |
| <b>Scope 1</b>                                      |                              |         |         |  |                             |
| Gas   | 80.0                         | 189.1   | 124.7   | (64.4)                                       | (34%)                       |
| Company vehicles                                    |                              |         |         |  |                             |
| Diesel  | 22.6                         | 5.2     | 3.0     | (2.2)  | (42%)                       |
| Petrol  | 24.2                         | 2.1     | 12.3    | 10.2   | 485%                        |
| Hybrid  | —                            | 4.0     | —       | (4.0)  | (100%)                      |
| Fleet fuel – petrol                                 | —                            | —       | 43.0    | 43.0   | —                           |
|   | 46.8                         | 11.3    | 58.3    | 47.0   | 415%                        |
| <b>Total Scope 1</b>                                | 126.8                        | 200.4   | 183.0   | (17.4)                                       | (9%)                        |
| <b>Scope 2</b>                                      |                              |         |         |  |                             |
| Electricity   | 297.8                        | 924.5   | 979.0   | 54.5   | 6.0%                        |
| Heat and steam                                      | —                            | 4.9     | 19.8    | 14.9   | 304%                        |
| Company vehicles – electric                         | —                            | 1.9     | 13.7    | 11.8   | 621%                        |
| <b>Total Scope 2</b>                                | 297.8                        | 931.3   | 1,012.5 | 81.2   | 9%                          |
| <b>Total Scope 1 and 2</b>                          | 424.6                        | 1,131.7 | 1,195.5 | 63.8   | 6%                          |
| <b>Scope 3</b>                                      |                              |         |         |  |                             |
| Business travel                                     | 29.1                         | 66.7    | 134.7   | 68.0   | 102%                        |
| Transmission and distribution losses                | —                            | 54.9    | 52.9    | (2.0)  | (4%)                        |
| Heat and steam transmission and distribution losses | —                            | 0.3     | —       | (0.3)  | (100%)                      |
| Fleet transmission and distribution losses          | —                            | —       | 0.3     | 0.3  | —                           |
| <b>Total Scope 3</b>                                | 29.1                         | 121.9   | 187.9   | 66.0   | 54.0%                       |
| <b>Total Scope 1, 2 and 3</b>                       | 453.7                        | 1,253.6 | 1,383.4 | 129.8  | 10.0%                       |

### Underlying energy use

The table below shows the proportion of energy use that occurs in the UK and non-UK countries alongside the total carbon emissions. In FY23, 43% of the Group's energy consumption and 35% of carbon emissions arose from the UK.

| Area         | FY23 energy use  |                        | FY23 carbon emissions                |                       |
|--------------|------------------|------------------------|--------------------------------------|-----------------------|
|              | kWh              | % of global energy use | Total emissions (tCO <sub>2</sub> e) | % of global emissions |
| UK           | 2,201,099        | 43%                    | 484.5                                | 35%                   |
| Non-UK       | 2,925,189        | 57%                    | 898.9                                | 65%                   |
| <b>Total</b> | <b>5,126,288</b> | <b>100%</b>            | <b>1,383.4</b>                       | <b>100%</b>           |

 [View our full carbon report on our website](#)

### Intensity metric

|                         | Total per £m turnover – location based |               |                                      |   |
|-------------------------|--|---------------|--------------------------------------|---|
|                         | Amount                                 | Turnover (£m) | Total emissions (tCO <sub>2</sub> e) | Intensity per turnover (tCO <sub>2</sub> e) |
| 1 June 2021–31 May 2022 | 4,453,010.00                           | 315           | 1,253.00                             | 4.00  |
| 1 June 2022–31 May 2023 | 5,126,288.00                           | 335           | 1,383.40                             | 4.10  |
| <b>Comparison</b>       | <b>15.10%</b>                          | <b>6.30%</b>  | <b>10.40%</b>                        | <b>2.50%</b>                                |

# Disclosure index

The following table provides readers with an index of where to find relevant non-financial information within this Annual Report and Accounts, in line with the Financial Reporting Directive requirements contained in sections 414CA and 414CB of the Companies Act 2006. Where relevant, additional information is signposted to further support the requirements.

| Reporting topic                   | Policies and standards which govern our approach   | Annual Report and Accounts section reference      | Page | Website resources  |
|-----------------------------------|--|---|------|--|
| Climate-related disclosures       | <ul style="list-style-type: none"> <li>• Environmental policy</li> </ul>   | • Sustainability report                           | 53   | <ul style="list-style-type: none"> <li>• Sustainability strategy launch report</li> <li>• Planet Mark certification</li> <li>• Streamlined Energy Carbon Report</li> </ul> |
|                                   |  | • TCFD report                                     | 70   |  |
|                                   |  | • Principal risks and uncertainties               | 40   |  |
|                                   |  | • Stakeholder engagement                          |      |  |
| Colleagues                        | <ul style="list-style-type: none"> <li>• Whistle-blowing policy</li> <li>• Code of Ethics</li> <li>• Disciplinary and grievance policy</li> </ul>  | • Sustainability report                           | 40   | <ul style="list-style-type: none"> <li>• Sustainability strategy launch report</li> </ul>  |
|                                   |  | • Stakeholder engagement                          | 115  |  |
|                                   |  | • Remuneration Committee report                   | 42   |  |
|                                   |  | • Our culture                                     |      |  |
| Social and community matters      | <ul style="list-style-type: none"> <li>• Modern slavery statement</li> <li>• Code of Ethics</li> <li>• Supply chain Code of Conduct</li> <li>• Giving back policy</li> <li>• Matched funding policy</li> </ul> | • Sustainability report                           | 40   | <ul style="list-style-type: none"> <li>• Sustainability strategy launch report</li> </ul>  |
|                                   |  | • Stakeholder engagement                          |      |  |
|                                   |  | • Modern slavery statement                        |      |  |
|                                   |  | • Data privacy policy                             |      |  |
|                                   |  | • Global equal opportunities and diversity policy |      |  |
| Respect for human rights          | <ul style="list-style-type: none"> <li>• Modern slavery statement</li> <li>• Data privacy policy</li> <li>• Global equal opportunities and diversity policy</li> </ul>   | • Sustainability report                           | 40   | <ul style="list-style-type: none"> <li>• Sustainability strategy launch report</li> </ul>  |
|                                   |  | • Stakeholder engagement                          |      |  |
|                                   |  | • Culture   |      |  |
| Anti-bribery and corruption       | <ul style="list-style-type: none"> <li>• Anti-bribery and corruption policy</li> <li>• Gifts and entertainment policy</li> </ul>   | • Sustainability report                           | 103  | <ul style="list-style-type: none"> <li>• Sustainability strategy launch report</li> </ul>  |
|                                   |  | • Audit Committee Report                          |      |  |
| Business model                    | • N/A  | • Our business model                              | 14   |  |
| Principal risks and uncertainties | <ul style="list-style-type: none"> <li>• Risk register</li> </ul>  | • Principal risks and uncertainties               | 70   |  |
|                                   |  | • Audit Committee Report                          | 103  |  |



# Evolving our sustainability agenda

We are pleased to present NCC Group’s second annual report in accordance with the Task Force on Climate-related Financial Disclosures (TCFD).

TCFD reporting helps organisations like ours disclose climate-related financial risks and opportunities in a structured way.

In alignment with the financial Listing Rule 9.8.6R(8) – which mandates climate-related disclosure for all UK listed companies – we have produced a comprehensive TCFD Report. Our report covers the four pillars recommended by TCFD: governance, strategy, risk management, and metrics/targets and the 11 disclosures recommended by TCFD except as noted below.

To ensure consistency across our report, we adhered to section C of the TCFD Annex, titled “Guidance for All Sectors”.

As a result the following are documented as partially compliant with further detail available within this report:

- Strategy B and C – we are in the process of considering financial implications of climate scenarios into our financial planning and in the next reporting period will look to develop a quantitative scenario analysis and integrate into financial planning.
- Metrics and Targets B – Scope 3 emissions are limited to business travel, electricity and distribution losses, heat and steam transmission and distribution losses. We continue to improve data collection from suppliers and understanding of colleague commuting impacts to enhance our reporting across other Scope 3 categories, through various planned engagement activities in the next period.

Each pillar of our report includes a table detailing our current disclosure and areas of focus for 2024.

Our assessment indicates a low risk of exposure to physical and transitional climate changes, thanks to our business model. However, we acknowledge the high importance of mitigating greenhouse gas emissions, which emerged as a priority from stakeholder feedback in our recent materiality assessment.

We continue to partner with Planet Mark, a leading sustainability certification organisation, to calculate, verify and target reductions in our carbon footprint and support our commitment towards net zero before 2050.

We recognise the considerable opportunities presented by the growing climate-focused market. Our collaborations with clients in industries such as electric vehicles, renewable energy, operational technology and other climate-friendly technologies underscore our readiness to seize these opportunities for sustainable growth.

## Governance

TCFD recommended disclosure

Compliance

NCC Group disclosure

Focus areas for FY24

| Governance  |           |  |  |
|---|-----------|--|--|
| <b>A. Describe the Board’s oversight of climate-related risks and opportunities</b> | Compliant | <ul style="list-style-type: none"> <li>• The Board has appointed the Head of the Audit Committee as the lead Non-Executive Director responsible for sustainability. Monthly updates are provided via the CFO report to the Board as well as directly from regular (at least twice per year) discussions with the Director of Investor Relations and Sustainability with the full Board, including an update on progress against the Group’s goals and targets where appropriate.</li> <li>• The Board takes overall accountability for the management of climate-related risks and opportunities and considers them as part of its overall risk review processes. For example, the Board (and management team) applied a range of relevant ESG criteria to facilitate conscious decision making on the location of NCC Group’s new global delivery centre to support execution of the strategy.</li> <li>• We are in the process of incorporating ESG criteria into the Group’s budgetary planning process and financial planning for FY25.</li> </ul> | <ul style="list-style-type: none"> <li>• From the 2023 materiality assessment, set goals for FY24, with at least quarterly updates through the CFO report, to show progress against the plan and continue to mature the process by which the Board will oversee progress against the targets for addressing climate-related issues.</li> <li>• Meet at least quarterly with the nominated NED responsible for sustainability to reflect, discuss and ensure actions are being taken.</li> <li>• Continue to develop NCC Group’s net zero journey and broader sustainability strategy with oversight and input from the Board.</li> </ul> |

Governance continued

TCFD recommended disclosure

Compliance

NCC Group disclosure

Focus areas for FY24

| Governance continued  |                  |   |  |
|---|------------------|---|--|
| <p><b>B. Describe the management’s role in assessing and managing climate-related risks and opportunities</b></p> | <p>Compliant</p> | <ul style="list-style-type: none"> <li>• A new role was created in January 2022 to bring sustainability and investor relations together. The newly appointed Director of Investor Relations and Sustainability (formerly Director of Corporate Affairs and Sustainability), reporting to the Chief Financial Officer, provides advice and updates to the Executive Committee on climate-related issues as and when relevant.</li> <li>• An Executive Risk Management (ERM) Committee, established in 2021, which meets quarterly addresses climate risk as part of that process.</li> </ul> | <ul style="list-style-type: none"> <li>• Continue to mature NCC Group’s net zero journey, including improvement of collation of Scope 3 emissions.</li> <li>• Review and update the terms of reference for the Climate Change Working Group in line with the materiality assessment and integrate into the existing Board and executive governance processes.</li> <li>• Once all new executive members are appointed and upon completion of the sustainability strategy, identify executive ownership for each element including climate change and how this is supported through the Climate Change Working Group.</li> <li>• Integrate the output from the double materiality assessment conducted in FY23 into our newly launched business strategy, to incorporate key ESG considerations into decision making where relevant.</li> </ul> |

Lynn Fordham, the lead Non-Executive Director for Sustainability, was appointed by the NCC Group Board Chair. In addition to her position as the Head of the Audit Committee, Lynn’s role is to oversee the Company’s sustainability strategy, ensure its integration with the overall business strategy, and provide regular sustainability updates to the Board.

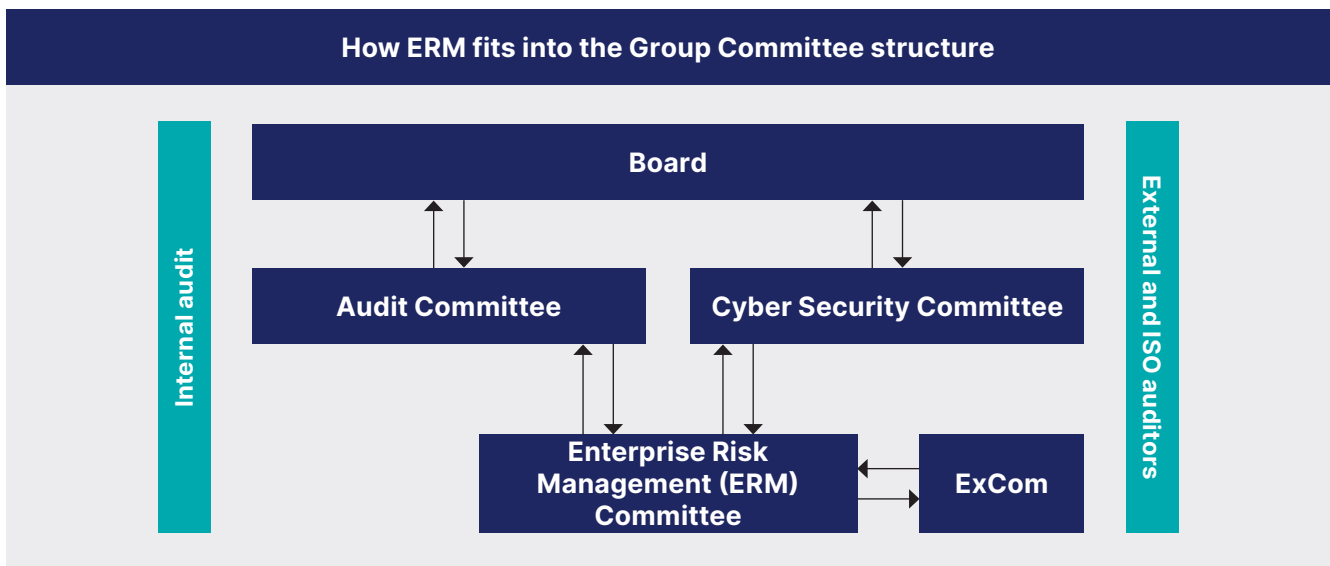
While there is no specific Board committee for environmental issues, an Executive Risk Management (ERM) Committee chaired by the Director of Global Governance addresses these issues. The ERM meets bi-monthly and is attended by our CEO and CFO. It discusses, among other risks, sustainability and environmental challenges, which are then reported to the Board.

From March to May 2023, we conducted our first materiality assessment considering both inward and outward impacts (see page 47 of the Annual Report for details). This exercise involved

various stakeholders, including shareholders, colleagues and clients. The results formed the foundation of our newly launched sustainability framework, which outlines our priority areas for the next one to three years.

As NCC Group’s business strategy evolves, the sustainability framework will be integrated into our strategic planning. An engagement programme is being developed to ensure that our internal stakeholders, including the Board, are informed, and engaged on not just climate change but all priority sustainability topics. This programme will feature training sessions, workshops and continued awareness-building initiatives.

The Board and the Executive Committee are committed to communicating their dedication to addressing climate change. This will be demonstrated through our annual Sustainability Report and reinforced through other appropriate internal and external communication channels throughout the financial year.



The above diagram shows how the Enterprise Risk Management Committee feeds into the Audit and Cyber Security Committees, which in turn reports to the Board. Actions are also driven back down from the Board as reflected in the above diagram.



# Strategy

TCFD recommended disclosure

Compliance

NCC Group disclosure

Focus areas for FY24

| Strategy  |                            |  |   |
|---|----------------------------|--|---|
| <p><b>A. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term</b></p>                                | <p>Compliant</p>           | <ul style="list-style-type: none"> <li>See tables on page 56 describing risks and opportunities, which were selected based on location of our existing business and known climate change risks affecting the broader region we operate in.</li> </ul>  | <ul style="list-style-type: none"> <li>Monitor actions arising from the risk register.</li> </ul>   |
| <p><b>B. Describe the impact of climate-related risks and opportunities in the organisation's business strategy and financial planning</b></p>                            | <p>Partially compliant</p> | <ul style="list-style-type: none"> <li>An impact in our ability to meet climate-related disclosures that are required by clients in their capture of Scope 3 emissions. Each sector we operate in has its own requirements, because of legislation and their own commitments. Not understanding or assessing this could have an impact on NCC Group's ability to meet the requirements in a contract.</li> <li>Climate-related taxes, or fines for non-compliance could impact the business if we fail to take action.</li> <li>Our ability to raise capital to invest in growth, may be restricted if we fail to make progress on climate related action, which forms part of sustainable lending requirements.</li> <li>As part of the verticalisation element of our strategy, we are undertaking research to ensure we meet the broader ESG criteria that applies to our clients. We are creating a knowledge bank for sales teams and will conduct regular briefings/ updates through internal channels.</li> </ul> | <ul style="list-style-type: none"> <li>Develop a knowledge management repository that supports sales/bid teams in accurately representing how NCC Group supports clients in meeting their specific climate-related disclosures.</li> <li>Working in collaboration with strategy, marketing and public affairs, ensure that environment and broader sustainability considerations are built into the understanding of client needs by sector and by region.</li> </ul> |
| <p><b>C. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario</b></p> | <p>Partially compliant</p> | <ul style="list-style-type: none"> <li>We have conducted an initial quantitative analysis against two scenarios of 1.5°C and 4°C.</li> </ul>   | <ul style="list-style-type: none"> <li>Develop the initial scenario analysis and integrate, aligned to NCC Group's strategy development, into future financial and strategic planning activities as our net zero journey matures.</li> </ul>  |

In our ongoing commitment to the TCFD's Strategy pillar, we are not only advancing our approach to managing climate-related risks but also actively pursuing growth opportunities within the climate change sphere. We've formed strategic partnerships, such as our collaboration with Planet Mark, to help us lower our carbon footprint and develop more sustainable business practices. As a proud member of techUK's Responsible Business Community, we're also exchanging insights and best practices with industry peers to collectively address climate change.

In early 2023, we appointed our first Director of Strategy, who will play a crucial role in our internal Climate Change Working Group. This group is currently tasked with evaluating the potential impact of climate change on our business operations, identifying both risks and opportunities. To date, the group has been focused on improving the collation of climate-related data to assess our current state and instrumental in helping to progress our ambitions to set achievable targets for reducing our carbon emissions over the next five years. New terms of reference for this working group are to be defined along with clearly identifying how it is embedded into our existing governance process from the Board down.

Our focus is not limited to risk mitigation but extends to exploring opportunities where we can make a positive impact. This includes improving the energy efficiency of our operations, collaborating with our landlords and requesting renewable energy sources, and identifying ways our technology solutions can contribute to our clients' sustainability efforts. As we continue our climate change journey, we are committed to regularly reporting our progress against these objectives, showing transparency in our endeavours, and constantly seeking ways to better our efforts.

## Climate-related risks

Our comprehensive risk management framework (summarised in the Risk Management section of the Annual Report on pages 70 to 80) has been instrumental in identifying and assessing climate-related risks. We categorise these risks into:

- Short term (less than one year) – based on short-term regulatory or policy changes impacting climate-related risks and opportunities as well as existing forecasting processes considered by management which are reviewed and evaluated on an annual basis.
- Medium term (one to five years) – based on regulatory changes that may affect climate-related risks and opportunities.
- Long term (more than five years) – based on the likely timeline of international agreements and commitments, technological trends and changes to policy or carbon pricing and their impact on our operations, client services and supply chain.

For instance, short-term risks might include immediate regulatory changes or extreme weather events, while long-term risks could be major shifts in our industry driven by the transition to a low carbon economy. Each identified risk is paired with corresponding mitigation measures, such as implementing energy-efficient technologies or diversifying our supply chain, aimed to reduce our vulnerability.

While these risks apply to the Group as a whole, we do recognise that certain locations face unique challenges. For example, our operations in coastal areas are more susceptible to rising sea levels and increased frequency of extreme weather events.

For a more detailed understanding of the climate-related risks and opportunities we face, please refer to the table below. It provides a snapshot of the specific challenges we're addressing and the strategic responses we have undertaken.

Strategy continued

Climate-related risks continued

| Risk   | Risk impact  | Short/medium/long term | Regions impacted  | Mitigating activities   |
|--|--|------------------------|---|---|
| <b>Physical risks</b>  |  |                        |   |   |
| <b>Extreme weather (acute)</b>                                   | Causing business disruption and loss of service delivery and therefore revenue                       | Short to medium term   | All but particularly North America (San Francisco) and Europe (Delft and Amsterdam) | <ul style="list-style-type: none"> <li>• Business interruption cover</li> <li>• Business Continuity Plans</li> <li>• Remote working in place</li> <li>• Dutch flood defences in place</li> </ul>  |
| <b>Sea level rises (chronic)</b>                                 | Increased likelihood of flooding in Delft and Amsterdam offices causing increased insurance premiums | Long term              | Europe – Delft and Amsterdam offices  |   |
| <b>Transition risks</b>  |  |                        |   |   |
| <b>Increase in taxes and levies for greenhouse gas emissions</b> | Disruption and increased costs to ensure compliance with new legislation                             | Medium term            | Depends on local legislation  | <ul style="list-style-type: none"> <li>• Working with Planet Mark to calculate our carbon footprint, ways to reduce it, and colleague and Board engagement, and helping progress our net zero journey</li> </ul>  |
| <b>Move to net zero</b>  | Increased costs required to lower emissions  | Long term              | Global  | <ul style="list-style-type: none"> <li>• Remote delivery of client services where possible</li> <li>• Company car scheme only for electric and hybrid vehicles (UK)</li> <li>• Annual calculation of Scope 1 and 2 emissions with Scope 3 emissions collation started</li> <li>• Rigorous and transparent budget setting will identify increasing costs associated with carbon emissions reduction</li> </ul> |
| <b>Margin risk</b>   | Impact on results due to extra costs incurred to lower emissions                                     | Medium term            | Global  | <ul style="list-style-type: none"> <li>• Accounting policies regularly reviewed</li> <li>• Rigorous and transparent budget setting will identify increasing costs associated with carbon emissions reduction</li> </ul>   |
| <b>Reputation risk</b>   | Increased stakeholder concern and changing customer behaviours                                       | Medium term            | Global  | <ul style="list-style-type: none"> <li>• Ongoing dialogue with investors</li> <li>• Benchmarking and independent reviews undertaken through a double materiality assessment</li> <li>• ESG information publicly available</li> </ul>  |
| <b>Supply chain risk</b>   | Substitution of existing products and services with lower emission options                           | Medium to long term    | Global  | <ul style="list-style-type: none"> <li>• Scope 3 questionnaires sent to supply chain partners equating to 80% of our spend</li> <li>• Business Continuity Plans</li> <li>• Reviewing office strategy</li> </ul>   |



Opportunities to further reduce NCC Group's impact on the environment:

**Resource efficiency:** By embracing more efficient modes of transport, promoting recycling, encouraging hybrid working models and operating within efficient buildings, we can lessen our environmental footprint, improve colleague satisfaction and reduce operational costs. For instance, removing unnecessary travel not only reduces our carbon emissions but also empowers colleagues with more control over their work-life balance, contributing to improved morale and productivity (anticipated medium to long-term benefits).

**Energy source:** Our transition to lower emission energy sources, underpinned by the introduction of an electric/hybrid car scheme for all UK colleagues, demonstrates our commitment to sustainable practices. By giving colleagues access to green car options, we are mitigating our exposure to future fossil fuel price fluctuations and regulations. It also addresses our colleagues' material concerns, fostering a culture of environmental responsibility and enhancing overall job satisfaction (medium to long-term impact).

**Market:** As industries evolve in response to climate change, we're strategically positioned to leverage these transformations. For example, by partnering with companies transitioning into alternative energy sources or working on projects involving smart meters, electric vehicles, IoT technology for waste reduction and cloud data centres, we anticipate strengthening our market position and enhancing our reputation as a sustainable and innovative enterprise (short to medium-term outlook).

**Resilience:** Our sustainable business model increases our resilience to climate-related risks, demonstrating our commitment to being a responsible and ethical supply chain partner. This commitment to sustainability not only aligns us with an increasingly eco-aware market but also empowers us to lead in the space, fostering a culture of innovation and responsible business practices (short to long-term perspective).

### Scenario analysis

To understand the risks and opportunities our business faces considering climate change, we have conducted a quantitative

scenario analysis using two distinct scenarios: a "<2°C" scenario (Scenario 1), where global warming is limited to less than 2°C with net zero achieved by 2050, and a "4°C" scenario (Scenario 2), where the goal of net zero by 2050 is not reached. A summary of the scenarios selected is provided below.

These scenarios are chosen to reflect the diverse spectrum of possibilities that could unfold due to different levels of global effort to curb climate change. In the context of these scenarios, "transition risks" refer to the challenges associated with the shift towards a lower carbon economy, while "physical risks" denote the potential damage caused by climate change itself.

In terms of the risks selected, these were based on physical locations and the nature of our business in key locations of North America, the UK, Europe and Asia Pacific. We are in the process of flowing this into our financial planning and will continue to do so as we mature our climate action planning and reporting.

Under Scenario 1, we anticipate higher transition risks due to rapid shifts in regulatory and market conditions, but the physical risks would be significantly reduced due to the effective global action on climate change. Conversely, Scenario 2 predicts lower transition risks but considerably higher physical risks due to the lack of substantial progress towards climate goals.

We've further broken down these risks by timeline, classifying them as short term (less than one year), medium term (one to five years), and long term (more than five years). The table below offers a comprehensive overview of NCC Group's potential exposure to both transition and physical risks under each scenario.

While our current analysis is qualitative, we are working towards quantifying these risks and opportunities as we progress towards our net zero targets and improve our data collection across Scope 1, 2 and 3 emissions. At this point, we don't foresee a significant impact on our Financial Statement disclosures based on our materiality assessment results see page 47 of the Annual Report and known near to mid-term regulatory developments. However, we will continuously monitor both transition and physical risks, adjusting our mitigation strategy as necessary.

| Risk type       | Risk                         | Risk impact  | Scenario | Short term (<1 year 2023) | Medium term (1–5 years 2024–2029) | Long term (>5 years >2029) |
|-----------------|------------------------------|--|----------|---------------------------|-----------------------------------|----------------------------|
| Physical risk   | Rising sea levels            | Risk to NCC Group offices located in high risk areas, e.g. Delft, as well as colleague and customer homes resulting in business disruption | 1        | Low                       | Low                               | High                       |
|                 |                              |  | 2        | Low                       | High                              | High                       |
|                 | Flooding                     | Impact to service quality and disruption to systems, increased costs to relocate colleagues  | 1        | Low                       | Low                               | Low                        |
|                 |                              |  | 2        | Low                       | High                              | High                       |
| Transition risk | Increase in taxes and levies | Disruption and increased costs to ensure compliance with new legislation   | 1        | Low                       | Medium                            | High                       |
|                 |                              |  | 2        | Low                       | Low                               | Low                        |
|                 | Margin risk                  | Impact on results due to extra costs incurred to lower emissions   | 1        | Low                       | Medium                            | High                       |
|                 |                              |  | 2        | Low                       | Low                               | Low                        |
|                 | Reputation risk              | Increased stakeholder concern and changing customer behaviours   | 1        | Low                       | Medium                            | High                       |
|                 |                              |  | 2        | Low                       | High                              | High                       |
|                 | Supply chain risk            | Substitution of existing products and services with lower emission options   | 1        | Low                       | Medium                            | High                       |
|                 |                              |  | 2        | Low                       | Low                               | High                       |

## Strategy continued

### Financial planning

We recognise the significant implications of climate-related risks and opportunities on our financial planning. We anticipate shifts in our future business model and strategy in response to evolving market conditions due to climate change. We foresee potential changes in customer preferences towards more sustainable products and services, along with possible disruptions in our supply chain due to extreme weather events. These factors are thoroughly considered in our business strategy development.

Our business strategy has been designed to be resilient to future economic and climate-related scenarios. And by running regular scenarios we can test that resilience, and ensure it's considered in future business strategy development, enabling us to adapt accordingly, without disrupting or negatively impacting current operations.

The scenarios are based on industry insights, which were used in the expert input into our materiality assessment. We will look to assess the potential financial implications of various climate scenarios and factor these into our revenue forecasts, expenditure

plans and asset valuations from FY25 onwards. This will include a detailed analysis of potential climate-related liabilities and their impact on our financial stability.

Our future aspiration is to incorporate climate considerations to influence future investment decisions by the Group, always reducing our carbon footprint, and gradually divesting areas that carry high climate-related risks. For now though, we are actively working to improve our operational efficiency and addressing things we can directly influence to reduce our impact on the environment and realise cost savings.

In summary, our organisation is committed to integrating climate considerations into our financial planning process. We will continue to refine our approach as we gain more data and insights into the evolving climate scenarios.

## Risk management

| TCFD recommended disclosure  | Compliance | NCC Group disclosure  | Focus areas for FY24  |
|--|------------|---|---|
| <b>Risk management</b>   |            |   |   |
| <b>A. Describe the organisation's processes for identifying and assessing climate-related risks</b>  | Compliant  | <ul style="list-style-type: none"> <li>Climate-related risks are managed through our enterprise risk management framework.</li> </ul>   | <ul style="list-style-type: none"> <li>Monitor actions arising from the risk register.</li> </ul> |
| <b>B. Describe the organisation's processes for managing climate-related risks</b>   | Compliant  | <ul style="list-style-type: none"> <li>Climate-related risks are documented, mitigating actions are considered, a risk rating is assigned and associated actions are documented and followed up.</li> </ul> | <ul style="list-style-type: none"> <li>Monitor actions arising from the risk register.</li> </ul> |
| <b>C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management</b> | Compliant  | <ul style="list-style-type: none"> <li>Climate-related risks are managed through our enterprise risk management framework.</li> </ul>   | <ul style="list-style-type: none"> <li>Monitor actions arising from the risk register.</li> </ul> |

As part of our robust materiality assessment, we conducted in-depth, topic-based and industry research to identify our most material sustainability issues.

Through a detailed materiality matrix, we also identified opportunities to enhance our sustainability performance by focusing on reducing GHG emissions, monitoring product design and lifecycle management, and mitigating biodiversity loss. Our approach is to address these opportunities through targeted initiatives in cleantech, increasing sustainability awareness and capability, and climate adaptation.

Addressing these issues will involve closer collaboration with our supply chain, particularly our global landlords and our top suppliers. A key initiative in this regard is our Data Centre Management Strategy, aimed at reducing our energy consumption. In collaboration with our web development partner, Nexer, we have successfully reduced the energy consumption of our websites by 50%, applying eco-design principles.

Climate-related risks are managed through our NCC Group Enterprise Risk Management (ERM) framework. This framework, which is detailed in the Risk Management section of the Annual Report on page 70, uses a sophisticated risk model to assess and score each risk based on likelihood and impact. Risks are re-evaluated consistently to ensure we're responsive to evolving circumstances.

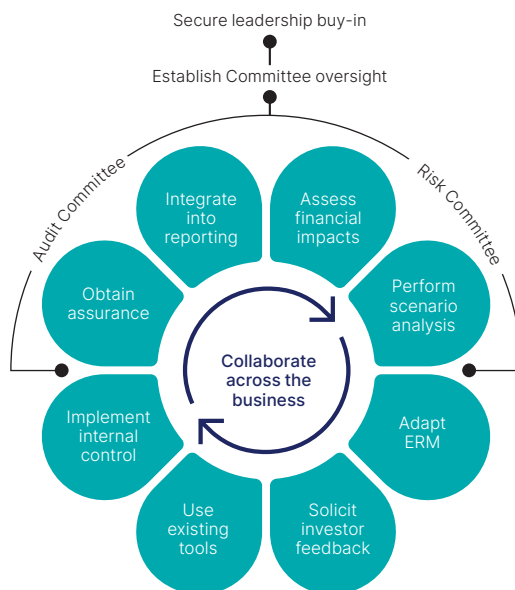
Our risk management approach combines "top-down strategic" and "bottom-up operational" perspectives, fostering collaboration and promoting efficient risk identification. With respect to climate-related risks, we have outlined our strategies and targets for GHG emissions reduction and biodiversity preservation.

These climate-related risks are integrated into our Principal Risks section (page 70). The Executive Risk Management Committee plays an active role in the ongoing review of these risks, their mitigations, controls and associated actions. This Committee meets on a regular basis and follows a stringent process for identifying, assessing, responding to and escalating serious concerns related to these risks.

We firmly believe that this integrated and transparent approach will ensure effective risk management aligned with the principles of TCFD, while driving our strategic objectives for sustainability.



## How we manage risks



## Metrics and targets

TCFD recommended disclosure

Compliance

NCC Group disclosure

Focus areas for FY24

| Metrics and targets  |   |   |  |
|--|---|---|--|
| <p><b>A. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process</b></p> | <p>Compliant</p>  | <ul style="list-style-type: none"> <li>Reporting of greenhouse gas emissions for FY23 compared to prior years.</li> <li>Commitment to net zero before 2050 in line with the Paris Agreement with regular reviews to improve as and when broader Scope 3 data is available.</li> <li>Climate-related performance metrics incorporated into Remuneration Committee Report (see page 115). This is in line with our Planet Mark certification commitment to reduce greenhouse gas emissions year on year. In our first two years, we are aiming to reduce our total greenhouse gas emissions by 5% recognising that as our data collection matures and improves, we may need to re-evaluate. In FY23 we achieved a -4.6% reduction in colleague intensity, but an overall increase of 10% as we saw a return to travel and office use following the pandemic.</li> </ul> | <ul style="list-style-type: none"> <li>Improve Scope 3 data collection and management to accelerate NCC Group's net zero journey.</li> </ul>   |
| <p><b>B. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas emissions and the related risks</b></p>  | <p>Partially compliant – Scope 3 emissions still in their infancy</p> | <ul style="list-style-type: none"> <li>Scope 1 and 2 greenhouse gas emissions for FY23 vs FY22.</li> <li>Scope 3 emissions limited to business travel, electricity transmission and distribution losses, heat and steam transmission and distribution losses.</li> <li>Supplier engagement to provide data was limited in response.</li> <li>Colleague commuting data collated as part of the materiality assessment but not enough responses to enable calculation.</li> </ul>   | <ul style="list-style-type: none"> <li>Improve supplier and colleague engagement to gather required Scope 3 data from supply chain activities and colleagues in relation to commuting and working from home impact.</li> </ul> |
| <p><b>C. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets</b></p>                       | <p>Compliant</p>  | <ul style="list-style-type: none"> <li>Set year two reduction in line with Planet Mark recommendations of 5%. This includes reducing colleague intensity by 2.5% (4.6% achieved in FY23), and market intensity by 2.5%. We will also continue to seek location intensity through better understanding of our data and the steps we can take to reduce our impact.</li> </ul>  | <ul style="list-style-type: none"> <li>Seek opportunities, as NCC Group's management of climate change matures, to accelerate achieving net zero before 2050.</li> </ul>   |

➔ Further details on our action to tackle climate change are provided in our Sustainability strategy launch report

# Q&A with Guy Ellis



Guy was appointed Chief Financial Officer (CFO) in June 2023. He joined the business in July 2021 as Group Commercial Finance Director after senior commercial roles at Asda, Mothercare and Specsavers. We sat down with Guy to find out his views on all things finance. Prior to his appointment to CFO, Guy spent time as Interim Managing Director of the Software Resilience business and latterly Interim Managing Director of the UK and APAC Cyber Security business.

**Q. What do you think the role of a finance department should be?**

The most effective finance functions act as a strategic force within a business. Within the NCC Group finance function, we have the traditional finance teams, as well as governance, legal, investor relations, sustainability and procurement. Powered by the right data, the value is created when we are working together to unlock the insights.

It's what allows us as a function to challenge, provoke and provide new perspectives.

**Q. What are you going to bring to the role?**

I'm experienced in driving through transformational change. That's what really excites me. I'm going to bring this experience to the role to ensure we execute our strategy successfully.

In the short term I'm focused on standardisation and simplification across our business. This is what will give us the foundations to scale at pace globally.

And I will use financial insights to provide continual challenge to both the executive team and the Board. I see that as a critical element of my role.

**Q. How do you view the current Cyber Security market?**

The world is becoming more connected and Cyber Security risk increases in tandem – so overall I have a positive outlook.

Yes, we suffered in the second half from changes to buying habits from the West Coast tech giants and our UK clients, but I'm confident that our strategy will see us able to better navigate these short-term challenges, as well as thrive long into the future.

**Q. Where do you think the opportunities lie?**

We have a business filled with incredible people. We have technical abilities that are well respected within the Cyber Security industry. We are building out our capabilities to offer clients true end-to-end Cyber Security services designed around their needs. And we are moving from an international company to a fully global business.

The opportunities are significant. This is the right strategy. Right now we are focused on relentless execution – and I am certain we will come out the other side as the global leader in our space, and a sustainable, adaptable, agile business.





2023 has been a challenging year for the Group, as our expected revenue performance, and consequently our profitability, suffered from the market dynamics within Cyber Security.”

**Guy Ellis**  
Chief Financial Officer

## 2022/23 key activities

- Finalised the full operational review of the Software Resilience business to create additional Group contribution
- Completed a scheduled refinance process with enhanced banking facilities
- Continued to demonstrate effective cash management with strong cash conversion

## 2023/24 priorities

- Identify cost efficiencies across Cyber Security and corporate functions, achieving in-year savings and full annualised contribution from FY25 onwards
- Drive transformational change in processes and insights to support the business as we embed our strategy
- Maintain strong cash conversion

## Overview of financial performance

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

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

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

3 Depreciation and amortisation excludes amortisation of acquired intangibles.

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

### Overview of financial performance continued

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

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

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

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

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

In our Software Resilience division, following the completion of the acquisition of IPM in June 2021, we experienced our first full year of IPM contract renewals, which contributed to overall growth in the division of +7.5% on a constant currency basis<sup>1</sup> to £64.3m (+14.2% at actual rates). However, considering the prior year Software Resilience fair value revenue adjustment (£4.4m) to these potential contract renewals, total Software Resilience revenue decreased by -0.5% at constant currency<sup>1</sup> (+5.9% actual rates). Escrow-as-a-Service (EaaS), our cloud escrow proposition, generated sale orders of £4.7m, an increase of 38% compared to the prior year (2022: +£3.4m).

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

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

Operating profit for the year has decreased by 94.5% to £1.9m (2022: £34.7m) following the above decrease in gross profit (£0.6m) and the increase in overheads noted above. Our performance also incurred the indirect trading cost hosting our

in person global NCC Conferences in June 2022 for the first time since 2019, estimated to amount to a total direct and indirect impact of c.£5m year-on-year, of which c.£2.3m related directly to the conferences (non-client travel costs).

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

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

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

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

Our Balance Sheet and facility headroom remains strong, during December 2022 we secured a new four-year £162.5m multi-currency revolving credit facility. This replaced our existing £100m multi-currency revolving credit facility and the remaining \$46.7m of the original \$70m term loan that was maturing in June 2024. The new facility now matures in December 2026 and includes a £75m uncommitted accordion option. In addition, we also secured an increase to our leverage covenant from 2.5x to 3.0x with an additional acquisition spike to 3.5x for the first twelve months of any acquisition. The weighted average margin of the facility also decreased and is payable on a ratchet mechanism above SONIA & SOFR in the range of 1.00% to 2.25% depending on the level of the Group's leverage. The average interest rate for the year was 4.54% and is currently 6.27% following recent changes to base interest rates.

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

### Alternative Performance Measures (APMs)

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

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

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

As the Group manages internally its performance at an Adjusted operating profit level (before Individually Significant Items, amortisation of acquired intangibles and share-based payments), which management believes represents the underlying trading of the business; this information is still disclosed as an APM within this Annual Report. This APM is reconciled to statutory operating profit, together with the

consequently Adjusted basic EPS (before amortisation of acquisition intangibles, share-based payments and Individually Significant Items and tax effect thereon) to statutory basic EPS.

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

- Adjusted EBITDA (reconciled in Note 3)
- Adjusted operating profit (reconciled in Note 3)
- Adjusted basic EPS (pence) (reconciled in Note 11)
- Net debt excluding lease liabilities (reconciled in Note 3)
- Net debt (reconciled in Note 3)
- Cash conversion which includes Adjusted EBITDA (reconciled in Note 3)
- Constant currency revenue (reconciled in Note 3)

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

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

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

## Financial summary

### Summary Income Statement

|  | 2023<br>£m   | 2022<br>£m | % change |
|--|--------------|------------|----------|
| <b>Revenue</b>                               | <b>335.1</b> | 314.8      | 6.4%     |
| Cost of sales                                | (203.1)      | (182.2)    | 11.5%    |
| <b>Gross profit</b>                          | <b>132.0</b> | 132.6      | (0.5%)   |
| Depreciation and amortisation <sup>2</sup>   | (12.6)       | (11.1)     | 13.5%    |
| Administrative expenses <sup>3</sup>         | (90.6)       | (73.4)     | 23.4%    |
| <b>Adjusted operating profit<sup>1</sup></b> | <b>28.8</b>  | 48.1       | (40.1%)  |
| Individually Significant Items               | (14.7)       | (0.9)      | 1,533.3% |
| Acquired intangible amortisation             | (10.0)       | (8.6)      | 16.3%    |
| Share-based payments                         | (2.2)        | (3.9)      | (43.6%)  |
| <b>Operating profit</b>                      | <b>1.9</b>   | 34.7       | (94.5%)  |
| Finance costs                                | (6.2)        | (3.7)      | 67.6%    |
| <b>(Loss)/profit before taxation</b>         | <b>(4.3)</b> | 31.0       | (113.9%) |
| Taxation                                     | (0.3)        | (8.0)      | (96.3%)  |
| <b>(Loss)/profit Profit for the year</b>     | <b>(4.6)</b> | 23.0       | (120.0%) |
| <b>EPS</b>                                   |              |            |          |
| Basic EPS                                    | (1.5p)       | 7.4p       | (120.3%) |
| Adjusted Basic EPS <sup>1</sup>              | 6.1p         | 10.8p      | (43.5%)  |

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

2 Depreciation and amortisation excludes acquired intangible amortisation.

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



## Financial review continued

### Financial summary continued

#### Revenue summary

|                      | 2023<br>£m   | 2022<br>£m   | %<br>change at<br>actual rates | 2023<br>£m   | Constant<br>currency <sup>1</sup><br>2022<br>£m | % change at<br>constant<br>currency <sup>1</sup> |
|----------------------|--------------|--------------|--------------------------------|--------------|---|--|
| Cyber Security       | 270.8        | 258.5        | 4.8%                           | 270.8        | 270.5   | 0.1%   |
| Software Resilience  | 64.3         | 56.3         | 14.2%                          | 64.3         | 59.8  | 7.5%   |
| <b>Total revenue</b> | <b>335.1</b> | <b>314.8</b> | <b>6.4%</b>                    | <b>335.1</b> | <b>330.3</b>                                    | <b>1.5%</b>                                      |

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

### Divisional performance

#### Cyber Security

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

Cyber Security revenue analysis – by originating country:

|                                     | 2023<br>£m   | 2022<br>£m   | % change at<br>actual rates | 2023<br>£m   | Constant<br>currency <sup>1</sup><br>2022<br>£m | % change at<br>constant<br>currency <sup>1</sup> |
|-------------------------------------|--------------|--------------|-----------------------------|--------------|---|--|
| UK and APAC                         | 118.4        | 114.6        | 3.3%                        | 118.4        | 115.0   | 3.0%   |
| North America                       | 99.3         | 94.1         | 5.5%                        | 99.3         | 104.4   | (4.9%)   |
| Europe                              | 53.1         | 49.8         | 6.6%                        | 53.1         | 51.1  | 3.9%   |
| <b>Total Cyber Security revenue</b> | <b>270.8</b> | <b>258.5</b> | <b>4.8%</b>                 | <b>270.8</b> | <b>270.5</b>                                    | <b>0.1%</b>                                      |

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

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

|                                     | H1 2023<br>£m | H1 2022<br>£m | % change at<br>actual rates | H1 2023<br>£m | Constant<br>currency <sup>1</sup><br>H1 2022<br>£m | % change at<br>constant<br>currency <sup>1</sup> |
|-------------------------------------|---------------|---------------|-----------------------------|---------------|--|--|
| UK and APAC                         | 61.6          | 54.6          | 12.8%                       | 61.6          | 55.0   | 12.0%  |
| North America                       | 59.2          | 44.0          | 34.5%                       | 59.2          | 51.0   | 16.1%  |
| Europe                              | 24.2          | 24.6          | (1.6%)                      | 24.2          | 24.9   | (2.8%)   |
| <b>Total Cyber Security revenue</b> | <b>145.0</b>  | <b>123.2</b>  | <b>17.7%</b>                | <b>145.0</b>  | <b>130.9</b>                                       | <b>10.8%</b>                                     |

|                                     | H2 2023<br>£m | H2 2022<br>£m | % change at<br>actual rates | H2 2023<br>£m | Constant<br>currency <sup>1</sup><br>H2 2022<br>£m | % change at<br>constant<br>currency <sup>1</sup> |
|-------------------------------------|---------------|---------------|-----------------------------|---------------|--|--|
| UK and APAC                         | 56.8          | 60.0          | (5.3%)                      | 56.8          | 60.0   | (5.3%)   |
| North America                       | 40.1          | 50.1          | (20.0%)                     | 40.1          | 53.4   | (24.9%)  |
| Europe                              | 28.9          | 25.2          | 14.7%                       | 28.9          | 26.2   | 10.3%  |
| <b>Total Cyber Security revenue</b> | <b>125.8</b>  | <b>135.3</b>  | <b>(7.0%)</b>               | <b>125.8</b>  | <b>139.6</b>                                       | <b>(9.9%)</b>                                    |

## Divisional performance continued

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

|                                     | 2023<br>£m   | 2022<br>(restated)*<br>£m | % change<br>at actual<br>rates | 2023<br>£m   | Constant<br>currency <sup>1</sup><br>2022<br>(restated)*<br>£m | % change at<br>constant<br>currency <sup>1</sup> |
|-------------------------------------|--------------|---------------------------|--------------------------------|--------------|--|--|
| Global Professional Services (GPS)  | 199.3        | 195.4                     | 2.0%                           | 199.3        | 205.6  | (3.1%)   |
| Global Managed Services (GMS)       | 67.8         | 58.6                      | 15.7%                          | 67.8         | 60.3   | 12.4%  |
| Product sales (own and third party) | 3.7          | 4.5                       | (17.8%)                        | 3.7          | 4.6  | (19.6%)  |
| <b>Total Cyber Security revenue</b> | <b>270.8</b> | <b>258.5</b>              | <b>4.8%</b>                    | <b>270.8</b> | <b>270.5</b>   | <b>0.1%</b>                                      |

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

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

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

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

|                                     | H1 2023<br>£m | H1 2022<br>£m | % change<br>at actual<br>rates | H1 2023<br>£m | Constant<br>currency <sup>1</sup><br>H1 2022<br>£m | % change at<br>constant<br>currency <sup>1</sup> |
|-------------------------------------|---------------|---------------|--------------------------------|---------------|--|--|
| Global Professional Services (GPS)  | 111.1         | 93.6          | 18.7%                          | 111.1         | 100.6  | 10.4%  |
| Global Managed Services (GMS)       | 32.2          | 28.4          | 13.4%                          | 32.2          | 29.1   | 10.7%  |
| Product sales (own and third party) | 1.7           | 1.2           | 41.7%                          | 1.7           | 1.2  | 41.7%  |
| <b>Total Cyber Security revenue</b> | <b>145.0</b>  | <b>123.2</b>  | <b>17.7%</b>                   | <b>145.0</b>  | <b>130.9</b>                                       | <b>10.8%</b>                                     |

|                                     | H2 2023<br>£m | H2 2022<br>£m | % change<br>at actual<br>rates | H2 2023<br>£m | Constant<br>currency <sup>1</sup><br>H2 2022<br>£m | % change at<br>constant<br>currency <sup>1</sup> |
|-------------------------------------|---------------|---------------|--------------------------------|---------------|--|--|
| Global Professional Services (GPS)  | 88.2          | 101.8         | (13.4%)                        | 88.2          | 105.2  | (16.0%)  |
| Global Managed Services (GMS)       | 35.6          | 30.2          | 17.9%                          | 35.6          | 31.2   | 14.1%  |
| Product sales (own and third party) | 2.0           | 3.3           | (39.4%)                        | 2.0           | 3.4  | (41.2%)  |
| <b>Total Cyber Security revenue</b> | <b>125.8</b>  | <b>135.3</b>  | <b>(7.0%)</b>                  | <b>125.8</b>  | <b>139.8</b>                                       | <b>(9.9%)</b>                                    |

Cyber Security gross profit is analysed as follows:

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

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

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

|   | H1 2023<br>£m | H1 2023<br>% margin | H1 2022<br>£m | H1 2022<br>% margin | % pts<br>change   |
|---|---------------|---------------------|---------------|---------------------|-------------------|
| UK and APAC                                     | 22.9          | 37.2%               | 22.4          | 41.0%               | (3.8% pts)        |
| North America                                   | 16.6          | 28.0%               | 14.1          | 32.0%               | (4.0% pts)        |
| Europe  | 9.7           | 40.1%               | 7.9           | 32.1%               | 8.0% pts          |
| <b>Cyber Security gross profit and % margin</b> | <b>49.2</b>   | <b>33.9%</b>        | <b>44.4</b>   | <b>36.0%</b>        | <b>(2.1% pts)</b> |

## Financial review continued

### Divisional performance continued

#### Cyber Security continued

Gross margins in Europe increased by 8.0% pts due to the recognition of historic project cost compensation of £1.5m. Excluding this one-off item, the margin would have increased 3.8%.

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

#### Software Resilience

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

Software Resilience revenue analysis – by originating country:

|  | 2023<br>£m  | 2022<br>£m | % change<br>at actual<br>rates | 2023<br>£m  | Constant<br>currency <sup>1</sup><br>2022<br>£m | % change<br>at constant<br>currency <sup>1</sup> |
|--|-------------|------------|--------------------------------|-------------|---|--|
| UK                                       | 25.8        | 25.4       | 1.6%                           | 25.8        | 25.4  | 1.6%   |
| North America                            | 34.5        | 26.8       | 28.7%                          | 34.5        | 30.2  | 14.2%  |
| Europe                                   | 4.0         | 4.1        | (2.4%)                         | 4.0         | 4.2   | (4.8%)   |
| <b>Total Software Resilience revenue</b> | <b>64.3</b> | 56.3       | 14.2%                          | <b>64.3</b> | 59.8  | 7.5%   |

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

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

|  | H1 2023<br>£m | H1 2022<br>£m | % change<br>at actual<br>rates | H1 2023<br>£m | Constant<br>currency <sup>1</sup><br>H1 2022<br>£m | % change<br>at constant<br>currency <sup>1</sup> |
|--|---------------|---------------|--------------------------------|---------------|--|--|
| UK                                       | 12.3          | 12.6          | (2.4%)                         | 12.3          | 12.7   | (3.1%)   |
| North America                            | 17.3          | 12.3          | 40.7%                          | 17.3          | 14.7   | 17.7%  |
| Europe                                   | 2.0           | 2.0           | —                              | 2.0           | 2.0  | —  |
| <b>Total Software Resilience revenue</b> | <b>31.6</b>   | 26.9          | 17.5%                          | <b>31.6</b>   | 29.4   | 7.5%   |

|  | H2 2023<br>£m | H2 2022<br>£m | % change<br>at actual<br>rates | H2 2023<br>£m | Constant<br>currency <sup>1</sup><br>H2 2022<br>£m | % change<br>at constant<br>currency <sup>1</sup> |
|--|---------------|---------------|--------------------------------|---------------|--|--|
| UK                                       | 13.5          | 12.8          | 5.5%                           | 13.5          | 12.7   | 6.3%   |
| North America                            | 17.2          | 14.5          | 18.6%                          | 17.2          | 15.5   | 11.0%  |
| Europe                                   | 2.0           | 2.1           | (4.8%)                         | 2.0           | 2.2  | (9.1%)   |
| <b>Total Software Resilience revenue</b> | <b>32.7</b>   | 29.4          | 11.2%                          | <b>32.7</b>   | 30.4   | 7.5%   |

Software Resilience revenues analysed by service line:

|  | 2023<br>£m  | 2022<br>£m | % change<br>at actual<br>rates | 2023<br>£m  | Constant<br>currency <sup>1</sup><br>2022<br>£m | % change<br>at constant<br>currency <sup>1</sup> |
|--|-------------|------------|--------------------------------|-------------|---|--|
| <b>On a statutory basis</b>              |             |            |                                |             |   |  |
| Software Resilience contracts            | 42.8        | 38.1       | 12.3%                          | 42.8        | 40.4  | 5.9%   |
| Verification services                    | 21.5        | 18.2       | 18.1%                          | 21.5        | 19.4  | 10.8%  |
| <b>Total Software Resilience revenue</b> | <b>64.3</b> | 56.3       | 14.2%                          | <b>64.3</b> | 59.8  | 7.5%   |



## Divisional performance continued

### Software Resilience continued

After considering the prior year Software Resilience fair value revenue adjustment<sup>2</sup> (£4.4m), Software Resilience contracts revenue on a like for like basis decreased by -4.9% at constant currency<sup>1</sup> (+1.2% actual rates). Verification services increased by +9.7% at constant currency<sup>1</sup> (+16.8% actual rates). The prior year fair value adjustment in relation to deferred revenue of £4.4m is no longer relevant to FY23 statutory results, as the adjustment has unwound following the renewal of IPM contracts or completion of verification services.

Gross margin is analysed as follows:

|  | 2023<br>£m  | 2023<br>% margin | 2022<br>£m | 2022<br>% margin | % pts<br>change |
|--|-------------|------------------|------------|------------------|-----------------|
| UK   | 18.2        | 70.0%            | 17.7       | 69.3%            | 1.2% pts        |
| North America  | 25.0        | 72.9%            | 19.8       | 74.3%            | (1.8% pts)      |
| Europe   | 2.7         | 67.5%            | 2.8        | 68.3%            | (0.8% pts)      |
| <b>Software Resilience gross profit and % margin</b> | <b>45.9</b> | <b>71.4%</b>     | 40.3       | 71.6%            | (0.2% pts)      |

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

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

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

|  | H2 2023<br>£m | H2 2023<br>% margin | H2 2022<br>£m | H2 2022<br>% margin | % pts<br>change |
|--|---------------|---------------------|---------------|---------------------|-----------------|
| UK   | 9.8           | 72.6%               | 8.6           | 67.2%               | 5.4% pts        |
| North America  | 12.4          | 72.1%               | 11.0          | 75.9%               | (3.8% pts)      |
| Europe   | 1.4           | 70.0%               | 1.4           | 66.7%               | 3.3% pts        |
| <b>Software Resilience gross profit and % margin</b> | <b>23.6</b>   | <b>72.2%</b>        | 21.0          | 71.4%               | 0.8% pts        |

### Individually Significant Items

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

|  | 2023<br>£m  | 2022<br>£m |
|--|-------------|------------|
| North America Cyber Security goodwill impairment                       | 9.8         | —          |
| Fundamental re-organisation costs                                      | 4.2         | —          |
| Costs associated with strategic review of Software Resilience business | 3.0         | —          |
| NCC Group A/S goodwill impairment                                      | 3.0         | —          |
| IPM Software Resilience bushiness deferred income adjustment           | (0.6)       | —          |
| Profit on disposal of DDI business                                     | (4.7)       | —          |
| Costs directly attributable to the acquisition of IPM                  | —           | 0.9        |
| <b>Total ISIs</b>  | <b>14.7</b> | 0.9        |

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

### Finance costs

Finance costs for the period were £6.2m compared to £3.7m in 2022 due to an increase in borrowing following the IPM acquisition and an increase in base interest rates. Finance costs include lease financing costs from IFRS 16 of £1.1m (2022: £1.2m). Borrowing costs also include the write off of existing arrangement fees (£0.6m) following the refinance in December 2022 to a new facility. The new facility entered in December 2022 incurred arrangements fees of £1.7m that will be amortised over the new facility maturing in December 2026. The average interest rate for the year was 4.54% and is currently 6.27% following recent changes to base interest rates. Average borrowings during the year amounted to £871m.

## Financial review continued

### Taxation

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

### Earnings per share (EPS)

|  | 2023   | 2022  |
|--|--------|-------|
| <b>Statutory</b>                                   |        |       |
| Basic EPS  | (1.5p) | 7.4p  |
| Diluted EPS  | (1.5p) | 7.4p  |
| <b>Adjusted<sup>1</sup></b>                        |        |       |
| Basic EPS  | 6.1p   | 10.8p |
| <b>Weighted average number of shares (million)</b> |        |       |
| Basic  | 310.4  | 309.5 |
| Diluted  | 311.2  | 310.9 |

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

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

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

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

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

|   | 2023<br>£m    | 2022<br>£m    |
|---|---------------|---------------|
| Cash and cash equivalents                               | 34.1          | 73.2          |
| Bank overdraft  | (1.8)         | —             |
| Borrowings (net of deferred issue costs)                | (81.9)        | (125.6)       |
| <b>Net debt excluding lease liabilities<sup>1</sup></b> | <b>(49.6)</b> | <b>(52.4)</b> |
| Lease liabilities                                       | (30.0)        | (32.6)        |
| <b>Net debt<sup>1</sup></b>                             | <b>(79.6)</b> | <b>(85.0)</b> |

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

|  | 2023<br>£m    | 2022<br>£m    | % change/<br>% pts |
|--|---------------|---------------|--------------------|
| Net operating cash flow before interest and taxation (A) | 42.6          | 60.3          | (29.4%)            |
| Adjusted EBITDA <sup>1</sup> (B)                         | 41.4          | 59.2          | (30.1%)            |
| <b>Cash conversion ratio<sup>1</sup> (%) (A)/(B)</b>     | <b>102.9%</b> | <b>101.9%</b> | <b>1.0% pts</b>    |

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

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

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

Acquisition of trade and assets as part of a business combination of £1.0m relates to the further consideration payable in relation to the Adelard acquisition that occurred on 20 April 2022 following novation of contracts in H1 2023.

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

## Borrowings

During December 2022 we secured a new four-year £162.5m multi-currency revolving credit facility. This replaced our existing £100m multi-currency revolving credit facility and the remaining \$46.7m of the original \$70m term loan that was maturing in June 2024. The new facility now matures in December 2026 and includes an £75m uncommitted accordion option. In addition, we also secured an increase to our leverage covenant from 2.5x to 3.0x with an additional acquisition spike to 3.5x for the first twelve months of any acquisition. The weighted average margin of the facility also decreased and is payable on a ratchet mechanism above SONIA & SOFR in the range of 1.00% to 2.25% depending on the level of the Group's leverage. As noted above, the average interest rate for the year was 4.54% and is currently 6.27% following recent changes to base interest rates.

## Dividends

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

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

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

## Guy Ellis

Chief Financial Officer  
28 September 2023



# Embedded risk management systems

### Risk management

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

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

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

The integrated approach to risk management diagram on page 71 summarises the Group's overall approach to risk management, which is supported by a web-based tool – the Integrated Risk Management System (IRMS). The tool is designed to follow the risk management model described in the next section and records both strategic and operational risk registers and tracks risk mitigation action plans, helping embed ownership of risks and treatment actions while also providing access to live management information, which is used at both a Board and operational management level.

### NCC Group's approach to risk management

NCC Group adopts both a "top-down" and "bottom-up" approach to risk, to manage risk exposure across the Group to enable the effective pursuit of strategic objectives. The approach is summarised in the diagram on page 71.

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

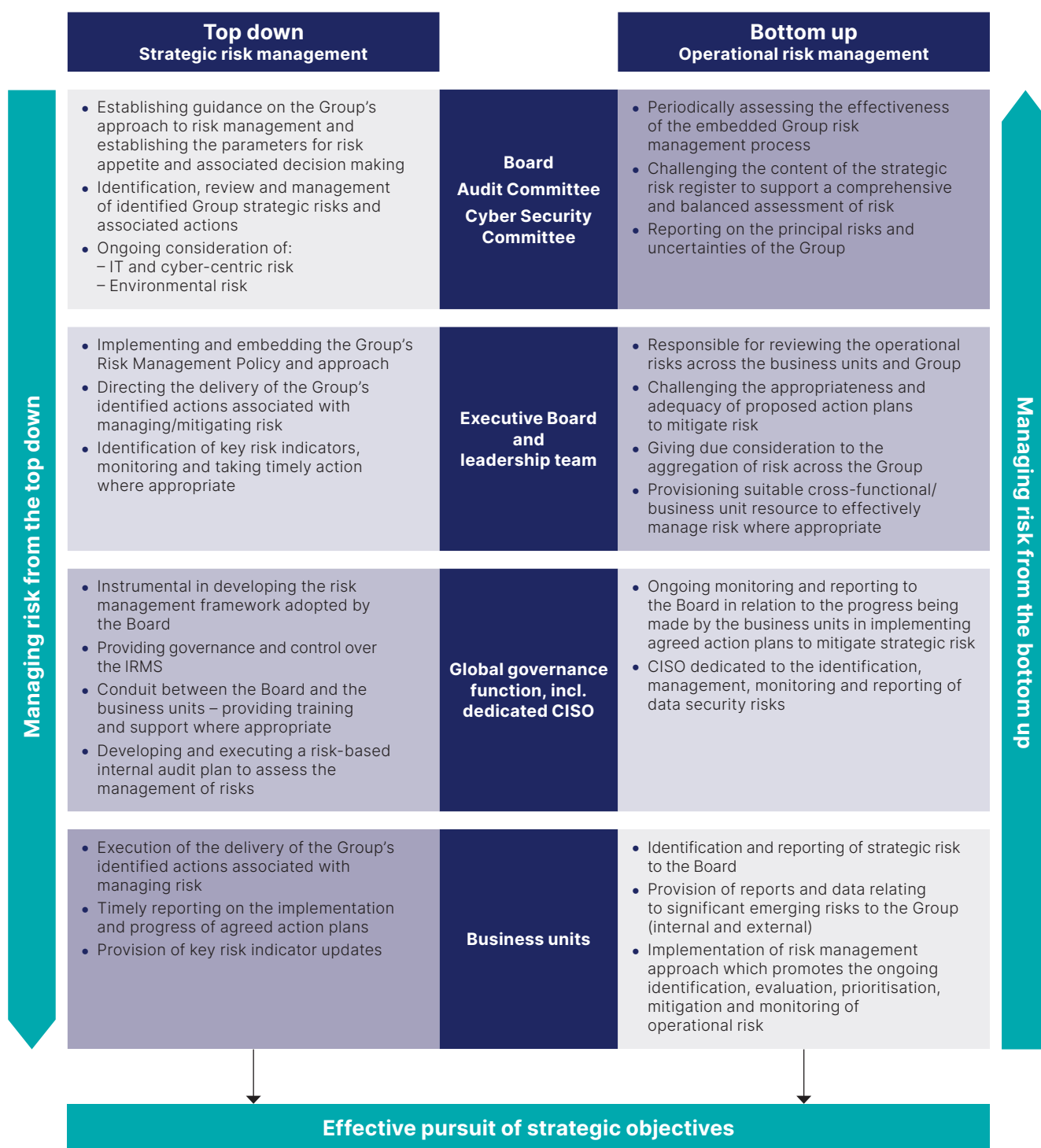
#### Top down

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

#### Bottom up

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





**Managing risk from the bottom up**

## Principal risks and uncertainties continued



### Risk management model

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

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

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

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

#### Identify

Risks exist within all areas of our business and it is important for us to identify and understand the degree to which their impact and likelihood of occurrence will affect the delivery of our key objectives. This is achieved through day-to-day working practices and incorporates risks in both the internal and external environment. Examples of identification include horizon scanning for emerging risks such as increasing energy costs, takeover risks, legislative and market changes and geopolitical risks.

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

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

#### Assess

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

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

#### Address

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

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

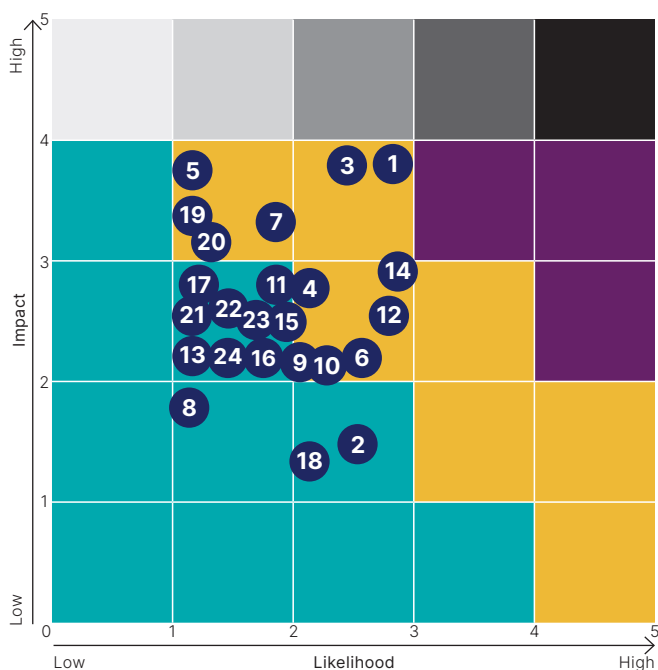
The below heat map shows the residual risk after mitigation. The impact and likelihood are on a scale of 5x5 where 5 is catastrophic/almost certain and 1 is negligible/rare.

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

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

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





**Monitor**

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

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

**Internal control**

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

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

**Control environment**

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

**Risk assessments**

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

| FY23 number | FY22 number | Risk  |
|-------------|-------------|---|
| 1           | 1           | Ineffective execution of the Group’s strategy (previously business strategy)  |
| 2           | 2           | Poor and/or ineffective change management mechanisms (previously management of strategic change)  |
| 3           | n/a         | Over-reliance on market sector, region, products/ service or client (new risk)  |
| 4           | 6           | Cyber attack (previously information security risk (including cyber risk))  |
| 5           | 4           | Significant business systems failure (previously availability of critical information systems)  |
| 6           | n/a         | Loss of client/colleague data (new risk)  |
| 7           | 7           | Insufficient quality, integrity and availability of management information (previously quality of management information systems and internal business processes)     |
| 8           | n/a         | Intellectual property theft or exposure (new risk)  |
| 9           | n/a         | Ineffectual product/service management (new risk)   |
| 10          | n/a         | Failed product/service launch (new risk)  |
| 11          | n/a         | Insufficient workforce resilience (new risk)  |
| 12          | 5           | Inability to retain/recruit colleagues to meet the resource needs of the business (previously attracting and retaining appropriate colleague capacity and capability) |
| 13          | 3           | Poor colleague health and wellbeing, including pandemic (previously global pandemic)  |
| 14          | n/a         | Economic changes/volatility impact on revenue and profitability (new risk)  |
| 15          | n/a         | Unable to meet the service and resource needs of our clients (new risk)   |
| 16          | n/a         | Lack of visibility in the marketplace (new risk)  |
| 17          | n/a         | Reliance on relationships with third parties (new risk)   |
| 18          | 9           | International trade (previously international trade (formerly post-Brexit))   |
| 19          | n/a         | Adverse publicity in news and social media (new risk)   |
| 20          | n/a         | Undertaking work with disreputable clients or in sanctioned/undesirable jurisdictions (new risk)  |
| 21          | n/a         | Service delivery does not achieve established quality standards (new risk)  |
| 22          | 8           | Loss of internationally recognised quality and security standards (previously quality and security management systems)  |
| 23          | n/a         | Criminal and civil legal action resulting in fines and incarceration (new risk)   |
| 24          | 10          | Inability to identify and adopt emerging regulations in a timely manner (previously sustainability/climate change)  |

**Policies and procedures**

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

**Information and communication**

Access to accurate and timely data is key in supporting our colleagues to make decisions and to be well informed in order to conduct, manage and control their areas of responsibility.

# Principal risks and uncertainties continued

## Internal control continued

### Activity monitoring

The minimum financial controls framework was established in FY20. Further enhancement of the framework is being designed and implemented to align with the Corporate Reform and upcoming Directors' attestation of internal controls.

Financial accounting and reporting follow generally accepted accounting practices.

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

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

### Risk and control reporting structure

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

Three lines of defence:

- **First line** – Group policies and procedures
- **Second line** – information security, data protection, health and safety, and legal
- **Third line** – risk and assurance, incorporating internal audit, standards and support, assessing compliance with standards and external audit, both financial and operational, providing independent challenge and assessment

## Principal risks and uncertainties

The introduction of the new strategy in February 2023, and introduction of new Executive Committee members, has resulted in a revisit and relaunch of the Company's risk management framework giving rise to a robust assessment of principal risks and thus resulting in changes to the identified risks and uncertainties.

The Group continues to operate in a particularly dynamic and evolving marketplace. The current risk register has been developed to reflect those factors and includes those risks that would threaten its business model, future performance, solvency or liquidity. Detailed descriptions of the current principal risks and uncertainties faced by the Group, their potential impact and mitigating processes and controls are set out below.

The heat map on page 73 provides a pictorial representation of the Group's net risks and their direction of travel.

The strategic risks are based on the four pillars: our clients, our capabilities, global delivery and differentiated brands.

We have identified eight risk themes:

- Strategy – this is the overarching strategic risk
- Cyber and information security
- Innovation and product development
- People and partners
- Market and competition
- Brand and reputation
- Quality and delivery
- Legal, regulatory compliance and governance





## Extraordinary risk during the year

Customer concentration risk materialised and due to some large US-based tech customers not renewing their contracts, this had an adverse effect on revenue resulting in the profit warning. We did recognise this as a risk in FY22 as part of business strategy and viability risk, but the new strategy looks to diversify our client base to ensure this does not occur again.

## A. Strategy

### 1. Ineffective execution of the Group's strategy

VR

**Link to strategy:**  Our clients  Our capabilities  Global delivery  Differentiated brands

**Previous risk name**  
Business strategy

**Risk owner**  
Mike Maddison,  
CEO

#### Risk impact

A poor strategy or ineffective execution of a strategy could have a material negative impact on the Group's financial performance and value.

It would potentially weaken the Group compared to its competitors and risk the Group's established position in the marketplace.

**Risk movement** 





#### Key controls and mitigating factors

New strategy launched in February 2023 and in process of being implemented with full Board support.

New leadership team in place, including new Head of Strategy.

Strategy accelerated (delivery centre in Manila due to be launched in September 2023) and progress being made.

### 2. Poor and/or ineffective change management mechanisms

**Link to strategy:**  Our clients  Our capabilities  Global delivery  Differentiated brands

**Previous risk name**  
Management of strategic change

**Risk owner**  
Mike Maddison,  
CEO

#### Risk impact

Implementation of projects that then cost more to deliver, take longer to deliver and result in fewer benefits being realised (or all three).

Poor delivery of change could ultimately impair business performance.

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

**Risk movement** 

#### Key controls and mitigating factors

The Group has recently recruited a new Head of Strategy who will manage the implementation alongside key stakeholders.





New leadership team in place to drive the new strategy.

Development of business cases which clearly articulate project objectives including delivery metrics which are monitored.

## A. Strategy continued

### 3. Over-reliance on market sector, product/service or client

VR

**Link to strategy:**  Our clients  Our capabilities  Global delivery  Differentiated brands

**Previous risk name**

N/A

**Risk owner**

Mike Maddison,  
CEO

**Risk impact**

A loss of key customers or over-reliance on market sector can result in a reduction in revenue and consequential impact on profitability and cash generation.

**Risk movement** **NR**

**Key controls and mitigating factors**

The new strategy looks to help mitigate this risk and ensure we don't have any future overexposure to a market sector or client.

Viability risk considers this as part of the scenarios modelled.

## B. Cyber and information security

### 4. Cyber attack

VR

**Link to strategy:**  Our capabilities  Global delivery  Differentiated brands

**Previous risk name**

Information security risk  
(including cyber risk)

**Risk owner**

Rebecca Fox,  
CIO

**Risk impact**

Data breach leading to fines from regulators and reputational damage.

Lack of availability in systems.

Inability to operate services resulting in loss of customer trust, resulting in loss of revenue and negative impact on share price.

Impact on national security due to our work with government clients.

**Risk movement** 

**Key controls and mitigating factors**

The Board operates a Cyber Security Committee chaired by a NED.

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

Security testing is regularly carried out on the Group's infrastructure and there are extensive response plans, which are tested.

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

Deployed an Information Security Management System (ISO2 7001). All key locations are certified.

### 5. Significant business systems failure

VR

**Link to strategy:**  Our capabilities  Global delivery  Differentiated brands

**Previous risk name**

Availability of critical information systems

**Risk owner**

Rebecca Fox,  
CIO

**Risk impact**

Inability to transact, operate and deliver services resulting in loss of customer trust, resulting in loss of revenue and negative impact on share price.

**Risk movement** 

**Key controls and mitigating factors**

Deployed an Information Security Management System (ISO2 7001). All key locations are certified.



IT strategy of continued cloud migration which has greater resilience and availability.

Business Continuity Plans, including Crisis Management, in place and tested regularly.

Change management process in place within IT which assists a reduction in incidents caused by human error.

Backups in place and single points of failure identified and mitigated in the event of prolonged loss of systems.

### 6. Loss of client/colleague data

**Link to strategy:**  Our clients  Differentiated brands

**Previous risk name**

N/A

**Risk owner**

Guy Ellis,  
CFO

**Risk impact**

Data breach leading to fines from regulators and reputational damage.

**Risk movement** **NR**

**Key controls and mitigating factors**

Deployed an Information Security Management System (ISO2 7001). All key locations are certified.

Regular compliance training, including data protection, provided to all colleagues at least annually.

Information classification and handling and data privacy policies in place.

**Risk movement:** ↑ Increased ↓ Decreased ↔ Unchanged

**Risk impact:**  High  Medium  Low

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



# Principal risks and uncertainties continued

## Principal risks and uncertainties continued

### B. Cyber and information security continued

#### 7. Insufficient quality, integrity and availability of management information

VR

Link to strategy:  Our clients  Our capabilities  Global delivery

**Previous risk name**

Quality of management information systems and internal business processes

**Risk owner**

Guy Ellis,  
CFO

**Risk impact**

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

**Risk movement** 

**Key controls and mitigating factors**

We are ISO9 001 accredited across key locations. Standardised business process control standards are in place and subject to regular review by the global standards and support team.

### C. Innovation and product development

#### 8. Intellectual property theft or exposure

Link to strategy:  Differentiated brands

**Previous risk name**

N/A

**Risk owner**

Siân John,  
CTO

**Risk impact**

Reputational damage from losing client data and industrial espionage, resulting in loss of revenue and loss of competitive advantage from threat of malicious actors.

**Risk movement** **NR**

**Key controls and mitigating factors**

Security and technical controls in place through our Information Security Management System (ISO2 7001).

#### 9. Ineffectual product/service management

Link to strategy:  Global delivery

**Previous risk name**

N/A

**Risk owner**

Siân John,  
CTO

**Risk impact**

Loss of revenue from uncompetitive solutions and failure to compete effectively.  
Failure to align to the business strategy resulting in lack of client trust leading to a loss of clients.  
Failure to maintain competitive advantage.  
Ineffectual marketing strategy.

**Risk movement** **NR**

**Key controls and mitigating factors**

Suitably qualified and experienced product managers. Quality review process.  
Customer feedback and escalation process.  
Marketing strategy in place focused on product development.

#### 10. Failed product/service launch

Link to strategy:  Global delivery

**Previous risk name**

N/A

**Risk owner**

Kevin Brown,  
COO

**Risk impact**

Cost implications.  
Reputational damage.  
Loss of colleague morale.  
Loss of customer trust.  
Poor development processes.  
Insufficient speed of execution.

**Risk movement** **NR**

**Key controls and mitigating factors**

Robust planning processes and consultation with customers (“voice of the client”).  
Management oversight and review process.  
Use of modern development practices such as “Agile” and “design thinking”.

Risk movement: ↑ Increased ↓ Decreased ↔ Unchanged


Risk impact:  High  Medium  Low

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

## D. People and partners

### 11. Insufficient workforce resilience


Link to strategy:  Our capabilities

|  |  |  |
|--|--|--|
| <p><b>Previous risk name</b><br/>N/A</p> <p><b>Risk owner</b><br/>Michelle Porteus,<br/>Chief People Officer</p> | <p><b>Risk impact</b><br/>Inability to deliver to clients resulting in loss of revenue.</p> <p>Loss of colleague morale and risk of “burnout”.</p> <p><b>Risk movement</b> </p> | <p><b>Key controls and mitigating factors</b><br/>Workforce resourcing managed by Chief People Officer.</p> <p>Full review of workforce requirements undertaken as part of strategic review.</p> |
|--|--|--|

### 12. Inability to retain/recruit colleagues to meet the resource needs of the business


VR

Link to strategy:  Our capabilities

|   |   |   |
|---|---|---|
| <p><b>Previous risk name</b><br/>Attracting and retaining appropriate colleague capacity and capability</p> <p><b>Risk owner</b><br/>Michelle Porteus,<br/>Chief People Officer</p> | <p><b>Risk impact</b><br/>Loss of key colleagues or significant colleague turnover could result in a lack of necessary expertise or continuity to execute the Group’s strategy.</p> <p>An inability to attract and retain sufficient high calibre colleagues could become a barrier to the continued success and growth of NCC Group.</p> <p><b>Risk movement</b> </p> | <p><b>Key controls and mitigating factors</b><br/>Colleagues are offered an industry aligned salary and benefits package, which can include participation in share schemes, salary sacrifice car scheme and retail discount offerings.</p> <p>Improved communications with our colleagues managed by the new Chief Marketing Officer.</p> <p>New global delivery and operations centre opened in Manila in September 2023</p> |
|---|---|---|





### 13. Poor colleague health and wellbeing, including pandemic


Link to strategy:  Our capabilities

|  |  |   |
|--|--|---|
| <p><b>Previous risk name</b><br/>Global pandemic</p> <p><b>Risk owner</b><br/>Michelle Porteus,<br/>Chief People Officer</p> | <p><b>Risk impact</b><br/>High turnover of staff based on low colleague morale or “burnout”.</p> <p>If significant number of colleagues are unable to work this will impact client delivery and could lead to a loss of revenue.</p> <p><b>Risk movement</b> </p> | <p><b>Key controls and mitigating factors</b><br/>Various channels available to colleagues to support with health and wellbeing.</p> <p>Colleagues continue to successfully work in a hybrid manner, delivering remote client services.</p> <p>Mental health allies across the business.</p> <p>Attractive office environments globally.</p> <p>Risk assessments carried out regularly, for example display screen equipment and shift workers.</p> |
|--|--|---|

## E. Market and competition

### 14. Economic changes/volatility impact on revenue and profitability

Link to strategy:  Our clients  Our capabilities  Global delivery  Differentiated brands

|  |  |  |
|--|--|--|
| <p><b>Previous risk name</b><br/>N/A</p> <p><b>Risk owner</b><br/>Mike Maddison,<br/>CEO</p> | <p><b>Risk impact</b><br/>Loss of clients or reduction in client spend will result in a loss of revenue. Increases to interest rates or inflation will impact profitability.</p> <p><b>Risk movement</b> </p> | <p><b>Key controls and mitigating factors</b><br/>Strategy accelerated (delivery centre in Manila due to be launched in September 2023) and progress being made, making NCC Group more resilient to economic changes. Increased cost control measures and actions.</p> |
|--|--|--|

Risk movement: ↑ Increased ↓ Decreased ↔ Unchanged

Risk impact:  High  Medium  Low

Viability risk:  New risk: 



# Principal risks and uncertainties continued

## Principal risks and uncertainties continued

### E. Market and competition continued

#### 15. Unable to continue to meet the service and resource needs of our clients

VR

**Link to strategy:**  Our capabilities  Global delivery

**Previous risk name**  
N/A





**Risk impact**  
Loss of clients will result in a loss of revenue and reputational damage.

**Key controls and mitigating factors**  
New strategy includes capabilities as a key pillar and the business has been restructured to mitigate this risk.

**Risk owner**  
Mike Maddison,  
CEO

**Risk movement** NR

#### 16. Lack of visibility in the marketplace

**Link to strategy:**  Our clients  Our capabilities  Global delivery  Differentiated brands

**Previous risk name**  
N/A

**Risk impact**  
Loss of clients will result in a loss of revenue.





**Key controls and mitigating factors**  
Chief Marketing Officer is planning a rebrand as per the new strategy.

**Risk owner**  
Mike Maddison,  
CEO

**Risk movement** NR

Continue to publish expert advice and content publicly.

#### 17. Reliance on relationships with third parties

**Link to strategy:**  Our clients  Our capabilities  Global delivery  Differentiated brands

**Previous risk name**  
N/A





**Risk impact**  
Loss of margin.  
Reputational damage if third parties don't deliver.

**Key controls and mitigating factors**  
Contracts in place with third parties.  
Ongoing review of service and delivery from third parties.

**Risk owner**  
Mike Maddison,  
CEO

**Risk movement** NR

#### 18. International trade

**Link to strategy:**  Our clients  Our capabilities  Global delivery  Differentiated brands

**Previous risk name**  
International trade  
(formerly post-Brexit)

**Risk impact**  
Failure to comply with changing global regulations may cause disruption to our business.

**Key controls and mitigating factors**  
The new strategy is focused on globalisation and thus the resource structure is being designed to promote global delivery.

**Risk owner**  
Kevin Brown,  
Chief Operating Officer

**Risk movement** ↓

### F. Brand and reputation

#### 19. Adverse publicity in news and social media

**Link to strategy:**  Differentiated brands

**Previous risk name**  
N/A

**Risk impact**  
Reputational damage leading to loss of existing and potential clients resulting in loss of revenue.

**Key controls and mitigating factors**  
Policies and procedures in place which follow good practice and ethics.

**Risk owner**  
Angela Brown,  
Chief Marketing Officer

**Risk movement** NR

Research quality review process managed by a panel of experts.

**Risk movement:** ↑ Increased ↓ Decreased ↔ Unchanged



**Risk impact:** ● High ● Medium ● Low

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



## F. Brand and reputation continued

### 20. Undertaking work with disreputable clients or in sanctioned/undesirable jurisdictions

Link to strategy:  Our clients  Global delivery

**Previous risk name**  
N/A

**Risk owner**  
Angela Brown,  
Chief Marketing Officer

**Risk impact**  
Reputational damage.  
Potential fines.



**Risk movement** NR

**Key controls and mitigating factors**  
Country risk assessment process in place for new business.  
Higher risk countries have a risk assessment completed and approved appropriately.

## G. Quality and delivery

### 21. Service delivery does not achieve established quality standards

VR

Link to strategy:  Our clients  Our capabilities

**Previous risk name**  
N/A

**Risk owner**  
Cyber Security – Kevin Brown,  
Chief Operating Officer  
Software Resilience – Escrow  
– Andrew Lemonofides,  
Managing Director

**Risk impact**  
Clients don't renew, have their SLA breached or cancel mid-service leading to loss of revenue.  
Negligence in delivery leading to legal action or loss of revenue and reputational damage.

**Risk movement** NR

**Key controls and mitigating factors**  
Quality assurance processes in place.  
Standard methodologies and procedures followed.  
Customer feedback and complaints process.  
Ongoing internal training programmes.

### 22. Loss of internationally recognised quality and security standards

VR

Link to strategy:  Our capabilities  Global delivery  Differentiated brands

**Previous risk name**  
Quality and security management systems

**Risk owner**  
Guy Ellis,  
CFO

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

**Risk movement** ↓

**Key controls and mitigating factors**  
We operate a comprehensive programme to ensure the retention of our core standards.  
Policies and procedures in place and audited against the design and application.  
External assessors conduct audits at least annually confirming the retention of our quality and security standards.  
We have extended our ISO standards to more locations during FY23.

## H. Legal, regulatory compliance and governance

### 23. Criminal and civil legal action resulting in fines and incarceration

VR

Link to strategy:  Our clients  Global delivery  Differentiated brands

**Previous risk name**  
N/A

**Risk owner**  
Guy Ellis,  
CFO

**Risk impact**  
Reputational damage from legal action being taken and financial impact of the fines and the impact it may have on key customer accounts.

**Risk movement** NR

**Key controls and mitigating factors**  
Legal team reviews customer contracts.  
Annual compliance training undertaken including ethics (covering anti-bribery and corruption, whistleblowing, gifts and hospitality), criminal corporate offences, health and safety, information security and data protection.

Risk movement: ↑ Increased ↓ Decreased ↔ Unchanged

Risk impact:  High  Medium  Low

Viability risk: VR New risk: NR

# Principal risks and uncertainties continued

## Principal risks and uncertainties continued

### H. Legal, regulatory compliance and governance continued

#### 24. Inability to identify and adopt emerging regulations in a timely manner

Link to strategy:  Our clients  Global delivery  Differentiated brands

**Previous risk name**  
Sustainability/climate change

**Risk owner**  
Guy Ellis,  
Chief Financial Officer

**Risk impact**  
Non-compliance with regulations resulting in fines from regulators and reputational damage leading to loss of key customer accounts and shareholder investment.

**Risk movement** 

**Key controls and mitigating factors**  
TCFD came in last year and we disclosed accordingly. Horizon scanning for new regulations, for example CSRD, ISSB, Corporate Governance Reform and NIS.

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

**Viability risk:**  **New risk:** 

In addition to identifying the Group strategic risks, we continuously review and monitor emerging risks through horizon scanning; publications; assessing regulatory changes and how they may impact the Group; and ensuring adequate oversight over significant projects.

#### Emerging risks

| Risk area              | Risk                    | Risk description   | Mitigating controls   |
|------------------------|-------------------------|--|---|
| People and partners    | Pandemic                | Already experienced with Covid-19 (remains on the risk register).  | Colleagues can deliver client services remotely.  |
| Market and competition | Blackouts               | Potential energy supply shortages as a result of supply issues created by the Russian invasion of Ukraine. | Emergency backup generators in place and tested.<br>Property portfolio being reviewed.  |
|                        | Increasing energy costs | Energy costs have increased significantly since the Russian invasion of Ukraine.                           | Factored into budget.   |
|                        | Geopolitical            | Legislative change; political party change; and Russian invasion of Ukraine.                               | Country risk assessment process in place for new business.  |
|                        | Takeover                | Profit warning and significant drop in the share price expose the Group to a takeover.                     | New strategy being implemented.   |
| Quality and delivery   | Off-shoring             | Geopolitical landscape, including changing legislation and taxation.                                       | Project team considering all key risks and using subject matter experts (SMEs) where required.<br>Extending ISO certifications to include new centre of excellence.                   |
|                        | Project management      | Significant number of large scale projects which need to be adequately managed.                            | New Head of Strategy responsible for project management.<br>Development of business cases which clearly articulate project objectives including delivery metrics which are monitored. |

# Viability statement

## Viability statement

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

The Directors have based their assessment of viability on the Group's current business model and strategic plan, which is updated and approved annually by the Board, in line with our objectives to deliver sustainable and profitable growth, increase shareholder value and offer an improved service and product offering to our customers. This is underpinned by the strategic priorities outlined on pages 24 to 27 of the Strategic Report. The effective management of principal risks and uncertainties is outlined within pages 70 to 80 and this assessment emphasises those risks that could theoretically threaten the Group's ability to operate, or to continue in existence (with the VR designation).

### The assessment period

The Directors have assessed the viability of the Group over the three-year period to May 2026, as this is an appropriate planning time horizon given the speed of change and customer demand in the industry and is in line with the Group's strategic planning period.

### Assessment of viability

The viability of the Group has been assessed considering the Group's current financial position, available bank facilities, and the Board approved FY24 budget and three-year strategic plan.

It's been a challenging year for the Group with a decline in the rate of revenue growth and overall profitability, resulting in a loss before taxation of £4.3m. 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 year.

Following the year end, the Group has 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 prior year. As a result of all of the above, the base case budget for FY24 has been prepared on the basis that market volatility within Cyber Security<sup>1</sup> partially continues with overall profitability remaining similar to 2023.

In addition, the base case budget for FY24 also reflects recent growth patterns in the other geographical regions and operating segments, relevant growth opportunities for the Group based on existing propositions and factoring in current macro-economic factors most specifically existing inflationary pressures.

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

The impact of these sensitivities has been reviewed against the Group's projected cash flow position, available bank facilities and compliance with financial covenants over the three-year viability period. Please see note 1 for further discussion of the Group's financing arrangements and expiry dates. The sensitivities applied under stress testing show adequate levels of headroom and that no mitigating actions are required to address severe but plausible scenarios modelled by management.

While noting that no mitigating actions are required to address severe but plausible scenarios modelled by management, options available include a reduction of planned capital expenditure, headcount reduction, freezing pay and recruitment and not paying a dividend to shareholders, all of which are within the Directors' control and give an additional level of headroom.

### Conclusions

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

| Viability risk   | Risk as applied to viability assessment   | Specifics of scenario modelled   | Potential impact   |
|--|---|--|--|
| Ineffective execution of the Group's strategy<br>Inability to retain/recruit colleagues to meet the resource needs of the business | A poor strategy or ineffective execution of a strategy could have a material negative impact on the Group's financial performance and value.<br>Loss of key colleagues or significant colleague turnover could result in a lack of necessary expertise or continuity to execute the Group's strategy. | In order to consider the impact of the risks identified management has modelled two scenarios:<br>1) The performance of FY24 within the Assurance business does not improve beyond that seen in FY23 Q4.<br>2) Percentage of expected cost savings to be implemented as part of the Group's strategy are not executed. Scenario modelled assumes annualised impact of £3.2m adverse impact on profitability. | The impact of these sensitivities has been reviewed against the Group's projected cash flow position, available bank facilities and compliance with financial covenants over the three year viability period. The sensitivities applied under stress testing show adequate levels of headroom and that no mitigating actions are required. |
| Over reliance on market sector or client<br>Economic changes/volatility impact on revenue  | A loss of key customers or over-reliance on market sector can result in a reduction in revenue and consequential impact on profitability and cash generation.<br>Loss of clients or reduction in client spend will result in a loss of revenue.   | Scenario modelled assumes loss of key customers resulting in a reduction in profitability of £4.2m.  | The impact of these sensitivities has been reviewed against the Group's projected cash flow position, available bank facilities and compliance with financial covenants over the three year viability period. The sensitivities applied under stress testing show adequate levels of headroom and that no mitigating actions are required. |
| Economic changes/volatility impact on profitability  | Being a global organisation the Group is exposed to global and regional macro-economic factors such as inflation and rising interest rates.   | Scenario modelled assumes additional wage increases to align with regional inflation rates across different geographies of £5.0m. UK Interest rates on borrowings forecast to rise a further 0.75% from original forecast. Incremental annual utility costs of £0.2m included.   | The impact of these sensitivities has been reviewed against the Group's projected cash flow position, available bank facilities and compliance with financial covenants over the three year viability period. The sensitivities applied under stress testing show adequate levels of headroom and that no mitigating actions are required. |







# Governance

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

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# A continued commitment to good governance and improving diversity



### 2022/23 highlights

- Continued to hear from our designated NED for workforce engagement who reports to every Board meeting
- Recruited and on-boarded a new independent Non-Executive Director (Lynn Fordham) who has brought a new perspective and dynamic to our Board discussions, and now chairs the Audit Committee
- Undertook our first ever externally facilitated Board and Committee evaluation
- Agreed a revised strategy
- The Board visited North America and had the opportunity to meet with colleagues

### 2023/24 priorities

- On-boarding our new CFO and supporting him to make a successful start
- Continuing to focus on our stakeholders, particularly in-person colleague engagement
- Supporting the executive team with embedding the new strategy
- Working through the key priorities raised in the Board evaluation and having regular check-ins on these throughout the year
- Supporting the executive team to set up our delivery centre in the Philippines



With our recent appointments, we have now delivered on our commitment and are also on course to meet the FTSE Women Leaders Review target of 40% female representation by the end of 2025.”

**Chris Stone**  
Non-Executive Chair

### Dear Shareholder

On behalf of the Board, I am pleased to present the Corporate Governance Report for the year ended 31 May 2023. Throughout the year the Board has worked cohesively as a team to enable the Company to successfully navigate a turbulent and uncertain period. I would like to thank the Board for its wise counsel and continued efforts during this time. The Board is composed of highly skilled and experienced Directors from a diverse range of industries and backgrounds, all of whom contribute towards the long-term success of the Company and show commitment and enthusiasm in the performance of their roles and duties. The Board believes that good governance is key to the long-term success of the Group and is committed to achieving high standards of governance.

I would like to thank all of my Board colleagues for their commitment, support and flexibility over the past year. While we welcome a return to face-to-face meetings, a number of our Board meetings were conducted in a virtual environment by necessity. This new hybrid way of working has enabled us to maintain strong governance and robust decision making, delivering against our strategy. During the year, a particular highlight was our visit as a Board to North America in November 2022 and we enjoyed spending time with colleagues in our New York office, and we look forward to visiting more offices and meeting more colleagues in the coming year.

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



### Governance standards

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

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

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

To assist us with this, during the year, Julie Chakraverty (our Senior Independent Director) has continued her excellent work as our designated Non-Executive Director for workforce engagement. Julie (along with other Non-Executive colleagues, including me) has been meeting (sometimes physically but if not virtually) and speaking with colleagues around the world and reporting back on findings at each Board meeting via a dedicated agenda slot. We have not let distance or differing time zones be a barrier to hearing our colleagues’ opinions around the Board table. As a people business, this is a crucial area for us to focus on and continue to get right.

### Our approach

As individual Directors we recognise our statutory duty to act in the way we each consider, in good faith, would be most likely to promote the success of NCC Group for the benefit of its members as a whole, as set out in section 172 of the Companies Act 2006. Our role as the Board is to set the strategy of the Group and ensure that management operates the business

in accordance with this strategy. We believe this approach will promote the Group’s long-term success and our customers’ interests as well as create value for shareholders and have regard to our other key stakeholders such as our colleagues.

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

### Board changes

During the year, Lynn Fordham was appointed as an independent Non-Executive Director on 1 September 2022, and became Audit Committee Chair on 1 February 2023. Mike Maddison joined us as our new CEO on 7 July 2022. As announced on 22 June 2023, Tim Kowalski stepped down as CFO on 30 June 2023 and Guy Ellis replaced him on the same date. Tim supported an orderly handover to Guy, who joined the Board on 30 June 2023. I would like to thank Tim for his dedicated service over the past five years and wish him well for the future. The biographies of all the Board members can be found on pages 88 and 89. After over eight years’ service on the Board (along with being Senior Independent Director and Chair of the Audit Committee), Chris Batterham will retire from the Board at the November 2023 AGM. I would like to pay tribute to Chris for all that he has done for the Company over the past eight years and the wise counsel he has provided both to me and the Board during this time. We also wish him well for the future.

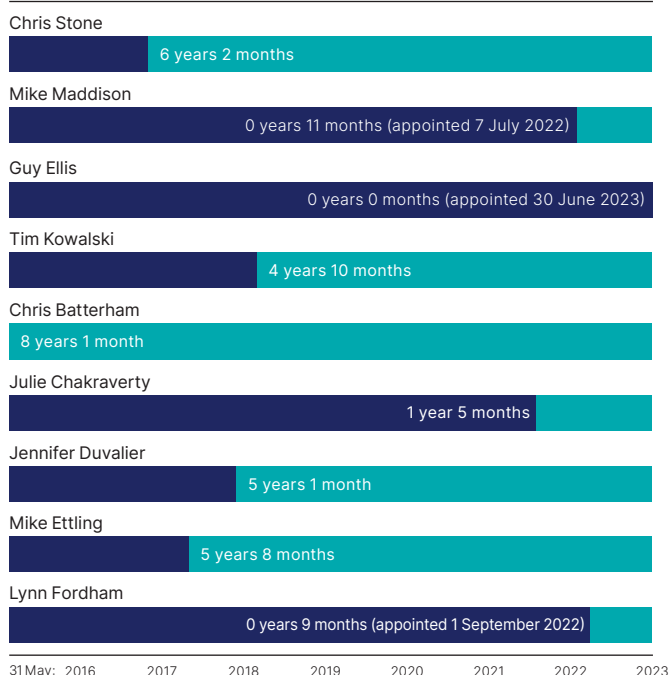
### Board composition and diversity

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

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

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

### Board tenure as at 31 May 2023



## Chair's introduction to governance continued

### Board composition and diversity continued

We will look to continue to address this during future Board and Executive Committee appointments. Improvements in diversity are often not a quick process but we are very mindful of the need to take positive action, and the matter remains fully on our agenda, as can be seen with the action we have taken during recent years. Accessing the candidates we require to reach this target will involve us looking beyond the obvious pool of existing Board Directors within the UK and we intend to ensure that we extend our talent search to other sectors and countries to ensure we find a diverse pool of candidates from which to choose to provide us with true diversity around our Board table.

### Effectiveness

As Chair, I am responsible for providing leadership to ensure that the Board operates effectively. I have been supported in this by all the Directors, but in particular our Senior Independent Director (Chris Batterham until 1 February 2023, and Julie Chakraverty from 1 February 2023). The annual reviews of Board effectiveness help the Board to consider how it operates and how its operations can be improved. This year, we undertook our inaugural externally facilitated Board and Committee evaluation and the findings of this review have provided us with ideas to further improve the manner in which the Board operates, and build on previous internally facilitated evaluations. The results were very useful and insightful and have been incorporated into our plans for the coming year. In particular, Board succession planning remains a priority, particularly as we look to ensure the Board and Executive Committee have the right set of skills and experience to support the Group as the business evolves.

 You can read more about the Board and the Committee evaluation on page 96

### Our investors

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

I met with our larger investors in February and March 2023 and fed back my findings to Board colleagues at the next Board meeting. In addition, our brokers undertook an investor survey on the back of our half-year results in February 2023 and the results of this were presented and discussed at a Board meeting. Our aim is to engage with our shareholders in an open and meaningful way. We also had more contact with our shareholders following our trading update on 31 March 2023 and some churn occurred in our shareholding base and we embraced the opportunity to engage with new investors with a different perspective. During the year, we also appointed Yvonne Harley as our first ever Director of Investor Relations and Sustainability. This was an internal appointment and Yvonne has brought energy and rigour to the role and ensures that our engagement with shareholders is done efficiently and properly.

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

The 2021 Directors' Remuneration Policy received 87.43% of votes in favour at the 2021 AGM, and it was pleasing that our 2022 Directors' Remuneration Report received 93% of votes in favour, recognising the continued support of our shareholders for our approach to executive remuneration.



This year, we undertook our inaugural externally facilitated Board and Committee evaluation and the findings of this review have provided us with ideas to further improve the manner in which the Board operates, and build on previous internally facilitated evaluations."

As part of our 2021 Remuneration Policy, we have now aligned our Executive Directors' pensions with our wider colleague population, and introduced post-employment shareholding rules.

### Statement of compliance with the UK Corporate Governance Code

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

The following area of non-compliance is noted below:

- Combined Chair and CEO (17 June to 7 July 2022) – we did not comply with Provision 10 of the Code. There was a three-week window between Adam Palser leaving us as CEO and Mike Maddison joining us as it was very difficult to ensure that Mike was on board before Adam left. One option considered was for a senior colleague to take on the CEO role but it was felt that Chris Stone was best placed given his length of time at NCC Group and his career experience as a CEO elsewhere, plus the fact that Chris was Executive Chair for a number of months back in 2017. There is always a risk that having both roles exercised by the same individual results in poor quality decisions being made and power concentrated in the hands of one individual. This was mitigated by the fact the non-compliance was of an extremely short timeframe with limited material decisions to be made within an existing governance framework. This is no longer an area of non-compliance.

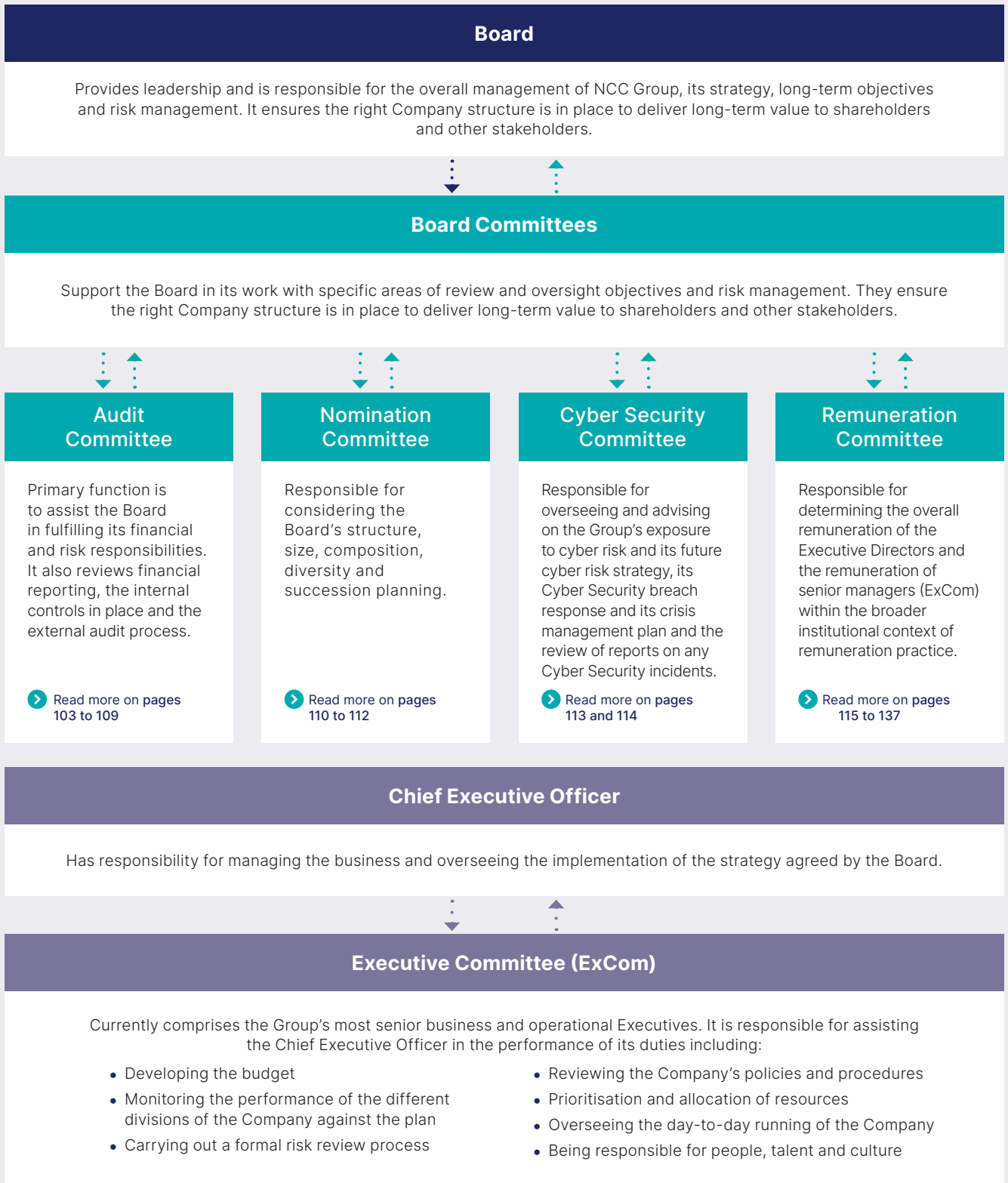
### Thank you

We are immensely proud of our colleagues for their extraordinary efforts during a challenging year, acting in the best interests of our customers and our stakeholders. I would like to thank all our colleagues for their incredible contribution in stepping up and meeting the challenges that the Group has faced over the past year.

**Chris Stone**  
Non-Executive Chair  
28 September 2023

## Governance framework

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



[For further details on Board composition and division of responsibilities, see pages 92 to 101](#)



## Board of Directors

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



**Chris Stone**  
Non-Executive Chair



**Appointment to the Board:**  
6 April 2017

#### Career experience

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

#### External appointments

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



**Mike Maddison**  
Chief Executive Officer

**Appointment to the Board:**  
7 July 2022

#### Career experience

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

#### External appointments

Mike does not currently have any external appointments.



**Guy Ellis**  
Chief Financial Officer

**Appointment to the Board:**  
30 June 2023

#### Career experience

Guy joined NCC Group in 2021, as Director of Commercial Finance as well as serving as Interim Managing Director of our Software Resilience business, and most recently as Interim Managing Director of our UK Cyber Security business.

Guy has over 25 years' experience in finance and commercial roles in the retail sector for brands including Asda and Specsavers. This experience and the recent interim roles in NCC Group have given him a breadth of understanding of the commercial drivers and operations across the whole business.

#### External appointments

Guy does not currently have any external appointments.



**Chris Batterham**  
Independent Non-Executive Director



**Appointment to the Board:**  
1 May 2015

#### Career experience

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

#### External appointments

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

## Other Directors during the year

### Adam Palser

Served as Chief Executive Officer during the early part of the year, stepping down on 17 June 2022.

### Tim Kowalski

Served as Chief Financial Officer throughout the year, stepping down on 30 June 2023.

#### Committee key:



Member of Audit Committee



Member of Cyber Security Committee



Member of Nomination Committee



Member of Remuneration Committee



Committee Chair



### Julie Chakraverty

Senior Independent Non-Executive Director (and designated Non-Executive Director for Colleague Engagement)



**Appointment to the Board:**  
1 January 2022

#### Career experience

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

#### External appointments

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



### Jennifer Duvalier

Independent Non-Executive Director



**Appointment to the Board:**  
25 April 2018

#### Career experience

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

#### External appointments

Jennifer is currently the Senior Independent Director of Trainline plc (where she is also a member of the audit and risk, nomination and remuneration committees) and an independent Non-Executive Director and Chair of the Remuneration Committee of Mitie Group plc (as well as being a member of its nomination committee) (she is also the designated Non-Executive Director for colleague engagement at both companies) and (until the end of April 2023) of Guardian Media Group plc. She is a Trustee of Somerset House (a UK-based charity) and also an advisor to the New York Presbyterian hospitals in the US. Jennifer is also a Non-Executive Director of The Cranemere Group Ltd, and a member of The Council of the Royal College of Art and Chair of the Remuneration Committee.



### Mike Etting

Independent Non-Executive Director



**Appointment to the Board:**  
22 September 2017

#### Career experience

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

#### External appointments

Mike is currently CEO of Unit4, a world leader in enterprise applications for services and people organisations. He is also Non-Executive Director of Impellam PLC, an AIM listed recruitment business.



### Lynn Fordham

Independent Non-Executive Director (and lead Non-Executive Director for Sustainability)



**Appointment to the Board:**  
1 September 2022

#### Career experience

Lynn, a Chartered Accountant, was most recently Managing Partner of private investment firm Larchpoint Capital LLP, a position she held from 2017 to 2021. Prior to joining Larchpoint, Lynn was CEO of SVG Capital for eight years having previously served as CFO. Before that she held senior finance, risk and strategy positions at Barratt Developments, BAA, Boots, ED&F Man, BAT and Mobil Oil. She also served as a Non-Executive Director on the board of Fuller, Smith & Turner for seven years until 2018, chairing its audit committee. Lynn was also a supervisory board member of Varo Energy BV.

#### External appointments

Lynn is currently a Non-Executive Director and Chair of the Finance, Risk and Audit Committees of Caledonia Investments plc, Domino's Pizza Group and Enfimum Limited. Lynn is also Chair of RMA – The Royal Marines Charity.

## Executive Committee



**Angela Brown**  
Chief Marketing Officer

Angela joined the Group in January 2023 and is the Chief Marketing Officer responsible for the Group's brand, PR, marketing and communications.

Angela has more than 25 years of international experience in business-to-business (B2B) marketing, communications and brand, including with PwC and Merrill Lynch, and is the founder of a successful marketing agency.

During 15 years at PwC, she held positions as Head of Marketing for the firm's Business Recovery function, as well as leading the marketing, brand and communications team in the Middle East. Prior to PwC, Angela was Assistant Vice President in Merrill Lynch's media relations and research communications function in both London and New York, and also spent time at a PR agency.

Angela is an Ambassador for the Institute of Directors (IoD) as well as a Regional Director of PM Forum, a network for marketing and business development people in the professional services sector.



**Kevin Brown**  
Chief Operating Officer

Kevin joined the Group in June 2023 and leads NCC Group's global Cyber Security capabilities and global delivery centres with overall responsibility for the Group's Managed Services, Consulting & Implementation, Technical Assurance Services (TAS) and Incident Response offerings.

Kevin spent 20 years in UK policing before moving across to the private sector in 2012. He joined BT initially, transforming its ability to manage risk, and progressed to leading and building a \$1bn managed security service business. As the Managing Director of BT Security, he was responsible for all Chief Security Officer, National Security and Commercial functions. Most recently, he has been resident CISO for private equity firm Insight Partners, leading its "C-suite in Residence" programme and working with many cyber portfolio companies to refine strategies and further strengthen growth plans.



**Nick Rowe**  
Managing Director,  
Assurance North America

Nick is Managing Director of the North American Assurance division based in California. He has held positions across business development, consulting and operations management since joining the firm in 1998. Currently Nick is responsible for the Group's North American operations since relocating from the UK in 2013 and while the primary focus is on the growth of this region Nick also sponsors global initiatives across sales, marketing and, as part of the Group-wide commitment to diversity and inclusion, the Neurodiversity Resource Group in FY22.



**Harmen Dikkers**  
Interim Managing Director,  
Fox-IT

Harmen, as Interim Managing Director, leads the primary process within Fox-IT and he is responsible for the implementation of the strategic business plans of all divisions: Managed Services, Professional Services, Crypto and DetACT.

After completing his Master's in Computer Science at TU Delft, Harmen started his career as a Strategy Consultant at ABN AMRO. He then joined Bain & Company, first as a Consultant and later as an Associate Partner, in the telecoms, technology and banking sectors. Before Harmen started at Fox-IT, he worked at BAM Infra. As the Director of BAM Infra Rail he was responsible for maintenance (incl. HSL), finance, ICT and all improvement processes. In January 2021 Harmen started as Director of Fox Crypto at Fox-IT, and in June 2023 he became Interim Managing Director.





**Michelle Porteus**  
Chief People Officer

Michelle is the Chief People Officer and responsible for all aspects of the Group's people strategy, leading on our global talent strategy to attract, develop and retain our talented teams by maximising their engagement and potential. She also sponsors all inclusion and diversity initiatives, and supports our colleague resource groups.

Joining the Group in 2019, Michelle has spent time as the HRD of the UK, Spain and APAC region, as well as supporting the global functions.

Michelle is a fellow of her professional institute and has a broad range of experience in both consulting and in-house roles leading transformation and organisational change. Her sector experience spans financial services, retail, manufacturing and pharmaceutical, public sector, utility and transport infrastructure.



**Siân John**  
Chief Technology Officer

Siân joined the Group in July 2023 and is responsible for driving innovation, insights and intelligence at NCC Group, defining the future direction of services through close interaction with clients, industry and academia. Siân leads the Group's commercial research, threat intelligence and commercial product management teams – central to the Group's strategic goals of growing its global position and reputation as the first choice, go-to Cyber Security expert.

A recognised Cyber Security thought leader and strategist, Siân has 25 years of Cyber Security experience across strategy, business risk, privacy and technology and joined NCC Group from Microsoft and is the current Chair of techUK's Cyber Security Management Committee and a council member for EPSRC, the funding body for engineering and physical sciences research in the UK.



**Rebecca Fox**  
Chief Information Officer

Rebecca is Group Chief Information Officer responsible for technology and application strategy and delivery in NCC Group.

Rebecca has over 15 years' experience of leading technology functions but has also led sales and commercial teams and had a successful interim career and is also the founder of a technology consultancy business.

During her career, Rebecca has led digital transformation, system implementations, organisation design and complex and diverse technical and development teams on a global scale. Rebecca comes from a technical development background, but her experiences include large-scale project/programme/portfolio management, data management and strategy, and service operations.



**Andrew Lemonofides**  
Global Managing Director,  
Software Resilience

Andrew joined the Group in November 2022 as Global Managing Director for NCC Group's Software Resilience division, which specialises in selling global escrow solutions. Andrew was formerly CEO of the then AIM listed Tungsten Network, a leading provider of invoice automation solutions and Group Chief Strategy and Transformation Officer of FTSE listed IWG plc (formerly Regus) for eight years. Previously he worked across the technology sector in a variety of Managing Director and General Manager roles where he drove significant growth. He spent 13 years at Dell Computer Corporation and seven years at Toshiba Information Systems, and started his career with IBM where he trained as a Systems Engineer.

## Board composition and division of responsibilities

Role profiles are in place for the Chair and Chief Executive Officer, which clearly set out the duties of each role.

| Role  | Responsibilities  |
|---|---|
| <b>Chair of the Board</b><br>(Chris Stone)  | Is responsible for the running and leadership of the Board, setting its agenda and ensuring its effectiveness on all aspects of its role, and promoting a culture of openness, debate and the highest standards of corporate governance. The Chair, in conjunction with the CEO and other Board members, plans the agendas, which are issued with the supporting Board papers in advance of the Board meetings. These supporting papers provide appropriate information to enable the Board to discharge its duties, which include monitoring, assessing and challenging the executive management of the Group.   |
| <b>Chief Executive Officer</b><br>(Mike Maddison)   | Together with the senior management team (ExCom), is responsible for the day-to-day running of the Group's business, implementing the strategy and policies approved by the Board, and regularly providing performance reports to the Board. The role of CEO is separate from that of the Chair to ensure that no one individual has unfettered powers of decision.   |
| <b>Chief Financial Officer</b><br>(Tim Kowalski/Guy Ellis)  | Works closely with the CEO with specific responsibility for all financial matters, including Group accounting policies, financial control, tax and treasury management, risk management and financial probity. The CFO is also accountable for the transparency and appropriateness of management information and key performance indicators, internally and externally.  |
| <b>Senior Independent Director</b><br>(Julie Chakraverty)   | Provides a sounding board for the Chair and serves as an intermediary for other Directors, colleagues and shareholders when necessary. The main responsibility is to be available to the shareholders should they have concerns that they have been unable to resolve through normal channels or when such channels would be inappropriate.   |
| <b>Non-Executive Directors</b><br>(Chris Batterham, Jennifer Duvalier, Mike Ettling and Lynn Fordham) | Bring experience and independent judgement to the Board. Maintain an ongoing dialogue with the Executive Directors, which includes constructive challenge of performance and the Group's strategy.  |
| <b>Designated Non-Executive Director for engagement with the workforce</b><br>(Julie Chakraverty)     | Leads on Board engagement with the workforce (please see separate section on page 97).  |
| <b>Company Secretary</b><br>(Jonathan Williams)   | Ensures good information flows within the Board and its Committees and between senior management and Non-Executive Directors. The Company Secretary is responsible for facilitating the induction of new Directors and assisting with their professional development as required. All Directors have access to the advice and services of the Company Secretary to enable them to discharge their duties as Directors. The Company Secretary is responsible for ensuring that Board procedures are complied with and for advising the Board through the Chair on governance matters. The appointment and removal of the Company Secretary is a matter for the Board as a whole. |

## Meetings and attendance

The Board considers that each Director is able to allocate sufficient time to the Company to discharge their responsibilities effectively. The Non-Executive Directors are contracted to spend a minimum of 24 days per annum on the Group's affairs, and the Chair 60 days.

A summary of each current Director's attendance at meetings that they were eligible to attend of the Board and its Committees during the financial year ended 31 May 2023 is shown below. Unless otherwise indicated, all Directors held office throughout the year.

The Board held more meetings during the year than initially envisaged at the start of the financial year and a number were called at extremely short notice, meaning that despite their best efforts, sometimes Directors were unable to attend. The main reason for calling Board meetings at short notice was in relation to the trading update in March 2023 and subsequent decisions. For the avoidance of doubt, no concerns have been raised about the attendance record of any Directors, nor their continued commitment to their work and NCC Group.

|                                | Board | Audit | Nomination | Cyber Security | Remuneration |
|--------------------------------|-------|-------|------------|----------------|--------------|
| Chris Stone                    | 14 14 | n/a   | 5 5*       | 4 4            | n/a          |
| Mike Maddison                  | 13 13 | n/a   | n/a        | n/a            | n/a          |
| Tim Kowalski                   | 14 14 | n/a   | n/a        | n/a            | n/a          |
| Chris Batterham <sup>1</sup>   | 12 14 | 4 4   | 4 5        | 2 4            | 4 5          |
| Lynn Fordham <sup>2</sup>      | 14 14 | 3 3*  | 4 4        | 3 3            | 4 4          |
| Julie Chakraverty              | 14 14 | 3 3   | 5 5        | 4 4*           | 5 5          |
| Jennifer Duvalier <sup>3</sup> | 12 14 | n/a   | 5 5        | 4 4            | 5 5*         |
| Mike Ettling <sup>4</sup>      | 11 14 | 3 4   | n/a        | n/a            | n/a          |

At all times, all of the Board and Committee meetings remained quorate.

● Meetings attended

● Possible meetings

\* Committee Chair

n/a Director is not required to attend the meeting, but may have attended by invitation

1 Missed meetings due to them being held at short notice, or clashing with pre-existing commitments which could not be rearranged. Chaired the Audit Committee until 1 February 2023.

2 Lynn Fordham was appointed to the Board on 1 September 2022. Chaired the Audit Committee from 1 February 2023.

3 Missed two Board meetings due to them being held at short notice, or clashing with pre-existing commitments which could not be rearranged.

4 Missed meetings due to them being held at short notice, or clashing with pre-existing commitments which could not be rearranged.

## What principal decisions have been made and what have we looked at as a Board during 2022/23?

### Section 172 statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, but having regard to a range of factors set out in section 172(1)(a)–(f) of the Companies Act 2006. In discharging our section 172 duty, we have regard for these factors, taking them into consideration when decisions are made.

The Board understands the importance of stakeholder engagement and, through regular updates from the Executive Directors and other senior managers, it has provided challenge and oversight throughout the year. The Company's stakeholders are set out on pages 40 and 41, with an overview of how we engage with them, how they relate to our strategy and highlights from the previous year.

### Principal decisions made during the year

Throughout this Annual Report, we have provided examples of how we have thought about the likely consequences of long-term decisions and detailed below are how the Board considered stakeholders, and the information we received through engagement, into a number of its key decisions in 2022/23.

When making each decision, the Board carefully considered how it impacted on the success of the Group and its long-term (financial and non-financial) impact and had due regard to the others matters set out in section 172(1)(a)–(f) of the Companies Act 2006.



## Board composition and division of responsibilities continued

### What principal decisions have been made and what have we looked at as a Board during 2022/23? continued Principal decisions made during the year continued

The below should be read in conjunction with our stakeholder section on pages 40 and 41, along with other sections of the Annual Report where appropriate.

| Topic                  | Stakeholder group                                | Decision taken   | Engagement process  | Reference  |
|------------------------|--|--|---|--|
| Board changes          | Colleagues, shareholders, customers, our network | <p>In FY22 we recruited Julie Chakraverty, and in FY23 we recruited Lynn Fordham (both as independent Non-Executive Directors).</p> <p>With these appointments, we have now delivered on our Board diversity commitment (to have at least 33% female representation and one person of colour on the Board by 2024) and we are also on course to meet the FTSE Women Leaders Review target of 40% female representation by the end of 2025.</p> <p>With Chris Batterham announcing his intention to retire at the 2023 AGM, on 1 February 2023 Julie was appointed as the Senior Independent Director, and Lynn was appointed as Chair of the Audit Committee, and also lead NED for Sustainability.</p> <p>Also during the year, the Board noted Tim Kowalski's decision to step down as CFO and approved the internal promotion of Guy Ellis on 30 June 2023.</p> | <p>We have been cognisant for a while of the need to improve the diversity around our Board table and a number of colleagues and shareholders had also commented on our historical lack of progress on this. We recognised that our Board was not representative of the society in which we operate, and of our colleague and customer bases.</p> <p>The Board had feedback sessions from investors following the half and full-year results and numerous briefings from the Chief People Officer.</p> <p>When bidding for work, a number of customers have commented on our lack of progress with diversity and it was important for us to really pay attention to this to ensure that we would not lose future opportunities based on our lack of diversity.</p>  | <p>Our Board biographies on pages 88 and 89</p> <p>Nomination Committee Report on page 110</p> |
| Reduction in workforce | Shareholders, colleagues, customers              | <p>As a result of market conditions causing NCC Group to experience a reduction in utilisation rates and attrition, we took the decision to accelerate the implementation of our strategy and reshape the business, with a proposed reduction in headcount in the near term. Following the implementation of the next chapter of our strategy to enhance future growth, we realised that we needed to reshape our global delivery and operational model and came to the difficult decision that we needed to reduce our global headcount by c.7%.</p>  | <p>Mindful that decisions such as this are not easy, we endeavoured to communicate with affected colleagues as soon as we could and ensured that any redundancy processes were run efficiently and fairly, mindful of communicating well and in a timely manner with colleagues. We were also mindful of the feelings of colleagues unaffected by the redundancy process who could be potentially losing long-term colleagues and friends.</p> <p>Although not an easy decision, it was necessary in protecting roles for other colleagues in the business, as well as ensuring NCC Group's long-term health, and ensuring we demonstrated a good level of stewardship for our investors, protecting future returns.</p> <p>We engaged with investors via stock exchange announcements and briefings that Board members and management had with shareholders.</p> | <p>Colleague engagement section on page 97</p>   |

| Topic                                      | Stakeholder group                                | Decision taken  | Engagement process  | Reference      |
|--|--|---|---|----------------|
| Global delivery centre in the Philippines  | Colleagues, customers, shareholders              | As part of our revised strategy to transition from an international to a fully global business (and following extensive due diligence and internal planning), we took the decision to set up a global delivery and operations centre in Manila in the Philippines.  | <p>We engaged with investors via stock exchange announcements and briefings that Board members and management had with shareholders.</p> <p>Colleagues were engaged with via briefings, updates on emails and the internal communication channels that we have.</p>   | Page 26        |
| Revised strategy and the strategic pillars | Colleagues, customers, shareholders              | In the months following his arrival, our CEO (Mike Maddison) and his senior management team reviewed the strategy NCC Group was pursuing and concluded that a change was needed to improve the medium and long-term prospects for the business for colleagues, clients and, ultimately, investors. These proposals were shared with the Board and following debate the Board agreed that our strategy should be based around revised strategic pillars. | <p>Customer feedback suggested we needed to focus more on clients' most pressing Cyber Security needs, broadening our service portfolio, transitioning from an international to a fully global business, and having differentiated brands. The ways we were operating were not conducive to achieving these aims and ultimately delivering on client needs would result in more secure and long-term work for colleagues, and higher returns for investors.</p> <p>We engaged with investors via stock exchange announcements and briefings that Board members and management had with shareholders.</p> <p>Colleagues were engaged with via briefings, updates on emails and the internal communication channels that we have.</p> | Pages 24 to 27 |
| Refinancing our bank facilities            | Colleagues, customers, shareholders, our network | Our current credit facilities were due to expire in June 2024. During the year, it was recognised that it would be beneficial and prudent to the Group to refinance its facilities enabling it to have appropriate terms and tenure for the new strategy. The new facilities were secured until December 2026.  | <p>Engagement with incumbent and prospective relationship banks began early during the financial year, along with a number of Board updates and briefings.</p> <p>We engaged with investors via stock exchange announcements and briefings that Board members and management had with shareholders.</p>   | Page 62        |

## Board composition and division of responsibilities continued

### What have we looked at as a Board during 2022/23?

At every meeting the Board reviews the minutes from the previous meeting and the status of any outstanding actions. Colleague engagement is a standing agenda item presented by Julie Chakraverty as our designated Non-Executive Director for workforce engagement. The CEO and CFO present their monthly performance update reports, which are also circulated to Board members in months where there is no scheduled Board meeting.

The Board has also reviewed the following during 2022/23:

#### Leadership and colleagues

- Appointed a new CEO (Mike Maddison) and a new independent Non-Executive Director (Lynn Fordham)
- Received an update on colleague engagement and the results of the annual colleague engagement survey, and any questions colleagues have raised on executive remuneration and how this aligns with the wider Company pay policy
- Approved a number of share scheme grants to colleagues including UK Sharesave, International Sharesave (in the Netherlands and Spain), and the Employee Stock Purchase Plan (in the US and Canada)
- Been updated on the progress of the launch of the new Share Incentive Plan (SIP)
- Discussed a number of colleague deaths in service and approved the application of the insurance proceeds to beneficiaries
- Continued with the colleague engagement programme, with an appointed designated Non-Executive Director leading, with an update to the Board at every Board meeting
- Been updated on senior management changes to the Executive Committee
- Received updates on the Group's pension scheme

#### Strategy

- Discussed and agreed a revised strategy and had numerous updates on this throughout the year
- Held a dedicated one-day strategy session (see page 97)
- Discussed the strategy day and the key points arising out of it, and had a strategy day progress check six months later, along with regular check-ins on progress against strategy
- Approved the establishment of a new subsidiary company and operations in the Philippines
- Discussed a number of sector IPOs, divestments and M&A activity, plus investments that competitors had made during the year

#### Governance

- Continued with the colleague engagement programme, with an appointed designated NED leading the Board's engagement activities
- Completed the externally facilitated Board, Committee and Chair effectiveness reviews and discussed the results of these reviews with the facilitator, agreeing on key focus areas for the coming year
- Approved the Notice of AGM and Proxy Form
- Had a number of presentations on the Group's ESG work and progress (labelled as "sustainability" internally)
- Attended the AGM
- Received regular reports from the Deputy Company Secretary on governance matters and best practice updates
- Had presentations on the Group's key stakeholders, e.g. our customers, suppliers and network, and reflected on Board stakeholder engagement and improving the mechanisms for this. Noted and approved the Group's tax strategy

- Received updates on a number of high profile cyber attacks that had been targeted at other companies and organisations
- Approved some minor amendments of an administrative nature to share plan rules
- Discussed and approved the Group's Modern Slavery Statement
- Reviewed Directors' outside directorships and potential conflicts of interest and also Directors' shareholdings, along with the annual review of Non-Executive Director independence
- Reappointed the external auditor following recommendation from the Audit Committee
- Received reports on any material litigation and colleague litigation issues affecting the Group
- Received a presentation from Planet Mark on NCC Group's carbon footprint and net zero
- Received an update from the public affairs team
- Reviewed and approved a number of deal country risk assessments for work in certain countries
- Approved the appointment of Lynn Fordham as the lead Non-Executive Director for Sustainability

#### Financial

- Reviewed and approved the Annual Report and Accounts, ensuring that it is fair, balanced and understandable
- Discussed and approved the full-year and half-year results and associated presentations to investors
- Approved the interim and final dividends and discussed the dividend policy
- Noted and approved the 2022/23 Group insurance cover renewal
- Discussed and approved the 2023/24 budget
- Received presentations from the brokers and financial PR advisers
- Received a presentation from the Director of Investor Relations
- Considered and approved trading updates at the full and half-year end
- Reviewed and responded to an FRC enquiry letter in March 2023 in relation to the 2022 Annual Report and Accounts. The FRC confirmed in April 2023, following the Group's response, it was able to close enquiries
- Received regular updates from investor meetings and noted circular investor letters
- Received external presentations on shareholder perspectives on the Company
- Received a number of updates and approved revised refinancing facilities with relationship banks
- Considered a change to the year end (deciding not to at this time) with a further review in the future

#### Other Group business

- Continued to be kept updated on the integration progress following the IPM acquisition in June 2021
- Kept updated on a number of strategic projects
- Had a number of sales and marketing presentations
- Received briefings on the North American Assurance division during the Board visit to the United States
- Had update briefings from the Group IT Director
- Approved a number of major customer contracts and bids
- Received regular updates on material litigation affecting the Group
- Received an update from the Research and Development Director
- Received initial first impressions from the new Managing Director of Software Resilience



## Board strategy review

Following the approval and subsequent announcement of the new Group strategy that was made as part of the half-year results in February, the Board met in March to hold a detailed strategy review day. The objective of the day was to review the set-up, scope and proposed scope of each of the workstreams initiated to begin the implementation of the Next Chapter strategy.

The day began with a senior client giving their perspective on the Cyber Security market from a client's perspective, covering the threats, trends and vendor developments that they were seeing, together with their perception as a buyer and user of NCC Group services. The rest of the day was structured around the four pillars of the Next Chapter strategy, with programme leads for each pillar presenting their workstream plans with objectives, roadmaps, timelines and deliverables. This was an opportunity for Board members to give valuable input and feedback on the emerging plans and it also enabled the Board to get a sense of the implementation risks and the mitigations being put in place to underpin the programme delivery. Specific topics addressed as part of the pillar programmes included NCC Group's partnerships strategy, the development of the Global Managed Services growth plan, the set-up of an Asia Pacific delivery centre (in Manila) and the brand refresh.

Workstream leaders took the collective feedback, ideas and direction to help shape the strategy implementation plans and agreed it was a useful insight at a more detailed level than is usually possible during update and review sessions.

## Independent advice

All Directors have access to the advice and services of the Company Secretary and Directors are entitled to take independent professional advice if necessary, at the expense of the Company.

## Conflicts of interest

The Companies Act 2006 requires Directors to avoid situations where they have, or could have, a direct or indirect interest that conflicts or potentially conflicts with the interests of the Company. The Company's Articles of Association require any Director with a conflict or potential conflict to declare this to the Board.

That Director will not then be involved in the discussions relating to the proposal, transaction, contract or arrangement in which they have an interest, unless agreed otherwise by the Directors of the Company in the limited circumstance specified in the Articles of Association, nor will they be counted in the quorum or be permitted to vote on any issue in which they have an interest. Directors are required to inform the Board without delay should they be aware of any actual or potential conflicts of interest and a check on conflicts is undertaken each year with a report to the Board.

## Colleague engagement

Julie Chakraverty is the Board's designated Non-Executive Director to lead the Board's colleague engagement programme and is committed to understanding the views of our colleagues and ensuring they are incorporated into the Board's decision-making process.

In addition, there is also opportunity for colleagues to ask any questions they have on executive remuneration and how this aligns with the wider Company pay policy.

Prior to meeting with Julie at one of the engagement sessions, colleagues are introduced to Julie via our internal social channels where she explains her role through a video and written communications. Julie has access to these channels to enable her to engage fully outside of the formal events.

We were keen to build on the momentum generated in previous years and Julie is sometimes joined by our Chair, Chris Stone, or other Non-Executives, to meet colleagues, all of whom are invited from below the mid-management level and all parts of the business to ensure diversity of thought. We ensure that no one has their line manager in either the physical or the virtual room to ensure they can speak freely and tell Julie what is on their mind.

Feedback from each session's participants is shared anonymously to the Board and to our CEO. This enables action to be taken, further strengthening the value of listening. Colleagues attending are invited to give their feedback and, so far, results have been positive and valued.

## Board independence

As required by the Code, at least 50% of the Board, excluding the Chair, are independent Non-Executive Directors. The Board comprises two Executive Directors, five independent Non-Executive Directors, and the Non-Executive Chair.

The Board has debated and considers that all of the current Non-Executive Directors are independent, and in so doing considered the profile of all of the individuals, concluding that none of them:

- Has ever been a colleague of the Group
- Has ever had a material business relationship with the Group or receives any remuneration other than their salary or fees
- Has close family ties with the advisers, other Directors or senior management of the Group that could reasonably be expected to cause a conflict
- Holds cross-directorships or has significant links with other Directors through involvement with other companies or bodies
- Represents a significant shareholder
- Has at the point of this report served on the Board for more than nine years from the date of their first election

The Non-Executive Directors provide a strong independent element on the Board and are well placed to constructively challenge and help develop proposals on strategy and succession planning. Between them they bring an extensive and broad range of experience to the Group.

Details of the Directors' respective experience are set out in their biographical profiles on pages 88 and 89.

The terms and conditions of appointment of Non-Executive Directors are available for inspection at the Company's registered office during normal business hours.

## Board composition and division of responsibilities continued

### Diversity

The principle of Board diversity (and indeed diversity across the Group) is strongly supported by the Board. It is the Board's policy that appointments to the Board will always be based on merit so that the Board has the right balance of individuals in place. The Board recognises that diversity of thought, approach and experience is an important consideration and is therefore one of the selection criteria used to assess candidates prior to any Board appointments. Read more about diversity in the Nomination Committee Report on pages 110 to 112.

The Company's policy is to find, develop and maintain a diverse workforce at all levels with an initial focus on developing a culture where women can achieve and retain senior positions.

### Annual re-election

In accordance with the Code, any Directors appointed in the financial year are subject to election by shareholders at the AGM and, in line with best practice, all the other Directors are subject to re-election annually.

### Director induction, training and development

New Directors are provided with an induction on appointment, which would include visits to the Group's operations and meetings with operational and executive management. Each Director's induction is tailored to their experience and background with the aim of enhancing their understanding of the Group's strategy, business, operating divisions, colleagues, customers, suppliers and advisers, and the role of the Board in setting the tone of our culture and governance standards.

The Company acknowledges the importance of developing the skills of the Directors to run an effective Board. To assist in this, Directors are given the opportunity to attend relevant courses and seminars to acquire additional skills and experience to enhance their contribution to the ongoing progress of the Group. All of the Directors attend sessions which are aimed at updating the Board on trends and developments in corporate governance.

During the coming year we will ensure that our new CFO (Guy Ellis) is provided with formal, comprehensive and tailored induction programmes and we will report back on this more fully in next year's Annual Report.

### Board and Committee effectiveness review

The performance of the Board and its Committees is appraised annually and an externally facilitated Board Effectiveness Review was undertaken by Manchester Square Partners (MSP) in March and April 2023. This was the Board's first ever externally facilitated effectiveness review. MSP has no other links or connections to NCC Group other than that it also provided outplacement support to our former CEO, Adam Palser. We reviewed whether there was any conflict of interest with MSP's Board Effectiveness Review and concluded that there was none.

## 🔍 Lynn Fordham – induction and first impressions



**Lynn Fordham**  
Independent Non-Executive Director

We announced in July 2022 that Lynn would join our Board (and all of its Committees) with effect from 1 September 2022. Before Lynn joined on 1 September 2022, an induction plan was created for her which involved Lynn meeting with all of the Executive Committee plus other key colleagues, including the Director of Global Governance and the CISO. Lynn also met with the Company's brokers, financial PR consultants, executive remuneration advisers, and KPMG as the Group's auditor. We made the most of the window between announcing Lynn's appointment and Lynn joining the Board so that Lynn had a real understanding of NCC Group before she started.

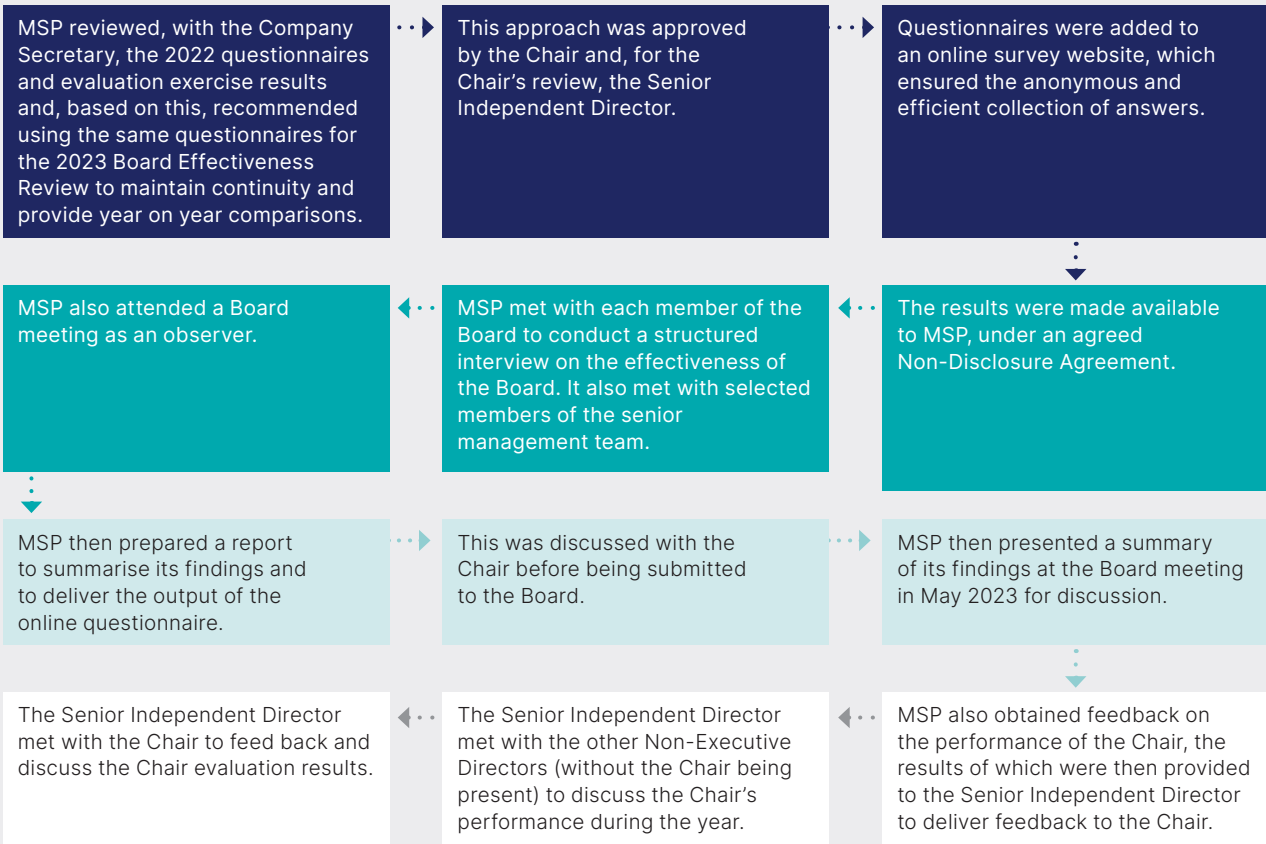


My comprehensive induction programme and meeting the right colleagues and advisers before I started on 1 September 2022 meant I had a good appreciation of NCC Group and for the Company's issues before my first Board meeting.

I believe that the insights I gained allowed me to make a positive contribution from the outset and although my first Board meeting was a virtual one, I have now had the opportunity to attend four in-person Board meetings (with one of these being in New York) and the Group's Strategy Day and these, together with various events and site visits, have allowed me to further engage with a number of colleagues.

Being on the Audit Committee and then recently taking over from Chris Batterham as Chair has really allowed me to "get under the skin of NCC Group" and add value from my experiences gained elsewhere. I have really enjoyed my early months with NCC Group and look forward to contributing further and driving improvements at NCC Group particularly those within the Audit Committee's sphere of influence, and also in my work as lead NED for Sustainability."

### Board, Committee and Chair evaluation process 2023





## Board composition and division of responsibilities continued

### Outcomes

The results were presented at the May 2023 Board meeting.

The overall rating of the Board performance was positive. The Board and its Committees continue to function well, but MSP did make several observations and recommendations, which are detailed below. Further, MSP also recommended a progress check towards the end of 2023 to ascertain how the Board is doing against the proposed improvements and whether the Board needs to do anything differently in the second half of the financial year.

MSP's recommendations included the following:

| Areas identified in previous evaluations | Outcome   |
|--|---|
| Board composition                        | <ul style="list-style-type: none"> <li>Consider the next NED appointment, notably whether this appointment should be a candidate with Cyber Security expertise and/or B2B marketing experience</li> </ul>   |
| Board agendas                            | <ul style="list-style-type: none"> <li>Review the annual cycle of meetings and topics on each meeting's agenda</li> <li>Ask NEDs for suggestions for future agenda items</li> <li>Increase focus on: <ul style="list-style-type: none"> <li>Risk management</li> <li>Customer behaviour</li> <li>Competitive environment</li> </ul> </li> </ul>     |
| Board behaviours                         | <ul style="list-style-type: none"> <li>Ensure that the Board has enough "no agenda" time together</li> <li>Consider giving the Executives advanced notice of questions/challenges so they can prepare responses</li> </ul>  |
| Strategy                                 | <ul style="list-style-type: none"> <li>Ensure that the Board spends time to discuss and develop clarity on: <ul style="list-style-type: none"> <li>NCC Group's "go to market" strategy</li> <li>Understanding of our service lines</li> <li>Global positioning</li> </ul> </li> </ul>   |
| Performance monitoring                   | <ul style="list-style-type: none"> <li>Develop KPIs relevant to future strategic needs</li> </ul>   |
| Succession planning                      | <ul style="list-style-type: none"> <li>Ensure clarity on the future needs of the business and recruit accordingly</li> <li>Increase exposure of the Board to second/third lines of management</li> </ul>  |
| Stakeholder management                   | <ul style="list-style-type: none"> <li>Increase awareness/engagement with shareholders</li> <li>Increase engagement with clients</li> </ul>   |
| Information flows                        | <ul style="list-style-type: none"> <li>Require that papers have a more "forward-looking" agenda</li> <li>More "market intelligence"</li> <li>More sales/marketing metrics</li> <li>Less "what happened?", more "why did this happen and what will we do about it?"</li> <li>More presentations from the second/third lines of management</li> </ul> |
| Risk management                          | <ul style="list-style-type: none"> <li>Ensure that the Board broadens its focus on risk management and make it a standing agenda item</li> </ul>  |
| Committees                               | <ul style="list-style-type: none"> <li>Review whether the Cyber Security Committee's agenda could be better managed as a standing Board agenda item</li> </ul>  |

MSP's services were also used to provide outplacement support to our former CEO, Adam Palser. We reviewed whether there was any conflict of interest with MSP's Board Effectiveness Review and concluded that there was none.

## Operation of governance framework

### Role of the Board

The Board is responsible for reviewing, challenging and approving the strategic direction of the Group, while providing strong values-based leadership of the Company, within a framework of prudent and effective controls, which enable risk to be assessed and appropriately managed. The Board reviews the Group's business model and strategic objectives to ensure that the necessary financial and human resources are in place to achieve these objectives, to sustain them over the long term and to review management's performance in their delivery.

The Board sets the tone of the Company's values and ethical standards and manages the business in a manner to meet its obligations to shareholders and other stakeholders.

The Board receives information on at least a monthly basis to enable it to review trading performance, forecasts and strategy and it has a schedule of matters specifically reserved for its decision. The most significant of these are:

- Approval of strategic plans, the annual budget and any material changes to them
- Oversight of the Group's operations, ensuring competent and prudent management, sound planning, and an adequate system of internal control and governance
- Through the Audit Committee, oversight of financial reporting systems and information and adherence to appropriate accounting policies
- Changes to the structure, size and composition of the Board and Executive Committee, and oversight of the Company culture and the ethical standards of the leadership and the independence of Non-Executive Directors, taking into consideration prudent succession planning
- Approval of the acquisition or disposal of subsidiaries and major investments and capital projects
- Approval of the dividend, treasury and banking policies, including the Group's capital structure
- Through the Remuneration Committee, the delivery of an effective executive and senior management Remuneration Policy
- Receiving reports on the views of shareholders and approval of all documents put to shareholders at a general meeting or circulated to shareholders
- Approval of the appointment of key advisers

The Board has a schedule of specific matters reserved for its decision where it feels they are critical to the ongoing success of the business and are of a significant nature to merit the Board having such a decision reserved to it. The Group also has a Group Authority Matrix (which documents the levels of authority delegated from the Board to various role holders within the Group). The schedule of matters reserved for decision by the Board and the Group Authority Matrix are complementary documents and are designed to ensure that decisions are either made by the Board or delegated to an appropriate senior colleague within the Group.

As noted above, the operational management of the Group is delegated to the Executive Committee. The Board also delegates other matters to Board Committees and management as appropriate.

## Risk management

The Board has ultimate responsibility for ensuring that business risks are effectively managed. The Board has delegated regular review of the risk management procedures to the Cyber Security Committee in relation to cyber risks, and to the Audit Committee in relation to all other risks. The Board reviews the overall risk environment on at least an annual basis. The day-to-day management of business risks is the responsibility of the Executive Committee (ExCom).

### Internal control

The Group has a system of internal controls which aims to support the delivery of the Group's strategy by managing the risk of failing to achieve business objectives and to protect the stewardship of the Group's assets. As with all such systems, the goal is to manage risk within acceptable parameters, rather than to eliminate risk entirely. The Group can therefore only provide reasonable and not absolute assurance that the business objectives and asset stewardship will be delivered successfully.

In addition, the Group insures against various risks, but certain risks remain difficult to insure, due to the breadth and cost of cover. In some cases, external insurance is not available at all, or at least not at an economically viable price. The Group regularly reviews both the type and amount of external insurance that it buys in conjunction with its insurance brokers. For a more detailed review of risk management processes, the principal risks faced by the Group and their mitigation, see pages 70 to 80.

The Audit Committee is responsible for reviewing the effectiveness of the risk management and internal control systems. The steps it takes in relation to the review are set out on page 104.

The Audit Committee makes recommendations to the Board on the effectiveness of risk management and internal controls, which the Board considers, together with reports from the Cyber Security Committee, in forming its own view on the effectiveness of the risk management and internal control systems.

During the year ended 31 May 2023, the Board reviewed the effectiveness of the Group's risk management and internal control systems together with internal control findings issued by our auditor, including the mitigating factors surrounding the use of IT users with certain access rights to our systems. We confirm that the processes outlined above and on page 104 have been in place for the year under review and up to the date of this Annual Report and Accounts, and that these processes accord with the UK Corporate Governance Code and the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. We also confirm that, while no significant failings or weaknesses were identified in relation to the internal audits performed, there is a programme of continuous improvement to support the achievement of higher standards. This has resulted in an increase in benchmarking our systems of internal control against recognised frameworks. For example, while our score against the NIST Framework is in line with similar organisations, we have taken a conscious step to exceed these standards. Therefore, we have established and continue to monitor an aggressive action plan to achieve our objective of being a leader in the market.

### Executive remuneration

During the year, we operated within the Remuneration Policy approved by shareholders at the 2021 AGM. Details of how the Remuneration Policy has been applied during this financial year are set out on pages 115 to 137 of the Remuneration Committee Report.

# Shareholder engagement

## Share capital structure

The Company's issued share capital at 31 May 2023 consists of 312,128,892 ordinary shares of 1p each. There are no special control rights or restrictions on share transfer or special rights pertaining to any of the shares in issue and the Company does not have preference shares.

As far as is reasonably known to the Board, the Company is not directly or indirectly owned or controlled by another company or by any government.

## Board engagement with shareholders

Communications with shareholders are given high priority. There is a regular dialogue with institutional investors including presentations after the Company's year end and half-year results announcements.

A programme of meetings takes place throughout the year with major institutional shareholders, and private shareholders have the opportunity to meet the Board face to face and ask questions at the AGM.

We are in regular contact with our large investors through a regular scheduled programme of meetings attended by either our CEO or CFO or both of them. Julie Chakraverty, our Senior Independent Director, and I are also available to meet with investors should the need arise. I met with our larger investors in February, March and April 2023 and I fed back my findings to Board colleagues at the next Board meeting. In addition, our brokers undertook an investor survey on the back of our half-year results in February 2023 and the results of this were presented and discussed at a Board meeting. Our aim is to engage with our shareholders in an open and meaningful way. During the financial year the Directors held a number of meetings with shareholders as set out below.

## Board shareholder updates

Feedback from major institutional shareholders is provided to the Board on a regular basis and, where appropriate, the Board takes steps to address their concerns and recommendations.

## Investor meetings

One-to-one meetings

66

Group meetings

4

## Substantial shareholdings

As at 31 May 2023, the Company had been notified of the following interests of 3% or more in the issued share capital of the Company under the UK Disclosure and Transparency Rules:

| Shareholder                                   | Number of ordinary shares | % of NCC Group's total share capital |
|---|---------------------------|--------------------------------------|
| Aberforth Partners LLP                        | 16,221,626                | 5.20%                                |
| Odyssean Investment Trust plc                 | 16,000,000                | 5.13%                                |
| Montanaro Asset Management                    | 15,353,573                | 4.92%                                |
| Legal & General Investment Management Limited | 13,606,370                | 4.36%                                |
| Sanford Deland Asset Management               | 15,550,000                | 4.99%                                |
| Canaccord Genuity Group Inc                   | 16,393,627                | 4.96%                                |
| Schroder Investment Management                | 15,364,318                | 5.53%                                |

The following changes to the above interests have been notified to the Company from 31 May 2023 to 28 September 2023:

| Shareholder                          | Number of ordinary shares | % of NCC Group's total share capital |
|--------------------------------------|---------------------------|--------------------------------------|
| The Wellcome Trust Limited           | 9,662,944                 | 3.10%                                |
| Schroders Plc                        | 14,515,897                | 4.65%                                |
| Odyssean Investment Trust plc        | 18,750,000                | 6.01%                                |
| NFU Mutual Insurance Society Limited | 12,981,143                | 4.16%                                |
| Spreadex                             | 11,929,630                | 3.82%                                |
| Richard Griffiths                    | 13,296,911                | 4.26%                                |

## Directors' shareholdings

For details of Directors' shareholdings, remuneration and interests in the Company's shares and options, together with information on service contracts, see pages 115 to 137 of the Directors' Remuneration Report.

## Annual General Meeting

The AGM is an opportunity for shareholders to vote on certain aspects of Group business and provides a useful forum for one-to-one communication with private shareholders. At the AGM shareholders receive presentations on the Company's performance and may ask questions of the Board. The Chair seeks to ensure that the Chairs of the Audit, Remuneration, Nomination and Cyber Security Committees are available at the meeting to answer questions and all Directors attend.

The Company prepares separate resolutions on each substantially separate issue to be voted upon at the AGM. The result of the vote on each resolution is published on the Company's website after the AGM and will be announced via the regulatory information service. At the 2022 AGM, shareholders representing over 81.96% of the Company's issued share capital returned their proxy votes.

On behalf of the Board

**Chris Stone**  
Non-Executive Chair  
28 September 2023



# Sustained focus on and improvement of our internal control and risk environments



### 2022/23 key activities

- Assessed the quality of earnings by reviewing one-off, out of period or non-trading items arising over the year considering the background of a challenging year
- Continued focus on the adherence to the Individually Significant Items accounting policy
- Reviewed Alternative Performance Measures (APMs) to ensure there is a clear description and explanation, reconciliation, presentation and consistency applied
- Critical review and discussion with our external auditor on the assumptions and models used within the Group annual impairment review and resultant disclosures considering the background of a challenging second half performance, a new strategy and managements future action plans
- Consideration of going concern and viability assessment and disclosures considering the background of a challenging year and a new strategy
- Monitoring integration of IPM business including associated risks, controls and costs of integration and then ensuring that existing Group controls have been implemented within the newly acquired business
- Reviewing Task Force on Climate-related Financial Disclosures (TCFD)
- Consideration of the findings of the Financial Reporting Council's (FRC) review into the 2022 Annual Report and reviewing and approving the Group's response
- Considered a change to the year end (deciding not to at this time) with a further review in the future

### 2023/24 priorities

- Review of the risk management and control environment of any significant strategic or operational projects and the resulting changes in the business
- Monitoring the project risk management of key new initiatives, ensuring that satisfactory internal controls are embedded from the outset



NCC Group, in a period of considerable change, has maintained a focus on control, risk management and governance with the objective of continuously improving our systems and our processes as the business strategy evolves.”

**Lynn Fordham**  
Committee Chair

- Reviewing and monitoring controls
- Ensuring continued improvement of the effectiveness of the Group's risk management and internal control systems
- Planning for regulatory changes arising from the new corporate governance reform requirements, including ensuring that we review and consider all UK governance changes following the establishment of Audit Reporting and Governance Authority (ARGA)
- Monitoring ESG reporting, including progress on TCFD, and embedding sustainability into the business
- Undertaking a thorough and comprehensive independent auditor tender process, leading to the reappointment of KPMG, or the on-boarding of a new auditor
- Monitoring implementation of the recently implemented delivery system (Kantata)

I am pleased to present the Audit Committee Report for the year ended 31 May 2023 to explain how we have discharged our responsibilities with an overview of our principal activities and their outcomes.

### Committee membership, attendees' access and objectives

The Audit Committee had a change of Chair during the year. I took over the role from Chris Batterham on 1 February 2023. I am a Chartered Accountant with diverse sector experience across listed companies, private equity and financial services in a number of disciplines including risk management, internal control and financial reporting. I am also currently Chair of the Audit and Risk Committees at Caledonia Investments plc, Domino's Pizza Group plc and Enfinium Group, all of which provide me with an additional external perspective to bring to my chairing of this Committee. The Board therefore considers that I have the recent and relevant financial experience required by the Code.

## Audit Committee report continued

### Committee membership, attendees' access and objectives continued

Chris Batterham, Mike Ettling and Julie Chakraverty all served on the Committee throughout the year. I joined the Committee from 1 September 2022 when I joined the Board. All members of the Committee are considered to be independent, and the Committee as a whole continues to have competence in the technology sector.

Summary biographies of each member of the Committee are included on pages 88 and 89.

The purpose of the Audit Committee is to assist the Board in the discharge of its fiduciary duties of stewardship of the Group's assets. The Committee particularly focuses on systems and processes of management control, and the reporting of internal management information and externally reported financial information. The Committee also provides a forum for reporting by the external auditor. Cyber risk and controls are also considered in the Cyber Risk Committee. A full copy of the Committee's terms of reference can be found in the Investor Relations section of the Group's website at [www.nccgroupplc.com/investor-relations/corporate-governance/](http://www.nccgroupplc.com/investor-relations/corporate-governance/).

### Principal duties delegated to the Audit Committee

| Areas delegated to the Audit Committee               | Committee responsibilities   | Activities during the year   |
|--|--|--|
| <b>Financial reporting</b>                           | <ul style="list-style-type: none"> <li>Monitoring the integrity of the Financial Statements relating to the Group's financial performance and their compliance with the provisions of IFRS, the UK Corporate Governance Code, the Disclosure Guidance and Transparency Rules and other regulations</li> <li>Reviewing material information and significant accounting judgements contained in the Annual Report and Accounts</li> <li>Advising the Board on the continuing appropriateness of the Group's existing accounting policies and the application of any new or modified accounting and reporting standards</li> </ul>            | <ul style="list-style-type: none"> <li>Continued focus on quality of earnings and adherence to Individually Significant Items accounting policy</li> <li>Reviewed all significant accounting areas and areas of key estimation. Reviewed KPMG audit conclusions in these areas with significant discussions around the Group's annual impairment review, assumptions and resultant disclosures considering the challenging second half performance.</li> <li>Consideration of the findings of the Financial Reporting Council's (FRC) review into the 2022 Annual Report and reviewing and approving the Group's response</li> </ul>   |
| <b>Narrative reporting</b>                           | <ul style="list-style-type: none"> <li>Advising the Board on the effectiveness of the processes ensuring that the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable</li> </ul>   | <ul style="list-style-type: none"> <li>Undertook an externally facilitated Committee evaluation exercise to assess where the Committee should best focus its attention</li> <li>Considered recent technical updates including guidance issued by the Financial Reporting Council</li> <li>Reviewed management's going concern and Viability Statement assessment, including macro-economic considerations. Reviewed KPMG audit conclusions in these areas</li> <li>Reviewed and responded to an FRC enquiry letter in March 2023 in relation to the 2022 Annual Report and Accounts. The FRC confirmed in April 2023, following the Group's response, it was able to close enquiries</li> <li>Reviewed a summary of why management considers the Annual Report is fair, balanced and understandable</li> </ul> |
| <b>Internal controls and risk management systems</b> | <ul style="list-style-type: none"> <li>Reviewing the effectiveness of the Group's internal control systems</li> <li>Reviewing the nature and extent of significant financial risks and how they can be mitigated</li> </ul>  | <ul style="list-style-type: none"> <li>Received regular briefings from the Director of Global Governance summarising risk management and control issues</li> <li>Received a self-assessment of the finance controls highlighting enhancements made during the year, areas of continuous improvement and specific actions to implement minimum control standards</li> </ul>   |
| <b>Compliance, whistleblowing and fraud</b>          | <ul style="list-style-type: none"> <li>Reporting to the Board on the procedures for responding to whistleblowing, fraud or potential breaches of anti-bribery legislation</li> </ul>   | <ul style="list-style-type: none"> <li>Received a summary of regulatory updates including health and safety updates documenting new initiatives and activities</li> </ul>  |
| <b>Internal audit</b>                                | <ul style="list-style-type: none"> <li>Reviewing the internal audit reports discussing any major control failures or weaknesses</li> </ul>   | <ul style="list-style-type: none"> <li>Reviewed the findings from the internal audit reviews and projects conducted during the year and approved the internal audit plan for the forthcoming year</li> </ul>   |
| <b>External audit</b>                                | <ul style="list-style-type: none"> <li>Reviewing the audit findings with the external auditor including discussing any major issues that arise during an audit, the accounting and audit judgements made, the level of any errors identified during the audit and the effectiveness of the audit process itself</li> <li>Making recommendations to the Board in relation to the appointment of the external auditor, approving its remuneration and terms of engagement</li> <li>Overseeing the relationship with the external auditor including, but not limited to, assessing its independence, objectivity and effectiveness</li> </ul> | <ul style="list-style-type: none"> <li>Assessed the effectiveness of the 2022 external audit process and Audit Committee effectiveness</li> <li>Reviewed the FRC Audit Quality Inspection and Supervision Report with respect to KPMG LLP</li> <li>Reviewed the findings from the audit for the year ended 31 May 2023</li> <li>Commenced the planning process for the audit retender for the year ended 31 May 2024</li> </ul>  |

### Financial Reporting Council (FRC) review of Annual Report and Accounts to 31 May 2022

During the year, a letter was received from the FRC in relation to the Group's Annual Report and Accounts for the year ended 31 May 2022. The only question requiring a response was raised in relation to the recognition of set-up fee revenue included in Global Managed Services (GMS). The Committee responded to the FRC's enquiries explaining the rationale and that we would enhance our disclosures in our accounting policy to explain why the set-up fees are considered a separate performance obligation which was acknowledged and agreed by the FRC.

Following this review, which included consideration of the appendix points raised in the review by the FRC, management performed their own review of the annual report and adjustments were made to certain disclosures presented in the prior year annual report.

The scope and limitations of the review were as follows:

- The review was based on the Group's Annual Report and Accounts and did not benefit from detailed knowledge of our business or an understanding of the underlying transactions entered into. It is, however, conducted by staff of the FRC who have an understanding of the relevant legal and accounting framework. The FRC supports continuous improvement in the quality of corporate reporting and recognises that those with more detailed knowledge of our business, including the Audit Committee and auditor, may have recommendations for future improvement, consideration of which the FRC would encourage.
- This, and any subsequent letter, provides no assurance that our Annual Report and Accounts was correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements.
- The FRC letters are written on the basis that the FRC (which includes the FRC's officers, employees and agents) accepts no liability for reliance on them by the Company or any third party, including but not limited to investors and shareholders.

The Committee welcomes the comments received by the FRC.

### Meeting frequency and attendance

The terms of reference for the Committee require at least three meetings per year. During this financial year the Committee met four times. As well as the members of the Committee, standing invitations are given to the Company Chair, the other independent Non-Executive Director, the Chief Executive Officer, the Chief Financial Officer, the Group Financial Controller and the Group Director of Global Governance, with other attendees also attending by invitation. The external auditor also attends each meeting. During the year the Committee conducts meetings with the external auditor and the Group Director of Global Governance without the Executive Directors being present.

Attendance during the year of individual Audit Committee members is shown in the table below:

| Attendee                  | Meetings attended |
|---------------------------|-------------------|
| Lynn Fordham <sup>1</sup> | 3/3               |
| Chris Batterham           | 4/4               |
| Julie Chakraverty         | 4/4               |
| Mike Ettling <sup>2</sup> | 3/4               |

● Meetings attended ● Possible meetings

All Committee meetings throughout the year were quorate.

<sup>1</sup> Lynn Fordham was appointed to the Board on 1 September 2022.

<sup>2</sup> Missed one meeting due to it clashing with a pre-existing commitment which could not be rearranged.

### Significant accounting areas and areas of significant management judgement or estimation uncertainty

The table below summarises the significant accounting issues, judgements and estimates that the Committee considered during the year in relation to the Financial Statements. These are split between those items which are identified either as recurring items that the Committee regularly reviews or as items of current year focus. The table also shows the degree of judgement or estimation that the Committee feels has to be applied for each item. Items with a significant impact but with a "low" judgement level will typically have extensive independent third party evidence of the bases for any judgement. Areas assessed as requiring a "high" level of judgement tend to rely more heavily on management estimates and historical trends than extensive independent third party evidence.

| Review items  | Accounting judgement | Estimation required |
|---|----------------------|---------------------|
| Impairment of goodwill  | n/a                  | High                |
| Valuation of separately identifiable intangible assets (prior year) | n/a                  | High                |

### Significant issues considered during the year in relation to the Financial Statements

During the year, the Committee reviewed and considered the following areas in respect of financial reporting and the preparation of the interim and annual Financial Statements:

- The appropriateness of the accounting policies used
- Compliance with external and internal financial reporting standards and policies
- Significant areas of management judgement or estimation
- Assumptions and models used to determine fair value of all key business units for the Group annual impairment review
- Assessed the quality of earnings by reviewing one-off, out of period or non-trading items arising over the year
- Continued focus on the adherence to the Individually Significant Items (ISIs) accounting policy and presentation of ISIs
- Disclosure and presentation of GAAP and Alternative Performance Measures (APMs)
- The effectiveness and changes to the financial control environment
- Whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the Group's financial position, performance, business model and strategy
- Revenue recognition
- Going concern and viability assessment

In carrying out this review the Committee challenged the significant estimates and judgements made by the Group's finance team and considered the external auditor's reports setting out its views on the accounting treatments and judgements included in the Financial Statements.



### Goodwill carrying value

(Recurring item: see Note 12 to the Financial Statements).

The Group has significant balances relating to goodwill at 31 May 2023 as a result of acquisitions of businesses in previous years. The carrying value of goodwill at 31 May 2023 is £255.8m (2022: £266.1m). Goodwill balances are tested annually for impairment. The Group allocated goodwill to cash-generating units (CGUs) which represent the lowest level of asset groupings that generate separately identifiable cash inflows that are not dependent on other CGUs. During the year, the Group has recognised goodwill impairments (within Individually Significant Items) in relation to North America Cyber Security and NCC Group A/S of £9.8m and £3.0m respectively, which has been determined by taking into account a market participant view of the performance of these businesses based on market volatility and uncertainty as at 31 May 2023.

### Fair value less costs to sell

In accordance with IAS 36, for the year ended 31 May 2023, tests for impairment are based on the calculation of a fair value less costs to sell (FVLCTS) which has been used to establish the recoverable amount of the CGU. The FVLCTS valuation has been calculated by assessing the value of each standalone CGU calculated using an Adjusted EBITDA<sup>1</sup> multiple based on estimated sustainable earnings adjusted for specific items where relevant. Estimated sustainable earnings has been determined taking into account past experience and includes expectations based on a market participant view of maintainable performance of the business based on market volatility and uncertainty as at 31 May 2023. The sustainable earnings input is a level 3 measurement; level 3 measurements are inputs which are normally unobservable to market participants.

The 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.

For context, the Committee considered the trading update provided in March 2023, whereby market volatility had materially increased significantly impacting on cyber security revenue and profitability in the second half of the year, particularly in the North American technology sector. The Committee also considered the new strategy and management's future action plans.

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

The Adjusted EBITDA<sup>1</sup> multiple used in the calculations is based on an independent third-party assessment of the implied enterprise value (from a market participant perspective as at 31 May 2023) of each CGU based on a population of comparable companies. The estimated cost to sell was based on other recent transactions that the Group has undertaken.

The two CGUs which are most sensitive to reasonably possible changes in sustainable earnings are North American Cyber Security and Europe Cyber Security. On this basis, Sensitivity analysis has been performed in respect of certain scenarios where management considers a reasonably possible change in key assumptions as at 31 May 2023 could occur giving rise to a further impairment.

The Committee reviewed this sensitivity analysis and disclosure contained within the note 12 to the consolidated financial statements and concurred with management's assessments. These assessments considered reasonable possible changes in expected revenue and costs as a key assumption in sustainable earnings and how sustainable earnings would need to change to have not created an impairment for the North American Cyber Security business as at 31 May 2023.

The Committee has reviewed the rationale used to determine the CGUs. The Committee also reviewed the FVLCTS calculations including the sustainable earnings used and the multiple applied (considering the independent third party valuation as at 31 May 2023 that takes into account a market participant view of the performance of the business based on market volatility and uncertainty as at 31 May 2023). The Committee concurred with the view of management that impairments should be taken as at 31 May 2023 in relation to North America Cyber Security CGU and NCC Group A/S and that no other impairments should be recognised as recoverable amount was higher than carrying value for all other CGUs.

### The Group's approach to materiality

In considering the materiality of any individual issue or issues in aggregate, the Group looks at a range of qualitative and quantitative measures to assess whether or not omitting, misstating or obscuring information could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The range of measures includes (but is not limited to) the primary Financial Statements themselves, the individual line item in question, and whether or not the issue moves the result from one side of an inflection point to another (for example, turning a profit into a loss or a net asset into a net liability). Qualitative and quantitative measures are both considered as is any potential impact on remuneration or banking arrangements such as debt covenants.

### Internal audit

The Internal Audit function is responsible for internal audit, the assurance of other quality systems and processes, and monitoring the embedding of risk management processes throughout our operations. The internal audit plan was approved by the Committee during the financial year and a number of audits were performed, the findings of which have been reviewed by the Committee. During the year, 11 internal audit reports were issued covering a range of risk areas including key financial controls, procurement processes, controls over expenses, IR35 review and sales commission payments.

The work of Internal Audit is a regular agenda item at Committee meetings. We continually review the internal audit plan and adjust to the environment taking a risk-based approach. Reports from the Internal Audit team routinely include updates on audit and assurance activities, progress on the internal audit plan, and commentary and tracking of the implementation of agreed management actions where deficiencies are addressed in an expedited manner. All Internal Audit reports are also provided to the KPMG external audit team and discussed with it during regular catch-up meetings.

### Internal audit continued

The control environment is also continually monitored by Internal Audit, which supports continuous improvement and adjusts to the ever-changing landscape. There is a high focus on our cyber environment given the nature of the business which is under constant review. The Group will look to increase the scope of the internal audit plan during FY24 as it takes on an additional internal auditor.

### Internal controls and risk management

The Board is responsible for establishing, maintaining and monitoring the Group's system of risk management and internal control and reviewing its effectiveness. The Committee monitors the performance of management in this area.

We have an ongoing process for identifying, evaluating and managing the principal risks faced by the Group, which has been in place for the year under review and is deemed effective up to the date of approval of the Annual Report and Accounts. The Group's non-Cyber Security risks are monitored by the Audit Committee on behalf of the Board, which sets aside time for an in-depth discussion of notable or changing risks to the business. A description of the process for managing risk, together with a description of the principal risks and strategies to manage those risks, is provided on pages 70 to 80. Cyber risks are reviewed by the Cyber Security Committee; the Cyber Security Committee Report can be found on pages 113 to 114.

Internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed. By their nature, however, internal control systems are designed to manage rather than eliminate the risk of failure and can provide only reasonable but not absolute assurance against material misstatement or loss. Key elements of the risk management and internal control system are described below.

#### Controls relating to financial reporting and preparation of the Annual Report and Accounts

- Information provided to management covering financial performance and key performance indicators, including non-financial measures
- A detailed budgeting process where business units prepare plans for the coming year
- Procedures for the approval of capital expenditure and investments and acquisitions
- Monthly operational reviews to monitor and reforecast results as required against the annual operating plan, with major variances followed up and management action taken where appropriate

#### Other controls

- Defined management structure and delegation of authority to Committees of the Board, subsidiary boards and associated business units
- Recruitment standards and compliance training to ensure the integrity and competence of staff
- Anti-bribery, security and compliance training for all colleagues
- Clearly documented internal procedures set out in the Group's ISO 9001-2015-accredited quality manual
- Regular internal audits of key processes and procedures under the Group's ISO 9001 and ISO 27001-accredited quality assurance process
- Monitoring of any whistleblowing or fraud reports

The external auditor regularly reports its findings on those areas of internal control which it assesses as part of the external audit to the Board and the Audit Committee.

Our internal control effectiveness is assessed through the performance of regular checks, which in the year ended 31 May 2023 included:

- Assessment of the identification and management of risks connected to the Group's new strategy and management of strategic change
- Reviewing and testing the Group's financial reporting processes
- Performing compliance monitoring activities
- Assessment of the Group's processes for identifying and mitigating potential conflicts of interest
- Monitoring the completion of the Group's mandatory colleague training

Following these regular checks, it was deemed that the controls were effective and the internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed.

### Whistleblowing and confidential reporting procedures

The Group operates a confidential reporting and whistleblowing procedure (known as our "Whistleblowing Policy"). The policy aims to support the stewardship of the Group's assets and the integrity of the Financial Statements as well as protecting colleague welfare. The procedure is reviewed annually by the Committee to ensure that it remains fit for purpose.

The Group has appointed an independent third party reporting agent to be the first point of contact for those who do not wish to use normal internal line management channels for reporting their concerns. This is advertised both internally, via colleague noticeboards and our intranet, and externally on the website. Colleagues are asked to undertake mandatory training on an annual basis including a reminder on the Code of Ethics Policy and the Whistleblowing Helpline.

The Committee reviews any whistleblowing or confidential reporting of concerns raised during the year with respect to their nature, scale and any associated or consequential risks.

### Review of the Audit Committee's effectiveness

The Committee has reviewed and considered the effectiveness of its performance during the year via an externally facilitated Board and Committee evaluation process. The review included the views of members of the Committee and of regular attendees at the various meetings (including the Executive Directors). I am satisfied that the degree of rigour and challenge applied in performing the Committee's responsibilities is appropriate and effective and continues to improve. Please see pages 103 to 109 for further details of the Committee evaluation process.

### Auditor's independence and objectivity

The Committee received a formal statement of independence from the external auditor.

The Company also operates a rigorous policy designed to ensure that the auditor's independence is not compromised by it undertaking inappropriate non-audit work. The Audit Committee's approval is therefore required for any fees for any non-audit work undertaken by the auditor. However, the Company recognises that it can receive particular benefit from certain non-audit services provided by the external auditor due to its technical skill and detailed understanding of the Company's business.

During this financial year no half-year review was carried out by KPMG and on this basis non-audit fees of £nil (2022: £80,000) were paid to the external auditor for the half-year review.

### Auditor's independence and objectivity continued

All significant pieces of non-audit work are put to informal tender to suitable parties that, if appropriate, can include the external auditor. Upon review as to suitability and price, the work will then be placed with the service provider recommended. If this is the external auditor, then Audit Committee approval is required.

The external auditor was not engaged during the year to provide any services which may have given rise to a conflict of interest. The Committee is satisfied that the overall levels of audit and non-audit fees are not material relative to the income of the external auditor as a whole and therefore that the objectivity and independence of the external auditor were not compromised.

During the year, our external auditor received ad hoc cyber resilience services in the ordinary course of business, totalling £82,907 (2022: £113,516). The Committee is satisfied that this work is immaterial to both the external auditor and the Company and therefore the objectivity and independence of the external auditor are not compromised.

### External auditor's effectiveness and appointment

The Committee reviews and makes recommendations regarding the reappointment of the external auditor following a formal review of the auditor's performance upon completion of the prior year Financial Statements' audit. In making these recommendations the Committee considers:

- The experience, industry knowledge and expertise of the auditor
- The scope and planning of the audit and any variations from the plan
- The quality of the processes adopted
- The auditor's explanations of significant risks to audit quality by reference to the Company's specific circumstances and changes to the risks
- The fees charged
- Its attitude to, and handling of, key audit judgements
- Its ability to challenge and communicate effectively with management
- The quality of the final report
- The FRC's Audit Quality Review report relating to KPMG
- The appropriate and effective use of experts and specialists

During the financial year, I attended regular meetings with KPMG's engagement partner without management being present. This provided the opportunity for open dialogue. The engagement partner demonstrated her understanding of the Group's business risks and the consequential impact on the Financial Statements. Feedback on the conduct of the audit from the engagement partner's perspective is used to determine if any challenges in the prior year audit would be sufficiently addressed in the next audit cycle.

Therefore, having fully considered the effectiveness, independence and objectivity of the external auditor and the reports it has produced in the current financial year, the Committee has concluded that it is appropriate to recommend to the Board the reappointment of KPMG LLP as the Group's external auditor for the next financial year.

The Group's current auditor, KPMG LLP, has been in place since 1 November 2013 with a competitive audit tender process having last been undertaken in November 2011 for the year ended 31 May 2014.

On this basis, the Committee will be carrying out a competitive audit tender process for the next audit cycle (year ending 31 May 2024).

The firms requested to tender will be chosen having given proper regard to the complexity of the Group, with the tender completed by highly capable and experienced audit firms with strong track records and technical expertise. The tender will be open to audit firms outside the Big Four. KPMG has been invited to tender and has indicated its willingness to do so.

Key milestones of the external audit tender process are as follows:

- August 2023 – formal invitations for prospective audit firms to tender for the audit
- Tender process to run between September and November 2023 with formal pitches being delivered, and prospective firms meeting key internal and external stakeholders
- Final decision expected to be made in late November/early December 2023

In accordance with section 489 of the Companies Act 2006, a resolution for the reappointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming AGM. Following the outcome of this process, if KPMG does not retain the audit, a new auditor would be appointed in December 2023 and hold office until the next AGM in 2024.

It is the intention of the Group to produce unaudited interim financial statements for the period ended 30 November 2023, in line with the prior period (30 November 2022).





### Fair, balanced and understandable

The following process was followed by the Committee in making its assessment:

#### 1. Financial information

- Prepared by individual business units
- Consolidated by Group finance team
- Reviewed by Group Financial Controller and CFO

#### 2. Narrative disclosures

- Prepared by Group finance team
- Reviewed by Group Financial Controller and CFO
- Various reports prepared by Committee Chairs, CEO and CFO

#### 3. Independent reviewers

- Senior members of the Executive Committee or other senior colleagues
- Those who have not been major contributors

#### 4. Audit Committee Chair

- Review of detailed verification documents
- Review of findings and observations from independent reviewers

### Related party transactions and other fees approved by the Committee

Refer to Note 32 for related party transactions in the year.

### Fair, balanced and understandable

At the request of the Board, the Committee considered whether the 2023 Annual Report and Accounts, when taken as a whole, was fair, balanced and understandable (FBU) and whether it provided the necessary information for shareholders to assess NCC Group's position and performance, business model and strategy. The reviews outlined in the diagram opposite include reviews of all material matters, as reported elsewhere in this Annual Report and Accounts, and reviews of the balance of good and bad news and ensure the Annual Report and Accounts correctly reflects:

- The Group's position and performance as described on pages 9 to 13 and 61 to 69
- The Group's business model as described on pages 14 and 15
- The Group's strategy as described on pages 24 to 28

The independent reviewers were not major contributors to the Annual Report and Accounts but, at the same time, as members of the Executive Committee or other senior colleagues, are deemed to be sufficiently well informed on the Group's activities to be able to give appropriate feedback on the FBU criteria. They undertake a qualitative review of disclosures and a review of internal consistency throughout the Annual Report and Accounts.

The Directors' statement on a fair, balanced and understandable Annual Report and Accounts is set out on page 142.

**Lynn Fordham**  
Chair, Audit Committee  
28 September 2023

# A continued focus on succession planning and diversity



### 2022/23 highlights

- Significant improvement in diversity in the Executive Committee and the Board
- Continued focus on building strength in our senior leadership team to support succession planning, senior management and Executive Director succession plans
- Relentless focus on diversity and inclusion in every meeting, including undertaking unconscious bias training
- Scoped and planned the launch of gathering of diversity data, due to launch FY24
- Launched our new colleague engagement tool Glint, and have launched two surveys in the year which have been challenged and reviewed by the Committee

### 2023/24 priorities

- Continue to build and develop diverse senior cyber leadership across the Group
- Embed and encourage the data collection, analysis and actionable insights coming from the diversity data launch in Workday
- Launch gathering of diversity data and begin analysis to create insight and action planning
- Shift the culture to create growth across the Group by responding to colleague needs in this post-pandemic hybrid world, and the needs of our clients by creating the right working environment to support colleague engagement



Our objective is to have a broad range of skills, backgrounds, experiences and personal attributes within the Board as this ensures the Board is best placed to serve the Company.”

**Chris Stone**  
Committee Chair

The members of the Nomination Committee are Chris Batterham, Julie Chakraverty, Jennifer Duvalier and Lynn Fordham (from 1 September 2022) along with me.

### The Nomination Committee’s objectives and responsibilities

The Nomination Committee is responsible for reviewing the size, structure, balance, composition and progressive refreshing of the Board and its Committees and as such its duties include:

- Reviewing the structure of the Board
- Evaluating the balance of skills, knowledge, experience and diversity on the Board
- Making recommendations for further recruitment to the Board or proposing changes to the existing structure of the Board, or individual Directors
- Reviewing the leadership needs of the Company, both Executive and Non-Executive
- Succession planning for Directors and other senior Executives within the business
- Recruiting, appointing and exiting of Directors
- Overseeing membership of, and succession to, the various Board Committees
- Reviewing the time commitment required from the Non-Executive Directors on NCC Group business

The Chair of the Board leads the process for the appointment of new Non-Executive Directors to the Board and for the appointment of the Chief Executive Officer. The Chief Executive Officer, in conjunction with the Chair, leads the process for the Chief Financial Officer. The Senior Independent Director leads the process for a new Chair of the Board.

In relation to an appointment to the Board, the Committee draws up a specification and assesses the capabilities and experience required for such a role, taking into account the Board’s existing composition, including relevant experience and understanding of our stakeholder groups.

We also assess the time commitment required. Candidates are sought by third party executive search consultants and, where appropriate, through the assessment of internal candidates and are then formally considered by the Nomination Committee. Extensive external referencing is completed.

**Diversity**

Our objective is to have a broad range of skills, backgrounds, experiences and personal attributes within the Board as this ensures the Board is best placed to serve the Company.

All appointments are made on merit and against objective criteria with due regard for the benefits of diversity on the Board, including gender, nationality, and educational and professional background, as well as individual characteristics which will enhance diversity of thinking on the Board. The Company and the Committee value the aims and objectives of the FTSE Women Leaders Review (formerly the Hampton-Alexander Review on FTSE women leaders) and the Parker Review on ethnic diversity of UK boards and support and apply the Group's diversity policy.

The Group's gender diversity statistics are set out on page 44. At Board level, we currently have three females on our Board and one person of colour, but we note that diversity extends beyond the measurable statistics of gender and ethnicity. As such, while we historically have not set any particular targets, we continue to take diversity in its wider context into account, having regard to the diversity policy, and recommend only the most appropriate candidates for appointment to the Board.

During the year ended 31 May 2021, we made the firm commitment that by 2024, we will have at least 33% female representation on our Board and at least one person of colour. With our recent appointments, we have now delivered on our commitment and are also on course to meet the FTSE Women Leaders Review target of 40% by the end of 2025. Although this is best practice for FTSE 350 companies, we have committed to this target regardless of which share index we are in. (To achieve this commitment by the end of 2025 based on our current Board size of eight Directors, we would need to have at least four female Directors out of the eight). Our Board now has 37.5% female representation (three out of eight), and we will look to improve this further still during any future appointments to the Board.

We will look to continue to address this during future Board and Executive Committee appointments. Improvements in diversity are often not a quick process but we are very mindful of the need to take positive action, and the matter remains fully on our agenda, as can be seen with the action we have taken during recent years. Accessing the candidates we require to reach this target will involve us looking beyond the obvious pool of existing board directors within the UK and we intend to ensure that we extend our talent search to other sectors and countries to ensure we find a diverse pool of candidates from which to choose to provide us with true diversity around our Board table.

When a new Director is appointed they receive a full, formal and tailored induction into the Company and discuss with the Chair any immediate training requirements. (To read more about Lynn Fordham's induction, please see page 98).

During the coming year we will ensure that our CFO (Guy Ellis) is provided with a formal, comprehensive and tailored induction programme through the support of internal and external stakeholders.

The Committee's terms of reference can be found in the Investor Relations section of the Company's website: [www.nccgroupplc.com/investor-relations/corporate-governance/](http://www.nccgroupplc.com/investor-relations/corporate-governance/). The terms of reference are reviewed annually and updated when necessary.

**Committee meetings**

During this financial year, the Committee held five scheduled meetings.

The attendance of individual Committee members at Nomination Committee meetings is shown in the table below. Unless otherwise indicated, all Directors held office throughout the year.

| Attendee                     | Meetings attended |
|------------------------------|-------------------|
| Chris Stone                  | 5 5               |
| Chris Batterham <sup>1</sup> | 4 5               |
| Julie Chakraverty            | 5 5               |
| Jennifer Duvalier            | 5 5               |
| Lynn Fordham <sup>2</sup>    | 4 4               |

At all times, all of the Committee meetings remained quorate.

- Meetings attended
- Possible meetings

- 1 Missed one meeting due to it clashing with a pre-existing commitment which could not be rearranged.
- 2 Lynn Fordham was appointed to the Board on 1 September 2022.

**Activities during the year**

**During the year, the Committee:**

- Approved the internal promotion of new CFO
- Recruited a new independent Non-Executive Director
- Evaluated the skills, knowledge and experience around the Board table
- Reviewed the structure, size and composition of the Board
- Reviewed the Directors' length of service
- Reviewed the diversity of the Board
- Reviewed the memberships of all Committees
- Reviewed the expected time commitment of the Chair and the Non-Executive Directors
- Evaluated its own performance as a Committee

During the year, the Nomination Committee has had several in-depth presentations from the Chief People Officer which focused on leadership, talent management and development, and succession planning, guided by the insights from our data analysis and the external environment. These presentations looked at the overall current position and in particular senior succession, i.e. the Executive Committee and its direct reports.

**Presentations and updates during the year**

This year has been another busy one for the Committee and it has had a number of presentations and updates on various colleague matters across the Group. These include the following:

- Reviewed achievements over the previous year for the global people team and looked forward to priorities for the year ahead
- Reviewed our development of capability with a particular focus on senior succession and talent. We have also reviewed our approach to accelerating and developing our global leadership capability



# Nomination Committee report continued

## Presentations and updates during the year continued

- Reviewed our approach to developing leadership capabilities at NCC Group
- Reviewed our approach to collecting colleague diversity data in the various countries in which we operate
- Received an update since the previous year on our future state ambition of being “a hub for cyber talent and a destination employer with a quirky, distinctive environment”
- Reviewed the pipeline of step up candidates within the Group
- Considered the generational perspectives of colleagues within the Group and their differing needs from an organisational and leadership perspective
- Reviewed colleague engagement results from the quarterly colleague survey (“MyVoice” utilising the Glint platform) when mapped against current colleagues and former colleagues. Exit interview data and key themes were also presented to the Committee
- Reviewed both present and former colleague sentiment on social media channels
- Explored our current global leadership KPIs and discussed opportunities for improvement as we launched our leadership development programme during the year
- Received a comprehensive briefing on the quarterly colleague survey results (“MyVoice” utilising the Glint platform), along with the agreed next actions

Our ambition for our future state is to be “a hub for cyber talent and a destination employer with a quirky, distinctive environment”. To support the ambition and our commitment to improving global diversity, we are focusing on:

## Processes

- Removing barriers to entry and making our talent attraction and acquisition experience world class
- Continuing to review all our processes/documentation to ensure all bias is removed including adverts and job descriptions
- A review of our selection methodology and a new framework developed, to help to level the playing field for under-represented communities, remove bias, and create a robust and valid way of identifying and selecting talent
- We launched our new Talent Partnership Framework to continue our efforts to attract diverse talent into the business. Key highlights include entering into partnerships with Women in Cyber Security (WiCyS), SANS Cyber Diversity, Uptree, and Dutch Innovation Factory
- Throughout the year, the people team has been working on a strategic project to introduce diversity data collection processes for both future and current talent for NCC Group. The Chief People Officer has been driving this initiative and has kept the Board regularly updated on progress with a planned go-live for this project early during the next financial year. Leveraging diversity data to foster inclusion, drive equitable recruitment, and provide equal opportunities for all candidates and colleagues

## Culture

- Development of a behavioural framework (at final stages of build) to be rolled out within the next financial year, to create a clear articulation of the behaviours expected by colleagues at all levels of the organisation. This has been created in partnership with diversity, equity and inclusion (DE&I) experts and talent consultancy Pearn Kandola
- Creation of a plan to roll out a new leadership and management programme during the next financial year to ensure a strong foundation of the essentials of leadership. This will focus on core building blocks of leadership (Self Awareness, Communication, Influence and Learning Agility)

- Continued support for our DE&I steering committees to make positive change and build awareness, to foster inclusion, awareness and meaningful conversations while empowering colleagues to drive positive change and cultivate an inclusive work environment
- A Global “Speak Up” policy was launched to provide clear guidance and signposting to colleagues across all our global teams. It covered the various routes to raise concerns, and the relevant policies to address these issues where required. This activity was prioritised due to feedback that there was a lack of clarity around the routes to take, and the expectations of the process

## Colleague voice

- Committed to an ongoing open dialogue with our colleagues, through our quarterly engagement survey (“MyVoice”), colleague forums, live leadership ask anything sessions, Board engagement sessions with colleagues, the colleague resource groups, listening sessions and our whistleblowing line, which all play an active role in creating a great place to work (for further information, please see the Stakeholder Engagement section on pages 40 to 41)
- Continuing to develop and assess the broad range of opportunities for colleagues to ask questions, to provide feedback and to play an active role in creating a great place to work

## Long term

- Developing our employer brand to broaden our attraction strategies supported by a flexible, distinctive proposition to ensure we remain current and attractive in an extremely competitive tech talent market globally
- Building strategic partnerships with organisations to support our commitment to create an inclusive and diverse environment
- Connecting the initiatives at every stage of colleagues’ lives and careers to create enriched career pathways and achieve the best return for investment with improved colleague retention. Initiatives include work experience, the Next Generation Talent programme, mentoring and CyberFirst bursaries, and alumni programmes
- Exploring ad hoc colleague survey opportunities to deep dive into colleague experience utilising Glint tool in areas like inclusivity, belonging, etc.

## Committee effectiveness

During the year, the Nomination Committee carried out an externally facilitated evaluation of its effectiveness.

A number of recommendations were made, including the need to:

- Consider additional skills that might be added when making future Board appointments, in light of potential additional skills and perspectives that could be added
- Continue to focus on succession planning for the Board and senior management
- Continue to improve succession plans for senior Executives and improve exposure to senior Executives (i.e. the two layers below the Executive Committee) at Board meetings and within more informal settings

## External search consultancies

During the prior year, the Group used two search consultancies for appointments made during this year for Mike Maddison (Heidrick and Struggles International Inc) and Lynn Fordham (Sam Allen Associates Limited).

## Chris Stone

Chair, Nomination Committee

28 September 2023

# Monitoring the Cyber Security and data protection landscapes



## 2022/23 highlights

- Appointment of a new Global CISO (Lawrence Munro, in January 2023) and Head of Security (Katy Winterborn, in February 2023)
- Ongoing alignment to the NIST Cybersecurity Framework, tracking organisational maturity and opportunities for improvement. This is mapped to our existing ISO 27001 certification
- Implementation of a “three lines of defence” model for information security, increasing oversight and independence of risk management

## 2023/24 priorities

- Reviewing structure of data protection and governance team in light of attrition and bringing all support back in house
- Greater global alignment in terms of policies and procedures, and consolidation of our ISO 27001 accreditation under a single certificate
- Group-wide alignment for risk management and consistent reporting of risk to the Board
- Migration of our in-house security monitoring to our new Managed eXtended Detection and Response (XDR) service, leveraging the latest technology
- New regulatory requirements are emerging for NCC Group, such as NIS in the UK and NIS2/DORA in the EU. We are starting our compliance efforts early, and working directly with governments and regulators to ensure successful compliance ahead of introduction



The Committee’s activities aim to challenge and support improvements to the Group’s information security and data protection policies, defences and controls.”

**Julie Chakraverty**  
Committee Chair

The Cyber Security Committee was formed to focus specifically on the cyber risks faced by the Group. This reflects the significant threat posed by cyber risks, the nature of our business, and the potential damage to the business as a high value target for malicious acts. The Committee’s activities aim to challenge and support improvements to the Group’s information security and data protection policies, defences and controls, so as to comply with global data protection regulations around the world, and ensure that the Group looks after its own information, and the information that its customers entrust to it, with the proper care and attention.

The Committee was formed in November 2016 and I have been Chair since July 2022.

Chris Batterham and Jennifer Duvalier (both independent Non-Executive Directors) served as members of the Committee throughout the year. Lynn Fordham (an independent Non-Executive Director) joined the Committee when she was appointed to the Board on 1 September 2022. Lynn brings welcome new experience and perspective with her strong financial and risk background and is a strong addition to the Committee’s membership. Chris Stone (Company Chair) is also a member of the Committee.

The Group’s Director of Global Governance, the Group’s Chief Information Security Officer (CISO), and the Group’s Chief Data Protection and Governance Officer (CDPGO) are standing invitees of the Committee. The Executive Directors are invited to attend Committee meetings when the Committee considers it to be appropriate.

## The Cyber Security Committee's objectives and responsibilities

The Cyber Security Committee is responsible for assessing the performance of the Group's internal security and defences and as such its duties are to:

- Oversee and advise the Board on the current cyber risk exposure of the Group and future cyber risk strategy
- Review at least annually the Group's Cyber Security breach response and crisis management plan
- Review reports on any Cyber Security incidents and the adequacy of resulting actions
- Receive and consider the regular update reports from the CISO and CDPGO and ensure the CISO and CDPGO are given the right of direct access to the Committee
- Consider and recommend actions in respect of all cyber and data protection risk issues escalated to it
- Keep under review the effectiveness of the Group's controls, services and products to analyse potential vulnerabilities that could be exploited
- Regularly assess what are the Group's most valuable intangible assets and the most sensitive Group and customer information and assess whether the controls in place sufficiently protect those assets and information
- Review the Group's ability to identify and manage new cyber risks
- Assess the adequacy of resources and funding for data protection and Cyber Security defence and control activities
- Regularly review the cyber and data protection risk posed by third parties including outsourced IT and other partners
- Oversee Cyber Security and data protection due diligence undertaken as part of an acquisition and advise the Board of the risk exposure
- Annually assess the adequacy of the Group's cyber insurance cover

The Committee's terms of reference can be found in the Investor Relations section of the Company's website: [www.nccgroupplc.com/investor-relations/corporate-governance/](http://www.nccgroupplc.com/investor-relations/corporate-governance/). The terms of reference are reviewed annually and updated when necessary.

## Committee effectiveness

During the year, the Cyber Security Committee carried out an externally facilitated evaluation on its effectiveness, as it continues to mature since its formation in November 2016. The Committee was found to be working effectively and I am satisfied that the degree of rigour and challenge applied in performing the Committee's responsibilities is appropriate and effective and continues to improve.

As an output of both this and previous evaluations, the Committee, along with the Board, reaffirmed that Cyber Security and data protection are sufficiently important risks for the business and that the Committee should remain focused on this specific set of risks. Therefore, the current structure in which the responsibility for broader risk management remains with the Audit Committee will continue.

## Committee activities during the year

- The Committee continues to make sure that the Group's resilience to cyber-attack is maintained and improved as the threat landscape changes. In terms of information security activities, the establishment of Global Technical Services (GTS) in November 2021 and the close working between the CISO and security team in GTS allowed us to focus on removing legacy infrastructure and simplifying our IT estate, while at the same time improving our security visibility across the board

- The collective security function has increased the use of NCC Group in-house services. We continue to leverage our own assessment services to support benchmarking against industry standards and to ensure best practices are followed

In terms of our global data protection programme and internal data privacy activities, our three year strategy is underway to pave the way for our intended application for Binding Corporate Rules. Binding Corporate Rules provide colleagues and customers alike with a sense of trust through demonstration of our commitment to protecting personal data, wherever in the world it may be processed during our business activities. The data protection regulatory landscape is continually changing, particularly in light of the UK GDPR, and the team is working closely to stay abreast of such changes. The team has also experienced a notable upswing in the number of Data Subject Rights Requests it receives as individuals become more aware of their rights under GDPR.

Noteworthy highlights since our previous report include:

- All Rights Requests received this year have been fulfilled within legally compliant time periods
- We recruited a Data Protection Officer, who will join NCC Group late August, plus contract extension for an existing DPO, in line with the plan to bring data protection support for the business back in house
- Significant progress with our project to achieve global compliance with the European Court of Justice Schrems II decision around exporting personal data outside of the EU has been made. Phase one is completed and planning for phase two is now underway

## Committee meetings

During this financial year, the Committee met four times and the attendance of individual Committee members at the Cyber Security Committee meetings is shown in the table below. Unless otherwise indicated, all Directors held office throughout the year.

| Attendee                     | Meetings attended |
|------------------------------|-------------------|
| Chris Stone                  | 4 4               |
| Chris Batterham <sup>1</sup> | 2 4               |
| Julie Chakraverty            | 4 4               |
| Jennifer Duvalier            | 4 4               |
| Lynn Fordham <sup>2</sup>    | 3 3               |

At all times, all of the Committee meetings remained quorate.

● Meetings attended

● Possible meetings

1 Missed two meetings due to them clashing with pre-existing commitments which could not be rearranged.

2 Lynn Fordham was appointed to the Board on 1 September 2022.

## Julie Chakraverty

Chair, Cyber Security Committee

28 September 2023



# Driving sustainable profitable growth



### 2022/23 highlights

- Continuing to embed the Remuneration Policy for 2021–2024 as approved by shareholders at the 2021 AGM
- Making further grants under the Restricted Share Plan for below-Board colleagues, to further broaden colleague share ownership
- Launch of a new Share Incentive Plan (SIP) to enhance colleague share ownership at all levels
- Determining the remuneration terms for the new CFO and the leaving terms of the outgoing CFO

### 2023/24 priorities

- As a Committee, discuss and agree our proposed 2024–27 Remuneration Policy and consult as appropriate with our major shareholders, before seeking shareholder approval at the 2024 AGM
- Continue to ensure our incentive arrangements support the Group's revised long-term growth strategy
- Reviewing the all colleague and discretionary share plans that the Group wishes to offer
- Continue to review when the appropriate time is to introduce ESG measures into incentive arrangements



We seek to align remuneration to the interests of our shareholders and to our business strategy.”

**Jennifer Duvalier**  
Committee Chair

On behalf of your Board, I am pleased to present our Directors' Remuneration Report (DRR) for the year ended 31 May 2023.

The report is divided into three sections: this Annual Committee Chair's Statement, the Annual Report on Remuneration for FY23, and the previously approved Directors' Remuneration Policy.

At the AGM in November 2022, 92.68% of shareholders voted in favour of the Directors' Remuneration Report, and I would like to thank shareholders for their continuing support.

### Annual Statement

2022/23 was another busy year for the Remuneration Committee and we had five meetings in total. The Committee comprised Chris Batterham, Julie Chakraverty and Lynn Fordham (who joined the Committee on 1 September 2022) and me as Chair. Our Board Chair, Chris Stone, also attended all the meetings. We invited our remuneration consultants, Chief People Officer, Director of Reward and HR Operations, CEO, CFO and other Executives to meetings as required, although we always ensure that we have time without Executives present.

### Corporate Governance Code remuneration requirements for engagement with shareholders and colleagues

The Committee closely monitors shareholder guidance and feedback on remuneration. Shareholder voting on AGM remuneration resolutions is reviewed annually, shareholders are consulted when changes to policy are being considered, and major shareholders have the opportunity to provide annual feedback to the Board and Remuneration Committee on NCC Group's remuneration approach at annual engagement meetings.

# Remuneration Committee report continued

## Annual Statement continued

### Corporate Governance Code remuneration requirements for engagement with shareholders and colleagues continued

There are a number of existing channels of communication with colleagues with regard to NCC Group's remuneration policies and executive remuneration. Our engagement survey enables colleagues to provide feedback confidentially on many employment issues, including remuneration. Our designated NED for colleague engagement also holds a number of colleague engagement sessions during the year in which colleagues are invited to provide feedback and comments on any issue, including executive remuneration and broader remuneration policies. In particular, a question and answer discussion is always held on executive remuneration and how this aligns with the wider Company pay policy. Our designated NED also reminds colleagues where the information can be located and answers any questions as they arise. The Committee also receives regular feedback from the Chief People Officer and the Director of Reward and HR Operations on how colleagues perceive our remuneration policies and practices in the context of recruitment, retention and motivation. This information is used by the Committee in its monitoring and development of remuneration policies.

### Remuneration Policy for 2021–2024

Throughout the 2022/23 financial year, we operated within the Remuneration Policy that was approved by shareholders at the AGM in November 2021 with 87.43% of votes in favour. Our 2021–2024 Remuneration Policy can be found in this report.

As a reminder, a feature of the Policy approved by shareholders was to make phased increases to the variable opportunity for our CEO and CFO roles. The first of the changes took place in November 2021 with increased levels of LTIP grants made to the CEO (of 175% of salary) and the CFO (of 150% of salary) (compared with previous grants of 100% for both the CEO and CFO respectively). The implementation of the second increase took place in 2022/23 when the annual bonus opportunity for both the CEO and CFO increased from 100% to 125% of salary. The Committee considered this phased approach to be appropriate and these increases are balanced by: a reduction in the threshold vesting level for the LTIP; a reduction of Executive Director pension contributions to the workforce level of 4.5%; and the adoption of a more demanding post-employment shareholding policy. Total remuneration remains below the market benchmark level. Further details can be seen in this Annual Report on Remuneration.

### Base salaries

For the 2022/23 financial year, no increase to Mike Maddison's salary took place during the year given he joined on 7 July 2022. No increase has currently been made to the base salary of any Executive Director for the year ending 31 May 2024; this is in line with the majority of our colleagues who have not received an increase to base salary due to the recent underlying performance of the business. Instead, certain colleagues have received an increase only on an exceptional basis.

The Committee has decided to defer the consideration of a salary increase for the CEO to mid year, when this will be considered against business performance and wider workforce salary increases.

For the CFO, Tim Kowalski, recognising that his salary was below the appropriate level given the size and nature of the role and the incumbent's experience, we consulted with shareholders to increase his pay over a two year period. This plan was fully explained in the Committee Chair's introduction to the Remuneration Report for 2021. In June 2021 his salary increased to £308,000, representing an increase of 4.9% pts above the average workforce increase (i.e. 8% in total). In June 2022, we implemented the second stage of the planned salary change and increased his salary by 2.9% pts above the average workforce figure. Despite these increases, the salary remained below the relevant benchmark. The CFO did not receive an increase for 2023/24 as he stepped down at the end of June 2023.

### Appointment terms for new CFO (Guy Ellis)

Guy Ellis was appointed CFO effective 30 June 2023. Guy's base salary on appointment is £300,000, which is £33,000 less than that of his predecessor in the role. The maximum annual bonus and LTIP grant for the role are subject to the maximums in the approved Policy. However, the Committee has applied a restrained approach and has determined that, for his first year, maximum bonus should be set at 100% of base salary rather than the 125% permitted under the Policy, and the first LTIP grant should be at 100% of base salary rather than the 150% of base salary permitted under the Policy. The Committee expects to increase these levels and/or base salary in future years, up to the Policy maximum, as Guy progresses in the role.

### Leaving arrangements for outgoing CFO (Tim Kowalski)

As previously reported, Tim Kowalski stepped down as CFO on 30 June 2023. The full terms of Tim's exit arrangements (which follow his service contract, our Directors' Remuneration Policy, and the basis on which other leavers are treated) can be found on our website ([www.nccgroupplc.com/media/0sdecmbd/tim-kowalski-section-430-2b-of-the-companies-act-statement-5-july-2023-final-updated.pdf](http://www.nccgroupplc.com/media/0sdecmbd/tim-kowalski-section-430-2b-of-the-companies-act-statement-5-july-2023-final-updated.pdf)). In summary, during his six month notice period Tim will continue to receive his monthly salary including pay in lieu of pension, and access to all contractual benefits in the usual way (his notice period ends on 31 December 2023). In the event that Tim wishes to take up alternative employment before the end of the notice period, the Company may cease or reduce the monthly payments.

Tim was eligible for annual bonus in respect of the year ended 31 May 2023 as he remained CFO throughout that financial year, subject to the normal performance conditions. Tim will not be eligible for a bonus for the year ending 31 May 2024. Tim will retain LTIP awards granted in 2021 and 2022, pro-rated for time served (for awards vesting after leaving service), and subject to the normal performance conditions, vesting dates and post-vesting holding period. The Company's post-cessation shareholding policy will also apply to Tim.

### Joining terms for CEO and leaver terms for former CEO

Mike Maddison's remuneration terms as CEO were fully explained in my introductory statement to last year's Remuneration Report. Adam Palser's leaving terms were also fully explained in last year's statement.

### Performance related pay – annual bonus

The annual bonus for the year ended 31 May 2023 for both the Chief Executive Officer and Chief Financial Officer was based on the satisfaction of stretching financial and strategic targets.

The financial targets for the 2022/23 financial year were given a weighting of 75% of the bonus opportunity. The performance measures included Group operating profit and individual revenue targets for Assurance and Software Resilience. In the context of the Group's financial performance and the Board's market update in March 2023, the performance thresholds for the financial element of the bonus were not met. Therefore, the award under the financial element of the bonus was 0% out of the maximum available of 75%.

For the 2022/23 financial year, the strategic objectives for both the CEO and CFO were given a weighting of 25% of the maximum total bonus (i.e. up to 31.25% of base salary). The actual bonus award for the strategic element was 7.5% of base salary of the maximum total bonus (8.69% of base salary) for the CEO, and 5.0% of the maximum total bonus (6.25% of base salary) for the CFO.

The strategic objectives covered three areas:

- **Strategic objectives within the Assurance business:** specific revenue growth targets and to grow XDR sales orders (10% in total)
- **Strategic objective for the Software Resilience business:** finalisation of the full operational review of the combined Software Resilience division to create additional Group contribution from FY24 (10% in total)
- **Sustainability and people objectives:** these included objectives relating to our colleague engagement, retention and corporate social responsibility (5% in total)

Further detail on performance against strategic objectives is provided later in the report.

The Committee considered whether it should exercise any downward discretion to the bonus outcome, in light of the financial performance. The Committee concluded that the outcomes for the strategic, non-financial elements were a fair reflection of the good performance in the relevant areas, and that the overall bonus outcome was modest relative to the maximum opportunity. The Committee therefore decided not to exercise any additional discretion.

For both the CEO and CFO, 35% of the bonuses achieved will be deferred into shares and will vest after two years. Clawback and malus provisions are also in place for the annual bonus.

For 2023/24 the Committee has considered the weighting of metrics in the annual bonus. The Committee concluded that the weighting on the Group EBIT profit measure should increase from the previous level of 37.5% of maximum to 60% of maximum, to give appropriate emphasis to this metric. The remaining 40% will apply to key strategic metrics, with stretching targets. These will include targets linked to the pillars of the new strategy, together with people and sustainability objectives. These will be fully disclosed in the Remuneration Report for 2023/24.

### Performance related pay – LTIP

The 2022–2025 LTIP was granted under the higher shareholder approved limits (i.e. 175% and 150% of salary for the CEO and CFO respectively) in November 2022. The awards will vest subject to demanding EPS, cash and relative TSR targets outlined later in this report.

The LTIP outcome for those awards granted in 2020 was a vesting of 30% of the maximum award. This was based on the cash conversion element (30%) being achieved in full but with below-threshold achievement of the EPS growth and TSR metrics. The Committee considered whether any additional downward discretion should be applied to the overall vesting outcome of 30% of maximum. It concluded that it remained important to recognise and continue to incentivise strong levels of cash conversion and that it would not be appropriate to apply additional discretion to the payment outcome.

### Performance related pay – LTIP 2023 grant

Our LTIP award for 2023–2026 will be granted following our full-year results in September 2023. As previously mentioned, the grant level for Guy Ellis, the new CFO, will be scaled back for 2023 to 100% of base salary, compared to 150% for the previous CFO's grant in 2022. The Committee carefully considered whether to reduce the size of the LTIP awards for the CEO given the recent fall in share price. The CEO is relatively new in role, having joined the Company in July 2022. Taking account this joining date, and the importance of aligning the LTIP grant with the CEO's new strategic goals, the Committee concluded it should proceed as normal with the grant of 175% of base salary agreed under the Policy in 2023. On vesting, the Committee will, as usual, consider whether the actual formulaic vesting of the award is reflective of NCC Group's underlying performance and the experience of both our shareholders and wider workforce.

The Committee has reviewed targets and weightings in order to incentivise growth, maintain high levels of cash conversion, and take into account market expectations. The Committee has proposed changes which will result in a rebalancing of the performance measures as set out below. Performance will continue to be measured against stretching targets. The metrics and the targets for FY23 to FY26 are set out below:

1. **Relative TSR (40% weighting):** the weighting on relative total shareholder return will be increased from 20% to 40% to further emphasise growth in share price and long-term value creation for our shareholders. TSR is well understood by both participants and investors.
2. **Cash conversion (20% weighting):** the target range was increased from 80% to 90% compared to 70% to 80% for grants made prior to the 2022 grant.
3. **EPS growth (40% weighting):** this weighting will provide an appropriate balance between the three metrics under the LTIP. The EPS performance metric has, since the 2022 grant, been measured using a compound annual growth rate (CAGR) methodology, which is more exacting and more common in the market. The Committee has set the range for the FY23 to FY26 performance period to ensure that the stretch target is substantially above market norms for EPS targets in LTIPs. The stretch performance requirement will be 18% CAGR, which is around 5% pts higher than the typical level in the market, and the threshold growth requirement of 6% CAGR, which compares to a FTSE 250 median typical market levels of 5% to 6% CAGR.



# Remuneration Committee report continued

## Annual Statement continued

### Performance related pay – LTIP 2023 grant continued

As a reminder, these changes should also be seen in the context of our low vesting percentage at threshold performance, which is 15% of maximum for all metrics, compared to the market norm of 25% of maximum.

These changes provide more focus on growing the share price to deliver long-term value to our shareholders, while retaining stretching EPS growth and cash conversion targets, and maintain a conservative level of vesting at threshold performance. Furthermore, the stretch EPS target of 18% CAGR remains above the stretch level, calculated on a CAGR basis, for the LTIP awards granted before the increase in quantum approved under the 2021 policy. Clawback and malus provisions are in place for the LTIP.

In order to further align Executives with shareholders, Executive Directors are required to retain any LTIP vested shares (net of tax) for a period of two years. After this holding period, all vested shares must also be retained if the shareholding requirement has not been met. In addition, our post-employment shareholding policy requires Executives to retain the lower of the value of their holding on cessation or 200% of salary for the first year following cessation, reducing to 100% of salary for the second year following cessation. This will be managed through a restricted account maintained by our Registrar and the Company Secretariat.

### Non-Executive Director and Chair's fees

In line with our Remuneration Policy, Non-Executive Director fees were reviewed (by the Company Chair, CEO and CFO) and it was decided not to make any increases during 2022/23.

The Remuneration Committee also reviewed the Board Chair's fees using data provided by our remuneration consultants, and again it was decided not to make any increases for 2022/23 or for 2023/24.

 Details of these fees and allowances are given in the Annual Report on Remuneration on page 119

### Grants of shares under a below-Board Restricted Share Plan to broaden colleague share ownership

We remain committed to broadening share ownership throughout the Group, both as a reward and retention tool. During the year, we made further grants to around 90 colleagues under our Restricted Share Plan (RSP), authorisation for which had been granted at the 2020 AGM. Colleagues were given a share award dependent on their continuing service within the Group for a period of up to three years. RSPs are extremely common in the technology sector, and we expect to continue to utilise this mechanism to support colleague retention.

In addition, we also offered colleagues the opportunity to participate in our Save As You Earn/stock purchase share plans in the UK, the US, Canada, the Netherlands, Australia, Denmark and Spain. Once again, these proved popular with high take-up levels.

During the year, we also launched a new Share Incentive Plan (SIP) for UK-based colleagues, further increasing our commitment to cost effective colleague share ownership.

### Conclusion

During the coming year, we intend to focus on initial discussions for our proposed 2024–27 Remuneration Policy and consulting as appropriate with our major shareholders, before seeking shareholder approval at the 2024 AGM. We also plan on continuing to focus on the Committee's responsibilities under the 2018 UK Corporate Governance Code (the "Code").

This includes:

- Ensuring that the Remuneration Policy continues to support and incentivise the achievement of our revised strategy and further developing our environmental and social sustainability measures
- Setting the remuneration for the Executive Committee (i.e. the layer of senior management immediately below Board level) and monitoring the success of the below-Board Restricted Share Plan
- Overseeing the wider Remuneration Policy for the workforce, taking account of colleague feedback on this policy, and considering wider workforce remuneration when setting Directors' Remuneration Policy and practice

The 2023 Directors' Remuneration Report will be put to the usual annual advisory vote at the AGM on 30 November 2023. The Committee is committed to engagement and transparency and I welcome the opportunity for discussion of the Group's remuneration with shareholders, at our AGM or at any other time during the year.

**Jennifer Duvalier**  
Chair, Remuneration Committee  
28 September 2023

# Annual Report on Remuneration

## Annual Report on Remuneration

This part of the report has been prepared in accordance with Part 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 as amended and 9.8.8R of the Listing Rules.

The following report will be subject to an advisory shareholder vote at the 2023 AGM, which is scheduled to be held on 30 November 2023. The information on pages 115 to 137 has been audited where indicated.

## How the Remuneration Policy has been implemented in the year ended 31 May 2023

This section sets out how the Remuneration Policy was implemented in 2022/23. The key implementation decisions during the year related to:

- Review of salaries for Executive Directors
- The determination of annual bonus outcomes for the 2022/23 performance period
- The performance targets and value of awards granted under the LTIP, which will vest in 2025

Further detail on these decisions, together with other information on payments made to Directors, is set out in the following sections.

## Single total figure of remuneration (audited)

The detailed emoluments received by the Executive and Non-Executive Directors for the year ended 31 May 2023 are below:

| Director                       | Year ended  | Salary/<br>Non-Executive<br>Director fees <sup>1</sup><br>£000 | Benefits <sup>2</sup><br>£000 | Pension<br>benefits <sup>3</sup><br>£000 | SAYE <sup>8</sup><br>£000 | Total<br>fixed pay<br>£000 | Annual<br>bonus <sup>4</sup><br>£000 | Long-term<br>incentive <sup>5</sup><br>(restated)*<br>£000 | Other <sup>10</sup> | Total<br>variable<br>pay<br>£000 | Total<br>£000 |
|--------------------------------|-------------|--|-------------------------------|--|---------------------------|----------------------------|--------------------------------------|--|---------------------|----------------------------------|---------------|
| Chris Stone                    | 31 May 2023 | 163  | –                             | –  | –                         | 163                        | –                                    | –  | –                   | –                                | 163           |
|                                | 31 May 2022 | 158  | –                             | –  | –                         | 158                        | –                                    | –  | –                   | –                                | 158           |
| Mike Maddison                  | 31 May 2023 | 449  | 1                             | 16                                       | –                         | 466                        | 39                                   | –  | 500                 | 539                              | 1,005         |
|                                | 31 May 2022 | –  | –                             | –  | –                         | –                          | –                                    | –  | –                   | –                                | –             |
| Adam Palser                    | 31 May 2023 | 24   | 1                             | 1  | –                         | 26                         | –                                    | –  | –                   | –                                | 26            |
|                                | 31 May 2022 | 465  | 12                            | 22                                       | 9                         | 508                        | 278                                  | 295  | –                   | 573                              | 1,081         |
| Tim Kowalski                   | 31 May 2023 | 333  | 13                            | 15                                       | –                         | 361                        | 21                                   | 35   | –                   | 56                               | 417           |
|                                | 31 May 2022 | 308  | 28                            | 22                                       | 9                         | 367                        | 204                                  | 186  | –                   | 390                              | 757           |
| Chris Batterham                | 31 May 2023 | 70   | –                             | –  | –                         | 70                         | –                                    | –  | –                   | –                                | 70            |
|                                | 31 May 2022 | 73   | –                             | –  | –                         | 73                         | –                                    | –  | –                   | –                                | 73            |
| Julie Chakraverty <sup>7</sup> | 31 May 2023 | 78   | –                             | –  | –                         | 78                         | –                                    | –  | –                   | –                                | 78            |
|                                | 31 May 2022 | 24   | –                             | –  | –                         | 24                         | –                                    | –  | –                   | –                                | 24            |
| Jennifer Duvalier <sup>6</sup> | 31 May 2023 | 67   | –                             | –  | –                         | 67                         | –                                    | –  | –                   | –                                | 67            |
|                                | 31 May 2022 | 66   | –                             | –  | –                         | 66                         | –                                    | –  | –                   | –                                | 66            |
| Lynn Fordham <sup>9</sup>      | 31 May 2023 | 46   | –                             | –  | –                         | 46                         | –                                    | –  | –                   | –                                | 46            |
|                                | 31 May 2022 | –  | –                             | –  | –                         | –                          | –                                    | –  | –                   | –                                | –             |
| Mike Ettling                   | 31 May 2023 | 56   | –                             | –  | –                         | 56                         | –                                    | –  | –                   | –                                | 56            |
|                                | 31 May 2022 | 55   | –                             | –  | –                         | 55                         | –                                    | –  | –                   | –                                | 55            |
| Total                          | 31 May 2023 | 1,286  | 15                            | 32                                       | –                         | 1,333                      | 60                                   | 35   | 500                 | 595                              | 1,928         |
|                                | 31 May 2022 | 1,149  | 40                            | 44                                       | 18                        | 1,251                      | 482                                  | 481  | –                   | 963                              | 2,214         |

1 The Chair and Non-Executive Directors each receive an allowance paid as part of their base fees of £8,200 and £4,750 respectively, to cover all travel and expenses related to their roles on the Board.

2 Taxable benefits include the provision to every Executive Director of a car or car allowance, payment of private fuel, car insurance, private medical insurance, life assurance and permanent health insurance. In 2020/21, Tim Kowalski switched from receiving a car allowance to a leased vehicle at no additional cost to the Group. The P11D value of the leased vehicle is higher than the monthly cash value of the car allowance which he forfeited.

3 Pension benefits include employer contributions to the Group pension scheme and payments in lieu of pension contributions. The Company provided pension payments in lieu of pension contributions for two Executive Directors during the year ended 31 May 2023.

4 Annual bonus payments for performance in the relevant financial year; 35% of this bonus is deferred into nominal cost share options for two years. Dividend equivalents accrue on these shares.

5 Long-term incentive awards vesting under the LTIP – 28,763 shares vested to Tim Kowalski with respect to the LTIP granted in 2021 which had a performance period ending on 31 May 2023. These have been valued using a share price of £1.216, which is the three month average share price over March, April and May 2023. These shares were awarded based on a share price of £2.94 on the day before the date of grant. As a result, the change in share price since the date of grant has resulted in an increase in value of £(49,587). With regard to the LTIP awards with a performance period ending on 31 May 2022, 145,560 shares vested to Adam Palser and 91,887 shares vested to Tim Kowalski, which have been valued using the share price at the date of vesting of £2.025. These shares were awarded based on a share price of £1.82 on the day before the date of grant. As a result, the change in share price since the date of grant has resulted in an increase in value of £29,867 and £18,854 respectively.

6 In 2021/22, Jennifer Duvalier received an extra £5,000 per annum to reflect her additional responsibilities for engaging with colleagues on behalf of the Board. Jennifer handed this role over to Julie Chakraverty when she joined the Board on 1 January 2022. Jennifer also took over from Jonathan Brooks as Remuneration Committee Chair on 1 February 2022.

## Remuneration Committee report continued

### Annual Report on Remuneration continued

#### Single total figure of remuneration (audited) continued

- 7 Julie Chakraverty joined the Board on 1 January 2022 and took over from Jennifer Duvalier as the designated Non-Executive Director for engaging with colleagues on behalf of the Board. On 1 July 2022, Julie took over from Chris Stone as Chair of the Cyber Security Committee, and on 1 February 2023 took over from Chris Batterham as the Senior Independent Director.
- 8 Options over 10,273 shares vested on 1 October 2021 to Adam Palsler and Tim Kowalski under the all-colleague SAYE scheme. These awards have been valued at the date of vesting using the share price on that date of £2.60.
- 9 Lynn Fordham was appointed to the Board on 1 September 2022 and became Chair of the Audit Committee on 1 February 2023.
- 10 A Special Replacement Award of 222,222 shares with a face value at grant of £500,000 was granted to Mike Maddison on 15 September 2022 (see page 123).
- \* Restated to correct the long term incentive amounts to be calculated in line with Sch 8 para 10(1)(d) being the cash value of awards that have met the performance conditions at year end. The impact of this adjustment was to increase Adam Palsler's long-term incentive from £278,000 to £295,000, increase Tim Kowalski's long term incentive from £175,000 to £186,000 and as a result increase the total long term incentive from £453,000 to £481,000.

#### Additional information in respect of the single total figure of remuneration

##### Pension and benefits

The CEO's and CFO's pension provisions are now in line with the level of the wider workforce, which is currently 4.5%. These contributions are cash payments in lieu of formal pension contributions.

##### Annual bonus

##### 2022/23 annual bonus (audited)

For the year ended 31 May 2023, the maximum potential bonus opportunity for Mike Maddison was 125% of salary. For Tim Kowalski, the maximum potential bonus opportunity was also 125% of salary. For the year ended 31 May 2023, bonuses of 8.69% and 6.25% of base salary respectively were payable.

The actual bonus awarded to Mike Maddison was £39,063 and to Tim Kowalski was £20,790 based on the achievement of the performance conditions set out below. The financial performance targets were missed by both the CEO and CFO. As disclosed in last year's Annual Report, profit targets were set £0.5m above the normal plan levels at the beginning of the year for those employees in the Group who participated in the FY22 bonus scheme. This was to recognise the treatment of the transition costs for the former CEO in FY22. As a result, Tim Kowalski, having participated in the FY22 bonus, had profit targets set £0.5m above those for Mike Maddison. 35% of each payment will be deferred into nominal cost share options for two years, with the remaining 65% paid in cash. The performance measures and targets are set out below.

##### Financial targets – up to 75% of the bonus

| Performance targets   |   |                        | Mike Maddison                        | Tim Kowalski     |                 |
|---|---|------------------------|--------------------------------------|------------------|-----------------|
| Adjusted operating profit <sup>1</sup> target for CEO <sup>1</sup>          | Threshold   | £53.5m                 | Weighting (% of bonus)               | 7.50%            | n/a             |
|   | Maximum   | £59.5m                 | Weighting (% of bonus)               | 37.50%           | n/a             |
|   | Actual  | £28.8m                 | Payout (% of bonus)                  | 0%               | n/a             |
| Adjusted operating profit <sup>1</sup> target for CFO                       | Threshold   | £54m                   | Weighting (% of bonus)               | n/a              | 7.50%           |
|   | Maximum   | £60m                   | Weighting (% of bonus)               | n/a              | 37.50%          |
|   | Actual  | £28.8m                 | Payout (% of bonus)                  | n/a              | 0%              |
| Cyber Security (Assurance) revenue constant currency growth <sup>1</sup>    | Threshold   | 12%                    | Weighting (% of bonus)               | 3.75%            | 3.75%           |
|   | Maximum   | 18%                    | Weighting (% of bonus)               | 18.75%           | 18.75%          |
|   | Actual  | 0.1%                   | Payout (% of bonus)                  | 0%               | 0%              |
| Pro forma Software Resilience revenue constant currency growth <sup>1</sup> | Threshold   | 1%                     | Weighting (% of bonus)               | 3.75%            | 3.75%           |
|   | Maximum   | 3%                     | Weighting (% of bonus)               | 18.75%           | 18.75%          |
|   | Actual  | (0.5%)**               | Payout (% of bonus)                  | 0%               | 0%              |
| Strategic   | The strategic targets were set individually for the Executive Directors based on key strategic objectives for the year in their area of responsibility – see below. | Weighting (% of bonus) | 25.00%                               | 25.00%           |                 |
|   |   | Payout (% of bonus)    | 7.5%                                 | 5.0%             |                 |
|   |   |                        | <b>Total payout (% of bonus)</b>     | <b>7.5%</b>      | <b>5.0%</b>     |
|   |   |                        | <b>Bonus opportunity for FY22/23</b> | <b>£625,000*</b> | <b>£415,800</b> |
|   |   |                        | <b>Total bonus for FY22/23</b>       | <b>£39,063*</b>  | <b>£20,790</b>  |
|   |   |                        | <b>Amount paid in cash</b>           | <b>£25,391</b>   | <b>£13,513</b>  |
|   |   |                        | <b>Amount deferred in shares</b>     | <b>£13,672</b>   | <b>£7,277</b>   |

\* Mike Maddison joined on 7 July 2022; hence, his bonus was pro-rated.



## Additional information in respect of the single total figure of remuneration continued

### Annual bonus continued

#### Financial targets – up to 75% of the bonus continued

\*\* Following the acquisition of IPM, goodwill and intangible assets were recognised amounting to £68.6m and £92.6m respectively. Management is required to recognise all assets and liabilities at fair value, giving rise to a fair value adjustment on the level of deferred revenue acquired of £12.1m. This has resulted in a downward adjustment to the book value of IPM's deferred revenues reflecting the fair value of service still to be delivered. If the fair value adjustment had not applied, revenue would be £4.4m higher for the 12 months ended 31 May 2022. On this basis, pro forma Software Resilience revenue growth of -0.5% is Software Resilience revenue growth after considering the fair value adjustment of £4.4m (see page 177).

1 See Note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items. Further information is also contained within the Chief Financial Officer's Review and the Glossary of Terms on pages 61 to 69 and 215 and 216 respectively.

#### Strategic targets – up to 25% of the bonus

The table below highlights the key strategic targets and achievements for each Executive Director. Bonus target ranges have been disclosed to the extent possible, but the achievement of some areas is determined by the Committee based on its judgement of performance.

| Target and performance conditions               | Outcome  | Bonus award (% of maximum total bonus) 31 May 2023 |             |
|---|--|--|-------------|
|   |  | Weighting  | Outcome     |
| <b>CEO targets</b>                              |  |  |             |
| Software Resilience – cost savings              | Cost savings identified and achieved, but target missed.   | 5.0%   | 0.0%        |
| XDR sales orders                                | Sales target missed.   | 5.0%   | 0.0%        |
| North America tech revenues                     | Double-digit growth target not achieved.   | 5.0%   | 0.0%        |
| Deliver Group strategy                          | Presented and launched Group strategy in February 2023.  | 5.0%   | 5.0%        |
| People  | Reduction in voluntary attrition by 1%. The objective to improve the net promoter colleague score was not met.   | 2.5%   | 1.25%       |
| Sustainability                                  | Reduced carbon footprint by 5% from Year 1 of Planet Mark certification and delivered plan to meet important net zero commitment by 2050.  | 2.5%   | 1.25%       |
| <b>CEO outcome</b>                              |  | <b>25.0%</b>                                       | <b>7.5%</b> |
| <b>CFO targets</b>                              |  |  |             |
| Software Resilience – cost savings              | Cost savings identified and achieved, but target missed.   | 5.0%   | 0.0%        |
| Review of Assurance and Group costs             | Cost savings to be identified in other projects.   | 5.0%   | 0.0%        |
| Financial transformation                        | Financial transformation plan signed off on time and efficiencies identified, but plan not yet implemented.  | 5.0%   | 0.0%        |
| Reporting, budget and return on investment      | Process improvements effected improving the quality of reporting throughout the Company.   | 5.0%   | 0.75%       |
| People – finance and global governance function | Employee engagement improved above target and reduction in voluntary attrition by 1%. The objective to improve the net promoter colleague score was not met.                                   | 2.5%   | 2.5%        |
| Sustainability                                  | Reduced carbon footprint by 5% from Year 1 of Planet Mark certification and delivered plan to meet important net zero commitment by 2050 and implemented plan to reduce real estate footprint. | 2.5%   | 1.75%       |
| <b>CFO outcome</b>                              |  | <b>25.0%</b>                                       | <b>5.0%</b> |

## Remuneration Committee report continued

### Annual Report on Remuneration continued

#### Long Term Incentive Plan (LTIP) vesting

The LTIP awards made in May 2021 (with a performance period of 1 June 2020–31 May 2023) will vest in September 2023.

Tim Kowalski was a beneficiary of these and achieved a vesting of 30% of the award of 95,875 shares, being 28,763 shares:

| Executive    | Number of LTIP awards <sup>1</sup> | Basis               | Performance condition  | Performance period         |
|--------------|------------------------------------|---------------------|--|----------------------------|
| Tim Kowalski | 95,875                             | 100% of base salary | Vesting determined by: <ul style="list-style-type: none"> <li>• Growth in Adjusted EPS<sup>3</sup> over the performance period</li> <li>• Average cash conversion<sup>3</sup> ratio over the performance period</li> <li>• TSR over the performance period vs FTSE 250 comparator group</li> </ul> | 1 June 2020 to 31 May 2023 |

The performance conditions for these awards are set out below:

| Proportion | Component                       | Metric  | Threshold (20% vesting) | Maximum (100% vesting) | Actual performance | Actual % vested | Vesting basis   |
|------------|---------------------------------|---|-------------------------|------------------------|--------------------|-----------------|---|
| 60%        | Adjusted basic EPS <sup>3</sup> | Average growth over a three year period   | 9%                      | 20%                    | (14.1%)            | 0%              | Straight line between threshold and maximum                         |
| 30%        | Cash conversion <sup>3</sup>    | Average cash conversion <sup>3</sup> ratio over three years                     | 70%                     | 80%                    | 97.7%              | 30%             | Straight line between threshold and target, then target and maximum |
| 10%        | TSR                             | TSR over three years vs FTSE 250 comparator group (excluding investment trusts) | Median                  | Upper quartile         | Below median       | 0%              | Straight line between threshold and maximum                         |
| Total      |                                 |   |                         |                        |                    | 30%             |   |

#### Long-term incentives granted during the year (audited)

During the financial year, the Executive Directors were granted awards subject to the performance conditions set out below.

The awards were as follows:

| Executive     | Number of shares under awards <sup>1</sup> | Basis               | Face value <sup>2</sup> | Performance condition  | Performance period         |
|---------------|--|---------------------|-------------------------|--|----------------------------|
| Mike Maddison | 436,408                                    | 175% of base salary | £874,998                | Vesting determined by: <ul style="list-style-type: none"> <li>• Growth in Adjusted EPS<sup>3</sup> over the performance period</li> <li>• Average cash conversion ratio<sup>3</sup> over the performance period</li> <li>• TSR over the performance period vs FTSE 250 comparator group</li> </ul> | 1 June 2022 to 31 May 2025 |
| Tim Kowalski  | 248,857                                    | 150% of base salary | £498,958                | As above   | 1 June 2022 to 31 May 2025 |

The performance conditions for these awards are set out below:

| Proportion | Component                       | Metric  | Threshold (15% vesting) | Target (50% vesting) | Maximum (100% vesting) | Vesting basis   |
|------------|---------------------------------|---|-------------------------|----------------------|------------------------|---|
| 60%        | Adjusted basic EPS <sup>3</sup> | CAGR growth over a three year period  | 6%                      | n/a                  | 18%                    | Straight line between threshold and maximum                         |
| 20%        | Cash conversion <sup>3</sup>    | Average cash conversion ratio over three years                                  | 80%                     | 85%                  | 90%                    | Straight line between threshold and target, then target and maximum |
| 20%        | TSR                             | TSR over three years vs FTSE 250 comparator group (excluding investment trusts) | Median                  | n/a                  | Upper quartile         | Straight line between threshold and maximum                         |

1 LTIP awards are structured as nominal cost options.

2 Based on a share price of £2.005, which was the closing mid-market price of the Company's shares on the day before the date of grant.

3 Adjusted basic EPS, cash conversion and cash conversion ratio are Alternative Performance Measures (APMs) and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items.

## Special Replacement Award

In line with the recruitment arrangements for Mike Maddison disclosed in last year's Annual Report, a Special Replacement Award of 222,222 shares with a face value at grant of £500,000 was granted to Mike Maddison on 15 September 2022. The number of shares was determined using the share price on the day before the date of grant of £2.25.

This one-off award was made in accordance with Listing Rule 9.4.2R, and the NCC Group Directors' Remuneration Policy, to facilitate, in unusual circumstances, the recruitment of Mike Maddison. The circumstances were unusual because Mike Maddison was foregoing substantial remuneration on leaving his previous role to join NCC Group. The remuneration for FY23 and FY24 foregone by Mike Maddison on leaving his previous role was of higher value than the Special Replacement Award, entirely in fixed cash, non-deferred and not subject to performance conditions; in contrast the Special Replacement Award is delivered in the form of deferred shares to further align Mike Maddison with shareholders.

The other principal terms of the award are:

- A nil-cost option to purchase 222,222 shares vesting on 15 September 2024, exercisable until 2032 while employment continues.
- Mike Maddison must remain employed on the vesting date of 15 September 2024. If his employment is terminated before that date, the award will lapse unless he is treated as a good leaver – in accordance with the same terms as apply under the NCC Group plc LTIP.
- Dividend equivalents accrue on the award between grant and vesting.
- The award is non-pensionable.
- The malus and clawback provisions in the NCC Group plc LTIP also apply to this award.
- In the case of a corporate event, such as a capitalisation issue, rights issue or open offer, sub-division or consolidation of shares or reduction of capital or any other variation of capital, the same provisions apply to the award as those under the rules of the NCC Group plc LTIP.
- The award cannot be altered to the advantage of the participant without the prior approval of shareholders in general meeting (except for minor amendments to benefit administration, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for the participant in the scheme or for the company operating the scheme or for members of its group).

Details of the award will be available for inspection at the 2023 AGM.

## SAYE options granted in the year

The Group operates an HMRC-approved SAYE scheme. All eligible colleagues, including Executive Directors, may be invited to participate on similar terms for a fixed period of three years. During the year both Mike Maddison and Tim Kowalski joined the 2023 SAYE scheme (which will mature on 1 June 2026) and have options over 14,269 shares with an option price of £1.26.

## Payments to past Directors

Adam Palser stepped down as CEO in the financial year. In accordance with the treatment of his LTIP awards disclosed in last year's Remuneration Report, his 2020–23 LTIP award granted in May 2021 was performance tested at the end of this financial year. Out of the 151,876 awards granted to him, 44,937 will vest after application of the performance condition and pro-rating for time served.

## Directors' interests in shares (audited)

The tables below set out details of the Executive Directors' outstanding share awards, which will vest in future years subject to performance conditions and/or continued service.

### Summary of maximum LTIP awards outstanding

|               | Total LTIP options held at 31 May 2022 <sup>1</sup> | Granted during the period | Exercised during the period | Share price on date of exercise <sup>2</sup> | Lapsed during the period | Total LTIP options held at 31 May 2023 <sup>1</sup> |
|---------------|---|---------------------------|-----------------------------|--|--------------------------|---|
| Mike Maddison | –   | 436,408                   | –                           | n/a  | –                        | 436,408   |
| Tim Kowalski  | 379,868   | 248,857                   | 91,887                      | £2.025                                       | 62,989                   | 473,849   |

1 Includes only unvested and unexercised LTIP options.

2 £2.025 was the sale price.

All awards granted under the LTIP are subject to continued employment and the satisfaction of the performance conditions as set out above. The awards were all nil-cost options.



# Remuneration Committee report continued

## Annual Report on Remuneration continued

### Share ownership (audited)

The beneficial and non-beneficial interests of the current Directors in the share capital of NCC Group plc at 31 May 2023 are set out below:

|                          | Beneficial interests in ordinary shares <sup>1</sup> |             | Maximum share awards subject to performance conditions <sup>2</sup> |             | Share options <sup>3</sup> |             | Deferred bonus plan <sup>4</sup> |             | Vested but unexercised nil-cost options |             | Special Replacement Award <sup>5</sup> |             | Total       |             |
|--------------------------|--|-------------|---|-------------|----------------------------|-------------|----------------------------------|-------------|---|-------------|--|-------------|-------------|-------------|
|                          | 31 May 2023  | 31 May 2022 | 31 May 2023   | 31 May 2022 | 31 May 2023                | 31 May 2022 | 31 May 2023                      | 31 May 2022 | 31 May 2023                             | 31 May 2022 | 31 May 2023                            | 31 May 2022 | 31 May 2023 | 31 May 2022 |
| Chris Stone              | 162,843  | 162,843     | –   | –           | –                          | –           | –                                | –           | –                                       | –           | –                                      | –           | 162,843     | 162,843     |
| Mike Maddison            | –  | –           | 436,408   | –           | 14,269                     | –           | –                                | –           | –                                       | –           | 222,222                                | –           | 672,899     | –           |
| Adam Palser <sup>6</sup> | –  | 195,075     | –   | 490,223     | –                          | 11,849      | –                                | 69,595      | –                                       | 145,560     | –                                      | –           | –           | 912,312     |
| Tim Kowalski             | 147,197  | 96,343      | 440,956   | 287,974     | 14,269                     | –           | 66,921                           | 40,958      | 28,764                                  | 91,888      | –                                      | –           | 698,107     | 517,163     |
| Chris Batterham          | 55,000   | 55,000      | –   | –           | –                          | –           | –                                | –           | –                                       | –           | –                                      | –           | 55,000      | 55,000      |
| Julie Chakraverty        | 20,249   | 20,249      | –   | –           | –                          | –           | –                                | –           | –                                       | –           | –                                      | –           | 20,249      | 20,249      |
| Jennifer Duvalier        | 19,115   | 19,115      | –   | –           | –                          | –           | –                                | –           | –                                       | –           | –                                      | –           | 19,115      | 19,115      |
| Mike Ettling             | 50,000   | 50,000      | –   | –           | –                          | –           | –                                | –           | –                                       | –           | –                                      | –           | 50,000      | 50,000      |
| Lynn Fordham             | 25,000   | –           | –   | –           | –                          | –           | –                                | –           | –                                       | –           | –                                      | –           | 25,000      | –           |

1 This information includes holdings of any connected persons.

2 These awards represent the outstanding LTIP interests, included in the table above, which are due to vest after 31 May 2023.

3 Representative SAYE scheme interests, which will vest after the end of the three year savings period in 2026.

4 Nominal cost share options granted under the deferred bonus plans, subject to a service condition, tax and National Insurance.

5 Relates to the Special Replacement Award granted to replace remuneration at previous employment. The award is subject to a service condition.

6 Adam Palser stepped down as a Director on 17 June 2022. At that time he held 195,075 shares. His shareholding on 31 May 2023 has not been included as he is no longer a Director.

Following the year end, the following Directors purchased shares. The number of shares purchased and their revised totals are shown below:

- On 22 and 23 June 2023, Chris Stone purchased 550,000 shares bringing his new total to 712,843.
- On 23 June 2023, Julie Chakraverty purchased 43,665 shares bringing her new total to 63,914.
- On 22 June 2023, Chris Batterham purchased 25,000 bringing his new total to 80,000.
- On 3 July 2023, Mike Maddison purchased 10,000 shares. Mike did not previously hold any shares.
- On 17 July 2023, Mike Maddison and Guy Ellis purchased 585 and 73 shares respectively at £1.03 within the UK Share Incentive Plan.
- On 17 August 2023, Mike Maddison and Guy Ellis purchased 619 and 77 shares respectively at £0.97 within the UK Share Incentive Plan.
- On 18 September 2023, Mike Maddison and Guy Ellis purchased 624 and 78 shares respectively at £0.96 within the UK Share Incentive Plan.
- On 27 September 2023, Lynn Fordham purchased 25,000 shares at £1.03 bringing her new total to 50,000.

### Shareholding requirements

The Executive Directors are expected to build and retain a shareholding in the Group equivalent to at least 200% of base salary. Executives will normally be required to retain all vested deferred bonus shares and LTIP shares released from the holding period, until they have attained the minimum shareholding requirement and, even then, only when they have held vested LTIP shares for a minimum period of two years. Executive Directors will also be required to retain all shares vesting from SAYE schemes. For the avoidance of doubt, Executive Directors are permitted to sell sufficient shares in order to meet any tax obligation arising from vesting shares.

The percentages within this table have been calculated using a three month average share price (1 March 2023 to 31 May 2023) of £1.216 and include Tim Kowalski's vested 2020–2023 LTIP of 28,763 shares respectively on a net of tax and National Insurance basis, and all unvested deferred bonus plans on a net of tax and National Insurance basis.

|               | Shareholding requirements<br>(% of salary) | Shareholding as at<br>31 May<br>2023<br>(% of salary) | Requirement met |
|---------------|--|---|-----------------|
| Mike Maddison | 200%                                       | 0%  | No              |
| Tim Kowalski  | 200%                                       | 72%   | No              |

### Appointment terms for new Directors

During the year Lynn Fordham was appointed as an independent Non-Executive Director with a base fee of £51,500 per annum and a travel allowance of £4,750 per annum. From 1 February 2023, Lynn also received an additional fee of £11,000 per annum to reflect her responsibilities for being the Audit Committee Chair.

Guy Ellis was appointed CFO on 30 June 2023 on a salary below that of his predecessor. The main terms of his recruitment are:

- Salary – £300,000
- Pension – contribution or allowance of 4.5% of base salary (in line with the overall workforce)
- Benefits – private medical insurance, death in service and income protection
- Bonus – potential to earn an annual bonus of up to 100% of salary in his first year, of which 35% of any payment will be deferred in NCC Group plc shares for two years
- LTIP – eligible to be considered for participation in the Group's Long Term Incentive Plan with awards of up to 100% of his salary in his first year

In line with the policy, Guy's long-term incentive awards in relation to his prior role which he held on appointment will continue subject to their original terms.

### Past Directors' remuneration – leaving arrangements for Tim Kowalski (audited)

In June 2023, Tim Kowalski's departure was announced and his contractual six month notice period commenced. Tim's base salary will continue to be paid during his notice period in monthly instalments, together with fringe benefits (including pension payments in lieu of pension contributions) while he remains a colleague. In the event that Tim wishes to take up alternative employment before the end of the notice period, the Company may cease or reduce the monthly payments.

### Annual bonus

Tim Kowalski will be eligible for an annual bonus in respect of the year ended 31 May 2023 as he remained CFO throughout that financial year, subject to the normal performance conditions and 35% deferral requirements. Tim will not be eligible for a bonus for the year ended 31 May 2024.

### Deferred annual bonus awards

The 2021 deferred bonus plan award will vest as normal in September/October 2023.

In accordance with the Company's Directors' Remuneration Policy, the Remuneration Committee has exercised its discretion to allow the 2022 award and any 2023 award to vest at the termination date, as performance for these awards was assessed previously in respect of the relevant bonus year. However, any shares vesting from the 2022 and 2023 awards are subject to the post-employment shareholding policy (see below).

### Long Term Incentive Plan (LTIP) awards

Tim will not receive a 2023 LTIP grant.

In respect of Tim's existing LTIP awards, the following will apply:

- 2020 LTIP grant – this is expected to vest as normal in September/October 2023, subject to the normal performance conditions, as Tim is expected to still be employed at the vesting date.
- 2021 and 2022 LTIP grants – these will be pro-rated for time served from the date of grant until the termination date. These are expected to vest subject to the normal performance conditions at the normal vesting date.

The two year post-vesting holding period will apply to all LTIPs.

### Post-employment shareholding requirements

The two year post-employment shareholding requirement, under the Directors' Remuneration Policy, which came into effect from November 2021, will apply to the 2021 and 2022 LTIPs and the 2022 and 2023 deferred annual bonus plan awards.

### Other

Tim will be reimbursed for up to £5,500 for legal costs and in respect of his non-compete agreement, and up to £30,000 for outplacement and transition support.

## Remuneration Committee report continued

### Annual Report on Remuneration continued

#### Relative importance of the spend on pay

The following table sets out the percentage change in distributions to shareholders and colleague remuneration costs.

|   | 31 May<br>2023<br>£m | 31 May<br>2022<br>£m | % change |
|---|----------------------|----------------------|----------|
| Colleague remuneration costs <sup>1</sup> | 236.9                | 207.0                | 14.4%    |
| Dividends <sup>2</sup>                    | 14.5                 | 14.4                 | 0.7%     |

1 Based on the figure shown in Note 7 to the consolidated Financial Statements.

2 Based on the total cash returned to shareholders in the year ended 31 May 2023 through dividends, as shown in Note 10 to the consolidated Financial Statements (excluding the proposed 2023 final dividend).

#### Percentage increase in the remuneration of the Directors

The table below shows the movement in the salary or fees, benefits and annual bonus for each Director between the current and previous financial year compared to the equivalent changes for all colleagues of the Company.

The comparator group for salaries and benefits is all colleagues in the UK – there were no benefit policy changes in this time.

The comparator group for the bonus is those in the senior management population who also have an annual scheme and excludes those on commission and incentive plans.

| Director          | % increase in salary |         |         | % increase in benefits |         |         | % increase in annual bonus |         |         |
|-------------------|----------------------|---------|---------|------------------------|---------|---------|----------------------------|---------|---------|
|                   | 2020/21              | 2021/22 | 2022/23 | 2020/21                | 2021/22 | 2022/23 | 2020/21                    | 2021/22 | 2022/23 |
| Chris Stone       | (5%)                 | 14%     | 3%      | —                      | —       | —       | —                          | —       | —       |
| Mike Maddison     | —                    | —       | —       | —                      | —       | —       | —                          | —       | —       |
| Adam Palser       | 1%                   | 3%      | (95%)   | —                      | (25%)   | (92%)   | 303%                       | (33%)   | —       |
| Tim Kowalski      | 1%                   | 8%      | 8%      | —                      | (10%)   | (54%)   | 341%                       | (17%)   | (90%)   |
| Chris Batterham   | (6%)                 | 24%     | (4%)    | —                      | —       | —       | —                          | —       | —       |
| Julie Chakraverty | —                    | —       | 225%    | —                      | —       | —       | —                          | —       | —       |
| Jennifer Duvalier | 2%                   | 29%     | 2%      | —                      | —       | —       | —                          | —       | —       |
| Lynn Fordham      | —                    | —       | —       | —                      | —       | —       | —                          | —       | —       |
| Mike Ettling      | (8%)                 | 20%     | 2%      | —                      | —       | —       | —                          | —       | —       |
| All colleagues    | 3.1%                 | 5.1%    | 7.9%    | —                      | —       | —       | 1.0%                       | (39.8%) | (89%)   |

The decrease and subsequent increase of NED fees in 2020/21 and 2021/22 are the results of the removal and reintroduction of the travel allowance and a review of NED fee levels. The travel allowance was removed in 2020/21 due to the lower levels of travel resulting from the reaction to the pandemic, and then was reintroduced in 2021/22. The combination of these factors results in changes which are not reflective of changes to NED fee levels. The changes are also affected by the comparison of fees for a full year to fees for a part year when a Director joins or leaves.

#### Chief Executive pay compared to pay of UK colleagues

The following table shows the ratio between the single total figure of remuneration (STFR) of the Chief Executive for 2022/23 and the lower quartile, median and upper quartile pay of our UK colleagues. The salary and total pay and benefits for the lower quartile, median and upper quartile colleagues are also shown.

##### Total pay ratio

| Financial year | Method   | 25th<br>percentile<br>pay ratio | 50th<br>percentile<br>pay ratio | 75th<br>percentile<br>pay ratio |
|----------------|----------|---------------------------------|---------------------------------|---------------------------------|
| 2019/20        | Option B | 18:1                            | 12:1                            | 8:1                             |
| 2020/21        | Option B | 27:1                            | 18:1                            | 11:1                            |
| 2020/21        | Option C | 26:1                            | 16:1                            | 12:1                            |
| 2021/22        | Option C | 23:1                            | 14:1                            | 10:1                            |
| 2022/23        | Option C | 22:1                            | 14:1                            | 10:1                            |

|                               | Mike<br>Maddison,<br>current CEO | Adam Palser,<br>former CEO | CEO pay for<br>single figure | 25th<br>percentile | 50th<br>percentile | 75th<br>percentile |
|-------------------------------|----------------------------------|----------------------------|------------------------------|--------------------|--------------------|--------------------|
| Salary (£000)                 | 449                              | 24                         | 473                          | 41                 | 53                 | 85                 |
| Total pay and benefits (£000) | 1,005                            | 26                         | 1,031                        | 47                 | 74                 | 105                |



### Chief Executive pay compared to pay of UK colleagues continued CEO pay ratio

The CEO pay ratio has been calculated using Option C. Under Option C, we have used the most recent P60 information (for the 2022/23 tax year) to determine the relevant colleague at the 25th, 50th and 75th percentile. As in prior years, we have omitted joiners and leavers from the data to ensure that the data is on a like-for-like basis. This option was chosen in preference to the other possibilities as it uses the most accurate and comprehensive data currently available and provides a fair reflection of the total pay received by colleagues.

The CEO pay ratio has not changed since last year. This is because the aggregate total single figure for both CEO incumbents during the year was only slightly below the CEO single figure for the prior year.

The pay ratio is consistent with the pay, reward and progression policies currently in place at NCC Group.

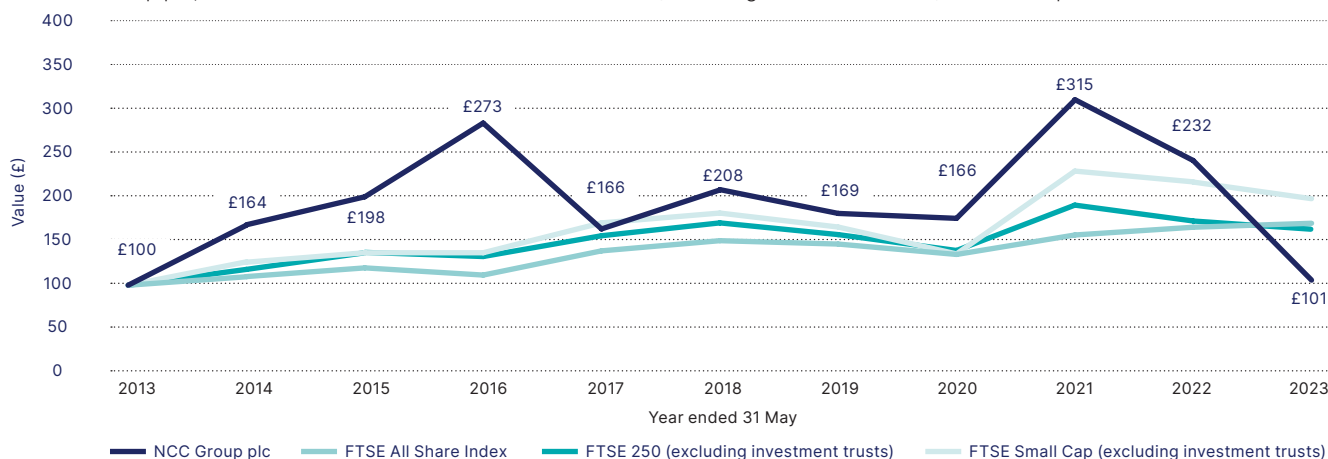
### Performance graph and table

The following graph shows the total shareholder return, with dividends reinvested, from 31 May 2013 against the corresponding changes in a hypothetical holding in shares in both the FTSE All Share and FTSE 250 Indices.

The FTSE All Share and FTSE 250 Indices represent broad equity indices. The Company is a constituent member of the FTSE All Share Index and the Committee has adopted the FTSE 250 Index for part of its LTIP performance measure. Both indices give a market capitalisation-based perspective.

During the year, the Company's share price varied between £0.898 and £2.40 and ended the financial year at £0.909.

Ten year historical TSR performance is the growth in the value of a hypothetical £100 holding over ten years. It has been calculated for NCC Group plc, and the FTSE All Share and FTSE 250 Indices (excluding investment trusts) based on spot values.



The share price was £2.125 on 1 June 2022 and £0.909 on 31 May 2023.

## Remuneration Committee report continued

### Annual Report on Remuneration continued

#### Performance graph and table continued

The table below shows the total remuneration for the Chief Executive over the same ten year period, including share awards valued at the date they vested.

| Year ended <sup>1,2,3,4</sup> | Total remuneration<br>£000 | Annual bonus<br>% of maximum <sup>5</sup> | Long-term incentives<br>% of maximum <sup>6</sup> |
|-------------------------------|----------------------------|---|---|
| 31 May 2023 <sup>1</sup>      | 1,005                      | 7.5                                       | 30  |
| 31 May 2023 <sup>2</sup>      | 26                         | –   | –   |
| 31 May 2022                   | 1,081                      | 60  | 59  |
| 31 May 2021                   | 1,110                      | 92  | 40  |
| 31 May 2020                   | 861                        | 23  | 52  |
| 31 May 2019                   | 679                        | 48  | –   |
| 31 May 2018 <sup>3</sup>      | 292 <sup>3</sup>           | 32  | –   |
| 31 May 2018 <sup>4</sup>      | 257 <sup>4</sup>           | 32  | –   |
| 31 May 2017                   | 610                        | –   | –   |
| 31 May 2016                   | 1,091                      | 70  | 20  |
| 31 May 2015                   | 993                        | 73  | 15  |
| 31 May 2014                   | 1,089                      | 73  | 50  |

1 Mike Maddison was appointed on 7 July 2022. The amount above is in respect of the period from 7 July 2022 to 31 May 2023.

2 Adam Palser stepped down from the Board on 17 June 2022. The amount above is in respect of the period from 1 June 2022 to 17 June 2022.

3 Adam Palser was appointed on 1 December 2017. The total remuneration figure above is in respect of the period from 1 December 2017 to 31 May 2018.

4 During the year ended 31 May 2018, Brian Tenner acted as Interim Chief Executive Officer for the period 1 June 2017 to 30 November 2017. The total remuneration figure above is the total remuneration received in relation to that six month period.

5 Note that this shows the annual bonus payments as a percentage of the maximum opportunity.

6 This shows the LTIP vesting level as a percentage of the maximum opportunity.

#### Membership and attendance

The Remuneration Committee membership consists solely of Non-Executive Directors and comprises Jennifer Duvalier, Chris Batterham, Julie Chakraverty and Lynn Fordham.

The Company Chair, Chief Executive Officer, Chief Financial Officer, Chief People Officer, Director of Reward and HR Operations and Company Secretary attend the Remuneration Committee meetings by invitation of the Chair of the Committee from time to time and assist the Committee with its considerations. No Director is involved in setting their personal remuneration.

The attendance of individual Committee members at Remuneration Committee meetings is shown in the table below:

| Attendee                     | Meetings attended |
|------------------------------|-------------------|
| Jennifer Duvalier            | 5 5               |
| Chris Batterham <sup>1</sup> | 4 5               |
| Julie Chakraverty            | 5 5               |
| Lynn Fordham <sup>2</sup>    | 4 4               |

At all times, all of the Committee meetings remained quorate.

● Meetings attended

● Possible meetings

1 Missed one meeting due to it clashing with a pre-existing commitment which could not be rearranged.

2 Appointed to the Committee 1 September 2022.

#### Adviser to the Committee

During the year, the Committee received advice on senior executive remuneration from Alvarez and Marsal (A&M) and was comfortable that the advice was objective and independent. A&M is a member of the Remuneration Consultants Group and is a signatory to its Code of Conduct. The total fee charged in 2022/23 for providing advice in relation to executive remuneration was £111,992. A&M did not provide any other services to the Company during the year. At the end of FY23, the Committee made the decision to move the executive remuneration advisory relationship to Mercer, which provides below-Board reward advice to NCC Group. This change allows the upcoming executive remuneration policy review to be linked in with other reward workstreams in the Group.

## Service contracts and letters of appointment

The service contracts and letters of appointment of the current Directors include the following terms:

|                      | Date of contract  | Notice period |
|----------------------|-------------------|---------------|
| <b>Executive</b>     |                   |               |
| Mike Maddison        | 28 April 2022     | 12 months     |
| Guy Ellis            | 30 June 2023      | 6 months      |
| Tim Kowalski         | 16 July 2018      | 6 months      |
| Adam Palser          | 29 November 2017  | 12 months     |
| <b>Non-Executive</b> |                   |               |
| Chris Stone          | 31 March 2017     | 3 months      |
| Chris Batterham      | 9 April 2015      | 3 months      |
| Julie Chakraverty    | 27 October 2021   | 3 months      |
| Jennifer Duvalier    | 25 April 2018     | 3 months      |
| Mike Ettling         | 21 September 2017 | 3 months      |
| Lynn Fordham         | 19 July 2023      | 3 months      |

## Dilution

The LTIP has a dilution limit, for new and treasury shares, of 10% of the issued ordinary share capital of the Company in any ten year period for any share option scheme operated by the Company. As at 31 May 2023, the Company had utilised 20,304,107 (31 May 2022: 18,811,502) ordinary shares through LTIP, DABS, SAYE, CSOP, ISO, RSP and ESPP awards counting towards the 10% limit, which represents 6.51% (2022: 6.07%) of the issued ordinary share capital of the Company. To clarify, this figure of 6.51% includes both discretionary and all-colleague share schemes.

## How will the Remuneration Policy be implemented in the year ending 31 May 2024?

### Executive Directors' base salaries

No increase was made to the base salary of any Executive Director for the year ending 31 May 2024. Due to the recent underlying performance of the business, the majority of our colleagues have not received an increase to base salary. Instead, certain colleagues have received an increase only on an exceptional basis. On appointment on 30 June 2023, the base salary of the new CFO was set below the level of his predecessor. The table below details the Executive Directors' salaries as at 31 May 2023 and salaries which took effect from 1 June 2023:

|   | Base salary<br>at 31 May<br>2023<br>£000 | Base salary<br>at 1 June<br>2023 <sup>1</sup><br>£000 | % change |
|---|--|---|----------|
| Chief Executive Officer – Mike Maddison         | 500                                      | 500   | 0%       |
| Outgoing Chief Financial Officer – Tim Kowalski | 333                                      | 333   | 0%       |
| Incoming Chief Financial Officer – Guy Ellis    | n/a                                      | 300 <sup>1</sup>                                      | n/a      |

<sup>1</sup> For Guy Ellis, the base salary shown is that on appointment on 30 June 2023.

## Pension

Pensions will remain aligned with the level for other colleagues.

## Non-Executive Directors' fees

In line with the current Policy, Non-Executive Director fees are reviewed annually.

The last increase was applied on 1 June 2022, and following the annual review in 2022, fees were increased as set out in the table below. A review was carried out of Non-Executive Directors' fees during the year for 2023/24 and the decision was taken not to increase them and review the matter again in the financial year ending 31 May 2024:

|  | FY23/24  | FY22/23  |
|--|----------|----------|
| Chair fee (excluding travel allowance of £8,200)                       | £154,500 | £154,500 |
| Non-Executive Director base fee (excluding travel allowance of £4,750) | £51,500  | £51,500  |
| Supplemental fees for additional responsibilities:                     |          |          |
| SID  | £10,000  | £10,000  |
| Audit Committee Chair  | £11,000  | £11,000  |
| Remuneration Committee Chair   | £11,000  | £11,000  |
| Cyber Security Committee Chair <sup>1</sup>                            | £8,000   | £8,000   |
| Designated NED for colleague engagement                                | £11,000  | £11,000  |

<sup>1</sup> No fee was paid in FY21/22 for chairing the Cyber Security Committee as this role was performed by the Company Chair. A supplemental fee has been introduced as the Chair of this Committee is no longer the Company Chair.



# Remuneration Committee report continued

## Annual Report on Remuneration continued

### Annual bonus

The annual bonus maximum in 2023/24 will be 125% of salary for the Chief Executive Officer and 100% for the Chief Financial Officer, with 60% based on the achievement of Adjusted operating profit targets and 40% based on the achievement of strategic targets as outlined on page 117.

Awards will also be subject to the Committee's assessment of the overall financial health of the business.

In addition, to ensure that this bonus opportunity results in shareholder alignment and provides greater retention value, 35% of any bonus payment will be deferred into nominal cost share options for two years.

The bonus, nominal cost share options and associated dividend equivalents are also subject to malus and clawback provisions.

### Long Term Incentive Plan (LTIP)

It is intended that awards with a maximum value of 175% and 100% of base salary to the CEO and the CFO respectively will be made under the LTIP in September/October 2023.

These will be subject to a two year post-vesting holding period for the Executive Directors. As well as the holding period, the Executives have to achieve a shareholding requirement of 200% of salary (post-shares sold to cover any tax) before they can sell any shares that vest, with these awards also counting towards the post-employment shareholding requirement. The awards are also subject to malus and clawback provisions.

The vesting of these LTIP awards will be based on earnings per share (40%), a cash flow metric (20%) and a relative total shareholder return metric (40%). 15% of each element will vest at the threshold performance level, rising to 100% vesting at maximum. As explained in the Annual Statement, the Committee has reviewed the targets and weightings to ensure they remain aligned with NCC Group's growth strategy.

As a result, the weightings will be changed to focus on TSR by increasing the weighting on relative TSR and reducing the weighting on EPS. The EPS growth and cash conversion targets remain unchanged from last year. The proposed targets are as follows:

| Metric   | Weight | Threshold (15% vests) | Maximum (100% vests) |
|--|--------|-----------------------|----------------------|
| Earnings per share growth                              | 40%    | 6% CAGR               | 18% CAGR             |
| Average cash conversion                                | 20%    | 80%                   | 90%                  |
| Relative TSR vs FTSE 250 (excluding investment trusts) | 40%    | Median                | Upper quartile       |

For performance between threshold and maximum, awards vest on a straight-line basis.

These three measures are transparent, easy to understand, easy to track and communicate, cost effective to measure and fundamentally aligned to the Group's strategic goals. These targets may be subject to amendment prior to the grant of awards in autumn 2023, if there is any significant change in outlook.

### Statement of shareholder voting

The following votes were received from the shareholders in respect of the Directors' Remuneration Report and in respect of the Remuneration Policy:

|   | Remuneration Report (2022 AGM) |                 | Remuneration Policy (2021 AGM) |                 |
|---|--------------------------------|-----------------|--------------------------------|-----------------|
|   | Total number of votes          | % of votes cast | Total number of votes          | % of votes cast |
| For <sup>1</sup>  | 236,586,615                    | 92.68           | 217,981,169                    | 87.43           |
| Against   | 18,685,025                     | 7.32            | 31,344,728                     | 12.57           |
| Total votes cast (for and against excluding withheld votes) | 255,271,640                    |                 | 249,325,897                    |                 |
| Votes withheld <sup>2</sup>                                 | 10,036,817                     |                 | 3,296,572                      |                 |
| Total votes cast (including withheld votes)                 | 265,308,457                    |                 | 252,622,469                    |                 |

1 Includes Chair's discretionary votes.

2 A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes cast "for" and "against" a resolution.

Approved by the Board and signed on its behalf:

### Jennifer Duvalier

Chair, Remuneration Committee

28 September 2023

# Directors' Remuneration Policy

## Overall approach to remuneration

The Remuneration Committee determines the Company's policy on the remuneration of the Executive Directors and (from 1 June 2019) the Executive Committee (ExCom). The principles which underpin the Remuneration Policy for the Company are to:

- Ensure Executive Directors' rewards and incentives are directly aligned with the interests of the shareholders in order to reinforce the strategic priorities of the Group, optimise the performance of the Group and create long-term sustained growth in shareholder value, without encouragement to take undue risk
- Provide the level of remuneration required to attract, retain and motivate Executive Directors and senior Executives of an appropriate calibre
- Ensure a proper balance of fixed and variable performance related components, linked to short and longer-term objectives and delivered in a mix of cash and shares
- Reflect market competitiveness, taking account of the total value of all the benefit elements

Our remuneration strategy has been designed to reflect the needs of a complex multinational organisation, which has grown both organically and by acquisition.

Remuneration for the Executive Directors is structured so that the variable pay elements (annual bonus and long-term incentives) form a significant proportion of the overall package. This provides a strong link between the remuneration paid to Executive Directors and the performance of the Group, as well as providing a strong alignment of interest between the Executive Directors and shareholders.

For the purposes of section 226D-(6)(b) of the Companies Act 2006, this Policy was approved by shareholders and took effect from the date of the 2021 AGM on 4 November 2021.

As a reminder, the following table summarises how our shareholder-approved Remuneration Policy fulfils the factors set out in provision 40 of the 2018 UK Corporate Governance Code.

| Area of provision 40 of the 2018 UK Corporate Governance Code   | How fulfilled  |
|---|--|
| <b>Clarity</b> – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce   | The Committee is committed to providing transparent disclosures to shareholders and the workforce about executive remuneration arrangements and, to this end, the Directors' Remuneration Report sets out the remuneration arrangements for the Executive Directors in a clear and transparent way. Our designated Non-Executive Director for colleague engagement engages with colleagues about our executive remuneration approach. Our AGM allows shareholders to ask any questions on the remuneration arrangements, and we welcome any queries on remuneration practices from shareholders throughout the year. |
| <b>Simplicity</b> – remuneration structures should avoid complexity and their rationale and operation should be easy to understand  | Our remuneration arrangements for Executive Directors, as well as those throughout the Group, are simple in nature and understood by all participants, having been operated in a similar manner for a number of years. Executive Directors receive fixed pay (salary, benefits and pension), and participate in a single short-term incentive (the annual bonus) and a single long-term incentive (the Long Term Incentive Plan).  |
| <b>Risk</b> – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated | The Committee has designed incentive arrangements that do not encourage inappropriate risk taking. The Committee retains overarching discretion in both the annual bonus and LTIP schemes to adjust payouts where the formulaic outcomes are not considered reflective of underlying business performance and individual contributions. Robust withholding and recovery provisions apply to variable incentives.   |
| <b>Predictability</b> – the range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the Policy              | Payouts under the annual bonus and LTIP schemes are dependent on the performance of the Company over the short and long term, and a significant proportion of Executive Director remuneration is performance linked. These schemes have strict maximum opportunities, with the potential value at threshold, target and maximum performance scenarios provided in the Directors' Remuneration Report.  |
| <b>Proportionality</b> – the link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance                 | Payments from variable incentive schemes require strong performance against challenging conditions over the short and longer term. Performance conditions have been selected to support Group strategy and consist of both financial and non-financial metrics. The Committee retains discretion to override formulaic outcomes in both schemes to ensure that they are appropriate and reflective of overall performance.   |
| <b>Alignment to culture</b> – incentive schemes should drive behaviours consistent with Company purpose, values and strategy  | Performance measures used in our variable incentive schemes are selected to be consistent with the Company's purpose, values and strategy. The use of annual bonus deferral, LTIP holding periods and our shareholding requirements provide a clear link to the ongoing performance of the Group and ensure alignment with shareholders, which continues after employment.   |

# Remuneration Committee report continued

## Directors' Remuneration Policy continued

### Current Policy table for Executive Directors

| Purpose and link to short and long-term strategic objectives  | Operation (including framework to assess performance)  | Maximum opportunity   | Changes since last Directors' Remuneration Policy  |
|---|--|---|--|
| <b>Salary</b>   |  |   |  |
| To attract, retain and reward high calibre Executive Directors  | <p>The Remuneration Committee reviews salaries for Executive Directors and also the Executive Committee (ExCom) annually unless responsibilities change.</p> <p>Pay reviews take into account Group and personal performance. Salaries are set on appointment and benchmarked periodically against market data for companies operating in IT services, management consulting and relevant high tech sectors, which, although not directly comparable, provide an indicative range.</p> <p>In setting appropriate salary levels the Committee takes into account pay and employment conditions of colleagues elsewhere in the Group, alongside the impact of any increase to base salaries on the total remuneration package.</p> <p>Any changes are normally effective from 1 June each year.</p>  | <p>Details of current Executive Director salaries are set out on page 118.</p> <p>Salary increases are normally in line with those for other colleagues but also take account of other factors such as changes to responsibility, development and the complexity of the role.</p> | n/a  |
| <b>Benefits</b>   |  |   |  |
| To attract, retain and reward high calibre Executive Directors  | <p>Benefits in kind currently include the provision of a car or car allowance, payment of private fuel, car insurance, private medical insurance, life assurance and permanent health insurance.</p> <p>Executive Directors may be invited to participate in the Sharesave Scheme approved by HMRC or other benefits introduced for all colleagues.</p>  | <p>Market-competitive benefits.</p> <p>SAYE Sharesave Scheme subject to HMRC-approved limits.</p>   | n/a  |
| <b>Pension</b>  |  |   |  |
| To provide a competitive benefit, which attracts high calibre Executives and allows flexible retirement planning to suit individual needs | <p>Executive Directors are entitled to a Company pension contribution, which is paid into the Group defined contribution personal pension scheme.</p> <p>They can also opt to have the same level of contribution made in the form of a cash contribution.</p>   | <p>Until 30 November 2021: up to 10% of base salary as a contribution into the Group scheme or base salary supplement of 10% of base salary.</p> <p>From 1 December 2021: capped at the level of the majority of the workforce (currently 4.5%).</p>                              | Alignment of Executive Directors' pensions with the wider workforce from 1 December 2021.            |
| <b>Annual bonus</b>   |  |   |  |
| To drive and reward sustainable business performance  | <p>Based on a range of stretching targets measured over one year. This might include, but not exclusively, profit measures and other strategic objectives such as cash management, brand development, customer satisfaction and retention, business unit sales growth and colleague engagement.</p> <p>Performance below the minimum performance target results in no bonus. No more than 20% of the maximum opportunity is paid for achievement of the threshold performance targets. Payments rise from the threshold payment to 100% of the maximum opportunity for levels of performance between the threshold and maximum targets. The rate of the rise and the various payment targets are determined annually by the Committee.</p> <p>The Committee has discretion to reduce the formulaic bonus outcome if individual performance is determined to be unsatisfactory or if the individual is the subject of disciplinary action.</p> <p>At least 35% of any bonus payment is normally deferred into shares or nominal cost share options which vest after a two year period. Dividend equivalents are paid on vesting share options.</p> <p>Malus and clawback provisions are in place for both cash and deferred elements.</p> | <p>125% of base salary.</p> <p>A lower maximum of 100% of base salary was operated in 2021/22.</p>  | With effect from 2022/23, the bonus opportunity for the CEO and CFO was increased to 125% of salary. |



**Current Policy table for Executive Directors** continued

| Purpose and link to short and long-term strategic objectives  | Operation (including framework to assess performance)   | Maximum opportunity   | Changes since last Directors' Remuneration Policy   |
|---|---|---|---|
| <b>Long Term Incentive Plan</b>   |   |   |   |
| To drive long-term performance in line with Group strategy and incentivise through share ownership    | <p>Awards have a performance period of at least three years and normally must be held for a further two years after vesting.</p> <p>The level of vesting is determined by measures appropriate to the strategic priorities of the business. At least half of any award will normally be subject to financial performance measures. Measures might include, but not exclusively, EPS, cash flow and relative TSR metrics.</p> <p>The Remuneration Committee has the discretion to determine the number of measures to be used.</p> <p>Performance below the threshold target results in no vesting. For performance between the threshold target and maximum performance target, vesting starts at 15% and rises to 100% of the shares vesting.</p> <p>Should a change in control of the Group occur, crystallisation of any LTIP awards is within the discretion of the Remuneration Committee.</p> <p>Malus and clawback provisions are in place.</p>            | Awards over shares with a face value at grant of 175% of salary p.a. for the CEO, with awards to the CFO normally capped at 150% of salary. | For any awards made following the 2021 AGM, awards are 175% of salary for the CEO, and 150% of salary for the CFO.  |
| <b>Executive Director shareholding requirement</b>  |   |   |   |
| To align the interests of Executive Directors with the interests of all of the Company's shareholders | <p>The Executive Directors are expected to build and retain a shareholding in the Group at least equivalent to 200% of base salary. Executives will be required to retain all vested deferred bonus shares and LTIP shares released from the holding period until they have attained the minimum shareholding requirement and even then they may normally only sell when they have held vested LTIP shares for a minimum period of two years.</p> <p>For the avoidance of doubt, Executive Directors are permitted to sell sufficient shares in order to meet any tax or withholding obligation arising from vesting shares.</p> <p>Retention of shares post-employment: Executives will be expected to retain the lower of their holding on cessation or 200% of salary for the first year following cessation, reducing to 100% of salary for the second year. Only shares granted from the conclusion of the 2021 AGM will count towards this requirement.</p> | n/a   | For any awards made following the 2021 AGM, the post-employment shareholding policy will require 200% of base salary to be held in the first year post-employment, falling to 100% for the second year. |

**Choice of performance measures and target setting**

For both the annual bonus and LTIPs, the objective of our Policy is to choose performance measures which help drive and reward the achievement of our strategy and which also provide alignment between Executives and shareholders. The Committee reviews metrics annually to ensure they remain appropriate and reflect the future strategic direction of the Group.

Targets for each performance measure are set by the Committee with reference to internal plans and external expectations. Performance is generally measured so that incentive payouts increase pro rata for levels of performance in between the threshold and maximum performance targets.

With regard to the annual bonus, the Remuneration Committee believes that a simple and transparent scheme with sufficiently stretching targets and an element of bonus deferral prevents short-term decisions being made and ensures that the Executives are focused on the delivery of sustainable business performance.

With regard to the LTIP, the Committee believes in setting demanding objectives, which reward steady, progressive growth, in order to incentivise and encourage long-term growth and enhance shareholder value.

Performance measures and targets are disclosed in the Annual Report on Remuneration. In cases where targets are commercially sensitive, for example annual profit targets for the annual bonus, they will normally be disclosed retrospectively in the year in which the bonus is paid.

## Remuneration Committee report continued

### Directors' Remuneration Policy continued

#### Differences in Remuneration Policy for colleagues and Executive Directors

The principles behind the Remuneration Policy for Executive Directors are cascaded down through the Group and their aims are to attract and retain the best staff and to focus their remuneration on the delivery of long-term sustainable growth by using a mix of salary, benefits, bonus and longer-term incentives.

As a result, no element of the Executive Director Remuneration Policy is operated exclusively for Executive Directors other than the post-employment shareholding policy:

- The annual performance related pay scheme for Executive Directors is largely the same as that of the Executive Committee and other senior managers within the business and all are aligned with similar business objectives.
- Participation in the LTIP is extended to the Executive Committee and other senior managers where possible although restricted shares rather than performance shares are typically granted at levels below the Executive Committee.
- The pension scheme is operated for all permanent colleagues and from 1 December 2021 the Executive Directors received the same level of contribution as the majority of other colleagues.

The main difference between pay for Executive Directors and colleagues is that, for Executive Directors, the variable element of total remuneration is greater while the total remuneration opportunity is also higher to reflect the increased responsibility of the role. In addition, we have the ability to grant awards of restricted shares to Executive Committee members. This will enable us to be competitive in certain markets, most notably the US, where such plans are very much part of any executive remuneration package.

#### Non-Executive Director Policy table

| Purpose and link to short and long-term strategic objectives      | Operation (including framework to assess performance)  | Maximum opportunity  | Changes since last Directors' Remuneration Policy  |
|---|--|--|--|
| <b>Fees</b>   |  |  |  |
| To attract, reward and retain experienced Non-Executive Directors | <p>Fees for the Non-Executive Directors are determined by the Board within the limits set by the Articles of Association and are based on information on fees paid in similar companies, taking into account the experience of the individuals and the relative time commitments involved.</p> <p>There will be separate disclosures of fees paid for chairing the Audit and Remuneration Committees and for acting as Senior Independent Director or for other additional responsibilities.</p> <p>Fees for the Non-Executive Directors are reviewed annually. Additional fees may be paid in certain circumstances such as taking on extra duties, or if exceptionally the time commitment is significantly increased.</p> <p>An expenses allowance is paid or alternatively any reasonable business related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit.</p> | <p>Current fee levels are set out on page 129.</p> <p>The overall fee limit will be within the current £750,000 limit set out in the Company's Articles of Association, approved on 25 September 2019, which is subject to increase on 25 September each year by the same percentage increase as the percentage increase in the General Index of Retail Prices for all items (or such other comparable index as may be substituted for it from time to time before such anniversary) in the 12 months immediately preceding such date.</p> | <p>The overall fee limit is now £750,000.</p> <p>Extra fees may be paid in certain circumstances such as taking on extra duties.</p> |

## Approach to recruitment

The principle applied in the recruitment of a new Executive Director is for the remuneration package to be set in accordance with the terms of the approved Remuneration Policy for existing Executive Directors in force at the time of appointment. Further details of this Policy for each element of remuneration are set out below.

| Pay element   | Approach  | Areas of flexibility   |
|---|---|--|
| <b>Salary</b>   | Set to reflect the Executive's skills and experience, the Company's intended pay positioning and the market rate for the applicable role.   | The Committee will have the discretion to allow phased salary increases over a period of time for newly appointed Directors, even though this may involve increases in excess of the rate for the wider workforce and inflation in circumstances where starting salary was below median levels.  |
| <b>Benefits and pension</b>   | Benefits will be provided in line with those offered to other Executive Directors, taking account of local market practice, with relocation expenses or arrangements provided if necessary.                                 | Tax equalisation may also be considered if an Executive Director is adversely affected by taxation due to their employment with the Company. The Company may also pay legal fees and other costs incurred by the individual. These would all be disclosed. Pension would be set in line with the workforce level.  |
| Pay element   | Approach  | Areas of flexibility   |
| <b>Incentive opportunity</b>  | The aggregate ongoing incentive opportunity offered to new recruits will be no higher than that offered under the annual bonus plan and the LTIP to the existing Executive Directors.                                       | Different performance measures and targets may be set initially for the annual bonus plan, taking into account the responsibilities of the individual and the point in the financial year at which they join.  |
| <b>"Buyout" awards</b>  |   | Sign-on bonuses are not generally offered by the Group but, at Board level, the Committee may offer additional cash and/or share-based "buyout" awards when it considers these to be in the best interests of the Company and, therefore, shareholders, including awards made under Listing Rule 9.4.2R. Any such "buyout" payments would be based solely on remuneration lost when leaving the former employer and would reflect the delivery mechanism such as cash, shares, options, time horizons and performance requirements attaching to that remuneration. |
| <b>Transitional arrangements for internal appointments to the Board</b> | In the case of an internal appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms on grant, adjusted as relevant to take into account the appointment. | In addition, any other ongoing remuneration obligations existing prior to appointment may continue, provided that they are put to shareholders for approval at the first AGM following their appointment.  |

## Approach to service contracts and letters of appointment

The Committee's policy is to offer service contracts for Executive Directors with notice periods of between six and 12 months exercisable by either party. In addition, the Executive Directors are subject to a non-compete clause from the date of termination, where enforceable.

All Non-Executive Directors' appointments are terminable on at least three months' notice on either side.

The Executive Directors and Non-Executive Directors offer themselves for re-election at the AGM every year.

## Policy on payment for loss of office

Payments on termination for Executive Directors are restricted to the value of salary and contractual benefits for the duration of the notice period. It is the policy of the Remuneration Committee to seek to mitigate termination payments and pay what is due and fair. There are no predetermined special provisions for Executive Directors with regard to compensation in the event of loss of office. The Company may also pay an amount considered to be reasonable by the Committee where loss of office is due to redundancy or in respect of fees for legal advice for the outgoing Director or to settle or compromise any legal claims. Assistance with outplacement may also be provided.

Elements of variable remuneration would be treated as follows:



# Remuneration Committee report continued

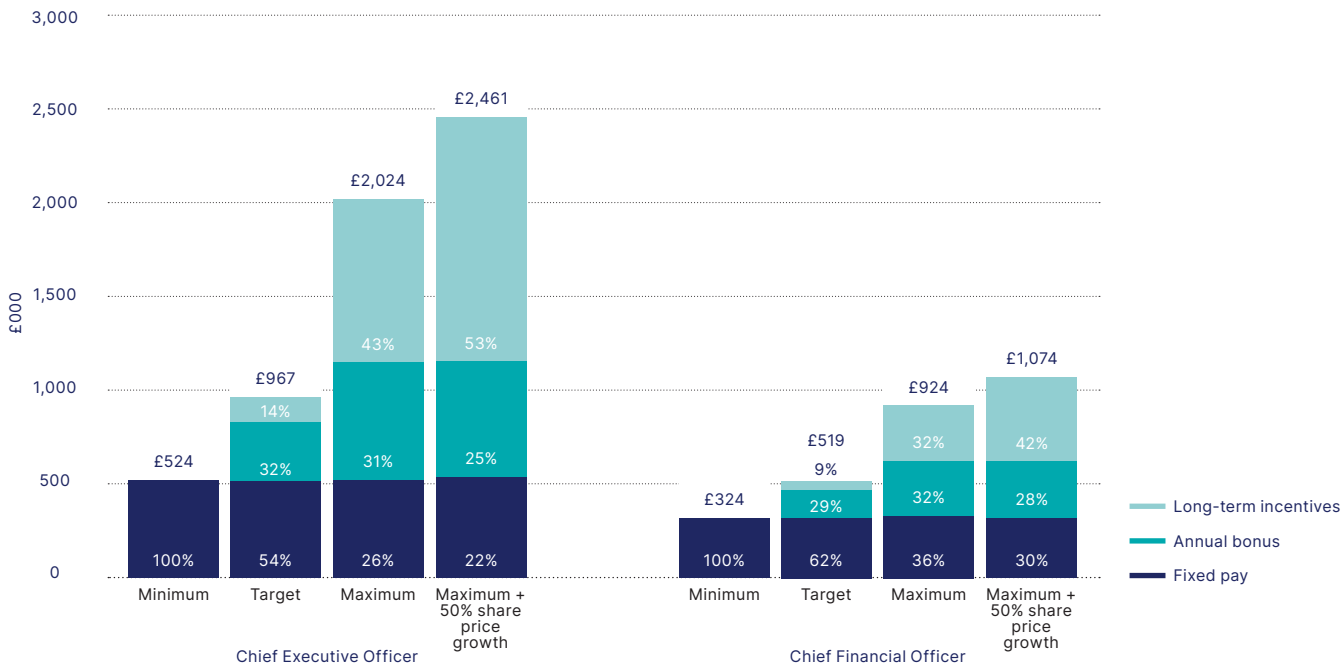
## Directors' Remuneration Policy continued

### Policy on payment for loss of office continued

| Pay element                        | Approach  | Areas of flexibility  |
|------------------------------------|---|---|
| <b>Annual bonus</b>                | <p>Determined on a case-by-case basis. When the Committee determines that the payment of an annual bonus is appropriate, the annual bonus payment is typically:</p> <ul style="list-style-type: none"> <li>• Pro-rated for the period of time served from the start of the financial year to the date of termination and not for any period in lieu of notice or garden leave</li> <li>• Subject to the normal bonus targets, tested at the end of the year, and would take into account performance over the notice period</li> <li>• Subject to deferral of 35% of the value</li> </ul> | <p>The Committee has the discretion to pay cash bonus amounts or allow deferred bonus awards to vest on cessation or whether they lapse. If the Committee exercises this discretion, it can also determine if the vesting should be pro-rated to reflect time served since the beginning of the deferral date. The same discretionary principle would apply to the payment of dividend equivalents on any shares that have been deferred, but not yet vested.</p> |
| <b>Long Term Incentive Plan</b>    | <p>Unvested awards will normally lapse upon cessation of employment.</p>  | <p>The Committee has discretion to allow awards to vest at the normal vesting date or earlier. If the Committee exercises this discretion, awards are normally pro-rated to reflect time served since the date of grant and based on the achievement of the performance criteria. The holding period detailed above will apply to such incentives.</p>  |
| <b>All-colleague share schemes</b> | <p>The Executive Directors, where eligible for participation in all-colleague share schemes, participate on the same basis as for other colleagues.</p>   | <p>None.</p>  |

### Illustration of remuneration scenarios

The chart below details the hypothetical composition of each Executive Director's remuneration package and how it could vary at different levels of performance under the new Remuneration Policy set out above.



### Illustration of remuneration scenarios continued

Note that the charts are indicative, as actual amounts may depend on share price. Assumptions made for each scenario are as follows:

- **Minimum.** Fixed remuneration only: salary, benefits and pension. Salary based on 2023/24 salary and benefits based on 2022/23 disclosed benefit amounts.
- **Target.** Fixed remuneration plus “target” annual bonus opportunity of 62.5% of salary for the Chief Executive Officer and 50% of base salary for the Chief Financial Officer, plus 15% vesting of the maximum award under the LTIP. NCC Group does not use the concept of a “target” bonus; however, in order to be fully compliant with the regulations, an assumption of 50% of the maximum for 2023/24 has been used.
- **Maximum.** Fixed remuneration plus maximum annual bonus opportunity equivalent to 125% of salary for the Chief Executive Officer and 100% of salary for the Chief Financial Officer for 2023/24, as well as 100% vesting of the maximum award under the LTIP, being 175% of salary for the CEO and 100% of salary for the CFO.
- **Effect of a 50% increase in share price.** Same assumptions as for the maximum scenario, but with the additional assumption that the value of LTIP awards increases by 50% as a result of share price appreciation over the performance period.

### Statement of consideration of employment conditions elsewhere in the Group

The Remuneration Committee does not consult directly with colleagues when determining the Remuneration Policy for Executive Directors. However, as stated above, the annual bonus and LTIP are operated for other colleagues to ensure alignment of objectives across the Group and the terms of the pension scheme are comparable with the majority of the UK workforce. In addition, the Committee compares information on general pay levels and policies across the Group when setting Executive Director pay. Until 1 January 2022, Jennifer Duvalier and, from 1 January 2022, Julie Chakraverty have undertaken regular colleague engagement sessions where colleagues are able to ask about Executive Director pay. During the year no questions or concerns on executive pay were raised to Julie (please see page 97 for further information).

### How shareholder views are taken into account

The Remuneration Committee considers shareholder feedback received on the Directors’ Remuneration Report each year and guidance from shareholder representative bodies more generally. Shareholders’ views are key inputs when shaping remuneration policy. When any material changes are proposed to the Remuneration Policy, the Remuneration Committee Chair will inform major shareholders in advance and will generally offer a meeting to discuss these.

### Key areas of discretion in the Remuneration Policy

The Committee operates the Group’s variable incentive plans according to their respective rules and in accordance with HMRC rules where relevant. To ensure the efficient administration of these plans, the Committee will apply certain operational discretions. These discretions are implicit in the Policy stated above, but we have listed them for clarity. These include, but are not limited to, the following:

- Selecting the participants in the incentive plans on an annual basis
- Determining the timing of grants of awards and/or payments
- Determining the quantum of awards and/or payments (within the limits set out in the Policy table)
- Reviewing performance against annual bonus and LTIP performance metrics
- Determining the extent of payout or vesting based on the assessment of performance
- Making the appropriate adjustments required in certain circumstances, for instance for changes in capital structure
- Determining “good leaver” status for incentive plan purposes and applying the appropriate treatment
- Undertaking the annual review of weighting of performance measures and setting targets for the incentive plans, where applicable, from year to year
- Discretion to override formulaic outcomes of the incentive schemes if an event occurs which results in the annual bonus plan or LTIP performance conditions and/or targets being deemed no longer appropriate (e.g. material acquisition or divestment); the Committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions are not materially less challenging than the original conditions
- Discretion to override formulaic vesting outcomes if they are judged by the Committee not to be an accurate reflection of Company performance

### Legacy arrangements

For the avoidance of doubt, in approving the Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former Directors before the current legislation on remuneration policies came into force or before an individual became a Director, such as the payment of outstanding incentive awards, even where it is not consistent with the Policy prevailing at the time such commitment is fulfilled.

Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

### External directorships for Executive Directors

Executive Directors may accept one external non-executive directorship with the prior agreement of the Board, provided it does not conflict with the Group’s interests and the time commitment does not impact upon the Executive Director’s ability to perform their primary duty. The Executive Directors may retain the fee from external directorships. Neither of the Executive Directors currently undertake any external non-executive directorships.

# The Directors present their report

The Directors present their report and the Group and Company Financial Statements of NCC Group plc (the "Company") and its subsidiaries (together the "Group") for the financial year ended 31 May 2023.

### Principal activities

The Company is a public limited company incorporated in England, registered number 4627044, with its registered office at XYZ Building, 2 Hardman Boulevard, Spinningfields M3 3AQ.

The principal activity of the Group is the provision of independent advice and services to customers through the provision of Software Resilience and Cyber Security services. The principal activity of the Company is that of a holding company.

### Going concern

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

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

The Directors have prepared cash flow and covenant compliance forecasts for the 12 month period ending 30 September 2024 which indicate that, taking account of severe but plausible downsides on the operations of the Group and its financial resources, the Group and Company will have sufficient funds to meet their liabilities as they fall due for that period.

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

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

As of 31 May 2023, net debt (excluding lease liabilities)<sup>1</sup> amounted to £49.6m which comprised cash of £34.1m, a bank overdraft of £1.8m, a drawn revolving credit facility of £83.4m had been drawn under these facilities, leaving £79.1m (2022: £28.7m) of undrawn facilities, excluding the uncommitted accordion facility of £75.0m. Unamortised arrangement fees of £1.5m have been offset against the amounts drawn down, resulting in a carrying value of borrowings at 31 May 2023 of £81.9m. The Group's day-to-day working capital requirements are met through existing cash resources, the revolving credit facility and receipts from its continuing business activities.

The Group is required to comply with financial covenants for leverage (net debt to Adjusted EBITDA<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 31 May 2023, leverage<sup>1</sup> amounted to 1.4x and net interest cover<sup>1</sup> amounted to 6.8 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 the these financial statements with the exceptions being net debt excludes IFRS 16 lease liabilities and Adjusted EBITDA<sup>1</sup>. The Group was in compliance with the terms of all its facilities during the year, including the financial covenants on 31 May 2023, and based on forecasts, expects to remain in compliance over the going concern period. In addition, the Group has not sought or is not planning to seek any waivers to its existing facilities.

It's been a challenging year for the Group with a decline in the rate of revenue growth and overall profitability resulting in a loss before taxation of £4.3m. The Group's revenue performance and profitability suffered from the market dynamics 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 year.

Following the year end, the Group has 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 prior year. As a result of all of the above, the base case going concern assessment has been prepared on the basis that market volatility within Cyber Security<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:

- No recovery from FY23 Q4 Cyber Security<sup>1</sup> trading performance – £6.4m reduction profit before tax
- Loss of key customers – £4.2m reduction in profit before tax
- Shortfall in forecast cost savings – annualised £3.2m reduction in profit before tax

### Going concern continued

- d) Further inflationary pressures continue, worse and more prolonged than expected (wages, energy and interest) – £5.6m reduction in profit before tax
- e) Combination of Scenario a and d – £10.8m reduction in profit before tax

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

From a Company perspective, the Company places reliance on other Group trading entities for financial support. The Company controls these Group entities and therefore has the ability to direct the financial activities of the Group. Having reviewed the current trading performance, forecasts, debt servicing requirements, total facilities and risks, the Directors are confident that the Company and the Group will have sufficient funds to continue to meet their liabilities as they fall due for a period of at least 12 months from the date of approval of these consolidated Financial Statements, which is determined as the going concern period. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the Group's Financial Statements for the period ended 31 May 2023.

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

1 See Note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items, including a reconciliation to statutory information.

### Results and dividends

The Group's and Company's audited Financial Statements for the financial year ended 31 May 2023 are set out on pages 152 to 214.

The Directors propose a final dividend of 3.15p per ordinary share, which, together with the interim dividend of 1.5p per ordinary share paid on 17 March 2023, makes a total dividend of 4.65p for the year.

The final dividend will be paid on 8 December 2023, subject to approval at the AGM on 30 November 2023, to shareholders on the register at the close of business on 10 November 2023. The ex-dividend date is 9 November 2023.

### Post-balance sheet events

In line with the Group's next chapter strategy, during September 2023, the Group issued external marketing material to potentially dispose of an element of the Europe Cyber Security CGU as considered non-core to the Group.

### Share capital and control

At the AGM held on 2 November 2022, the Directors were granted authority to allot up to 103,357,500 ordinary shares representing approximately one-third of the Company's issued share capital. In addition, the Directors were granted authority to allot a further 103,357,500 ordinary shares, again representing approximately one-third of the Company's issued share capital, solely to be used in connection with a pre-emptive rights issue.

As at 31 May 2023, the Company's issued ordinary share capital comprised 312,128,892 ordinary shares with a nominal value of 1p each, of which no ordinary shares were held in treasury.

During the year ended 31 May 2023, 2,161,649 shares in the Company were issued further to the exercise of options pursuant to the Company's share option schemes.

The holders of ordinary shares are entitled, among other rights, to receive the Company's Annual Reports and Accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights.

Details of the movements of the called up share capital of the Company are set out in Note 27 to the Financial Statements and the information in this Note is incorporated by reference and forms part of this Directors' Report.

All rights and obligations attaching to the Company's ordinary shares are set out in the Company's Articles of Association (the "Articles"), copies of which can be obtained from the Companies House website or by writing to the Company Secretary. Unless otherwise provided in the Articles, the terms of issue of any shares, any restrictions from time to time imposed by laws or regulations (for example insider trading laws) or pursuant to the UK Market Abuse Regulation whereby certain Directors, officers and colleagues of the Group require the approval of the Company to deal in ordinary shares of the Company, any shareholder may transfer any or all of their shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

The Directors may refuse to register a transfer of shares in certificated form that are not fully paid up or otherwise in accordance with the Articles.

### Authority to purchase own shares

At the AGM held on 2 November 2022, shareholders authorised the Company to make market purchases of up to 31,007,200 ordinary shares representing approximately 10% of the issued share capital. This authority was not used during the financial year ended 31 May 2023. At the 2023 AGM, shareholders will be asked to give a similar authority.

The Company does not currently hold any ordinary shares in treasury.

### Directors

Biographical details of the Company's current Directors are set out on pages 88 and 89 together with the names of Directors that have held office during the year. Subject to law and the Company's Articles of Association, the Directors may exercise all of the powers of the Company and may delegate their power and discretion to Committees.

The Company's Articles of Association give the Directors power to appoint and replace Directors. Under the terms of reference of the Nomination Committee, any appointment to the Board of the Company must be recommended by the Nomination Committee for approval by the Board. The Articles of Association also require one-third of the Directors to retire by rotation each year end and each Director must offer themselves for re-election at least every three years. However, in accordance with previous years and in accordance with best practice, all Directors will submit themselves for re-election at the AGM each year. During the year, no Director had any material interest in any contract of significance in the Group's business.



### Directors' and Officers' insurance and indemnities

The Company maintains Directors' and Officers' liability insurance, which provides appropriate cover for any legal action brought against its Directors (including those who served as Directors or Officers during 2022/23). This cover was in place throughout the financial year ended 31 May 2023 and up to the date of this Directors' Report. The Directors of the Company have also entered into individual deeds of indemnity with the Company which constitute as qualifying third party indemnity provisions for the purposes of section 234 of the Companies Act 2006.

The deeds were in effect during the course of the financial year ended 31 May 2023 for the benefit of the Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

### Colleagues

The Group uses a number of ways to engage with its colleagues on matters that impact them and the performance of the Group. These include briefings by members of the Executive Committee, regular team meetings, the Group's intranet site, global communications and update emails which together provide, among other information, an awareness of the financial and economic factors affecting the Company's performance. Further information on how the Directors engage with colleagues along with how colleague interests are taken into account during decision making can be found within the Corporate Governance Report on page 84 to 137.

We conduct a colleague engagement survey to ensure all colleagues are given a voice in the organisation. In 2018, using insights from our survey and subsequent colleague engagement, we defined new values for the organisation. Details of these values are set out in Our Culture section on page 42.

We offer colleagues the opportunity to purchase ordinary shares in the Company through participation in either the Company's Save As You Earn (SAYE) Scheme or Employee Stock Purchase Plan (ESPP). Colleagues in the UK also have the opportunity to purchase shares through a Share Incentive Plan (SIP). All these schemes help to encourage colleague interest in the performance of the Group.

### Business relationships with suppliers, customers and others

The Directors have summarised how they have fostered the Company's business relationships with suppliers, customers and others on pages 40 to 41. In addition, on page 93 the Directors have included the principal decisions taken by the Company during the financial year.

### Equal opportunities

The Group is committed to providing equality of opportunity to all colleagues without discrimination and applies fair and equitable employment policies which seek to promote entry into and progression within the Group. Appointments are determined solely by application of job criteria, personal ability, behaviour and competency.

In the opinion of the Directors, all colleague policies are deemed to be effective and in accordance with their intended aims.

### Disabled persons

Disabled persons have equal opportunities when applying for vacancies, with due regard to their aptitudes and abilities. Procedures ensure that disabled colleagues are fairly treated in respect of training and career development. For those colleagues becoming disabled during the course of their employment, the Group is supportive so as to provide an opportunity for them to remain with the Group, wherever reasonably practicable.

### Political donations

During the year the Company made no political donations (2022: £nil).

### Sustainability Report

The Company's Sustainability Report provides an update on the Group's policies and activities in respect of its wider stakeholders, including colleagues; community, environmental, ethical and health and safety issues; and modern slavery.

### Overseas branches

As at 31 May 2023, the Group had no overseas branches.

### Research and development

We are committed to using innovative, cost effective and practical solutions for providing high quality services and we recognise the importance of ensuring that we focus our investment on the development of technology. The Group's research and development expenditure is predominantly associated with computer and software systems.

### Change of control

In the event of a change of control of the Company, the Group and each of its lenders shall enter into negotiation for a period to determine how the Group's loan facilities may continue and if after negotiation there is no agreement the lender has the right to cancel the commitment.

There are no agreements between the Company and its Directors or colleagues providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

### Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Reappointment of auditor

In accordance with section 489 of the Companies Act 2006, a resolution for the reappointment of KPMG LLP as auditor of the Company is to be proposed at the forthcoming AGM.

It is our expectation that the Group will carry out its audit tender process between September and November 2023. Following the outcome of this process, if KPMG does not retain the audit, a new auditor would be appointed in December 2023 and hold office until the next AGM in 2024.

## Annual General Meeting

The notice of the Company's AGM to be held at 9.00am on 30 November 2023 at its head office at XYZ Building, 2 Hardman Boulevard, Spinningfields, Manchester M3 3AQ, along with details of the business to be proposed and explanatory notes, will be available on the Group's website together with the Annual Report and Accounts. All shareholders will be notified by post or email, at their request, when the documents have been made available.

The Board recognises that the AGM provides an important opportunity to engage with shareholders. Therefore, the Company will ensure that shareholders can submit any questions in writing prior to the AGM as outlined in the Notice of AGM.

The result of the poll vote will be made available as soon as possible after the meeting on our website.

### Capitalised interest

During the period, no interest was capitalised by the Group (2022: £nil). The tax benefit on this amount was £nil (2022: £nil).

### Reporting requirements

The following sets out the location of additional information forming part of the Directors' Report, which is incorporated by reference into this report:

| Reporting requirement   | Location   |
|---|--|
| Board's assessment of the Group's internal control systems  | Corporate Governance Report on pages 84 to 141 and Audit Committee Report on page 103  |
| Details of uses of financial instruments and specific policies for managing financial risk  | Note 25 (Financial Instruments) on pages 199 to 203  |
| Directors' interests  | Remuneration Committee report on page 115  |
| Directors' Responsibilities Statement   | Directors' Responsibilities Statement on page 142  |
| Directors' remuneration including disclosures required by Schedule 5 and Schedule 8 of SI2008/410 – Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 | Remuneration Committee report on pages 115 to 137  |
| DTR 4.1.8.R – Management Report – the Directors' Report and Strategic Report comprise the management report   | Directors' Report on pages 138 to 141 and Strategic Report on pages 1 to 82  |
| Going concern statement   | Directors' Report on pages 138 and 141 and Going Concern section within Note 1 on pages 161 and 162  |
| Greenhouse gas emissions and energy consumption   | TCFD Report on pages 50 to 51  |
| Likely future developments of the business and Group  | Strategic Report on pages 1 to 82  |
| LR 9.8.4 (4) – Long-term incentive schemes  | Remuneration Committee Report on pages 115 to 137  |
| LR 9.8.6 (2) – Substantial shareholders   | Shareholder Relations section of Corporate Governance Report on pages 84 to 142  |
| Statement on corporate governance   | Corporate Governance Report, Audit Committee Report, Nomination Committee Report and Remuneration Committee Report on pages 84 to 137. Statement of compliance with the UK Corporate Governance Code is on page 86 |
| Strategic Report – Companies Act 2006 section 414A–D  | Strategic Report on pages 1 to 82  |

The Strategic Report on pages 1 to 82 and this Directors' Report on pages 138 to 141 have been approved and authorised for issue by the Board. They were signed on its behalf by:

**Mike Maddison**  
Chief Executive Officer  
28 September 2023

**Guy Ellis**  
Chief Financial Officer  
28 September 2023

# Directors' responsibilities statement

## Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. Under that law they are required to prepare the Group Financial Statements in accordance with UK-adopted International Accounting Standards and applicable law and have elected to prepare the Parent Company Financial Statements on the same basis.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the Group's profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable, relevant and reliable
- State whether they have been prepared in accordance with UK-adopted International Accounting Standards
- Assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

In accordance with Disclosure Guidance and Transparency Rule 4.1.14R, the Financial Statements will form part of the annual financial report prepared using the single electronic reporting format under the TD ESEF Regulation. The Auditor's Report on these Financial Statements provides no assurance over the ESEF format.

## Responsibility statement of the Directors in respect of the Annual Report

We confirm that to the best of our knowledge:

- The Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.
- The Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

For and on behalf of the Board

**Mike Maddison**  
Chief Executive Officer  
28 September 2023

**Guy Ellis**  
Chief Financial Officer  
28 September 2023

# Financial statements

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# Independent auditor's report

to the members of NCC Group plc

## 1 Our opinion is unmodified

We have audited the financial statements of NCC Group plc ("the Company") for the year ended 31 May 2023 which comprise the consolidated income statement, consolidated statement of comprehensive income/(loss), consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity, company balance sheet, company cash flow statement, company statement of changes in equity, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 May 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with the requirements of the UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders on 1 November 2013. The period of total uninterrupted engagement is for the ten financial years ended 31 May 2023. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

### Overview

|                                       |  |
|---------------------------------------|--|
| <b>Materiality</b>                    | £1.0m (2022: £1.4m)  |
| Group financial statements as a whole | 4.6% (2022: 4.5%) of normalised Group profit/loss before tax |

|                 |   |
|-----------------|---|
| <b>Coverage</b> | 85% (2022: 84%) of total profit and losses that make up Group loss before tax |
|-----------------|---|

### Key audit matters vs 2022

|                        |  |
|------------------------|--|
| <b>Recurring risks</b> | Recoverability of carrying amounts of the North America Cyber Security and Europe Cyber Security cash generating units ▲ |
|                        | Revenue recognition ◀▶   |
|                        | Recoverability of Parent Company's investments in subsidiaries ◀▶  |

## 2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

|  | The risk   | Our response   |
|--|--|--|
| <p><b>Recoverability of carrying amounts of the North America Cyber Security and Europe Cyber Security cash generating units ('CGUs')</b><br/>Goodwill – North America Cyber Security: £31.6 million (2022: £39.9 million); Europe Cyber Security: £62.4 million (2022: £65.2 million).</p> <p><i>Refer to page 106 (Audit Committee Report), page 164 (accounting policy) and page 188 (financial disclosures).</i></p> | <p><b>Subjective estimate</b><br/>Management assess impairment of the North America Cyber Security and Europe Cyber Security CGUs with reference to their recoverable amounts, which have been determined using a fair value less costs to sell ("FVLCTS") basis.</p> <p>The estimated recoverable amounts for these CGUs are subjective due to the inherent uncertainties involved in determining an appropriate earnings multiple, and in estimating the maintainable CGU specific revenue and cost assumptions which inform the maintainable earnings figures used in the calculation of FVLCTS.</p> <p>The impairment calculations for the North America Cyber Security and the Europe Cyber Security CGUs are sensitive to reasonably possible changes to these key assumptions. As a result of these factors, and the increased risk of an impairment in the current year as a result of market conditions, we identified a significant risk of both fraud and error in respect of the recoverability of the carrying amounts of these CGUs.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the FVLCTS which is used in the impairment assessments of the North America Cyber Security and the Europe Cyber Security CGUs has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.</p> <p>The financial statements (note 12) disclose the impairment charge recognised in respect of the North America Cyber Security CGU, and the sensitivities estimated by the Group for both the North America Cyber Security and Europe Cyber Security CGUs.</p> | <p>We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• <b>Historical comparison:</b> We assessed the reasonableness of the revenue and cost assumptions included in the maintainable earnings calculation with reference to historical results, revenue trends and the Group's historical forecasting accuracy by comparing actual performance against forecasts.</li> <li>• <b>Benchmarking assumptions:</b> We challenged the key inputs to the maintainable earnings figure, including revenue, costs, earnings multiples and any one-off adjustments by comparing to externally derived data, supporting documentation, and considering relevant industry analysis and analyst forecasts.</li> <li>• <b>Our sector experience:</b> We assessed the maintainable earnings projections by reference to our knowledge of the business and general market conditions, including considering the potential risk of management bias.</li> <li>• <b>Our valuation expertise:</b> We evaluated the earnings multiples, by comparing to external market data and comparable companies using our own valuation specialists.</li> <li>• <b>Assessment of experts:</b> We assessed the competence, capabilities and objectivity of the external experts engaged by the Group to assist in deriving an appropriate earnings multiple by performing independent research on the qualifications and experience of management's expert, and evaluating the engagement terms.</li> <li>• <b>Valuation comparison:</b> We compared the sum of the recoverable amounts of all CGUs to the Group's market capitalisation to assess the reasonableness of those recoverable amounts, and critically assessed the rationale for the difference from that comparison.</li> <li>• <b>Sensitivity analysis:</b> We performed sensitivity analysis for the key assumptions, including the revenue and cost assumptions included in the maintainable earnings figure.</li> <li>• <b>Assessing transparency:</b> We assessed whether the Group's disclosures about the sensitivity of the outcome of the recoverability assessment to changes in key assumptions reflected the risks inherent in the recoverable amount of the CGUs.</li> </ul> <p><b>Our results</b><br/>We found the Group's assessment of the recoverability of goodwill in respect of the North America Cyber Security and Europe Cyber Security CGUs, and the impairment charge in relation to the North America Cyber Security CGU, to be acceptable. (2022: Europe Cyber Security and IPM Software Resilience CGUs result: acceptable.)</p> |

# Independent auditor's report continued

to the members of NCC Group plc

## 2 Key audit matters: our assessment of risks of material misstatement continued

| The risk  | Our response  |  |
|---|---|--|
| <p><b>Revenue recognition</b><br/>Global Professional Services revenue – £199.3 million; (2022: £195.4 million); Contract assets – accrued income included within the balance of £17.2 million; (2022: included within the balance of £23.0 million); Contract liabilities – included within the balance of deferred income of £54.9 million; (2022: included within the balance of £62.3 million).</p> <p>Refer to page 105 (Audit Committee Report), page 166 (accounting policy) and page 182 (financial disclosures).</p> | <p><b>2023/2024 sales</b><br/>We identified potential incentives and pressures on the Directors relating to investor and market expectations and the achievement of bonus targets which increase the risk of fraudulent revenue recognition.</p> <p>Results for any given financial reporting period are expected to be affected by the revenue recognition policies in place, particularly for the Group's Global Professional Services revenue stream which represents 74% of total revenues, and the accurate accrual and deferral of related amounts at the year-end. There is a risk that amounts recorded in Global Professional Services revenue could be subject to manipulation, particularly through the inappropriate accrual and deferral of revenue amounts at the year end.</p> <p>There is a specific risk around inclusion of Global Professional Services revenue in 2024 rather than 2023. In particular the risk that revenue relating to the year ended 31 May 2023 is inappropriately recognised in the following period such that revenue is not recognised in line with relevant accounting standards, and accrued revenue is not complete and deferred income does not exist at the year end.</p> <p>This is a particular risk for the Global Professional Services revenue stream, where projects are ongoing at the period-end and additional judgement is taken in determining completion.</p> | <p>We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Our procedures included:</p> <p><b>Tests of detail:</b></p> <ul style="list-style-type: none"><li>• We agreed a sample of 2024 revenue transactions to supporting documentation, including timesheet information and contracts, to assess whether these have been recorded in the correct accounting period.</li><li>• For a sample of contracts, we assessed the appropriateness of deferred and accrued income at the year-end through inspection of contracts, invoices and timesheet reports.</li><li>• <b>Assessing Transparency:</b> we considered the adequacy of the Group's disclosures in respect of revenue recognition policies and the timing of revenue recognition.</li></ul> <p><b>Our results</b><br/>We found the recognition of Global Professional Services revenue in the cut-off period to be acceptable. (2022: recognition of Assurance revenue in the cut-off period result: acceptable).</p>  |
| <p><b>Recoverability of Parent Company's investments in subsidiaries</b><br/>Investments in subsidiaries £279.1 million; (2022: £276.9 million).</p> <p>Refer to page 165 (accounting policy) and page 209 (financial disclosures).</p>   | <p><b>Low risk, high value</b><br/>The carrying amount of the Parent Company's investments in subsidiaries represents 88% (2022: 84%) of the Company's total assets.</p> <p>Their recoverability is not at high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the Parent Company financial statements, this is the area that has the greatest effect on our overall Parent Company audit.</p>   | <p>We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.</p> <p>Our procedures included:</p> <ul style="list-style-type: none"><li>• <b>Tests of detail:</b> Comparing the carrying amount of 100% of investments with the relevant subsidiary's draft balance sheet to identify whether its net assets, being an approximation of its minimum recoverable amount, were in excess of the carrying amount.</li><li>• <b>Comparing valuations:</b> For the investments where the carrying amount exceeded the net asset value, we compared the carrying amount of the investment with the expected value of the business based on an aggregate of the recoverable amount of the underlying subsidiaries, valued on a fair value less cost to sell basis.</li><li>• <b>Comparing valuations:</b> We compared the carrying amount of the Parent Company's investments to the Group's market capitalisation.</li></ul> <p><b>Our results</b><br/>We found the Group's assessment of the recoverability of the Parent Company's investment in subsidiaries to be acceptable. (2022 result: acceptable).</p> |

The valuation of separately identifiable assets recognised as part of the NCC Group Software Resilience (NA) ('IPM') acquisition was a key audit matter in the prior period. However, due to the acquisition completing in the prior period, there is no remaining judgement or estimation uncertainty relating to this acquisition, and therefore we have not assessed this as one of our most significant risks in the current period audit.

### 3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £1.0 million (2022: £1.4 million), determined with reference to a benchmark of normalised Group profit/loss before tax of £21.7m (2022: £31.9m). We normalised profit/loss before tax ('PBT') by adding back adjustments that do not represent the normal, continuing operations of the Group and additionally in 2023 by averaging over 5 years. In 2023 the items we adjusted loss before tax for before averaging were reorganisation costs arising from strategic actions, costs associated with strategic review of the Software Resilience business and of other core and non-core assets, goodwill impairment of NCC Group A/S and North America Cyber Security, IPM software resilience business deferred income adjustment and profit on disposal of the DDI business (2022: costs directly relating to the acquisition of the IPM Software Resilience business) disclosed in note 5. We selected 5 years to average over to account for the fluctuations in the business performance and macroeconomic influences including the global pandemic.

Materiality for the Parent Company financial statements as a whole was set at £0.4 million (2022: £0.5 million), determined with reference to a benchmark of Company total assets, of which it represents 0.1% (2022: 0.3%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

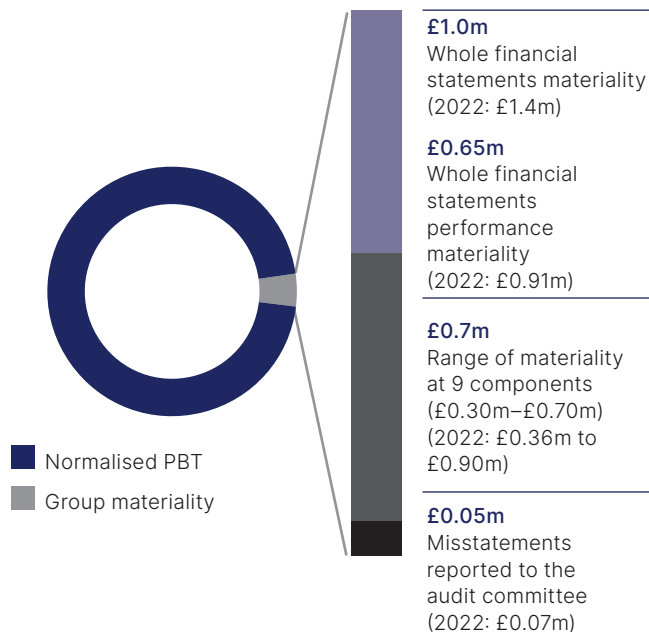
Performance materiality was set at 65% (2022: 65%) of materiality for the financial statements as a whole, which equates to £0.65 million (2022: £0.93 million) for the Group and £0.26 million (2022: £0.35 million) for the Parent Company. We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies during the prior period.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £50,000 (2022: £72,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

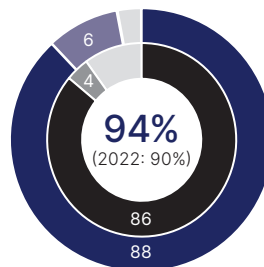
Of the Group's 43 (2022: 45) reporting components, we subjected 9 (2022: 9) to full scope audits for Group purposes. We conducted reviews of financial information (including enquiry) at a further 3 (2022: 2) non-significant components as these components were not individually financially significant enough to require an audit for Group reporting purposes but a review was performed to provide further coverage over the Group's results.

The components within the scope of our work accounted for the percentages illustrated opposite.

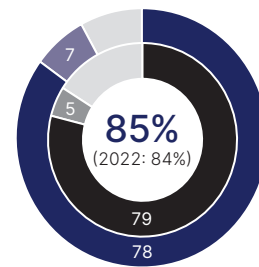
Normalised Group profit before tax  
£21.7m (2022: £31.9m)



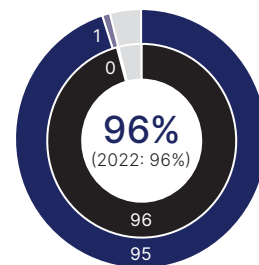
Group revenue



Total profits and losses that made up Group loss before tax



Group total assets



- Full scope for group audit purposes 2023
- Review procedures 2023
- Full scope for group audit purposes 2022
- Review procedures 2022
- Residual components



## Independent auditor's report continued

to the members of NCC Group plc

### 3 Our application of materiality and an overview of the scope of our audit continued

The remaining 6% (2022: 10%) of total Group revenue, 15% (2022: 16%) of total profits and losses that make up Group loss before tax and 4% (2022: 4%) of total Group assets is represented by 31 (2022: 34) reporting components, none of which individually represented more than 5% (2022: 4%) of any of total Group revenue, total profits and losses that make up Group loss before tax or total Group assets. For the residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back.

The Group team approved the component materialities, which ranged from £0.3 million to £0.7 million (2022: £0.36 million to £0.9 million), having regard to the mix of size and risk profile of the Group across the components. The work on 2 of the 9 in scope components (2022: 1 of the 9 components) was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the Group team.

The Group team performed procedures on the items excluded from normalised profit before tax.

The Group team held video and telephone conference meetings with 2 (2022: 1) component locations in the Netherlands and the United States (2022: Netherlands) to assess audit risk and strategy. At these meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditors.

The scope of the audit work performed was fully substantive as we did not rely upon the Group's internal control over financial reporting.

### 4 The impact of climate change on our audit

In planning our audit, we have considered the potential impact of risks arising from climate change on the Group's business and its financial statements.

The Group has pledged in the Strategic report to be a net-zero business by 2050 and has also outlined several shorter-term climate change targets.

As part of our audit we performed a risk assessment, including making enquiries of management, holding discussions with our internal climate change professionals to challenge our risk assessment, reading board meeting minutes and applying our knowledge of the Group and sector in which it operates to understand the extent of the potential impact of climate change risk on the Group's financial statements.

We concluded that climate risk has no significant effect this year on the financial statements due to the nature of the Group's current business operations. As a result, there was no impact from climate risk on our key audit matters.

We have read the disclosure of climate related information in the annual report and considered consistency with the financial statements and our audit knowledge. We have not been engaged to provide assurance over the accuracy of the climate risk disclosures in the annual report.

### 5 Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period.

The risks that we considered most likely to adversely affect the Group's and Company's available financial resources, and metrics relevant to debt covenants, over this period were:

- The timing and extent of recovery in the North America Cyber Security market;
- Loss of key customers;
- The inability to sustain performance alongside executed cost reductions; and
- Adverse impacts from cost inflationary pressures

We also considered less predictable but realistic second order impacts, such as the erosion of customer confidence which could result in a rapid reduction of available financial resources.

## 5 Going concern continued

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the directors' sensitivities over the level of available financial resources and covenant thresholds indicated by the Group's financial forecasts taking account of severe, but plausible adverse effects that could arise from these risks, individually and collectively.

Our procedures also included:

- An evaluation of the availability of cash and the cash flow forecasts to determine whether the assumptions are realistic, achievable, and consistent with the external and internal environment.
- An assessment of loan covenant compliance to consider the headroom forecast for each financial covenant.
- An evaluation of sensitivities over the level of financial resources indicated by the Group's financial forecasts, taking account of reasonably possible (but not unrealistic) adverse effects that could arise from the risks identified individually and collectively.
- An assessment of the adequacy of the going concern disclosure in note 1 to the financial statements.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- the related statement under the Listing Rules set out on page 138 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

## 6 Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee and internal audit; and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, audit committee and remuneration committee minutes.
- Considering remuneration incentive schemes and performance targets for directors including the EPS target and adjusted EBITDA target for management remuneration.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to the component audit team of relevant fraud risks identified at the Group level and request to the component audit team to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group level.

As required by auditing standards, and taking into account possible pressures to meet expectation of third parties, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that Global Professional Services revenue is recorded in the incorrect period and the risk that Group and component management may be in a position to make incorrect accounting entries.

On this audit we do not believe there is a fraud risk related to Software Resilience revenue recognition, and other streams within the Cyber Security division outside of Global Professional Services, because there is minimal opportunity for manipulation since the revenue streams are relatively straightforward and are typically based on annual agreements which set out the period over which revenue is to be recognised.

We also identified a fraud risk related to the recoverability of carrying amounts of the North America Cyber Security and Europe Cyber Security cash generating units in response to possible pressure to meet profit targets.

Further detail in respect of Global Professional Services revenue recognition and the recoverability of carrying amounts of the North America Cyber Security and Europe Cyber Security cash generating units is set out in the key audit matter disclosures in section 2 of this report.

We also performed procedures including:

- Assessing significant accounting estimates for bias;
- Identifying journal entries to test using data analytics tools based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to revenue with unexpected entries, those made to unrelated cash and borrowing accounts and unexpected entries to expenses making up operating profit.

## Independent auditor's report continued

to the members of NCC Group plc

### 6 Fraud and breaches of laws and regulations – ability to detect continued

#### Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to component audit teams of relevant laws and regulations identified at the Group level, and a request for component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, employment law, and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We assessed the legality of the distribution in the period based on the level of distributable reserves available when the distributions were approved.

#### Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### 7 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

#### Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

#### Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

#### Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement page 81 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and Uncertainties disclosures describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

## 7 We have nothing to report on the other information in the Annual Report continued

### Disclosures of emerging and principal risks and longer-term viability continued

We are also required to review the viability statement, set out on page 81 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

### Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Governance report relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

## 8 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

## 9 Respective responsibilities

### Directors' responsibilities

As explained more fully in their statement set out on page 142, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

The Company is required to include these financial statements in an annual financial report prepared under Disclosure Guidance and Transparency Rule ("DTR") 4.1.17R and 4.1.18R. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements

## 10 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### Frances Simpson (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 St. Peter's Square

Manchester

M2 3AE

United Kingdom

28 September 2023



## Consolidated income statement

for the year ended 31 May 2023

|   | Notes | 2023<br>£m     | 2022<br>£m |
|---|-------|----------------|------------|
| <b>Revenue</b>  | 4     | <b>335.1</b>   | 314.8      |
| Cost of sales   | 4     | (203.1)        | (182.2)    |
| <b>Gross profit</b>   | 4     | <b>132.0</b>   | 132.6      |
| <b>Administrative expenses</b>  |       |                |            |
| Individually Significant Items  | 5     | (14.7)         | (0.9)      |
| Depreciation and amortisation   | 6     | (22.6)         | (19.7)     |
| Credit gains/(losses) recognised on financial assets                    | 6     | 1.5            | (0.6)      |
| (Impairment)/reversal of impairment of non-current assets               | 6     | (1.1)          | 0.1        |
| Other administrative expenses   |       | (93.2)         | (76.8)     |
| <b>Total administrative expenses</b>                                    |       | <b>(130.1)</b> | (97.9)     |
| <b>Operating profit</b>   | 4     | <b>1.9</b>     | 34.7       |
| Finance costs   | 8     | (6.2)          | (3.7)      |
| <b>(Loss)/profit before taxation</b>                                    | 6     | <b>(4.3)</b>   | 31.0       |
| Taxation  | 9     | (0.3)          | (8.0)      |
| <b>(Loss)/profit for the year attributable to owners of the Company</b> |       | <b>(4.6)</b>   | 23.0       |
| <b>Earnings per ordinary share</b>                                      | 11    |                |            |
| Basic EPS   |       | (1.5)p         | 7.4p       |
| Diluted EPS   |       | (1.5)p         | 7.4p       |

## Consolidated statement of comprehensive (loss)/income

for the year ended 31 May 2023

|  | 2023<br>£m   | 2022<br>£m |
|--|--------------|------------|
| <b>(Loss)/profit for the year attributable to the owners of the Company</b>                                  | <b>(4.6)</b> | 23.0       |
| <b>Other comprehensive income/(loss)</b>   |              |            |
| <b>Items that may be reclassified subsequently to profit or loss (net of tax)</b>                            |              |            |
| Cash flow hedges – effective portion of changes in fair value  | —            | (0.1)      |
| Foreign exchange translation differences   | 2.4          | 14.8       |
| <b>Total other comprehensive income</b>  | <b>2.4</b>   | 14.7       |
| <b>Total comprehensive (loss)/income for the year (net of tax) attributable to the owners of the Company</b> | <b>(2.2)</b> | 37.7       |

The accompanying Notes 1 to 37 are an integral part of these consolidated Financial Statements.

# Consolidated balance sheet

at 31 May 2023

|  | Notes | 31 May 2023<br>£m | 31 May 2022<br>£m |
|--|-------|-------------------|-------------------|
| <b>Non-current assets</b>  |       |                   |                   |
| Goodwill   | 12    | 255.8             | 266.1             |
| Intangible assets  | 12    | 110.9             | 118.6             |
| Property, plant and equipment                                    | 13    | 12.5              | 12.9              |
| Right-of-use assets  | 14    | 18.6              | 22.0              |
| Investments  | 15    | 0.3               | 0.3               |
| Deferred tax asset   | 18    | 2.9               | 1.4               |
| <b>Total non-current assets</b>                                  |       | <b>401.0</b>      | <b>421.3</b>      |
| <b>Current assets</b>  |       |                   |                   |
| Inventories  | 16    | 0.8               | 0.9               |
| Trade and other receivables                                      | 17    | 58.1              | 77.7              |
| Contingent consideration receivable                              | 34    | 3.8               | —                 |
| Derivative financial instruments                                 | 25    | —                 | 0.2               |
| Current tax receivable   |       | 3.6               | 3.1               |
| Cash and cash equivalents  | 24    | 34.1              | 73.2              |
| <b>Total current assets</b>                                      |       | <b>100.4</b>      | <b>155.1</b>      |
| <b>Total assets</b>  |       | <b>501.4</b>      | <b>576.4</b>      |
| <b>Current liabilities</b>                                       |       |                   |                   |
| Trade and other payables   | 19    | 44.7              | 48.3              |
| Bank overdraft   | 24    | 1.8               | —                 |
| Borrowings   | 24    | —                 | 18.5              |
| Lease liabilities  | 20    | 6.0               | 5.4               |
| Current tax payable  |       | 4.2               | 7.4               |
| Derivative financial instruments                                 | 25    | 0.6               | —                 |
| Contingent consideration payable                                 | 35    | 1.0               | 1.9               |
| Provisions   | 21    | 1.2               | 2.7               |
| Contract liabilities – deferred revenue                          | 22    | 51.6              | 61.7              |
| <b>Total current liabilities</b>                                 |       | <b>111.1</b>      | <b>145.9</b>      |
| <b>Non-current liabilities</b>                                   |       |                   |                   |
| Borrowings   | 24    | 81.9              | 107.1             |
| Lease liabilities  | 20    | 24.0              | 27.2              |
| Deferred tax liabilities   | 18    | 1.4               | 1.6               |
| Provisions   | 21    | 1.5               | 0.8               |
| Contract liabilities – deferred revenue                          | 22    | 3.3               | 0.6               |
| <b>Total non-current liabilities</b>                             |       | <b>112.1</b>      | <b>137.3</b>      |
| <b>Total liabilities</b>   |       | <b>223.2</b>      | <b>283.2</b>      |
| <b>Net assets</b>  |       | <b>278.2</b>      | <b>293.2</b>      |
| <b>Equity</b>  |       |                   |                   |
| Share capital  | 27    | 3.1               | 3.1               |
| Share premium  | 27    | 224.1             | 224.0             |
| Merger reserve   | 27    | 42.3              | 42.3              |
| Currency translation reserve                                     | 27    | 37.5              | 35.1              |
| Retained earnings  | 27    | (28.8)            | (11.3)            |
| <b>Total equity attributable to equity holders of the Parent</b> |       | <b>278.2</b>      | <b>293.2</b>      |

The accompanying Notes 1 to 37 are an integral part of these consolidated Financial Statements.

These Financial Statements were approved and authorised for issue by the Board of Directors on 28 September 2023. They were signed on its behalf by:

**Mike Maddison**  
Chief Executive Officer  
28 September 2023

**Guy Ellis**  
Chief Financial Officer  
28 September 2023

# Consolidated cash flow statement

for the year ended 31 May 2023

|  | Notes | 2023<br>£m    | 2022<br>£m     |
|--|-------|---------------|----------------|
| <b>Cash flows from operating activities</b>                                  |       |               |                |
| (Loss)/profit for the year   |       | (4.6)         | 23.0           |
| Adjustments for:   |       |               |                |
| Depreciation of property, plant and equipment                                | 13    | 4.5           | 3.9            |
| Depreciation of right-of-use assets  | 14    | 5.7           | 5.4            |
| Share-based payments   | 26    | 2.2           | 3.9            |
| Cash settled share-based payments  |       | —             | (0.5)          |
| Amortisation of customer contracts and relationships                         | 12    | 10.0          | 8.6            |
| Amortisation of software and development costs                               | 12    | 2.4           | 1.8            |
| Impairment of goodwill   | 12    | 12.8          | —              |
| Impairment of software costs   | 12    | 0.6           | —              |
| Impairment/(reversal of impairment) of right-of-use-assets                   | 14    | 0.5           | (0.1)          |
| Lease financing costs  | 8     | 1.1           | 1.2            |
| Other financing costs  | 8     | 5.1           | 2.5            |
| Foreign exchange loss/(gain)   | 6     | 0.6           | (0.6)          |
| Acquisition of business – transaction costs                                  | 5     | —             | (7.3)          |
| Disposal of business – transaction costs                                     | 34    | (0.1)         | —              |
| ISIs (non-cash impact)   | 5     | 3.5           | —              |
| Profit on disposal of right-of-use assets                                    | 6     | (0.7)         | —              |
| Profit on disposal of business (DDI)   | 34    | (4.7)         | —              |
| Research and development UK tax credits                                      |       | (0.5)         | (1.0)          |
| Research and development US tax credits                                      |       | (1.4)         | (1.1)          |
| Income tax expense   |       | 1.7           | 9.1            |
| (Decrease)/increase in provisions  | 21    | (0.8)         | 0.5            |
| <b>Cash inflow for the year before changes in working capital</b>            |       | <b>37.9</b>   | <b>49.3</b>    |
| Decrease/(increase) in trade and other receivables                           |       | 19.7          | (1.8)          |
| Decrease in inventories  |       | 0.1           | 0.2            |
| (Decrease)/increase in trade and other payables                              |       | (15.1)        | 12.6           |
| <b>Cash generated from operating activities before interest and taxation</b> |       | <b>42.6</b>   | <b>60.3</b>    |
| Interest element of lease payments   | 20    | (1.1)         | (1.2)          |
| Other interest paid  |       | (4.0)         | (2.1)          |
| Taxation paid  |       | (5.4)         | (2.2)          |
| <b>Net cash generated from operating activities</b>                          |       | <b>32.1</b>   | <b>54.8</b>    |
| <b>Cash flows from investing activities</b>                                  |       |               |                |
| Acquisition of trade and assets as part of business combinations             | 35    | (1.0)         | (153.0)        |
| Purchase of property, plant and equipment                                    |       | (3.9)         | (5.2)          |
| Software and development expenditure   |       | (3.4)         | (3.0)          |
| Sale proceeds of business disposal (DDI)                                     |       | 2.0           | —              |
| <b>Net cash used in investing activities</b>                                 |       | <b>(6.3)</b>  | <b>(161.2)</b> |
| <b>Cash flows from financing activities</b>                                  |       |               |                |
| Proceeds from the issue of ordinary share capital                            | 27    | 0.1           | 0.8            |
| Purchase of own shares   |       | (0.5)         | —              |
| Principal element of lease payments  | 20    | (6.1)         | (5.3)          |
| Drawdown of borrowings (net of deferred issue costs)                         |       | 70.8          | 120.7          |
| Issue costs related to borrowings  |       | (1.5)         | (0.6)          |
| Repayment of borrowings  |       | (115.6)       | (39.4)         |
| Equity dividends paid  | 10    | (14.5)        | (14.4)         |
| <b>Net cash (used in)/generated from financing activities</b>                |       | <b>(67.3)</b> | <b>61.8</b>    |
| <b>Net decrease in cash and cash equivalents</b>                             |       | <b>(41.5)</b> | <b>(44.6)</b>  |
| <b>Cash and cash equivalents at beginning of period</b>                      |       | <b>73.2</b>   | <b>116.5</b>   |
| Effect of foreign currency exchange rate changes                             |       | 0.6           | 1.3            |
| <b>Cash and cash equivalents at end of year</b>                              | 24    | <b>32.3</b>   | <b>73.2</b>    |

## Consolidated cash flow statement continued

for the year ended 31 May 2023

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

|   | Notes | 2023<br>£m    | 2022<br>£m     |
|---|-------|---------------|----------------|
| Net decrease in cash and cash equivalents   |       | (41.5)        | (44.6)         |
| Change in net debt <sup>1</sup> resulting from cash flows (net of deferred issue costs) |       | 44.8          | (81.3)         |
| Interest incurred on borrowings   |       | 4.0           | 2.1            |
| Interest paid on borrowings   |       | (4.0)         | (2.1)          |
| Release of deferred issue costs   |       | (1.0)         | (0.4)          |
| Issue costs related to borrowings (non-cash)  |       | 1.7           | 0.6            |
| Effect of foreign currency on cash flows  |       | 0.6           | 1.3            |
| Foreign currency translation differences on borrowings                                  |       | (1.8)         | (11.3)         |
| <b>Change in net cash/(debt)<sup>1</sup> during the year</b>                            |       | <b>2.8</b>    | <b>(135.7)</b> |
| <b>Net (debt)/cash at start of year excluding lease liabilities<sup>1</sup></b>         |       | <b>(52.4)</b> | <b>83.3</b>    |
| <b>Net debt at end of year excluding lease liabilities<sup>1</sup></b>                  |       | <b>(49.6)</b> | <b>(52.4)</b>  |
| <b>Lease liabilities</b>  | 20    | <b>(30.0)</b> | <b>(32.6)</b>  |
| <b>Net debt<sup>1</sup> at end of year</b>  |       | <b>(79.6)</b> | <b>(85.0)</b>  |

The accompanying Notes 1 to 37 are an integral part of these consolidated Financial Statements.

<sup>1</sup> Revenue growth at constant currency, Adjusted EBITDA, Adjusted operating profit, Adjusted EPS, cash conversion, net debt and net debt excluding lease liabilities are APMs and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items.



# Consolidated statement of changes in equity

for the year ended 31 May 2023

|   | Notes | Share capital<br>£m | Share premium<br>£m | Hedging reserve<br>£m | Merger reserve<br>£m | Currency translation reserve<br>£m | Retained earnings<br>£m | Total<br>£m |
|---|-------|---------------------|---------------------|-----------------------|----------------------|------------------------------------|-------------------------|-------------|
| <b>Balance at 1 June 2021</b>                               |       | 3.1                 | 223.2               | (0.8)                 | 42.3                 | 20.3                               | (21.9)                  | 266.2       |
| <b>Profit for the year</b>                                  |       | —                   | —                   | —                     | —                    | —                                  | 23.0                    | 23.0        |
| Other comprehensive expense for the year                    |       | —                   | —                   | (0.1)                 | —                    | —                                  | —                       | (0.1)       |
| Foreign currency translation differences                    |       | —                   | —                   | —                     | —                    | 14.8                               | —                       | 14.8        |
| <b>Total comprehensive (expense)/income for the year</b>    |       | —                   | —                   | (0.1)                 | —                    | 14.8                               | 23.0                    | 37.7        |
| <b>Transactions with owners recorded directly in equity</b> |       |                     |                     |                       |                      |                                    |                         |             |
| Dividends to equity shareholders                            | 10    | —                   | —                   | —                     | —                    | —                                  | (14.4)                  | (14.4)      |
| Transfer hedging reserve to retained earnings               |       | —                   | —                   | 0.9                   | —                    | —                                  | (0.9)                   | —           |
| Share-based payments  | 26    | —                   | —                   | —                     | —                    | —                                  | 3.2                     | 3.2         |
| Tax on share-based payments                                 | 9     | —                   | —                   | —                     | —                    | —                                  | (0.3)                   | (0.3)       |
| Shares issued   | 27    | —                   | 0.8                 | —                     | —                    | —                                  | —                       | 0.8         |
| <b>Total contributions by and distributions to owners</b>   |       | —                   | 0.8                 | 0.9                   | —                    | —                                  | (12.4)                  | (10.7)      |
| <b>Balance at 31 May 2022</b>                               |       | 3.1                 | 224.0               | —                     | 42.3                 | 35.1                               | (11.3)                  | 293.2       |
| <b>Loss for the year</b>                                    |       | —                   | —                   | —                     | —                    | —                                  | (4.6)                   | (4.6)       |
| Foreign currency translation differences                    |       | —                   | —                   | —                     | —                    | 2.4                                | —                       | 2.4         |
| <b>Total comprehensive income/(loss) for the year</b>       |       | —                   | —                   | —                     | —                    | 2.4                                | (4.6)                   | (2.2)       |
| <b>Transactions with owners recorded directly in equity</b> |       |                     |                     |                       |                      |                                    |                         |             |
| Dividends to equity shareholders                            | 10    | —                   | —                   | —                     | —                    | —                                  | (14.5)                  | (14.5)      |
| Share-based payments  | 26    | —                   | —                   | —                     | —                    | —                                  | 2.2                     | 2.2         |
| Tax on share-based payments                                 | 9     | —                   | —                   | —                     | —                    | —                                  | (0.1)                   | (0.1)       |
| Purchase of own shares                                      |       | —                   | —                   | —                     | —                    | —                                  | (0.5)                   | (0.5)       |
| Shares issued   | 27    | —                   | 0.1                 | —                     | —                    | —                                  | —                       | 0.1         |
| <b>Total contributions by and distributions to owners</b>   |       | —                   | 0.1                 | —                     | —                    | —                                  | (12.9)                  | (12.8)      |
| <b>Balance at 31 May 2023</b>                               |       | 3.1                 | 224.1               | —                     | 42.3                 | 37.5                               | (28.8)                  | 278.2       |

The accompanying Notes 1 to 37 are an integral part of these consolidated Financial Statements.

# Company balance sheet

at 31 May 2023

Company no: 4627044

|  | Notes | 2023<br>£m   | 2022<br>£m |
|--|-------|--------------|------------|
| <b>Non-current assets</b>              |       |              |            |
| Investments in subsidiary undertakings | 33    | 279.1        | 276.9      |
| Trade and other receivables            | 17    | 23.2         | 32.9       |
| <b>Total non-current assets</b>        |       | <b>302.3</b> | 309.8      |
| <b>Current assets</b>                  |       |              |            |
| Cash and cash equivalents              | 24    | 15.0         | 20.2       |
| <b>Total current assets</b>            |       | <b>15.0</b>  | 20.2       |
| <b>Total assets</b>                    |       | <b>317.3</b> | 330.0      |
| <b>Current liabilities</b>             |       |              |            |
| Trade and other payables               | 19    | 0.2          | 18.2       |
| <b>Total current liabilities</b>       |       | <b>0.2</b>   | 18.2       |
| <b>Total liabilities</b>               |       | <b>0.2</b>   | 18.2       |
| <b>Net assets</b>                      |       | <b>317.1</b> | 311.8      |
| <b>Equity</b>                          |       |              |            |
| Share capital                          | 27    | 3.1          | 3.1        |
| Share premium                          | 27    | 224.1        | 224.0      |
| Merger reserve                         | 27    | 42.3         | 42.3       |
| Retained earnings                      | 27    | 47.6         | 42.4       |
| <b>Total equity</b>                    |       | <b>317.1</b> | 311.8      |

The accompanying Notes 1 to 37 are an integral part of these Financial Statements.

These Financial Statements were approved and authorised for issue by the Board of Directors on 28 September 2023. They were signed on its behalf by:

**Mike Maddison**  
Chief Executive Officer  
28 September 2023

**Guy Ellis**  
Chief Financial Officer  
28 September 2023

## Company cash flow statement

for the year ended 31 May 2023

|   | Notes | 2023<br>£m | 2022<br>£m |
|---|-------|------------|------------|
| <b>Cash flows from operating activities</b>                       |       |            |            |
| Profit for the year   | 28    | 17.5       | 20.0       |
| <b>Cash inflow for the year before changes in working capital</b> |       | 17.5       | 20.0       |
| Decrease in trade and other receivables                           |       | 9.7        | 8.5        |
| (Decrease)/increase in trade and other payables                   |       | (18.0)     | 4.7        |
| <b>Net cash generated from operating activities</b>               |       | 9.2        | 33.2       |
| <b>Cash flows from financing activities</b>                       |       |            |            |
| Proceeds from the issue of ordinary share capital                 | 27    | 0.1        | 0.8        |
| Equity dividends paid   | 10    | (14.5)     | (14.4)     |
| <b>Net cash used in financing activities</b>                      |       | (14.4)     | (13.6)     |
| <b>Net (decrease)/increase in cash and cash equivalents</b>       |       | (5.2)      | 19.6       |
| <b>Cash and cash equivalents at beginning of year</b>             |       | 20.2       | 0.6        |
| <b>Cash and cash equivalents at end of year</b>                   |       | 15.0       | 20.2       |

The accompanying Notes 1 to 37 are an integral part of these Financial Statements.

## Company statement of changes in equity

for the year ended 31 May 2023

|   | Notes | Share capital<br>£m | Share premium<br>£m | Merger reserve<br>£m | Retained earnings<br>£m | Total<br>£m |
|---|-------|---------------------|---------------------|----------------------|-------------------------|-------------|
| <b>Balance at 31 May 2021 and 1 June 2021</b>               |       | 3.1                 | 223.2               | 42.3                 | 32.9                    | 301.5       |
| <b>Profit for the year</b>                                  |       | —                   | —                   | —                    | 20.0                    | 20.0        |
| <b>Total comprehensive income for the year</b>              |       | —                   | —                   | —                    | 20.0                    | 20.0        |
| <b>Transactions with owners recorded directly in equity</b> |       |                     |                     |                      |                         |             |
| Dividends to equity shareholders                            | 10    | —                   | —                   | —                    | (14.4)                  | (14.4)      |
| Increase in subsidiary investment for share-based charges   |       | —                   | —                   | —                    | 3.9                     | 3.9         |
| Shares issued   | 27    | —                   | 0.8                 | —                    | —                       | 0.8         |
| <b>Total contributions by and distributions to owners</b>   |       | —                   | 0.8                 | —                    | (10.5)                  | (9.7)       |
| <b>Balance at 31 May 2022</b>                               |       | 3.1                 | 224.0               | 42.3                 | 42.4                    | 311.8       |
| <b>Profit for the year</b>                                  |       | —                   | —                   | —                    | 17.5                    | 17.5        |
| <b>Total comprehensive income for the year</b>              |       | —                   | —                   | —                    | 17.5                    | 17.5        |
| <b>Transactions with owners recorded directly in equity</b> |       |                     |                     |                      |                         |             |
| Dividends to equity shareholders                            | 10    | —                   | —                   | —                    | (14.5)                  | (14.5)      |
| Increase in subsidiary investment for share-based charges   |       | —                   | —                   | —                    | 2.2                     | 2.2         |
| Shares issued   | 27    | —                   | 0.1                 | —                    | —                       | 0.1         |
| <b>Total contributions by and distributions to owners</b>   |       | —                   | 0.1                 | —                    | (12.3)                  | (12.2)      |
| <b>Balance at 31 May 2023</b>                               |       | 3.1                 | 224.1               | 42.3                 | 47.6                    | 317.1       |

The accompanying Notes 1 to 37 are an integral part of these Financial Statements.



# Notes to the Financial Statements

for the year ended 31 May 2023

## 1 Accounting policies

### Basis of preparation

NCC Group plc (the "Company") is a public company incorporated in the UK, with its registered office at XYZ Building, 2 Hardman Boulevard, Manchester M3 3AQ. The Group Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The principal activity of the Group is the provision of independent advice and services to customers through the supply of Cyber Security<sup>2</sup> and Software Resilience services. The Parent Company Financial Statements present information about the Company as a separate entity and not about the Group. These Financial Statements have been approved for issue by the Board of Directors on 28 September 2023.

These Group and Parent Company Financial Statements have been prepared and approved by the Directors in accordance with UK-adopted International Accounting Standards ("UK-adopted IFRS"). On publishing the Parent Company Financial Statements here together with the Group Financial Statements, the Company is also taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual Income Statement and related notes that form a part of these approved Financial Statements.

The Financial Statements ended 31 May 2023 now refer to the Cyber Security<sup>2</sup> division as the Group's former Assurance division.

### Climate change

The Directors have reviewed the potential impact of climate change and the Task Force on Climate-related Financial Disclosures (TCFD) on the consolidated Financial Statements. During the year, the Group has carried out a materiality assessment to identify what social, environmental and governance issues are most material and significant to the NCC Group business and stakeholders to aid our commitment to achieving net zero by 2050. Our original baseline assessment was impacted by the pandemic and a different business strategy and therefore we have re-based this assessment. Our overall exposure to physical and transitional climate change is considered low in the short to medium term due to the nature of the business and cyber resilience industry. The Group continues to evolve its sustainability agenda with further details on our short, medium, medium to long and long-term goals contained within the non-financial and sustainability information statement on pages 46 to 52 of the Annual Report.

The Directors have considered climate change in the following areas of the consolidated Financial Statements, noting no material financial impact in each area:

- Critical accounting judgements and key sources of estimation uncertainty
- Going concern assessment
- Property, plant and equipment – economic life and residual values
- Impairment of assets – the impact of environmental change on growth rates and projected cash flows
- Inventories – realisable value issues
- Provisions – recognition of new liabilities or contingent liabilities arising from climate change and Group physical and transition risks of:
  - Greenhouse gas emissions – increased costs associated with more taxes and levies
  - Move to net zero – increased costs required to lower emissions
  - Margin risk – impact on delivery day rates and associated erosion of profit margin due to increased costs
  - Reputational risk – failure to comply with regulations resulting in negative impact on Group
  - Supply chain – increased supply costs and delayed deliveries impacting customer contracts/provision of services
  - Extreme weather or rising sea levels – reduction in revenue and increased costs
- Fair value measurement – climate change variables being incorporated into market participant valuations
- Financial instruments – expected credit losses and risk of default on Group borrowings (RCF and term loan)
- IFRS 16 'Leases' – changes to property lease portfolio or car lease agreements. During the financial year the Group has moved FY23 from a company car scheme to a salary sacrifice scheme (leased directly by the colleague); this will result over time a reduction in the motor vehicle right-of-use-asset and corresponding lease liabilities, as the contract lease terms ends.

### New and amended accounting standards that have been issued and are effective from 1 January 2023

At the date of authorisation of these Financial Statements, the following new accounting pronouncements have been issued and are effective from 1 January 2023:

- IFRS 17 'Insurance Contracts' – effective on 1 January 2023 and replaces IFRS 4 'Insurance Contracts'
- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current' issued in January 2020 and effective from 1 January 2023. An exposure draft was issued in November 2021 proposing for this effective date to be delayed to periods starting no earlier than 1 January 2024
- Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of Accounting Policies' issued in February 2021 and effective from 1 January 2023
- Amendments to IAS 8 'Definition of Accounting Estimates' issued in February 2021 and effective from 1 January 2023
- Amendments to IAS 12 'Deferred Tax Related to Assets and Liabilities arising from a Single Transaction' issued in May 2021 and effective from 1 January 2023
- Amendments to IAS 7 and IFRS 7 'Supplier Finance Arrangements' issued in July 2023 and effective from 1 January 2024
- Amendments to IFRS 16 'Lease Liability in a Sale and Leaseback' issued in July 2023 and effective from 1 January 2024

These IFRSs are not expected to have a material impact on the Group's consolidated financial position or the performance of the Group. These IFRSs are not expected to have a material impact on the Company's financial position or the performance of the Company.

<sup>2</sup> Formerly Assurance.

## 1 Accounting policies continued

The UK Endorsement Board has issued the following new accounting pronouncements to be effective from 1 January 2022 and applicable from 31 March 2023:

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Property, Plant and Equipment – Proceeds Before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual improvements make minor amendments to IFRS 1 ‘First-time Adoption of IFRS’, IFRS 9 ‘Financial Instruments’, IAS 41 ‘Agriculture’ and IFRS 16 ‘Leases’

The adoption of these pronouncements has had no significant impact on the Group consolidated Financial Statements.

### Other new accounting pronouncements

In addition to the above, the following new accounting pronouncements have also been issued which are not yet effective but the Group is not expecting them to have a significant impact on the Group’s consolidated Financial Statements:

- Amendments to IAS 1 ‘Non-current Liabilities with Covenants’ issued in October 2022 and effective from 1 January 2024
- Amendments to IAS 10 and IAS 28 ‘Sale or Contribution of Assets between an Investor and its Associate or Joint Venture’ issued in September 2014 and postponed indefinitely
- Amendments to IFRS 16 ‘Lease Liability in a Sale and Leaseback’ issued in September 2022 and effective from 1 January 2024

### Basis of measurement

The consolidated Financial Statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments and investments. In addition, at the date of the acquisitions consideration payable is at fair value.

### Functional and presentation currency

The Group and Company Financial Statements are presented in millions of Pounds Sterling (£m) because that is the currency of the principal economic environment in which the Group operates.

### Going concern

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

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

The Directors have prepared cash flow and covenant compliance forecasts for the 12 month period ending 30 September 2024 which indicate that, taking account of severe but plausible downsides on the operations of the Group and its financial resources, the Group and Company will have sufficient funds to meet their liabilities as they fall due for that period.

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

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

As of 31 May 2023, net debt (excluding lease liabilities)<sup>1</sup> amounted to £49.6m which comprised cash of £34.1m, a bank overdraft of £1.8m, a drawn revolving credit facility of £83.4m had been drawn under these facilities, leaving £79.1m (2022: £28.7m) of undrawn facilities, excluding the uncommitted accordion facility of £75.0m. Unamortised arrangement fees of £1.5m have been offset against the amounts drawn down, resulting in a carrying value of borrowings at 31 May 2023 of £81.9m. The Group’s day-to-day working capital requirements are met through existing cash resources, the revolving credit facility and receipts from its continuing business activities.

The Group is required to comply with financial covenants for leverage (net debt to Adjusted EBITDA<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 31 May 2023, leverage<sup>1</sup> amounted to 1.4x and net interest cover<sup>1</sup> amounted to 6.8 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>. The Group was in compliance with the terms of all its facilities during the year, including the financial covenants on 31 May 2023, and based on forecasts, expects to remain in compliance over the going concern period. In addition, the Group has not sought or is not planning to seek any waivers to its existing facilities.

It’s been a challenging year for the Group with a decline in the rate of revenue growth and overall profitability resulting in a loss before taxation of £4.3m. The Group’s revenue performance and profitability suffered from the market dynamics within Cyber Security<sup>2</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 year.

1 Revenue growth at constant currency, Adjusted EBITDA, Adjusted operating profit, Adjusted EPS, cash conversion, net debt and net debt excluding lease liabilities are APMs and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items.

2 Formerly Assurance.

# Notes to the Financial Statements continued

at 31 May 2023

## 1 Accounting policies continued

### Going concern continued

Following the year end, the Group has engaged in additional generating cost efficiencies across Cyber Security<sup>2</sup> and corporate functions which is resulting in the implementation of a fundamental reorganisation generating further savings compared to the prior year. As a result of all of the above, the base case going concern assessment has been prepared on the basis that market volatility within Cyber Security<sup>2</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) No recovery from FY23 Q4 Cyber Security<sup>2</sup> trading performance – £6.4m reduction profit before tax
- b) Loss of key customers – £4.2m reduction in profit before tax
- c) Shortfall in forecast cost savings – annualised £3.2m reduction in profit before tax
- d) Further inflationary pressures continue, worse and more prolonged than expected (wages, energy and interest) – £5.6m reduction in profit before tax
- e) Combination of Scenario a and d – £10.8m reduction in profit before tax

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

From a Company perspective, the Company places reliance on other Group trading entities for financial support. The Company controls these Group entities and therefore has the ability to direct the financial activities of the Group. Having reviewed the current trading performance, forecasts, debt servicing requirements, total facilities and risks, the Directors are confident that the Company and the Group will have sufficient funds to continue to meet their liabilities as they fall due for a period of at least 12 months from the date of approval of these consolidated Financial Statements, which is determined as the going concern period. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing the Group's Financial Statements for the period ended 31 May 2023.

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

1 See Note 3 for an explanation of Alternative Performance Measures (APMs) and adjusting items, including a reconciliation to statutory information.

### Business combinations

Business combinations are accounted for by applying the acquisition method at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

### Acquisitions and disposals

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The fair value of the identifiable assets acquired, and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in the Income Statement.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any deferred or contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of contingent consideration are recognised in the Income Statement. On a transaction-by-transaction basis, the Group elects to measure non-controlling interests either at their fair value or at their proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. In addition, comparatives are also restated to reclassify disposed businesses or those that meet the criteria of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', as a discontinued operation.

2 Formerly Assurance.

## 1 Accounting policies continued

### Subsidiaries

Subsidiaries are entities controlled by the Group. The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Intercompany transactions and balances between subsidiaries are eliminated on consolidation.

### Intangible assets and goodwill

Goodwill represents amounts arising on acquisition of subsidiaries. In respect of business acquisitions that have occurred since 1 June 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired including identifiable intangible assets. Identifiable intangibles are those which can be sold separately, or which arise from legal rights regardless of whether those rights are separable.

In respect of acquisitions prior to 1 June 2004, goodwill is included at its deemed cost, which represents the amount recorded under UK GAAP at 31 May 2004, which was broadly comparable, save that only separable intangibles were recognised and goodwill was amortised.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee.

### Research and development

Expenditure on research activities is recognised in the Income Statement as an expense as incurred. Expenditure on development activities is capitalised as "development costs" if the product or process is technically and commercially feasible, if the Group has the technical ability and sufficient resources to complete development, if future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes.

### Software costs

The Group capitalises "software costs" in accordance with the criteria of IAS 38. Software costs comprise third party costs and internal colleague time costs for internal system developments. Capitalised amounts are initially measured at cost and amortised on a straight-line basis over the period for which the developed system is expected to be in use as a business platform. Software costs incurred as part of a service agreement are only capitalised when it can be evidenced that the Group has control over the resources defined in the arrangement.

The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use and capitalised borrowing costs. Other development expenditure is recognised in the Income Statement as an expense as incurred. Software costs are stated at cost less accumulated amortisation and less accumulated impairment losses.

When the Group incurs customisation and configuration costs, as part of a service agreement for Software-as-a-Service (SaaS), Infrastructure-as-a-Service (IaaS) or Platform-as-a-Service (PaaS), judgement is applied in assessing whether the Group has control over the resources defined in the arrangement. These costs are treated in accordance with the March 2019 IFRIC update with regard to the Customer's Right to Receive Access to the Supplier's Software Hosted on the Cloud (IAS 38 'Intangible Assets') and the IFRIC interpretation ratified by the Interpretations Committee in April 2021 with regard to Configuration or Customisation Costs in a Cloud Computing Arrangement, as follows:

- In specific circumstances, development costs incurred may give rise to an identifiable asset, for example where code/intellectual property hosted on third party cloud infrastructure is controlled by the Group and the cost of moving the asset to another provider or bringing on-premise is not prohibitive.
- Amounts paid to the cloud vendor or third party for configuration and customisation that are not distinct from access to the cloud software are expensed over the contract term.
- In all other instances, configuration and customisation costs will be expensed as the customisation and configuration services are received, for example a cloud provider's monthly subscription.

### Intangible assets

Expenditure on internally generated goodwill is recognised in the Income Statement as an expense as incurred. Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses.

### Amortisation

Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful economic lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each Balance Sheet date. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

|   |                                  |
|---|----------------------------------|
| Acquired customer contracts and relationships | – between three and twenty years |
| Software                                      | – between three and five years   |
| Capitalised development costs                 | – between three and five years   |

### Financial instruments

Financial assets and financial liabilities, in respect of financial instruments, are recognised in the Group and Parent Balance Sheet when the Group or Company becomes a party to the contractual provisions of the instrument.



# Notes to the Financial Statements continued

at 31 May 2023

## 1 Accounting policies continued

### Classification and measurement of financial assets and liabilities

Classification of financial assets is generally based on the business model in which the financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at amortised cost if it is held with the objective of collecting the contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. All other financial assets are measured at fair value through other comprehensive income or the Income Statement.

#### Financial assets at amortised cost

##### Trade and other receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as financial assets measured at amortised cost.

Under the IFRS 9 “expected credit loss” model, a credit event (or impairment “trigger”) no longer needs to occur before credit losses are recognised.

The Group analyses the risk profile of trade receivables based on past experience and an analysis of the receivables’ current financial position, potential for a default event to occur, adjusted for specific factors, general economic conditions of the industry in which the receivables operate and assessment of both the current and the forecast direction of conditions at the reporting date. A default event is considered to occur when information is obtained that indicates that a receivable is unlikely to be paid to the Group.

Credit risk is regularly reviewed by management to ensure the expected credit loss (ECL) model is being appropriately applied. The Group has performed the calculation of ECL separately for each business unit.

#### Financial liabilities at amortised cost

##### Trade payables

Trade payables are other financial liabilities initially measured at fair value and subsequently measured at amortised cost.

#### Impairment of non-financial assets

The carrying amounts of the Group’s non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash generating unit is the greater of its value in use (VIU) and its fair value less costs to sell (FVLCTS). FVLCTS has been used for all CGUs for the year ended 31 May 2023. The FVLCTS valuation has been 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. VIU has predominantly been used in the year ended 31 May 2022, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash generating unit”). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash generating units (CGUs). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the Income Statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in the Income Statement as an expense as incurred.

#### Consideration of climate risk impact

The impact of climate risk on the future cash flows has also been considered for scenarios analysed in line with the climate change risk assessment. The climate change scenario analyses performed in 2023 – conducted in line with TCFD recommendations – identified no material financial impact to the current year impairment assessments.

<sup>1</sup> Revenue growth at constant currency, Adjusted EBITDA, Adjusted operating profit, Adjusted EPS, cash conversion, net debt and net debt excluding lease liabilities are APMs and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items.

## 1 Accounting policies continued

### Related party transactions

A related party is a person or entity that is related to the Group or Company. Related party transactions are the transfer of resources, services or obligations between parties regardless of whether a price is charged. In these circumstances, the Group or Company will disclose the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the Financial Statements in accordance with IAS 24 'Related Party Transactions'.

Details of related party transactions are set out in Note 32 to these Financial Statements.

### Property, plant and equipment

Property, plant and equipment assets are carried at cost less accumulated depreciation and any recognised impairment in value. To the extent that borrowing costs relate to the acquisition, construction or production of a qualifying asset, borrowing costs are capitalised as part of the cost of that asset. Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful economic lives of each part of an item of plant and equipment as follows:

|                       |                                |
|-----------------------|--------------------------------|
| Computer equipment    | – between three and five years |
| Plant and equipment   | – between three and five years |
| Furniture             | – between three and five years |
| Fixtures and fittings | – five years                   |
| Motor vehicles        | – four years                   |

Property, plant and equipment is also tested for impairment whenever there is an indication of potential impairment.

### Leases

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

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

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

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

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

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

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

Lease rental costs in respect of short-term leases (less than one year) and low value assets which are exempt from being accounted for under IFRS 16 are charged to the Income Statement on a straight-line basis over the period of the lease.

### Investments

Investments in subsidiaries are carried at cost less impairment. Investments in property and unlisted shares are carried at cost less impairment, which is based on the fair value at acquisition.

### Inventories

Inventories are valued at the lower of cost and new realisable value. Net realisable value is the estimated selling price in the ordinary course of the business, less applicable variable selling expenses. Items in transit where the Group has control are included in inventories.

# Notes to the Financial Statements continued

at 31 May 2023

## 1 Accounting policies continued

### Revenue recognition

#### Summary

The Group provides independent global Cyber Security<sup>2</sup> and Software Resilience services.

The revenue streams in relation to Cyber Security<sup>2</sup> include:

- Global Professional Services (GPS) – global Cyber Security<sup>2</sup> consultancy services
- Global Managed Services (GMS) – operational cyber defence, incident response, scanning, simulation and managed security operations centres (SOCs) including new Microsoft XDR (Sentinel) proposition
- Product sales – sale of own manufactured and/or resale of third party products

The revenue streams in relation to Software Resilience include:

- Escrow contract services – securely maintain in “escrow” the long-term availability of business critical software and applications
- Verification services – verify source code, and provide a fully managed secure service and result validation

While the detailed recognition is contract specific, and set out in the table on pages 167 to 170, in most cases:

- GPS revenues are recognised on an input method over time
- GMS revenues are bifurcated according to the separate performance obligations (see pages 167 to 169)
- Product sales are recognised when control passes, usually on delivery
- Escrow contract revenues are recognised over time
- Verification services are recognised on the completion of the verification service

Revenue is presented net of VAT and other sales related taxes.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

Due to the nature of the Group's activities, the Group transaction price for the majority of its contracts is entirely variable consideration as these contracts are on a time and material basis, using set contractual rates per hour/day worked, giving rise to no estimation or reversal risk at period end. The Group does not have any material obligations in respect of returns, refunds or warranties. The impact of any financing component within contracts with customers has been assessed and concluded to be immaterial.

On contract inception, the probability of collectability is assessed across the Group and, unless there is a significant change in facts and circumstances, revenue is recognised. During the year, no instances have been identified where reassessment of the collectability has had to be reassessed, nor have there been any new contracts with customers for which the collection of consideration has not been assessed at inception as probable.

<sup>2</sup> Formerly Assurance.

## 1 Accounting policies continued

### Revenue recognition continued

#### Detailed policies

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers by reportable segments, including significant payment terms, and the related revenue recognition policies.

| Revenue stream                            | Nature  | Timing of satisfaction of performance obligations and significant payment terms   | Revenue recognition policies, including determination of transaction price and rationale  |
|---|---|---|---|
| <b>Global Professional Services (GPS)</b> | <p>GPS is the Group's core consulting service represented by consultants providing Cyber Security<sup>2</sup> consultancy services to a customer over time or to a set deliverable.</p> <p>Some contracts may contain multiple services (e.g. Cyber Security<sup>2</sup> assessment and certified product evaluation services). These will be identified as separate performance obligations, and the transaction price allocated to each of these is determined by using the fixed contract rate based upon day rates, being the relative standalone selling price basis.</p> <p>Specifically, the contract terms range from time and materials (based upon consultants' time and expenses) discrete statements of work, whereby the customer benefits gradually over the period over which the work is performed, unless there is a set deliverable (for example a defined security assessment report).</p> | <p>The customer simultaneously receives the benefits of the consulting services provided by the Group over the period over which the work is performed and one promise (performance obligation) is identified. Work is performed on a daily basis.</p> <p>Invoices are raised monthly or based on an agreed invoicing profile with the customer.</p> <p>Invoices are usually payable within 30 days.</p> <p>No discounts or retrospective rebates are provided.</p> | <p>Revenue is recognised on an input basis to measure the satisfaction of performance obligations over time. This is done according to the number of days worked in comparison to the total contracted number of days of the performance obligation. The work performed occurs on a daily basis (for example security assessment of a customer's security environment).</p> <p>It is considered that as the customer benefits over time based on consultants' time, the input method faithfully depicts the Group's performance towards complete satisfaction of the single performance obligation.</p> <p>Transaction price is determined by fixed contract rates based upon day rates and number of days.</p> |
|   | <p>The Group in certain situations operates on agreed customer terms, which allow the Group to recover any abortive revenue from its customer in the event that a customer terminates a contract before the contract or deliverable is complete.</p>  | <p>The customer simultaneously receives and consumes the benefits of the consulting services provided by the Group over the period over which the work is performed by the Group and one performance obligation is identified.</p> <p>Invoices in relation to the abortive revenue will be recognised when aborted. Invoices are usually payable within 30 days.</p>  | <p>Revenue is recognised on an input basis to measure the satisfaction of performance obligations over time. This is done according to the number of days worked in comparison to the total contracted number of days of the performance obligation.</p> <p>Transaction price is determined by fixed contract rates based upon day rates and number of consultancy days.</p>  |
| <b>Global Managed Services (GMS)</b>      | <p>These services provide operational cyber defence, incident response, scanning, simulation and managed security operations centres (SOCs). Services are typically for an extended delivery duration, with contract lengths varying up to a maximum of five years.</p>   | <p>The customer will benefit from the services over the period of the contract.</p> <p>However, the type of contract will depend on how the customer benefits from the software licence(s).</p>   | <p>The amount of revenue recognised in relation to software licence(s) depends on whether the Group acts as an agent or as a principal.</p> <p>The Group acts as principal when the Group controls the specified software licence or service prior to transfer (MSP model).</p>   |

2 Formerly Assurance.



# Notes to the Financial Statements continued

at 31 May 2023

## 1 Accounting policies continued

### Revenue recognition continued

#### Detailed policies continued

| Revenue stream                          | Nature   | Timing of satisfaction of performance obligations and significant payment terms   | Revenue recognition policies, including determination of transaction price and rationale   |
|---|--|---|--|
| Global Managed Services (GMS) continued | <p>The proposition will also provide the customer with software licence(s) to enable these services to occur.</p> <p>On this basis, the Group operates two types of contracts:</p> <ul style="list-style-type: none"> <li>• A Managed Service Provider (MSP) model whereby the customer is supplied with one complete integrated service including the software licence(s)</li> <li>• A reseller model whereby the Group sources the software licence(s) on behalf of the customer and provides the Managed Detection and Response services</li> </ul> <p>These services will also include set-up fees. Set-up fees represent workshops, design, and configuration to create a "connection" between systems.</p> <p>Following services going live, the Group will also provide a certain level of professional service consultancy days based on a day rate (post-go-live fees).</p> | <p>Where an MSP model is selected by the customer, the Group recognises three performance obligations:</p> <ul style="list-style-type: none"> <li>• Set-up fees</li> <li>• Post-go-live fees</li> <li>• Combined monitoring cyber and licence service</li> </ul> <p>The MSP model is considered to be under a principal arrangement whereby the Group controls the service prior to transfer.</p> <p>Where a reseller model is selected by the customer, the Group recognises four performance obligations:</p> <ul style="list-style-type: none"> <li>• Sourced software licence(s)</li> <li>• Set-up fees</li> <li>• Post-go-live fees</li> <li>• Monitoring cyber service</li> </ul> <p>The reseller model is considered to be under an agency arrangement whereby the customer receives the benefit and control of the licence on delivery.</p> <p>Invoices are raised monthly or based on an agreed invoicing profile with the customer.</p> <p>Invoices are usually payable within 30 days.</p> | <p>When the Group acts as a principal the revenue recorded is the gross amount billed. The transaction price is determined by a contract price (cost plus mark-up). The transaction price for the overall service is outlined within the customer contract. In certain scenarios, the contract will outline the price for each performance obligation, which is considered to be the standalone selling price of the services/goods, and the transaction price is allocated to each performance obligation on this basis. Where the contract does not stipulate the price per performance obligation, management determines the relative standalone selling price for each performance obligation based on a market assessment approach for the services provided in comparison to market prices, and the contract transaction price is allocated to each performance obligation in proportion to those standalone selling prices.</p> <p>Under a reseller model, the Group's responsibility is to arrange for a third party to provide a specified software licence(s) to the customer. In these cases, the Group is acting as an agent and the Group does not control the relevant licence(s) before it is transferred to the customer. In particular, the Group does not have inventory risk, have access to its source code or hold the IP rights.</p> <p>When the Group is acting as an agent, the revenue is recorded at the net amount retained (commission) at a point in time as the customer receives immediate benefit from access to the licence and the Group does not have any further obligations in relation to the provision of the licence. The commission transaction value represents the mark-up on the licence provided.</p> <p>The majority of set-up fees relate to the reseller model. Set-up fees are recognised over time of the set-up. The set-up activities are completed by a separate deployment team that typically spans a period of 1-2 months. The set-up activities do not customise the licence provided by the third party but only allows a link between the client's infrastructure and the software to allow monitoring services to be provided by the Group once the set-up process is completed. On this basis, the client can benefit from each of the goods and services either on their own or together with the other goods and services that are readily available and the promise to transfer the goods or service is distinct.</p> <p>The set-up fees are based on day rates incurred (defined by an in-house day rate sales pricing matrix). Accordingly, the charge out rates are recognised and allocated to these tasks when performed akin to technical professional day rate services. These rates are considered to be the standalone selling prices and are not discounted or reduced for other services.</p> |

**1 Accounting policies** continued  
**Revenue recognition** continued  
**Detailed policies** continued

| Revenue stream                                    | Nature   | Timing of satisfaction of performance obligations and significant payment terms   | Revenue recognition policies, including determination of transaction price and rationale   |
|---|--|---|--|
| <b>Global Managed Services (GMS)</b><br>continued |  |   | <p>Post-go-live fees are recognised on delivery of consultancy services over time as the customer obtains incremental benefit from the hours provided. Revenue is recognised on an input basis (day rates) to measure the satisfaction of performance obligations over time.</p> <p>Transaction price is determined by fixed contract rates based upon day rates and number of post-go-live consultancy days.</p> <p>One performance obligation, being a combined monitoring cyber and licence service, is identified in relation to the MSP model monitoring service. Revenue is recognised over the contract length as the software and monitoring process is an overall service, whereby the Group retains control of the licence and provides a complete monitoring service to the customer. If the customer cancels the contract, the Group will retain control of the licence.</p> <p>The customer benefits from a 24/7 monitoring service whereby benefit is obtained daily and therefore revenue is recognised on straight-line basis as the performance obligation is satisfied over time.</p> <p>The transaction price is determined by fixed contract rates for the combined services.</p> <p>Revenue in relation to the reseller model monitoring service is recognised over the contract length on a straight-line basis as the performance obligation is satisfied over time. The customer benefits from a 24/7 monitoring service whereby benefit is obtained daily on straight-line basis.</p> |
| <b>Product sales</b>                              | This revenue represents the sale of own manufactured and/or resale of third party products with no connection to other Group services. | <p>The customer only benefits from the products on delivery.</p> <p>Invoices are raised monthly or based on an agreed invoicing profile with the customer.</p> <p>Invoices are usually payable within 30 days.</p>  | <p>Revenue is recognised when control of the product is transferred to the customer. This occurs upon delivery under the contractual terms.</p> <p>On certain sales of third party products, the control of the product is considered to pass from the vendor to the end customer and in these cases the Group acts as an agent, and hence only records a commission on sale as opposed to gross revenue and costs of sale.</p>  |
| <b>Long-term fixed price contracts</b>            | This revenue represents the long-term development and/or manufacture of specialised software and hardware solutions.                   | <p>Delivery of the product is considered to represent one performance obligation.</p> <p>The development and/or manufacturing work carried out by the Group is not considered to create an asset with an alternative use to the entity. The Group is entitled to payment as performance of the contract is completed. On this basis, revenue is recognised over time.</p> <p>Invoices are raised based on achievements of pre-defined milestones in the contract.</p> <p>Invoices are usually payable within 30 days.</p> | <p>Revenue is recognised on an input basis to measure the satisfaction of the performance obligation over time. This is done according to total costs incurred in comparison to the total expected costs to be incurred to satisfy the performance obligation. This input measure is driven by the nature of the activities carried out in satisfying the performance obligation.</p> <p>The transaction price is fixed within the terms of the contractual arrangement.</p>   |

# Notes to the Financial Statements continued

at 31 May 2023

## 1 Accounting policies continued

### Revenue recognition continued

#### Detailed policies continued

| Revenue stream                  | Nature  | Timing of satisfaction of performance obligations and significant payment terms  | Revenue recognition policies, including determination of transaction price and rationale  |
|---------------------------------|---|--|---|
| <b>Software Resilience</b>      |   |  |   |
| <b>Escrow contract services</b> | <p>These services securely maintain in "escrow" the long-term availability of business critical software and applications while protecting the intellectual property rights (IPR) of technology partners.</p> <p>The service will include set-up time, which is administrative in nature.</p> | <p>The customer benefits from the escrow service evenly over a contract period, usually at least a year and potentially up to three years.</p> <p>The service represents one performance obligation.</p> <p>Invoices are raised based on an agreed invoicing profile with the customer.</p> <p>Invoices are usually payable within 30 days.</p>                          | <p>Revenue is recognised over time on a straight-line basis representing the service delivery agreement. The nature of the agreement gives rise to the customer having the benefit of Software Resilience if and when required over the contract period. Revenue is recognised on a straight-line basis as the pattern of benefit to the customer as well as the Group's efforts to fulfil the contract are generally even throughout the period.</p> <p>The transaction price is determined by a contract price.</p> <p>Set-up time is not considered distinct and a separate performance obligation due to the administrative nature and therefore is recognised over the period of the contract.</p> |
| <b>Verification services</b>    | <p>These services verify source code based upon an agreed scope between all parties and provide a fully managed secure service and result validation, typically delivered over a short period of time (days).</p> <p>These include SaaS services and ICANN services.</p>                      | <p>The customer benefits from the verification service on completion because the source code will only have been fully verified/validated at that point.</p> <p>The service represents one performance obligation.</p> <p>Invoices are raised monthly or based on an agreed invoicing profile with the customer.</p> <p>Invoices are usually payable within 30 days.</p> | <p>Revenue is recognised on completion of the verification services.</p> <p>Transaction price is determined by fixed contract rates based upon day rates and number of verification days.</p>   |

#### Contract costs

Contract costs comprise incremental sales commissions paid to sales agents or external third parties, which can be directly attributed to an acquired or retained contract. Capitalised commission costs are amortised on a systematic basis that is consistent with the transfer to the customer of the services when the related revenues are recognised. In all other cases, all internal and external costs of obtaining the contract are recognised as incurred.

Costs directly incurred in fulfilling a contract with a customer, which comprise labour hours on long-term contracts, are recognised as an asset to the extent they are recoverable. Such costs are amortised on a systematic basis that is consistent with the transfer to the customer of the services when the related revenues are recognised.

#### Accrued income (contract asset)

Accrued income represents the Group's rights to consideration for work completed but not billed at the reporting date. Remaining balances are transferred to receivables when the rights become unconditional.

#### Deferred revenue (contract liability)

Deferred revenue represents advanced consideration received from customers, for which revenue is recognised over time.

#### Long-term loss-making contracts

Long-term contracts are reviewed annually to establish if the contract is onerous in nature. In particular, the long-term contract becomes an onerous contract when the unavoidable costs (i.e. the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil it) exceed the economic benefits expected to be received under the contract. The assessment of cost to fulfil includes costs that relate directly to the contract and includes direct costs of production, direct costs of supplies/hardware from external suppliers (materials), direct labour in relation to performance obligations and if appropriate any potential contractual fine dependent on items (performance obligations) not being delivered/performed. Any assets dedicated to the specific contract are also tested for potential impairment.

## 1 Accounting policies continued

### Determination and presentation of operating segments

The Group determines and presents operating segments based on the information that is provided to the Board, which acts as the Group's chief operating decision maker (CODM) in order to assess performance and to allocate resources. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are reviewed regularly by the CODM to make decisions about resources to be allocated to the segment and to assess its performance.

The Group reports its business in two key segments: the Cyber Security<sup>2</sup> division and the Software Resilience division. The two reporting segments provide distinct types of service. Within each of the reporting segments the operating segments provide a homogeneous group of services. The operating segments are grouped into the reporting segments on the basis of how they are reported to the CODM. Operating segments are aggregated into the two reportable segments based on the types and delivery methods of services they provide, common management structures, and their relatively homogeneous commercial and strategic market environments. Both of the Group's divisions (segments) are run by a senior executive team; those teams make all decisions on resource allocation, product development, marketing and areas for focus and investment.

### Allocation of central costs

Some costs are collected and managed in one location but are actually incurred on behalf of multiple operating segments or reporting segments. These costs are then allocated to the reporting segments. The allocation is based on logical or activity driven cost algorithms. The allocation is necessary to give an accurate picture of the consumption of resources by each reporting segment.

### Individually Significant Items (ISI)

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

During the year ended 31 May 2023, the Group commenced a fundamental reorganisation/restructuring programme that will span future reporting periods. In particular, it is expected that material costs will be incurred for the years ending 31 May 2024 and 2025 and the Group will have to exercise judgement in assessing whether the restructuring items should be classified as individual significant items, this will involve taking into account the nature of the item, cause of occurrence scale of the impact of those items on the reported performance and after considering the original reorganisation programme principles and plans.

### Foreign currencies

Transactions in foreign currencies are recorded using the appropriate monthly exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rate ruling at the Balance Sheet date and the gains or losses on translation are included in the Income Statement.

The assets and liabilities of overseas subsidiaries denominated in foreign currencies are retranslated at the exchange rate ruling at the Balance Sheet date. The income statements of overseas subsidiary undertakings are translated at the average exchange rates for the financial year. Gains and losses arising on the retranslation of overseas subsidiary undertakings are taken to the currency translation reserve. They are released to the Income Statement upon disposal of the subsidiary to which they relate.

Foreign currency differences arising from the translation of qualifying cash flow hedges are recognised in OCI to the extent that the hedges are effective.

### Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency risk exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss. The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

### Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts (forward points) is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

<sup>2</sup> Formerly Assurance.



# Notes to the Financial Statements continued

at 31 May 2023

## 1 Accounting policies continued

### Cash flow hedges continued

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

### Colleague benefits – defined contribution pensions

The Group operates a defined contribution pension scheme. The assets of the scheme are kept separate from those of the Group in an independently administered fund. The amount charged as an expense in the Income Statement represents the contributions payable to the scheme in respect of the accounting period.

### Short-term benefits

Short-term colleague benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the colleague and the obligation can be estimated reliably.

### Share-based payment transactions

Share-based payments in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

The grant date fair value of share-based payment awards granted to colleagues is recognised as a colleague expense, with a corresponding increase in equity, over the period that the colleagues become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted.

The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Group receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Group's equity instruments are accounted for as cash settled share-based payments. The fair value of the amount payable to colleagues is recognised as an expense, with a corresponding increase in liabilities, over the period in which the colleagues become unconditionally entitled to payment. The liability is remeasured at each Balance Sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense within the Income Statement.

Where the Company grants options over its own shares to the colleagues of a subsidiary it recognises in its individual Financial Statements, an increase in the cost of investment in that subsidiary equivalent to the equity settled share-based payment charge is recognised in respect of that subsidiary in its consolidated Financial Statements with the corresponding credit being recognised directly in equity.

### Holiday or vacation pay

The Group recognises a liability in the Balance Sheet for any earned but not yet taken holiday entitlement for staff. Earned holiday is calculated on a straight-line basis over a holiday year, which can vary by business unit. Taken holiday is based on actually taken holiday. Any movement in the liability between the opening and closing balance in the year is recorded as a colleague cost or a reduction in colleague costs in the Income Statement in the year.

### Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings on an effective interest basis.

### Finance costs

Finance costs are recognised within the Income Statement in the year in which they are incurred.

### Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

## 1 Accounting policies continued

### Taxation

Taxation on the profit or loss for the year comprises current and deferred taxation. Taxation is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Balance Sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

UK RDEC tax credits are recognised for the UK tax jurisdiction within administrative expenses and R&D US tax credits within income tax for the US tax jurisdiction.

### Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

### Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits repayable on demand. Bank overdrafts that are repayable on demand form part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose only of the Statement of Cash Flows.

### Treasury shares

NCC Group plc shares held by the Group are deducted from equity as "treasury shares" and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken to reserves. No gain or loss is recognised in the Income Statement on the purchase, sale, issue or cancellation of equity shares.

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

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

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

### 2.1 Critical accounting judgements

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

### 2.2 Key sources of estimation uncertainty

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

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

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

# Notes to the Financial Statements continued

at 31 May 2023

## 2 Critical accounting judgements and key sources of estimation uncertainty continued

### 2.2 Key sources of estimation uncertainty continued

#### Impairment of goodwill

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

For the year ended 31 May 2023, tests for impairment are based on the calculation of a fair value less costs to sell (FVLCTS) which has been used to establish the recoverable amount of the CGU. The FVLCTS valuation has been calculated by assessing the value of each standalone CGU calculated using an Adjusted EBITDA<sup>1</sup> multiple based on estimated sustainable earnings adjusted for specific items where relevant. Estimated sustainable earnings has been 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<sup>2</sup> and Europe Cyber Security<sup>2</sup>. A description of such estimates and reasonably possible sensitivities is provided in note 12.

#### Valuation of separately identifiable intangible assets (prior year)

In the prior year, as part of the acquisition of the IPM business the Group has acquired an intangible asset relating to the customer relationships acquired with a fair value of £91.4m. The valuation approach taken is an income approach, specifically the multi-period excess earnings method (MEEM). As part of this valuation exercise certain key sources of estimation uncertainty were identified in the prior year that did have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next current year. A description of such estimates and reasonably possible sensitivities is provided in Note 35.

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

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

This presentation is also consistent with the way that financial performance is measured by management and reported to the Board, and the basis of financial measures for senior management's compensation schemes, and provides supplementary information that assists the user in understanding the financial performance, position and trends of the Group. At all times, the Group aims to ensure that the Annual Report and Accounts gives a fair, balanced and understandable view of the Group's performance, cash flows and financial position. IAS 1 'Presentation of Financial Statements' requires the separate presentation of items that are material in nature or scale in order to allow the user of the accounts to understand underlying business performance.

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

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

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

| APM   | Closest equivalent IFRS measure                           | Adjustments to reconcile to IFRS measure   | Note reference for reconciliation | Definition, purpose and considerations made by the Directors   |
|---|---|--|-----------------------------------|--|
| <b>Income Statement measures:</b>             |   |  |                                   |  |
| <b>Constant currency revenue growth rates</b> | Revenue growth rates at actual rates of currency exchange | Retranslation of comparative numbers at current year exchange rates to provide constant currency | 3                                 | The Group also reports certain geographic regions on a constant currency basis to reflect the underlying performance taking into account constant foreign exchange rates year on year. This involves translating comparative numbers to current year rates for comparability to enable a growth factor to be calculated. |

1 Revenue growth at constant currency, Adjusted EBITDA, Adjusted operating profit, Adjusted EPS, cash conversion, net debt and net debt excluding lease liabilities are APMs and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items.

2 Formerly Assurance.

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

| APM  | Closest equivalent IFRS measure  | Adjustments to reconcile to IFRS measure   | Note reference for reconciliation | Definition, purpose and considerations made by the Directors  |
|--|--|--|-----------------------------------|---|
| <b>Income Statement measures: continued</b>  |  |  |                                   |   |
| <b>Adjusted operating profit</b>   | Operating profit or loss   | Operating profit or loss before amortisation of acquired intangibles, share-based payments and Individually Significant Items                    | 3                                 | <p>Represents operating profit before amortisation of acquired intangibles, share-based payments and Individually Significant Items.</p> <p>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.</p> <p>The Directors consider amortisation of acquired intangibles is a non-cash accounting charge inherently linked to losses associated with historical acquisitions of businesses.</p> <p>The Directors consider share-based payments to be an adjusting item on the basis that fair values are volatile due to movements in share price, which may not be reflective of the underlying performance of the Group.</p> <p>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.</p> |
| <b>Adjusted earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA")</b> | Operating profit or loss   | Operating profit or loss, before adjusting items, depreciation and amortisation, finance costs and taxation                                      | 3                                 | <p>Represents operating profit before adjusting items, depreciation and amortisation to assist in the understanding of the Group's performance.</p> <p>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.</p>  |
| <b>Adjusted basic EPS</b>  | Statutory basic EPS  | Statutory basic EPS before amortisation of acquired intangibles, share-based payments, Individually Significant Items and the tax effect thereon | 11                                | <p>Represents basic EPS before amortisation of acquired intangibles, share-based payments and Individually Significant Items.</p> <p>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.</p> <p>See further details above in relation to amortisation of acquired intangibles and share-based payments.</p>  |
| <b>Balance Sheet measures:</b>   |  |  |                                   |   |
| <b>Net debt excluding lease liabilities</b>  | Total borrowings (excluding lease liabilities) offset by cash and cash equivalents |  | 3                                 | <p>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.</p> <p>Net cash/(debt), when compared to available borrowing facilities, also gives an indication of available financial resources to fund potential future business investment decisions and/or potential acquisitions.</p>   |



# Notes to the Financial Statements continued

at 31 May 2023

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

| APM                                      | Closest equivalent IFRS measure  | Adjustments to reconcile to IFRS measure   | Note reference for reconciliation | Definition, purpose and considerations made by the Directors   |
|--|--|--|-----------------------------------|--|
| <b>Balance Sheet measures:</b> continued |  |  |                                   |  |
| <b>Net debt</b>                          | 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.<br><br>Net cash/(debt), when compared to available borrowing facilities, also gives an indication of available financial resources to fund potential future business investment decisions and/or potential acquisitions.  |
| <b>Cash flow measure:</b>                |  |  |                                   |  |
| <b>Cash conversion ratio</b>             | Ratio % of net cash flow from operating activities before interest and tax divided by operating profit | Ratio % of net cash flow from operating activities before interest and tax divided by EBITDA | 3                                 | The cash conversion ratio is a measure of how effectively operating profit is converted into cash and effectively highlights both non-cash accounting items within operating profit and also movements in working capital.<br><br>It is calculated as net cash flow from operating activities before interest and taxation (as disclosed on the face of the Cash Flow Statement) divided by EBITDA for continuing activities.<br><br>The cash conversion ratio is a measure widely used by various stakeholders and hence is disclosed to show the quality of cash generation and also to allow comparison to other similar companies. |

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

### Adjusted EBITDA and Adjusted operating profit

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

|  | 2023<br>£m  | 2022<br>£m |
|--|-------------|------------|
| <b>Operating profit</b>  | <b>1.9</b>  | 34.7       |
| Depreciation of property, plant and equipment  | 4.5         | 3.9        |
| Depreciation of right-of-use assets  | 5.7         | 5.4        |
| Amortisation of customer contracts and relationships (acquired intangibles)            | 10.0        | 8.6        |
| Amortisation of software and development costs   | 2.4         | 1.8        |
| Individually Significant Items (Note 5)  | 14.7        | 0.9        |
| Share-based payments charge (Note 26)  | 2.2         | 3.9        |
| <b>Adjusted EBITDA</b>   | <b>41.4</b> | 59.2       |
| Depreciation and amortisation (excluding amortisation charged on acquired intangibles) | (12.6)      | (11.1)     |
| <b>Adjusted operating profit</b>   | <b>28.8</b> | 48.1       |

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

#### Net debt excluding lease liabilities and net debt

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

|   | 2023<br>£m    | 2022<br>£m    |
|---|---------------|---------------|
| Cash and cash equivalents (Note 24)         | 34.1          | 73.2          |
| Bank overdraft (Note 24)                    | (1.8)         | —             |
| Borrowings (Note 24)                        | (81.9)        | (125.6)       |
| <b>Net debt excluding lease liabilities</b> | <b>(49.6)</b> | <b>(52.4)</b> |
| <b>Lease liabilities</b>                    | <b>(30.0)</b> | <b>(32.6)</b> |
| <b>Net debt</b>                             | <b>(79.6)</b> | <b>(85.0)</b> |

#### Cash conversion ratio

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

|   | 2023<br>£m    | 2022<br>£m    |
|---|---------------|---------------|
| Cash generated from operating activities before interest and taxation (A) | 42.6          | 60.3          |
| Adjusted EBITDA (B)   | 41.4          | 59.2          |
| <b>Cash conversion ratio (%) (A)/(B)</b>                                  | <b>102.9%</b> | <b>101.9%</b> |

#### Constant currency revenue

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

##### Group

| Revenue:      | Revenue<br>2023<br>£m | Revenue<br>2022<br>£m | %<br>change at<br>actual rates | Revenue<br>2023<br>£m | Constant<br>currency<br>revenue<br>2022<br>£m | %<br>change at<br>constant<br>currency |
|---------------|-----------------------|-----------------------|--------------------------------|-----------------------|---|--|
| Total revenue | 335.1                 | 314.8                 | 6.4%                           | 335.1                 | 330.3   | 1.5%                                   |

#### Unaudited proforma total revenue

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

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

|   | Revenue<br>2023<br>£m | Revenue<br>2022*<br>£m | %<br>change at<br>actual rates | Revenue<br>2023<br>£m | Constant<br>currency<br>revenue<br>2022*<br>£m | %<br>change at<br>constant<br>currency |
|---|-----------------------|------------------------|--------------------------------|-----------------------|--|--|
| Total revenue                           | 335.1                 | 314.8                  | 6.4%                           | 335.1                 | 330.3  | 1.5%                                   |
| Software Resilience revenue adjustment  | —                     | 4.4                    | n/a                            | —                     | 4.8  | n/a                                    |
| <b>Unaudited proforma total revenue</b> | <b>335.1</b>          | <b>319.2</b>           | <b>5.0%</b>                    | <b>335.1</b>          | <b>335.1</b>                                   | <b>—</b>                               |

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

# Notes to the Financial Statements continued

at 31 May 2023

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

### Constant currency revenue continued

#### Cyber Security<sup>2</sup>

Cyber Security<sup>2</sup> revenue analysis – by originating country:

|   | Revenue<br>2023<br>£m | Revenue<br>2022<br>£m | %<br>change at<br>actual rates | Revenue<br>2023<br>£m | Constant<br>currency<br>revenue<br>2022<br>£m | %<br>change at<br>constant<br>currency |
|---|-----------------------|-----------------------|--------------------------------|-----------------------|---|--|
| UK and APAC                                     | 118.4                 | 114.6                 | 3.3%                           | 118.4                 | 115.0   | 3.0%                                   |
| North America                                   | 99.3                  | 94.1                  | 5.5%                           | 99.3                  | 104.4   | (4.9%)                                 |
| Europe  | 53.1                  | 49.8                  | 6.6%                           | 53.1                  | 51.1  | 3.9%                                   |
| <b>Total Cyber Security<sup>2</sup> revenue</b> | <b>270.8</b>          | <b>258.5</b>          | <b>4.8%</b>                    | <b>270.8</b>          | <b>270.5</b>                                  | <b>0.1%</b>                            |

|   | Revenue<br>H1 2023<br>£m | Revenue<br>H1 2022<br>£m | %<br>change at<br>actual rates | Revenue<br>H1 2023<br>£m | Constant<br>currency<br>revenue<br>H1 2022<br>£m | %<br>change at<br>constant<br>currency |
|---|--------------------------|--------------------------|--------------------------------|--------------------------|--|--|
| UK and APAC                                     | 61.6                     | 54.6                     | 12.8%                          | 61.6                     | 55.0   | 12.0%                                  |
| North America                                   | 59.2                     | 44.0                     | 34.5%                          | 59.2                     | 51.0   | 16.1%                                  |
| Europe  | 24.2                     | 24.6                     | (1.6%)                         | 24.2                     | 24.9   | (2.8%)                                 |
| <b>Total Cyber Security<sup>2</sup> revenue</b> | <b>145.0</b>             | <b>123.2</b>             | <b>17.7%</b>                   | <b>145.0</b>             | <b>130.9</b>                                     | <b>10.8%</b>                           |

|   | Revenue<br>H2 2023<br>£m | Revenue<br>H2 2022<br>£m | %<br>change at<br>actual rates | Revenue<br>H2 2023<br>£m | Constant<br>currency<br>revenue<br>H2 2022<br>£m | %<br>change at<br>constant<br>currency |
|---|--------------------------|--------------------------|--------------------------------|--------------------------|--|--|
| UK and APAC                                     | 56.8                     | 60.0                     | (5.3%)                         | 56.8                     | 60.0   | (5.3%)                                 |
| North America                                   | 40.1                     | 50.1                     | (20.0%)                        | 40.1                     | 53.4   | (24.9%)                                |
| Europe  | 28.9                     | 25.2                     | 14.7%                          | 28.9                     | 26.2   | 10.3%                                  |
| <b>Total Cyber Security<sup>2</sup> revenue</b> | <b>125.8</b>             | <b>135.3</b>             | <b>(7.0%)</b>                  | <b>125.8</b>             | <b>139.6</b>                                     | <b>(9.9%)</b>                          |

Cyber Security<sup>1</sup> revenue analysed by type of service/product line:

|   | Revenue<br>2023<br>£m | Restated*<br>Revenue<br>2022<br>£m | %<br>change at<br>actual rates | Revenue<br>2023<br>£m | Restated*<br>Constant<br>currency<br>revenue<br>2022<br>£m | %<br>change at<br>constant<br>currency |
|---|-----------------------|------------------------------------|--------------------------------|-----------------------|--|--|
| Global Professional Services (GPS)              | 199.3                 | 195.4                              | 2.0%                           | 199.3                 | 205.6  | (3.1%)                                 |
| Global Managed Services (GMS)                   | 67.8                  | 58.6                               | 15.7%                          | 67.8                  | 60.3   | 12.4%                                  |
| Product sales (own and third party)             | 3.7                   | 4.5                                | (17.8%)                        | 3.7                   | 4.6  | (19.6%)                                |
| <b>Total Cyber Security<sup>2</sup> revenue</b> | <b>270.8</b>          | <b>258.5</b>                       | <b>4.8%</b>                    | <b>270.8</b>          | <b>270.5</b>   | <b>0.1%</b>                            |

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

|   | Revenue<br>H1 2023<br>£m | Revenue<br>H1 2022<br>£m | %<br>change at<br>actual rates | Revenue<br>H1 2023<br>£m | Constant<br>currency<br>revenue<br>H1 2022<br>£m | %<br>change at<br>constant<br>currency |
|---|--------------------------|--------------------------|--------------------------------|--------------------------|--|--|
| Global Professional Services (GPS)              | 111.1                    | 93.6                     | 18.7%                          | 111.1                    | 100.6  | 10.4%                                  |
| Global Managed Services (GMS)                   | 32.2                     | 28.4                     | 13.4%                          | 32.2                     | 29.1   | 10.7%                                  |
| Product sales (own and third party)             | 1.7                      | 1.2                      | 41.7%                          | 1.7                      | 1.2  | 41.7%                                  |
| <b>Total Cyber Security<sup>2</sup> revenue</b> | <b>145.0</b>             | <b>123.2</b>             | <b>17.7%</b>                   | <b>145.0</b>             | <b>130.9</b>                                     | <b>10.8%</b>                           |

<sup>2</sup> Formerly Assurance.

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

#### Constant currency revenue continued

#### Cyber Security<sup>2</sup> continued

|   | Revenue<br>H2 2023<br>£m | Revenue<br>H2 2022<br>£m | %<br>change at<br>actual rates | Revenue<br>H2 2023<br>£m | Constant<br>currency<br>revenue<br>H2 2022<br>£m | %<br>change at<br>constant<br>currency |
|---|--------------------------|--------------------------|--------------------------------|--------------------------|--|--|
| Global Professional Services (GPS)              | 88.2                     | 101.8                    | (13.4%)                        | 88.2                     | 105.0  | (16.0%)                                |
| Global Managed Services (GMS)                   | 35.6                     | 30.2                     | 17.9%                          | 35.6                     | 31.2   | 14.1%                                  |
| Product sales (own and third party)             | 2.0                      | 3.3                      | (39.4%)                        | 2.0                      | 3.4  | (41.2%)                                |
| <b>Total Cyber Security<sup>2</sup> revenue</b> | <b>125.8</b>             | <b>135.3</b>             | <b>(7.0%)</b>                  | <b>125.8</b>             | <b>139.6</b>                                     | <b>(9.9%)</b>                          |

#### Software Resilience

Software Resilience revenue analysis – by originating country:

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

|  | Revenue<br>H1 2023<br>£m | Revenue<br>H1 2022<br>£m | %<br>change at<br>actual rates | Revenue<br>H1 2023<br>£m | Constant<br>currency<br>revenue<br>H1 2022<br>£m | %<br>change at<br>constant<br>currency |
|--|--------------------------|--------------------------|--------------------------------|--------------------------|--|--|
| UK                                       | 12.3                     | 12.6                     | (2.4%)                         | 12.3                     | 12.7   | (3.1%)                                 |
| North America                            | 17.3                     | 12.3                     | 40.7%                          | 17.3                     | 14.7   | 17.7%                                  |
| Europe                                   | 2.0                      | 2.0                      | —                              | 2.0                      | 2.0  | —                                      |
| <b>Total Software Resilience revenue</b> | <b>31.6</b>              | <b>26.9</b>              | <b>17.5%</b>                   | <b>31.6</b>              | <b>29.4</b>                                      | <b>7.5%</b>                            |

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

Software Resilience revenues analysed by service line:

|  | Revenue<br>2023<br>£m | Revenue<br>2022<br>£m | %<br>change at<br>actual rates | Revenue<br>2023<br>£m | Constant<br>currency<br>revenue<br>2022<br>£m | %<br>change at<br>constant<br>currency |
|--|-----------------------|-----------------------|--------------------------------|-----------------------|---|--|
| Software Resilience contracts            | 42.8                  | 38.1                  | 12.3%                          | 42.8                  | 40.4  | 5.9%                                   |
| Verification services                    | 21.5                  | 18.2                  | 18.1%                          | 21.5                  | 19.4  | 10.8%                                  |
| <b>Total Software Resilience revenue</b> | <b>64.3</b>           | <b>56.3</b>           | <b>14.2%</b>                   | <b>64.3</b>           | <b>59.8</b>                                   | <b>7.5%</b>                            |

2 Formerly Assurance.



## Notes to the Financial Statements continued

at 31 May 2023

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

#### Constant currency revenue continued

#### Software Resilience continued

|  | Revenue<br>H1 2023<br>£m | Revenue<br>H1 2022<br>£m | %<br>change at<br>actual rates | Revenue<br>H1 2023<br>£m | Constant<br>currency<br>revenue<br>H1 2022<br>£m | %<br>change at<br>constant<br>currency |
|--|--------------------------|--------------------------|--------------------------------|--------------------------|--|--|
| Software Resilience contracts            | 21.3                     | 18.7                     | 13.9%                          | 21.3                     | 20.6   | 3.4%                                   |
| Verification services                    | 10.3                     | 8.2                      | 25.6%                          | 10.3                     | 8.8  | 17.0%                                  |
| <b>Total Software Resilience revenue</b> | <b>31.6</b>              | <b>26.9</b>              | <b>17.5%</b>                   | <b>31.6</b>              | <b>29.4</b>                                      | <b>7.5%</b>                            |

|  | Revenue<br>H2 2023<br>£m | Revenue<br>H2 2022<br>£m | %<br>change at<br>actual rates | Revenue<br>H2 2023<br>£m | Constant<br>currency<br>revenue<br>H2 2022<br>£m | %<br>change at<br>constant<br>currency |
|--|--------------------------|--------------------------|--------------------------------|--------------------------|--|--|
| Software Resilience contracts            | 21.5                     | 19.4                     | 10.8%                          | 21.5                     | 19.8   | 8.6%                                   |
| Verification services                    | 11.2                     | 10.0                     | 12.0%                          | 11.2                     | 10.6   | 5.7%                                   |
| <b>Total Software Resilience revenue</b> | <b>32.7</b>              | <b>29.4</b>              | <b>11.2%</b>                   | <b>32.7</b>              | <b>30.4</b>                                      | <b>7.6%</b>                            |

#### Software Resilience unaudited proforma total revenue

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

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

|   | Revenue<br>2023<br>£m | Revenue<br>2022 <sup>1</sup><br>£m | %<br>change at<br>actual rates | Revenue<br>2023<br>£m | Constant<br>currency<br>revenue<br>2022 <sup>1</sup><br>£m | %<br>change at<br>constant<br>currency |
|---|-----------------------|------------------------------------|--------------------------------|-----------------------|--|--|
| Software Resilience contracts                               | 42.8                  | 42.3                               | 1.2%                           | 42.8                  | 45.0   | (4.9%)                                 |
| Verification services                                       | 21.5                  | 18.4                               | 16.8%                          | 21.5                  | 19.6   | 9.7%                                   |
| <b>Software Resilience unaudited proforma total revenue</b> | <b>64.3</b>           | <b>60.7</b>                        | <b>5.9%</b>                    | <b>64.3</b>           | <b>64.6</b>  | <b>(0.5%)</b>                          |

<sup>1</sup> 2022 revenue is not a statutory measure and includes the Software Resilience revenue adjustment.

#### 4 Segmental information

The Group is organised into the following two (2022: two) reportable segments: Cyber Security<sup>2</sup> and Software Resilience. The two reporting segments provide distinct types of service. Within each of the reporting segments the operating segments provide a homogeneous group of services. The operating segments are grouped into the reporting segments on the basis of how they are reported to the Chief Operating Decision Maker (CODM) for the purposes of IFRS 8 'Operating Segments', which is considered to be the Board of Directors of NCC Group plc.

Operating segments are aggregated into the two reportable segments based on the types and delivery methods of services they provide, common management structures, and their relatively homogeneous commercial and strategic market environments. Performance is measured based on reporting segment profit, which comprises Adjusted operating profit<sup>1</sup> and adjusting items are not allocated to business segments. Interest and tax are also not allocated to business segments and there are no intra-segment sales.

| Segmental analysis 2023                      | Cyber Security <sup>2</sup><br>£m | Software Resilience<br>£m | Central and head office<br>£m | Group<br>£m |
|--|-----------------------------------|---------------------------|-------------------------------|-------------|
| <b>Revenue</b>                               | 270.8                             | 64.3                      | —                             | 335.1       |
| Cost of sales                                | (184.7)                           | (18.4)                    | —                             | (203.1)     |
| <b>Gross profit</b>                          | 86.1                              | 45.9                      | —                             | 132.0       |
| Gross margin %                               | 31.8%                             | 71.4%                     |                               | 39.4%       |
| General administrative expenses allocated    | (70.7)                            | (14.7)                    | (5.2)                         | (90.6)      |
| <b>Adjusted EBITDA<sup>1</sup></b>           | 15.4                              | 31.2                      | (5.2)                         | 41.4        |
| Depreciation and amortisation                | (8.5)                             | (0.6)                     | (3.5)                         | (12.6)      |
| <b>Adjusted operating profit<sup>1</sup></b> | 6.9                               | 30.6                      | (8.7)                         | 28.8        |
| Individually Significant Items (Note 5)      | (12.3)                            | (2.4)                     | —                             | (14.7)      |
| Amortisation of acquired intangibles         | (1.2)                             | (5.8)                     | (3.0)                         | (10.0)      |
| Share-based payments                         | (1.6)                             | (0.1)                     | (0.5)                         | (2.2)       |
| <b>Operating profit</b>                      | (8.2)                             | 22.3                      | (12.2)                        | 1.9         |
| Finance costs                                |                                   |                           |                               | (6.2)       |
| <b>Loss before taxation</b>                  |                                   |                           |                               | (4.3)       |
| Taxation                                     |                                   |                           |                               | (0.3)       |
| <b>Loss for the year</b>                     |                                   |                           |                               | (4.6)       |
| Segmental analysis 2022                      | Cyber Security <sup>2</sup><br>£m | Software Resilience<br>£m | Central and head office<br>£m | Group<br>£m |
| <b>Revenue</b>                               | 258.5                             | 56.3                      | —                             | 314.8       |
| Cost of sales                                | (166.2)                           | (16.0)                    | —                             | (182.2)     |
| <b>Gross profit</b>                          | 92.3                              | 40.3                      | —                             | 132.6       |
| Gross margin %                               | 35.7%                             | 71.6%                     | —                             | 42.1%       |
| General administrative expenses allocated    | (53.2)                            | (17.5)                    | (2.7)                         | (73.4)      |
| <b>Adjusted EBITDA<sup>1</sup></b>           | 39.1                              | 22.8                      | (2.7)                         | 59.2        |
| Depreciation and amortisation                | (7.2)                             | (0.8)                     | (3.1)                         | (11.1)      |
| <b>Adjusted operating profit<sup>1</sup></b> | 31.9                              | 22.0                      | (5.8)                         | 48.1        |
| Individually Significant Items (Note 5)      | —                                 | (0.9)                     | —                             | (0.9)       |
| Amortisation of acquired intangibles         | (0.9)                             | (4.8)                     | (2.9)                         | (8.6)       |
| Share-based payments                         | (2.1)                             | (0.3)                     | (1.5)                         | (3.9)       |
| <b>Operating profit</b>                      | 28.9                              | 16.0                      | (10.2)                        | 34.7        |
| Finance costs                                |                                   |                           |                               | (3.7)       |
| <b>Profit/(loss) before taxation</b>         |                                   |                           |                               | 31.0        |
| Taxation                                     |                                   |                           |                               | (8.0)       |
| <b>Profit for the year</b>                   |                                   |                           |                               | 23.0        |

1 Revenue growth at constant currency, Adjusted EBITDA, Adjusted operating profit, Adjusted EPS, cash conversion, net debt and net debt excluding lease liabilities are APMs and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items.

2 Formerly Assurance.

# Notes to the Financial Statements continued

at 31 May 2023

## 4 Segmental information continued

| Segmental analysis 2023         | Cyber Security <sup>2</sup><br>£m | Software Resilience<br>£m | Central and head office<br>£m | Group<br>£m |
|---------------------------------|-----------------------------------|---------------------------|-------------------------------|-------------|
| Additions to non-current assets | 7.0                               | 0.3                       | 4.3                           | 11.6        |
| Reportable segment assets       | 123.7                             | 180.5                     | 197.2                         | 501.4       |
| Reportable segment liabilities  | (131.4)                           | (21.0)                    | (70.8)                        | (223.2)     |
| Segmental analysis 2022         | Cyber Security <sup>2</sup><br>£m | Software Resilience<br>£m | Central and head office<br>£m | Group<br>£m |
| Additions to non-current assets | 9.0                               | 161.5                     | 4.7                           | 175.2       |
| Reportable segment assets       | 128.7                             | 236.9                     | 210.8                         | 576.4       |
| Reportable segment liabilities  | (102.0)                           | (36.5)                    | (144.7)                       | (283.2)     |

The Central and head office cost centre is not considered to be a separate operating segment nor part of any other operating segment as it does not generate any revenues. Included within Central and head office are assets and liabilities not specifically allocated to the reporting segments and include investments, head office tangible and intangible assets, deferred tax assets and liabilities, right-of-use assets and associated lease liabilities, Parent Company cash balances, the RCF facility and certain provisions. Central and head office assets and liabilities are disclosed to allow a reconciliation back to the Group's assets and liabilities.

The net book value of non-current assets (excluding deferred tax assets) is analysed geographically as follows:

|                                 | 2023<br>£m   | 2022<br>(restated)*<br>£m |
|---------------------------------|--------------|---------------------------|
| UK                              | 164.6        | 171.4                     |
| APAC                            | 2.4          | 2.8                       |
| North America                   | 222.6        | 234.4                     |
| Europe                          | 8.5          | 11.3                      |
| <b>Total non-current assets</b> | <b>398.1</b> | <b>419.9</b>              |

\* Restated to reflect non-current assets (excluding deferred tax assets) previously stated at £417.4m (which included deferred tax assets) and represented to present APAC non-current assets of £2.8m separately from the UK segment. UK and APAC previously presented £175.6m non-current assets, this is now presented as APAC £2.8m and the UK restated to £171.4m. North America previously presented £230.5m non-current assets, this has now been restated to £234.4m to reconcile with the closing balance sheet.

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

|                                       | Cyber Security <sup>2</sup><br>£m | Software Resilience<br>£m | 2023<br>Total<br>£m | Cyber Security <sup>2</sup><br>£m | Software Resilience<br>£m | 2022<br>Total<br>£m |
|---------------------------------------|-----------------------------------|---------------------------|---------------------|-----------------------------------|---------------------------|---------------------|
| <b>Revenue by originating country</b> |                                   |                           |                     |                                   |                           |                     |
| UK                                    | 106.6                             | 25.8                      | 132.4               | 103.9                             | 25.4                      | 129.3               |
| APAC                                  | 11.8                              | —                         | 11.8                | 10.7                              | —                         | 10.7                |
| North America                         | 99.3                              | 34.5                      | 133.8               | 94.1                              | 26.8                      | 120.9               |
| Europe                                | 53.1                              | 4.0                       | 57.1                | 49.8                              | 4.1                       | 53.9                |
| <b>Total revenue</b>                  | <b>270.8</b>                      | <b>64.3</b>               | <b>335.1</b>        | <b>258.5</b>                      | <b>56.3</b>               | <b>314.8</b>        |

|                            | Cyber Security <sup>2</sup><br>£m | Software Resilience<br>£m | 2023<br>Total<br>£m | Restated<br>Cyber Security* <sup>2</sup><br>£m | Software Resilience<br>£m | 2022<br>Total<br>£m |
|----------------------------|-----------------------------------|---------------------------|---------------------|--|---------------------------|---------------------|
| <b>Revenue by category</b> |                                   |                           |                     |  |                           |                     |
| Services                   | 267.1                             | 64.3                      | 331.4               | 254.0  | 56.3                      | 310.3               |
| Products                   | 3.7                               | —                         | 3.7                 | 4.5  | —                         | 4.5                 |
| <b>Total revenue</b>       | <b>270.8</b>                      | <b>64.3</b>               | <b>335.1</b>        | <b>258.5</b>                                   | <b>56.3</b>               | <b>314.8</b>        |

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

2 Formerly Assurance.

#### 4 Segmental information continued

|  | Cyber Security <sup>2</sup><br>£m | Software Resilience<br>£m | 2023<br>Total<br>£m | Restated<br>Cyber<br>Security <sup>2,*</sup><br>£m | Software<br>Resilience<br>£m | 2022<br>Total<br>£m |
|--|-----------------------------------|---------------------------|---------------------|--|------------------------------|---------------------|
| <b>Timing of revenue recognition</b>                 |                                   |                           |                     |  |                              |                     |
| Services and products transferred over time          | 252.9                             | 42.8                      | 295.7               | 242.4  | 37.6                         | 280.0               |
| Services and products transferred at a point in time | 17.9                              | 21.5                      | 39.4                | 16.1   | 18.7                         | 34.8                |
| <b>Total revenue</b>                                 | <b>270.8</b>                      | <b>64.3</b>               | <b>335.1</b>        | 258.5  | 56.3                         | 314.8               |

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

There are no customer contracts in either 2023 or 2022 which account for more than 10% of segment revenue.

#### 5 Individually Significant Items (ISI)

The Group separately identifies items as Individually Significant Items. Each of these is considered by the Directors to be sufficiently unusual in terms of nature or scale so as not to form part of the underlying performance of the business. They are therefore separately identified and excluded from adjusted results (as explained in Note 3).

|  | Reference | 2023<br>£m  | 2022<br>£m |
|--|-----------|-------------|------------|
| North America Cyber Security <sup>2</sup> goodwill impairment                      | a         | 9.8         | —          |
| Fundamental re-organisation costs  | b         | 4.2         | —          |
| Costs associated with strategic review of Software Resilience business             | c         | 3.0         | —          |
| NCC Group A/S goodwill impairment  | d         | 3.0         | —          |
| IPM Software Resilience business deferred income adjustment                        | e         | (0.6)       | —          |
| Profit on disposal of DDI business   | f         | (4.7)       | —          |
| Costs directly attributable to the acquisition of IPM Software Resilience business | g         | —           | 0.9        |
| <b>Total ISIs</b>  |           | <b>14.7</b> | 0.9        |

£2.7m of costs associated with the strategic review of the Software Resilience business and £0.8m of fundamental re-organisation costs (total £3.5m) have been accrued for at the year ended 31 May 2023, of which £0.3m are recognised as a redundancy provision. The remaining £3.7m of these costs have been paid as cash during the year ended 31 May 2023 (2022: £nil costs accrued and £0.9m paid as cash).

##### (a) North America Cyber Security<sup>2</sup> goodwill impairment

Following the annual impairment review of Goodwill, an impairment has been recognised amounting to £9.8m. For further details, please see note 12. Such costs meet the Group's policy for ISIs as this is a significant one-off event.

##### (b) Fundamental re-organisation costs

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

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

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

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

2 Formerly Assurance.



# Notes to the Financial Statements continued

at 31 May 2023

## 5 Individually Significant Items (ISI) continued

### (c) Costs associated with strategic review of Software Resilience business

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

### (d) NCC Group A/S goodwill impairment

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

### (e) IPM Software Resilience business deferred income adjustment

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

### (f) Profit on disposal of DDI business

On 31 December 2022, the Group disposed of its DDI business for cash consideration of £5.8m. The profit of £4.7m (2022: £nil) is directly attributable to the disposal of the DDI business. Please see Note 34 for further details. Such profits meet the Group's policy for ISIs as the proceeds represent a material profit on disposal.

### (g) Costs directly attributable to the acquisition of the IPM Software Resilience business

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

## 6 Expenses and auditor's remuneration

|   | 2023<br>£m | 2022<br>£m |
|---|------------|------------|
| Loss/(profit) before taxation is stated after charging/(crediting):   |            |            |
| Amounts receivable by auditor and its associates in respect of:       |            |            |
| Audit of these Financial Statements                                   | 1.1        | 1.0        |
| Audit of Financial Statements of subsidiaries pursuant to legislation | 0.2        | 0.2        |
| <b>Total audit<sup>2</sup></b>  | <b>1.3</b> | <b>1.2</b> |
| Amortisation of development costs (Note 12)                           | 1.2        | 0.9        |
| Amortisation of software costs (Note 12)                              | 1.2        | 0.9        |
| Amortisation of acquired intangibles (Note 12)                        | 10.0       | 8.6        |
| Depreciation of property, plant and equipment (Note 13)               | 4.5        | 3.9        |
| Depreciation of right-of-use assets (Note 14)                         | 5.7        | 5.4        |
| Impairment charge/(reversal) of right-of-use-assets                   | 0.5        | (0.1)      |
| Impairment of software costs  | 0.6        | —          |
| Individually Significant Items (ISIs) (Note 5)                        | 14.7       | 0.9        |
| Credit losses recognised on financial assets (Note 17)                | (1.5)      | 0.6        |
| Cost of inventories recognised as an expense                          | 0.6        | 1.0        |
| Foreign exchange losses/(gains)                                       | 0.6        | (0.6)      |
| Lease rental costs charged:   |            |            |
| – Hire of property, plant and equipment <sup>3</sup>                  | —          | 0.1        |
| Research and development UK tax credits                               | (0.5)      | (1.0)      |
| Profit on disposal of right-of-use assets                             | (0.7)      | —          |

1 Formerly Assurance.

2 The only non-audit service provided by the auditor was for the interim review at 30 November 2021, for which the fee was £80,000. No interim review was performed in the year ended 31 May 2023.

3 The charge to the Income Statement in respect of lease rental costs relates entirely to short-term leases for which the Group has taken the exemption allowed from applying the principles of IFRS 16.

## 7 Staff numbers and costs

Directors' emoluments are disclosed in the Remuneration Committee Report. Total aggregate emoluments of the Directors in respect of 2023 were £2.3m (2022: £2.2m). Employer contributions to pensions for Executive Directors for qualifying periods were £nil (2022: £nil). The Company provided pension payments in lieu of pension contributions for three (2022: two) Executive Directors during the year ended 31 May 2023 amounting to £32,000 (2022: £44,000). The aggregate net value of share awards granted to the Directors in the period was £1.9m (2022: £1.4m). The net value has been calculated by reference to the closing mid-market price of the Company's shares on the day before the date of grant. During the year, 98,598 (2022: 237,448) share options were exercised by Directors and their gain on exercise of share options was £13,463 (2022: £20,895).

The average monthly number of persons employed by the Group during the year, including Executive Directors, is analysed by category as follows:

|                | Number of colleagues |              |
|----------------|----------------------|--------------|
|                | 2023                 | 2022         |
| Operational    | 1,955                | 1,848        |
| Administration | 478                  | 417          |
| <b>Total</b>   | <b>2,433</b>         | <b>2,265</b> |

The aggregate payroll costs of these persons were as follows:

|                                | 2023<br>£m   | 2022<br>£m   |
|--------------------------------|--------------|--------------|
| Wages and salaries             | 208.1        | 180.7        |
| Share-based payments (Note 26) | 2.2          | 3.9          |
| Social security costs          | 20.3         | 17.3         |
| Other pension costs (Note 31)  | 6.3          | 5.1          |
| <b>Total payroll costs</b>     | <b>236.9</b> | <b>207.0</b> |

## 8 Finance costs

|   | 2023<br>£m | 2022<br>£m |
|---|------------|------------|
| Interest payable on bank loans and overdrafts                               | 4.5        | 2.5        |
| Unamortised underwriting fees associated with old revolving credit facility | 0.6        | —          |
| Interest expense on lease liabilities                                       | 1.1        | 1.2        |
| <b>Finance costs</b>  | <b>6.2</b> | <b>3.7</b> |

The above finance costs relate entirely to liabilities not at fair value through profit or loss.

# Notes to the Financial Statements continued

at 31 May 2023

## 9 Taxation

### Recognised in the Income Statement

|   | 2023<br>£m   | 2022<br>£m |
|---|--------------|------------|
| <b>Current tax expense</b>                            |              |            |
| Current year  | 0.1          | 2.2        |
| Adjustment to tax expense in respect of prior periods | (2.8)        | 0.2        |
| Impact of prior year US R&D tax credits               | (1.0)        | (1.1)      |
| Foreign tax   | 5.9          | 6.5        |
| <b>Total current tax</b>                              | <b>2.2</b>   | <b>7.8</b> |
| <b>Deferred tax expense</b>                           |              |            |
| Origination and reversal of temporary differences     | (3.0)        | (0.4)      |
| Movement in tax rate                                  | (0.2)        | (0.1)      |
| Derecognition of deductible timing differences        | —            | 0.8        |
| Impact of prior year US R&D tax credits               | (0.4)        | —          |
| Adjustment to tax expense in respect of prior periods | 1.7          | (0.1)      |
| <b>Total deferred tax</b>                             | <b>(1.9)</b> | <b>0.2</b> |
| <b>Total tax expense</b>                              | <b>0.3</b>   | <b>8.0</b> |

### Reconciliation of effective tax rate

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

Current and deferred tax recognised directly in equity was a debit of £0.1m (2022: debit £0.3m), which relates to tax on share based payments.

A combined prior year adjustment of £(1.1)m (current tax: £(2.8)m; deferred tax: £1.7m) largely reflects an adjustment to the tax treatment of certain revenue and costs associated with the acquisition of the IPM business in FY22.

The UK government introduced legislation in the Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023. The legislation was substantively enacted on 24 May 2021 and therefore UK deferred tax balances as at 31 May 2021, 31 May 2022 and 31 May 2023 are generally measured at a rate of 25%.

### Tax uncertainties

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

## 10 Dividends

|   | 2023<br>£m | 2022<br>£m |
|---|------------|------------|
| Dividends paid and recognised in the year                   | 14.5       | 14.4       |
| Dividends per share paid and recognised in the year         | 4.65p      | 4.65p      |
| Dividends per share proposed but not recognised in the year | 3.15p      | 3.15p      |

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

### Dividend policy

Dividends are the way the Company makes distributions from the Company's distributable reserves to shareholders. The Board decides the level of the dividend with each half-year reporting period (i.e. 30 November and 31 May). If an interim or final dividend is declared, the Company pays the dividend approximately eight weeks after the results announcement. A dividend is paid for each share, so the amount you receive depends on the number of shares you own.

The Company currently continues to pay a dividend equal to that paid in the prior years as the Board is conscious of the need to invest in initiatives to support longer-term growth and service the debt profile following the recent acquisition.

## 11 Earnings per ordinary share

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

|  | 2023<br>£m            | 2022<br>£m            |
|--|-----------------------|-----------------------|
| Statutory earnings (A)                               | (4.6)                 | 23.0                  |
|  | Number of shares<br>m | Number of shares<br>m |
| Weighted average number of shares in issue           | 311.1                 | 309.5                 |
| Less: weighted average holdings by Group ESOT        | (0.7)                 | —                     |
| Basic weighted average number of shares in issue (C) | 310.4                 | 309.5                 |
| Dilutive effect of share options                     | 0.8                   | 1.4                   |
| Diluted weighted average shares in issue (D)         | 311.2                 | 310.9                 |

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

|                                    | 2023<br>Pence | 2022<br>Pence |
|------------------------------------|---------------|---------------|
| <b>Earnings per ordinary share</b> |               |               |
| Basic (A/C)                        | (1.5)         | 7.4           |
| Diluted (A/D)                      | (1.5)         | 7.4           |



# Notes to the Financial Statements continued

at 31 May 2023

## 11 Earnings per ordinary share continued

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

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

|   | 2023<br>Pence | 2022<br>Pence |
|---|---------------|---------------|
| <b>Adjusted earnings per ordinary share</b> |               |               |
| Basic (B/C)                                 | 6.1           | 10.8          |
| Diluted (B/D)                               | 6.1           | 10.8          |

## 12 Goodwill and intangible assets

|   | Goodwill<br>£m | Software<br>£m | Development<br>costs<br>£m | Customer<br>contracts and<br>relationships<br>£m | Intangibles<br>sub-total<br>£m | Total<br>£m    |
|---|----------------|----------------|----------------------------|--|--------------------------------|----------------|
| <b>Cost:</b>                                    |                |                |                            |  |                                |                |
| <b>At 1 June 2021</b>                           | 238.9          | 14.5           | 11.7                       | 73.1   | 99.3                           | 338.2          |
| Additions                                       | —              | 1.6            | 1.3                        | —  | 2.9                            | 2.9            |
| On acquisition                                  | 69.7           | 2.5            | —                          | 91.4   | 93.9                           | 163.6          |
| Effects of movements in exchange rates          | 13.5           | 0.1            | (0.1)                      | 12.3   | 12.3                           | 25.8           |
| <b>At 31 May 2022</b>                           | 322.1          | 18.7           | 12.9                       | 176.8  | 208.4                          | 530.5          |
| Additions                                       | —              | 2.5            | 0.9                        | —  | 3.4                            | 3.4            |
| Disposals (see Note 34)                         | (1.0)          | —              | —                          | —  | —                              | (1.0)          |
| Effects of movements in exchange rates          | 3.5            | —              | —                          | 2.4  | 2.4                            | 5.9            |
| <b>At 31 May 2023</b>                           | <b>324.6</b>   | <b>21.2</b>    | <b>13.8</b>                | <b>179.2</b>                                     | <b>214.2</b>                   | <b>538.8</b>   |
| <b>Accumulated amortisation and impairment:</b> |                |                |                            |  |                                |                |
| <b>At 1 June 2021</b>                           | (56.0)         | (11.8)         | (9.0)                      | (57.5)   | (78.3)                         | (134.3)        |
| Charge for year                                 | —              | (0.9)          | (0.9)                      | (8.6)  | (10.4)                         | (10.4)         |
| Effects of movements in exchange rates          | —              | —              | 0.1                        | (1.2)  | (1.1)                          | (1.1)          |
| <b>At 31 May 2022</b>                           | (56.0)         | (12.7)         | (9.8)                      | (67.3)   | (89.8)                         | (145.8)        |
| Charge for year                                 | —              | (1.2)          | (1.2)                      | (10.0)   | (12.4)                         | (12.4)         |
| Impairment                                      | (12.8)         | (0.6)          | —                          | —  | (0.6)                          | (13.4)         |
| Effects of movements in exchange rates          | —              | —              | (0.1)                      | (0.4)  | (0.5)                          | (0.5)          |
| <b>At 31 May 2023</b>                           | <b>(68.8)</b>  | <b>(14.5)</b>  | <b>(11.1)</b>              | <b>(77.7)</b>                                    | <b>(103.3)</b>                 | <b>(172.1)</b> |
| <b>Net book value:</b>                          |                |                |                            |  |                                |                |
| At 31 May 2022                                  | 266.1          | 6.0            | 3.1                        | 109.5  | 118.6                          | 384.7          |
| <b>At 31 May 2023</b>                           | <b>255.8</b>   | <b>6.7</b>     | <b>2.7</b>                 | <b>101.5</b>                                     | <b>110.9</b>                   | <b>366.7</b>   |

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

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

<sup>1</sup> Revenue growth at constant currency, Adjusted EBITDA, Adjusted operating profit, Adjusted EPS, cash conversion, net debt and net debt excluding lease liabilities are APMs and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items.

## 12 Goodwill and intangible assets continued

### Cash generating units (CGUs)

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

On 1 June 2022, the Group made the decision to re-organise its Danish business (NCC Group A/S) which had previously been a part of the Europe Cyber Security<sup>2</sup> CGU. Following that re-organisation, the cash inflows associated with the Danish business are separately identifiable and therefore the carrying value of the CGU assets have been assessed separately for impairment at 31 May 2023.

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

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

| Cash generating units                     | Goodwill<br>2023<br>£m | Goodwill<br>2022<br>£m |
|---|------------------------|------------------------|
| UK Software Resilience                    | 22.9                   | 22.9                   |
| North America Software Resilience         | 87.2                   | 8.5                    |
| IPM Software Resilience                   | —                      | 76.9                   |
| Europe Software Resilience                | 7.4                    | 7.3                    |
| <b>Total Software Resilience</b>          | <b>117.5</b>           | <b>115.6</b>           |
| UK and APAC Cyber Security <sup>2</sup>   | 44.3                   | 45.4                   |
| North America Cyber Security <sup>2</sup> | 31.6                   | 39.9                   |
| Europe Cyber Security <sup>2</sup>        | 62.4                   | 65.2                   |
| NCC Group A/S                             | —                      | —                      |
| <b>Total Cyber Security<sup>2</sup></b>   | <b>138.3</b>           | <b>150.5</b>           |
| <b>Total Group</b>                        | <b>255.8</b>           | <b>266.1</b>           |

### Impairment review

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

For the year ended 31 May 2022, the recoverable amount of all CGUs concerned was measured on a value in use basis (VIU), with the exception of the Europe Cyber Security<sup>2</sup> CGU and the IPM Software Resilience CGU, which were measured on a fair value less costs to sell (FVLCTS) basis. For the year ended 31 May 2023, the recoverable amount of all CGUs was measured on a fair value less costs to sell basis.

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

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

### Fair value less costs to sell

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

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

The FVLCTS valuation has been calculated by assessing the value of each standalone CGU calculated using an Adjusted EBITDA<sup>1</sup> multiple based on estimated sustainable earnings adjusted for specific items where relevant. Estimated sustainable earnings has been 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 input is a level 3 measurement; level 3 measurements are inputs which are normally unobservable to market participants.

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

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

1 Revenue growth at constant currency, Adjusted EBITDA, Adjusted operating profit, Adjusted EPS, cash conversion, net debt and net debt excluding lease liabilities are APMs and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items.

2 Formerly Assurance.

# Notes to the Financial Statements continued

at 31 May 2023

## 12 Goodwill and intangible assets continued

### Fair value less costs to sell continued

#### Impairment

During March 2023, the Group gave a trading update that market volatility had materially increased significantly impacting on Cyber Security<sup>2</sup> revenue and profitability, particularly in the North American technology sector. The key factors were:

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

The board has assessed the recoverable amount of the North America Cyber Security<sup>2</sup> CGU based on its FVLCTS at 31 May 2023 as described above. Based on that assessment, the carrying amount of this CGU exceeded its recoverable amount and therefore an impairment loss of £9.8m has been recognised reducing the value of goodwill allocated to this CGU to £31.6m. This amount has been recognised as an Individually Significant Item (see Note 5). The impairment charge recognised has resulted in a reduction in the carrying value of goodwill only.

On 1 June 2022, the Group made the decision to re-organise its Danish business (NCC Group A/S) which had previously been a part of the Europe Cyber Security<sup>2</sup> CGU. Following this re-organisation, management has estimated the recoverable amount of the NCC Group A/S CGU based on its FVLCTS at 31 May 2023 as described above. Based on that estimate an impairment loss of £3.0m has been recognised reducing the value of Goodwill allocated to this CGU to £nil. This amount has been recognised as an individually significant item (see Note 5). The impairment charge recognised has resulted in a reduction in the carrying value of goodwill only.

The Board has assessed the recoverable amount of the Europe Cyber Security<sup>2</sup> CGU based on its FVLCTS at 31 May 2023 as described above. Based on that assessment the Board is satisfied that the recoverable amount exceeds the carrying value of assets allocated to that CGU. However, there are reasonably possible changes to certain key inputs that could give rise to an impairment. Please see sensitivity analysis below.

#### Sensitivity analysis

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

The table below shows the sensitivity of headroom to reasonably possible changes in the key assumptions, after the £9.8m impairment in the North America Cyber Security<sup>2</sup> CGU during FY23.

| CGU   | Headroom<br>£m | Sensitivities: impact on<br>carrying value          |   |
|---|----------------|---|---|
|   |                | Decrease<br>in revenue<br>of 10% <sup>3</sup><br>£m | Increase<br>in all costs<br>of 5%<br>£m |
| North America Cyber Security <sup>2,4</sup> | —              | (21.7)  | (26.5)                                  |
| Europe Cyber Security <sup>2</sup>          | 13.4           | (9.9)   | (14.3)                                  |

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

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

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

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

#### Value in use (for the year ended 31 May 2022 only)

VIU represents the present value of the future cash flows that are expected to be generated by the CGU to which the goodwill is allocated.

VIU calculations are an area of management estimation. These calculations require the use of estimates (inputs), specifically: pre-tax cash flow projections; long-term growth rates; and a pre-tax discount rate. Further detail in relation to these assumptions used in the Group's goodwill annual impairment review is as follows:

1 Revenue growth at constant currency, Adjusted EBITDA, Adjusted operating profit, Adjusted EPS, cash conversion, net debt and net debt excluding lease liabilities are APMs and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items.

2 Formerly Assurance.

3 While holding gross margin percentage at a fixed rate.

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

## 12 Goodwill and intangible assets continued

### Pre-tax cash flow projections

Pre-tax cash flow projections are based on the Group's budget for the forthcoming financial year and longer-term three year strategic plans to 2025. The budget and three year strategic plan are compiled by the business unit management teams using a detailed, bottom-up process with respect to revenue, margin and overheads, taking into account factors specific to that business unit as well as wider economic factors such as industry growth expectations and the impact of Covid-19 or the Ukraine conflict.

The Group's revenue forecasts are developed using the most reliable data available, such as the size of the existing contract base and details of confirmed orders, as well as assumptions over key operational inputs to underpin the forecast for each revenue stream. The combined effect of these individual assumptions on the overall growth rate assumed for each area of the business is then compared to management's experience of growth and the industry's expected growth rate.

For cost forecasts, the majority of which are people related, headcount changes are forecast for delivery and sales staff in order that there are sufficient resources to support the forecasted required revenue delivery capacity as well as to deliver against sales targets, while also factoring in payroll inflation expectations. Overhead costs are also forecast using a bottom-up process.

Forecasts go through a detailed review process and are subject to challenge at each stage of review, including by the Executive Committee. Ultimately the forecasts are approved by the Board.

Assumptions have then been applied for expected revenue, margin growth, overheads and Adjusted EBITDA<sup>1</sup> for the subsequent two years from the end of 2023. Adjusted EBITDA<sup>1</sup> is considered a proxy for operating cash flow before changes in working capital. Pre-tax cash flow projections also include assumptions on working capital and capital expenditure requirements for each CGU.

These assumptions are based on management's experience of growth and knowledge of the industry sectors, markets and the Group's internal opportunities for growth and margin enhancement. The projections beyond five years into perpetuity use an estimated long-term growth rate. Management has taken into account the impact of Covid-19 in formulating the above assumptions, and the underlying uncertainty of Covid-19 has been reflected in the assumptions underpinning the cash flow forecasts for each CGU rather than the pre-tax discount rates used in the impairment test.

Forecast working capital and capital expenditure included within the pre-tax cash flow projections are based on management's expectations of future expenditure required to support the Group and current run rate requirements.

The revenue % growth for the Cyber Security<sup>2</sup> CGU is considered by management to be appropriate for the specific industry in which the CGU operates. Management has considered available external market data in determining the revenue growth rates over the five year forecast period.

### Long-term growth rates

To forecast growth beyond the detailed cash flows into perpetuity, a long-term average growth rate ranging between 1.5% and 2.5% for the year ended 31 May 2022 was used based on the specific geography of the CGU, as shown in the table below. This range represents management's best estimate of a long-term annual growth rate aligned to an assessment of long-term GDP growth rates. A higher sector-specific growth rate would be a valid alternative estimate. A different set of assumptions may be more appropriate in future years dependent on changes in the macro-economic environment. These rates are not greater than the published International Monetary Fund average growth rates in gross domestic product for the next five year period in each relevant territory in which the CGUs operate.

|   | Growth rate (%)<br>2023 | Growth rate (%)<br>2022 |
|---|-------------------------|-------------------------|
| UK Software Resilience                    | n/a                     | 2.2                     |
| North America Software Resilience         | n/a                     | 2.5                     |
| Europe Software Resilience                | n/a                     | 1.5                     |
| UK and APAC Cyber Security <sup>2</sup>   | n/a                     | 2.2                     |
| North America Cyber Security <sup>2</sup> | n/a                     | 2.5                     |

1 Revenue growth at constant currency, Adjusted EBITDA, Adjusted operating profit, Adjusted EPS, cash conversion, net debt and net debt excluding lease liabilities are APMs and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items.

2 Formerly Assurance.



# Notes to the Financial Statements continued

at 31 May 2023

## 12 Goodwill and intangible assets continued

### Pre-tax discount rates

Discount rates can change relatively quickly for reasons both inside and outside of management's control. Those outside management's direct control or influence include changes in the Group's Beta, changes in risk free rates of return and changes in Equity Risk Premia.

The discount rates are determined using a capital asset pricing model and reflect current market interest rates, relevant equity and size risk premiums and the risks specific to the CGU concerned. On this basis, specific discount rates are used for each CGU in the VIU calculation, and the rates reflect management's assessment on the level of relative risk in each respective CGU. The table below summarises the pre-tax discount rates used for each CGU:

|   | Pre-tax discount rate (%)<br>2023 | Pre-tax discount rate (%)<br>2022 |
|---|-----------------------------------|-----------------------------------|
| UK Software Resilience                    | n/a                               | 13.5                              |
| North America Software Resilience         | n/a                               | 14.4                              |
| Europe Software Resilience                | n/a                               | 12.5                              |
| UK and APAC Cyber Security <sup>2</sup>   | n/a                               | 13.5                              |
| North America Cyber Security <sup>2</sup> | n/a                               | 14.4                              |

### Sensitivity analysis (for the year ended 31 May 2022 only)

Sensitivity analysis has been performed in respect of certain VIU scenarios where management considers a reasonably possible change in key assumptions could occur. The outcome of applying sensitivity analysis in respect of the above inputs indicated that there is no reasonably possible scenario in which the carrying value of goodwill would be considered impaired.

## 13 Property, plant and equipment

|                                    | Computer equipment<br>£m | Fixtures, fittings and equipment<br>£m | Motor vehicles<br>£m | Total<br>£m |
|------------------------------------|--------------------------|--|----------------------|-------------|
| <b>Cost</b>                        |                          |  |                      |             |
| <b>At 1 June 2021</b>              | 20.8                     | 17.3                                   | 0.1                  | 38.2        |
| Additions                          | 3.7                      | 1.5                                    | —                    | 5.2         |
| Movement in foreign exchange rates | 0.1                      | 0.3                                    | —                    | 0.4         |
| <b>At 31 May 2022</b>              | 24.6                     | 19.1                                   | 0.1                  | 43.8        |
| Additions                          | 2.7                      | 1.2                                    | —                    | 3.9         |
| Disposals                          | —                        | —                                      | (0.1)                | (0.1)       |
| Movement in foreign exchange rates | 0.2                      | 0.1                                    | —                    | 0.3         |
| <b>At 31 May 2023</b>              | 27.5                     | 20.4                                   | —                    | 47.9        |
| <b>Depreciation</b>                |                          |  |                      |             |
| <b>At 1 June 2021</b>              | (17.5)                   | (9.1)                                  | (0.1)                | (26.7)      |
| Charge for year                    | (2.7)                    | (1.2)                                  | —                    | (3.9)       |
| Movement in foreign exchange rates | —                        | (0.3)                                  | —                    | (0.3)       |
| <b>At 31 May 2022</b>              | (20.2)                   | (10.6)                                 | (0.1)                | (30.9)      |
| Charge for year                    | (2.7)                    | (1.8)                                  | —                    | (4.5)       |
| On disposals                       | —                        | —                                      | 0.1                  | 0.1         |
| Movement in foreign exchange rates | (0.1)                    | —                                      | —                    | (0.1)       |
| <b>At 31 May 2023</b>              | (23.0)                   | (12.4)                                 | —                    | (35.4)      |
| <b>Net book value</b>              |                          |  |                      |             |
| <b>At 31 May 2022</b>              | 4.4                      | 8.5                                    | —                    | 12.9        |
| <b>At 31 May 2023</b>              | 4.5                      | 8.0                                    | —                    | 12.5        |

<sup>2</sup> Formerly Assurance.

## 14 Right-of-use assets

|                        | Land and buildings<br>£m | Motor vehicles<br>£m | Total<br>£m |
|------------------------|--------------------------|----------------------|-------------|
| <b>Cost:</b>           |                          |                      |             |
| <b>At 1 June 2021</b>  | 33.8                     | 3.0                  | 36.8        |
| Additions              | 1.9                      | 1.6                  | 3.5         |
| <b>At 31 May 2022</b>  | 35.7                     | 4.6                  | 40.3        |
| Additions              | 2.9                      | 1.4                  | 4.3         |
| Disposals              | (1.8)                    | —                    | (1.8)       |
| Impairment             | (0.5)                    | —                    | (0.5)       |
| <b>At 31 May 2023</b>  | 36.3                     | 6.0                  | 42.3        |
| <b>Depreciation:</b>   |                          |                      |             |
| <b>At 1 June 2021</b>  | (10.8)                   | (2.2)                | (13.0)      |
| Charge for year        | (4.2)                    | (1.2)                | (5.4)       |
| Reversal of impairment | 0.1                      | 0.0                  | 0.1         |
| <b>At 31 May 2022</b>  | (14.9)                   | (3.4)                | (18.3)      |
| Charge for year        | (4.4)                    | (1.3)                | (5.7)       |
| Disposals              | 0.3                      | —                    | 0.3         |
| <b>At 31 May 2023</b>  | (19.0)                   | (4.7)                | (23.7)      |
| <b>Net book value:</b> |                          |                      |             |
| <b>At 31 May 2022</b>  | 20.8                     | 1.2                  | 22.0        |
| <b>At 31 May 2023</b>  | 17.3                     | 1.3                  | 18.6        |

The Directors have considered the impact of climate change on right-of-use assets with no material impact identified.

## 15 Investments

|                             | Group<br>2023<br>£m | Group<br>2022<br>£m |
|-----------------------------|---------------------|---------------------|
| Interest in unlisted shares | 0.3                 | 0.3                 |

The investment in unlisted shares relates to a 3.35% ordinary shareholding in an unlisted company acquired as part of the Accumuli acquisition. The investment's carrying value at acquisition date was considered appropriate to use as the fair value. The Directors consider there has been no change in the year.

An assessment of the investment did not identify any indications of impairment and, accordingly, no indicator-based impairment testing has been undertaken. The Group receives annual dividends from the investment; the trading performance and the net assets reported are strong and profitable.

## 16 Inventory

|                  | Group<br>2023<br>£m | Group<br>2022<br>£m |
|------------------|---------------------|---------------------|
| Goods for resale | 0.8                 | 0.9                 |

The Group holds stock of certain critical components for key customers in relation to our own product sales (as opposed to third party products). The carrying value of inventory is expected to be recovered or settled within one year. There have been no write-downs of inventory in the year (2022: £nil). The Directors have considered the impact of climate change on inventory, with no material impact identified.

## Notes to the Financial Statements continued

at 31 May 2023

### 17 Trade and other receivables

|  | Group<br>2023<br>£m | Group<br>2022<br>£m | Company<br>2023<br>£m | Company<br>2022<br>£m |
|--|---------------------|---------------------|-----------------------|-----------------------|
| <b>Current</b>                                 |                     |                     |                       |                       |
| Trade receivables                              | 26.7                | 40.6                | —                     | —                     |
| Prepayments                                    | 10.5                | 11.8                | —                     | —                     |
| Contract costs (see Note 23)                   | 1.7                 | 1.1                 | —                     | —                     |
| Other receivables                              | 2.0                 | 1.2                 | —                     | —                     |
| Contract assets – accrued income (see Note 23) | 17.2                | 23.0                | —                     | —                     |
| <b>Non-current</b>                             |                     |                     |                       |                       |
| Amounts owed by Group undertakings             | —                   | —                   | 23.2                  | 32.9                  |
| <b>Total</b>                                   | <b>58.1</b>         | <b>77.7</b>         | <b>23.2</b>           | <b>32.9</b>           |
| Disclosed as follows:                          |                     |                     |                       |                       |
| Current assets                                 | 58.1                | 77.7                | —                     | —                     |
| Non-current assets                             | —                   | —                   | 23.2                  | 32.9                  |
|  | <b>58.1</b>         | <b>77.7</b>         | <b>23.2</b>           | <b>32.9</b>           |

The carrying value of trade and other receivables classified at amortised cost approximates fair value. No credit losses have been recognised in respect of amounts owed by Group undertakings (Parent Company only) in the year (2022: £nil).

Amounts owed by Group undertakings in the Parent Company Balance Sheet have been disclosed as repayable after more than one year. Although these are repayable on demand, the disclosure as non-current is based on management's expectation of the timing of repayment.

The ageing of trade receivables, other receivables and contract assets at the end of the reporting period was:

| Group                      | 2023                |   |                   | 2022                |   |                   |
|----------------------------|---------------------|---|-------------------|---------------------|---|-------------------|
|                            | Gross<br>2023<br>£m | Expected<br>credit losses<br>2023<br>£m | Net<br>2023<br>£m | Gross<br>2022<br>£m | Expected<br>credit losses<br>2022<br>£m | Net<br>2022<br>£m |
| Trade receivables:         |                     |   |                   |                     |   |                   |
| Not past due               | 15.6                | (0.1)                                   | 15.5              | 28.0                | (0.1)                                   | 27.9              |
| Past due 0–30 days         | 6.8                 | —                                       | 6.8               | 7.7                 | —                                       | 7.7               |
| Past due 31–90 days        | 4.1                 | —                                       | 4.1               | 4.6                 | (0.1)                                   | 4.5               |
| Past due more than 90 days | 2.2                 | (1.9)                                   | 0.3               | 3.8                 | (3.3)                                   | 0.5               |
|                            | <b>28.7</b>         | <b>(2.0)</b>                            | <b>26.7</b>       | <b>44.1</b>         | <b>(3.5)</b>                            | <b>40.6</b>       |
| Other receivables:         |                     |   |                   |                     |   |                   |
| Not past due               | 2.0                 | —                                       | 2.0               | 1.2                 | —                                       | 1.2               |
| Contract assets:           |                     |   |                   |                     |   |                   |
| Not past due               | 17.4                | (0.2)                                   | 17.2              | 23.2                | (0.2)                                   | 23.0              |
| <b>Total</b>               | <b>48.1</b>         | <b>(2.2)</b>                            | <b>45.9</b>       | <b>68.5</b>         | <b>(3.7)</b>                            | <b>64.8</b>       |

The Company had no trade receivables (2022: £nil). The standard period for credit sales varies from 30 days to 60 days. The Group assesses the creditworthiness of all trade debts on an ongoing basis providing for expected credit losses in line with IFRS 9. The Group has considered credit risk rating grades; these are based on the ageing categories above. New customers are subject to stringent credit checks.

The movement in the expected credit losses of trade and other receivables and contract assets is as follows:

|  | Group<br>2023<br>£m | Group<br>2022<br>£m |
|--|---------------------|---------------------|
| Balance at 1 June                          | (3.7)               | (1.9)               |
| On acquisition (Note 35)                   | —                   | (1.4)               |
| Released/(charged) to the Income Statement | 1.5                 | (0.4)               |
| <b>Balance at 31 May</b>                   | <b>(2.2)</b>        | <b>(3.7)</b>        |

## 18 Deferred tax assets and liabilities (Group)

Deferred tax assets and liabilities on the Consolidated Statement of Financial Position are offset in accordance with IAS 12. A summary of this, offset with significant jurisdictions, is shown below:

| Asset/(liability)                     | 2023       |            |                   |               |              |
|---------------------------------------|------------|------------|-------------------|---------------|--------------|
|                                       | UK<br>£m   | US<br>£m   | Netherlands<br>£m | Denmark<br>£m | Total<br>£m  |
| Plant and equipment                   | 0.2        | (0.3)      | 0.3               | —             | 0.2          |
| Short-term temporary differences      | 0.2        | 8.9        | —                 | —             | 9.1          |
| IFRS 16 assets/(liabilities)          | 0.3        | 0.2        | —                 | —             | 0.5          |
| Intangible assets                     | (1.4)      | (7.6)      | (1.7)             | —             | (10.7)       |
| Share-based payments                  | 0.3        | 0.2        | —                 | —             | 0.5          |
| Tax losses                            | 1.7        | 0.2        | —                 | —             | 1.9          |
| <b>Deferred tax asset/(liability)</b> | <b>1.3</b> | <b>1.6</b> | <b>(1.4)</b>      | <b>—</b>      | <b>1.5</b>   |
| Analysed as follows:                  |            |            |                   |               |              |
| <b>Non-current assets</b>             | <b>1.3</b> | <b>1.6</b> | <b>—</b>          | <b>—</b>      | <b>2.9</b>   |
| <b>Non-current liabilities</b>        | <b>—</b>   | <b>—</b>   | <b>(1.4)</b>      | <b>—</b>      | <b>(1.4)</b> |

| Asset/(liability)                     | 2022         |            |                   |               |              |
|---------------------------------------|--------------|------------|-------------------|---------------|--------------|
|                                       | UK<br>£m     | US<br>£m   | Netherlands<br>£m | Denmark<br>£m | Total<br>£m  |
| Plant and equipment                   | 0.3          | (0.4)      | 0.3               | —             | 0.2          |
| Short-term temporary differences      | 0.2          | 6.2        | —                 | —             | 6.4          |
| IFRS 16 assets/(liabilities)          | 0.3          | 0.2        | —                 | —             | 0.5          |
| Intangible assets                     | (1.8)        | (5.2)      | (1.8)             | —             | (8.8)        |
| Share-based payments                  | 0.9          | 0.6        | —                 | —             | 1.5          |
| <b>Deferred tax (liability)/asset</b> | <b>(0.1)</b> | <b>1.4</b> | <b>(1.5)</b>      | <b>—</b>      | <b>(0.2)</b> |
| Analysed as follows:                  |              |            |                   |               |              |
| <b>Non-current assets</b>             | <b>—</b>     | <b>1.4</b> | <b>—</b>          | <b>—</b>      | <b>1.4</b>   |
| <b>Non-current liabilities</b>        | <b>(0.1)</b> | <b>—</b>   | <b>(1.5)</b>      | <b>—</b>      | <b>(1.6)</b> |

Movement in deferred tax during the year:

|                                  | 1 June<br>2022<br>£m | Recognised<br>in income<br>statement<br>£m | Exchange<br>differences<br>£m | Recognised<br>in equity<br>£m | Acquisition<br>£m | 31 May<br>2023<br>£m |
|----------------------------------|----------------------|--|-------------------------------|-------------------------------|-------------------|----------------------|
| Plant and equipment              | 0.2                  | —  | —                             | —                             | —                 | 0.2                  |
| Short-term temporary differences | 6.4                  | 2.7  | —                             | —                             | —                 | 9.1                  |
| IFRS 16 assets/liabilities       | 0.5                  | —  | —                             | —                             | —                 | 0.5                  |
| Intangible assets                | (8.8)                | (1.8)                                      | (0.1)                         | —                             | —                 | (10.7)               |
| Share-based payments             | 1.5                  | (0.9)                                      | —                             | (0.1)                         | —                 | 0.5                  |
| Tax losses                       | —                    | 1.9  | —                             | —                             | —                 | 1.9                  |
| <b>Total</b>                     | <b>(0.2)</b>         | <b>1.9</b>                                 | <b>(0.1)</b>                  | <b>(0.1)</b>                  | <b>—</b>          | <b>1.5</b>           |

|                                  | 1 June<br>2021<br>£m | Recognised<br>in income<br>statement<br>£m | Exchange<br>differences<br>£m | Recognised<br>in equity<br>£m | Acquisition<br>£m | 31 May<br>2022<br>£m |
|----------------------------------|----------------------|--|-------------------------------|-------------------------------|-------------------|----------------------|
| Plant and equipment              | 0.9                  | (0.5)                                      | (0.2)                         | —                             | —                 | 0.2                  |
| Short-term temporary differences | 4.8                  | 0.9  | 0.7                           | —                             | —                 | 6.4                  |
| IFRS 16 assets/liabilities       | 0.5                  | —  | —                             | —                             | —                 | 0.5                  |
| Intangible assets                | (7.5)                | (0.3)                                      | (0.3)                         | —                             | (0.7)             | (8.8)                |
| Share-based payments             | 1.6                  | 0.2  | 0.1                           | (0.4)                         | —                 | 1.5                  |
| Tax losses                       | 0.5                  | (0.5)                                      | —                             | —                             | —                 | —                    |
| <b>Total</b>                     | <b>0.8</b>           | <b>(0.2)</b>                               | <b>0.3</b>                    | <b>(0.4)</b>                  | <b>(0.7)</b>      | <b>(0.2)</b>         |



## Notes to the Financial Statements continued

at 31 May 2023

### 18 Deferred tax assets and liabilities (Group) continued

In the year ended 31 May 2023, the Group has recognised a deferred tax asset in relation to tax losses of £1.9m as management considers it probable that future taxable profits will be available against which tax losses may be offset. In 2022, the Group recognised no deferred tax asset in relation to tax losses. The Group has not recognised a potential deferred tax asset on £14.8m (2022: £35.7m) of tax losses carried forward in the United Kingdom (£7.5m), Denmark (£4.1m), Australia (£2.5m) and United States (£0.7m) due to current uncertainties over their future recoverability (and in the case of United Kingdom/United States because of specific legislative restrictions). A deferred tax asset of £1.4m (2022: £0.5m) in respect of R&D tax claims submitted in the United States has been partially provided against due to uncertainty with regard to recoverability; an amount of £0.8m has been provided (2022: £0.3m). No deferred tax liability is recognised on temporary differences of £0.6m (2022: £0.4m) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timing of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future.

### 19 Trade and other payables

|                                 | Group<br>2023<br>£m | Group<br>2022<br>£m | Company<br>2023<br>£m | Company<br>2022<br>£m |
|---------------------------------|---------------------|---------------------|-----------------------|-----------------------|
| Trade payables                  | 6.3                 | 8.7                 | —                     | —                     |
| Non-trade payables              | 8.6                 | 11.4                | —                     | —                     |
| Accruals                        | 29.8                | 28.2                | —                     | —                     |
| Amounts owed to Group companies | —                   | —                   | 0.2                   | 18.2                  |
| <b>Total</b>                    | <b>44.7</b>         | <b>48.3</b>         | <b>0.2</b>            | <b>18.2</b>           |

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

### 20 Lease liabilities

|                       | Land and<br>buildings<br>£m | Motor<br>vehicles<br>£m | Total<br>£m |
|-----------------------|-----------------------------|-------------------------|-------------|
| <b>At 1 June 2021</b> | 31.6                        | 2.8                     | 34.4        |
| Additions             | 1.9                         | 1.6                     | 3.5         |
| Lease payments        | (5.4)                       | (1.1)                   | (6.5)       |
| Interest expense      | 1.0                         | 0.2                     | 1.2         |
| <b>At 1 June 2022</b> | 29.1                        | 3.5                     | 32.6        |
| Additions             | 2.2                         | 1.4                     | 3.6         |
| Disposals             | (0.2)                       | —                       | (0.2)       |
| Lease payments        | (5.8)                       | (1.3)                   | (7.1)       |
| Interest expense      | 1.0                         | 0.1                     | 1.1         |
| <b>At 31 May 2023</b> | <b>26.3</b>                 | <b>3.7</b>              | <b>30.0</b> |

Analysed as follows:

|             | 2023<br>£m | 2022<br>£m |
|-------------|------------|------------|
| Current     | 6.0        | 5.4        |
| Non-current | 24.0       | 27.2       |

The maturity of lease liabilities is as follows:

|                                | 2023<br>£m  | 2022<br>£m  |
|--------------------------------|-------------|-------------|
| Less than one year             | 6.0         | 5.4         |
| Two to five years              | 16.7        | 16.5        |
| More than five years           | 7.3         | 10.7        |
| <b>Total lease liabilities</b> | <b>30.0</b> | <b>32.6</b> |

## 20 Lease liabilities continued

The total cash outflow for leases in the year was £7.1m (2022: £6.5m), which consists of £6.0m (2022: £5.3m) principal element of lease payments disclosed above, £1.1m (2022: £1.2m) interest element of leases payments and £nil (2022: £0.1m) lease payments charged to the Income Statement in respect of short-term leases. The Group has used its incremental borrowing rate of 5.8% (2022: 3.3%) as the discount rate for the calculation of the lease liabilities. Some leases contain break clauses or extension options to provide operational flexibility. Potential future undiscounted lease payments not included in the reasonably certain lease term, and hence not included in lease liabilities, total £4.9m (2022: £5.0m).

## 21 Provisions

|  | Loss-making contracts<br>£m | Onerous property costs<br>£m | Redundancy provision<br>£m | Other provisions<br>£m | Total<br>£m |
|--|-----------------------------|------------------------------|----------------------------|------------------------|-------------|
| <b>Balance as at 31 May 2021 and 1 June 2021</b> | 1.1                         | 1.7                          | —                          | 0.2                    | 3.0         |
| Provisions created in the year                   | 1.9                         | —                            | —                          | 0.6                    | 2.5         |
| Provisions utilised during the year              | (1.2)                       | (0.7)                        | —                          | (0.1)                  | (2.0)       |
| <b>Balance as at 31 May 2022 and 1 June 2022</b> | 1.8                         | 1.0                          | —                          | 0.7                    | 3.5         |
| Provisions created in the year                   | —                           | 0.7                          | 0.3                        | —                      | 1.0         |
| Provisions utilised during the year              | (0.8)                       | (0.3)                        | —                          | (0.7)                  | (1.8)       |
| <b>Balance as at 31 May 2023</b>                 | 1.0                         | 1.4                          | 0.3                        | —                      | 2.7         |
| Analysed as follows (2023):                      |                             |                              |                            |                        |             |
| Current  | 0.6                         | 0.3                          | 0.3                        | —                      | 1.2         |
| Non-current                                      | 0.4                         | 1.1                          | —                          | —                      | 1.5         |
| Analysed as follows (2022):                      |                             |                              |                            |                        |             |
| Current  | 1.5                         | 0.5                          | —                          | 0.7                    | 2.7         |
| Non-current                                      | 0.3                         | 0.5                          | —                          | —                      | 0.8         |

The loss-making contracts provision represents the estimated remaining net lifetime loss on long-term development and supply contracts that are now expected to be fully completed in the 2024 calendar year mainly due to supply chain sourcing. It was expected in the prior year that these contracts would have been completed in 2023. During the year, revenue has been recognised in relation to these long-term contracts of £0.8m (2022: £2.3m).

The onerous property costs provision relates to unused floors in the Manchester head office building. The provision of £1.4m (2022: £1.0m) at 31 May 2023 includes £0.9m (2022: £0.4m) of non-rent costs relating to the onerous properties including service charges and insurance and also the estimated costs of disposing or terminating these leases, which includes rent incentives and letting fees. The provision at 31 May 2023 also includes estimated dilapidations liabilities of £0.5m (2022: £0.6m) relating to the Group's leased premises. Both of these provisions are expected to unwind over the period of the relevant leases (2023–2034). The impact of discounting the cash flows is £0.3m (2022: £0.2m).

The redundancy provision represents accrued severance costs relating to the implementation of the re-organisation as detailed in Note 5.

Other provisions of £nil (2022: £0.7m) include reorganisation and CEO transition costs to which the Group was committed at 31 May 2022 and were settled within the year ended 31 May 2023.

## 22 Contract liabilities – deferred revenue

Deferred revenue represents advanced consideration received from customers, for which revenue is recognised over time. Deferred revenue is analysed as follows and is considered a contract liability:

|                      | Group<br>2023<br>£m | Group<br>2022<br>£m |
|----------------------|---------------------|---------------------|
| Analysed as follows: |                     |                     |
| Current              | 51.6                | 61.7                |
| Non-current          | 3.3                 | 0.6                 |
|                      | 54.9                | 62.3                |

Revenue recognised in the year ended 31 May 2023 that was included in the contract liability at 1 June 2022 amounted to £62.4m (2022: £43.6m). The non-current element is expected to unwind in the year ended 31 May 2025. The Group has taken advantage of the IFRS 15 practical expedient not to disclose when revenue will unwind for all contracts less than 12 months in length.

## Notes to the Financial Statements continued

at 31 May 2023

### 23 Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

|  | Notes | Group<br>2023<br>£m | Group<br>2022<br>£m |
|--|-------|---------------------|---------------------|
| Receivables, which are included in trade and other receivables | 17    | 26.7                | 40.6                |
| Contract assets – accrued income                               | 17    | 17.2                | 23.0                |
| Contract costs – costs to obtain                               | 17    | 1.7                 | 1.1                 |
| Contract liabilities – deferred income                         | 22    | (54.9)              | (62.3)              |

Receivables represent invoiced services usually payable within 30 days whereby performance obligations have been satisfied.

Accrued income of £17.2m (of which £17.0m (2022: £20.3m) represents Cyber Security<sup>2</sup> accrued income) is the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets accrued in the prior year of £23.0m were fully recognised as trade receivables during the year ended 31 May 2023 and therefore the balance as at 31 May 2023 were fully accrued during the period are transferred to receivables when the rights become unconditional. Credit losses of £0.2m (2022: £0.2m) have been recognised in respect of contract assets.

The contract assets were not impacted by any impairment charge. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. Invoices usually become payable within 30 days. The contract costs to obtain of £1.7m (2022: £1.1m) represent incremental sales commissions to obtain specific contracts and are amortised over the length of the contract.

The contract costs to fulfil represent recoverable costs relating to future performance obligations and economic benefits to the customer in relation to an onerous contracts.

Contract liabilities primarily relate to advanced consideration received from customers, for which revenue is recognised over time in line with the respective performance obligation. No information is provided about remaining performance obligations at 31 May 2023 or at 31 May 2022 that have an original expected duration of one year or less, as allowed by IFRS 15.

### 24 Cash and cash equivalents and borrowings

#### Cash and cash equivalents

Cash and cash equivalents comprise:

|                                       | Group<br>2023<br>£m | Group<br>2022<br>£m | Company<br>2023<br>£m | Company<br>2022<br>£m |
|---------------------------------------|---------------------|---------------------|-----------------------|-----------------------|
| Cash and cash equivalents             | 34.1                | 73.2                | 15.0                  | 20.2                  |
| Bank overdraft                        | (1.8)               | —                   | —                     | —                     |
| <b>Total cash at bank and in hand</b> | <b>32.3</b>         | <b>73.2</b>         | <b>15.0</b>           | <b>20.2</b>           |

Borrowings are analysed as follows:

|                                 | Maturity | Group<br>2023<br>£m | Group<br>2022<br>£m | Company<br>2023<br>£m | Company<br>2022<br>£m |
|---------------------------------|----------|---------------------|---------------------|-----------------------|-----------------------|
| <b>Current liabilities:</b>     |          |                     |                     |                       |                       |
| Bank term loan                  | 2024     | —                   | 18.5                | —                     | —                     |
| <b>Non-current liabilities:</b> |          |                     |                     |                       |                       |
| Revolving credit facility       | 2026     | 81.9                | 70.5                | —                     | —                     |
| Bank term loan                  | 2024     | —                   | 36.6                | —                     | —                     |
| <b>Total borrowings</b>         |          | <b>81.9</b>         | <b>125.6</b>        | <b>—</b>              | <b>—</b>              |

The maturity profile is as follows:

|                         | Group<br>2023<br>£m | Group<br>2022<br>£m | Company<br>2023<br>£m | Company<br>2022<br>£m |
|-------------------------|---------------------|---------------------|-----------------------|-----------------------|
| Less than one year      | —                   | 18.5                | —                     | —                     |
| Two to five years       | 81.9                | 107.1               | —                     | —                     |
| <b>Total borrowings</b> | <b>81.9</b>         | <b>125.6</b>        | <b>—</b>              | <b>—</b>              |

2 Formerly Assurance.

## 24 Cash and cash equivalents and borrowings continued

### Cash and cash equivalents continued

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

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

In December 2022, the Group entered into a new four year £162.5m multi-currency revolving credit facility replacing our existing £100m multi-currency revolving credit facility and the remaining \$46.7m of the original \$70m term loan that was maturing in June 2024. Key terms of the new facility are:

- £162.5m multi-currency revolving credit facility maturing in December 2026
- Additional £75m uncommitted accordion option
- Increase to leverage covenant from 2.5x to 3.0x with an additional acquisition spike to 3.5x for the first 12 months of any acquisition
- Weighted average interest rate of the facility is lower and payable on a ratchet mechanism, with a margin payable above SONIA and SOFR in the range of 1.00% to 2.25% depending on the level of the Group's leverage. The weighted average interest rate is 5.92% as at 31 May 2023
- The new facility is considered an extinguishment of the previous RCF and Term Loan Facility Agreement and therefore remaining arrangement fees of £0.6m have been charged to the Income Statement during the year ended 31 May 2023. New arrangement fees of £1.7m will be amortised over the new four year term to December 2026. Arrangement fees of £0.4m (2022: £0.4m) have been charged to the Income Statement in the year ended 31 May 2023.
- Certain subsidiaries of the Group act as guarantors to the new facility to provide coverage based on aggregate EBITDA<sup>1</sup> and gross assets.

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

## 25 Financial instruments

### Loans and borrowings

|  | Group<br>2023<br>£m | Group<br>2022<br>£m | Company<br>2023<br>£m | Company<br>2022<br>£m |
|--|---------------------|---------------------|-----------------------|-----------------------|
| <b>Non-current</b>   |                     |                     |                       |                       |
| Variable rate:   |                     |                     |                       |                       |
| Revolving credit facility  | (81.9)              | (70.5)              | —                     | —                     |
| Bank term loan   | —                   | (36.6)              | —                     | —                     |
|  | (81.9)              | (107.1)             | —                     | —                     |
| <b>Current</b>   |                     |                     |                       |                       |
| Variable rate:   |                     |                     |                       |                       |
| Bank term loan   | —                   | (18.5)              | —                     | —                     |
| <b>Total loans and borrowings (excluding lease liabilities)</b>  | <b>(81.9)</b>       | <b>(125.6)</b>      | <b>—</b>              | <b>—</b>              |
| Cash   | 34.1                | 73.2                | 15.0                  | 20.2                  |
| Bank overdraft   | (1.8)               | —                   | —                     | —                     |
| <b>Net (debt)/cash (excluding lease liabilities)<sup>1</sup></b> | <b>(49.6)</b>       | <b>(52.4)</b>       | <b>15.0</b>           | <b>20.2</b>           |
| <b>Non-current</b>   |                     |                     |                       |                       |
| Lease liabilities  | (24.0)              | (27.2)              | —                     | —                     |
| <b>Current</b>   |                     |                     |                       |                       |
| Lease liabilities  | (6.0)               | (5.4)               | —                     | —                     |
| <b>Net (debt)/cash<sup>1</sup></b>                               | <b>(79.6)</b>       | <b>(85.0)</b>       | <b>15.0</b>           | <b>20.2</b>           |

<sup>1</sup> Revenue growth at constant currency, Adjusted EBITDA, Adjusted operating profit, Adjusted EPS, cash conversion, net debt and net debt excluding lease liabilities are APMs and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items.



# Notes to the Financial Statements continued

at 31 May 2023

## 25 Financial instruments continued

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

| Group  | 2023<br>£m    | 2022<br>£m   |
|--|---------------|--------------|
| <b>Revolving credit facility/bank term loan:</b> |               |              |
| Drawdown on facility                             | 70.8          | 120.7        |
| Repayment of facility                            | (115.6)       | (39.4)       |
| Transaction costs                                | (1.7)         | (0.6)        |
| Interest costs (non-cash)                        | 4.0           | 2.1          |
| Interest paid on borrowings                      | (4.0)         | (2.1)        |
| Release of deferred arrangement fees             | 1.0           | 0.4          |
| Foreign exchange movement                        | 1.8           | 11.3         |
| <b>Movement in borrowings</b>                    | <b>(43.7)</b> | <b>92.4</b>  |
| <b>IFRS 16 lease liability:</b>                  |               |              |
| New leases entered into                          | 3.6           | 3.5          |
| Disposals  | (0.2)         | —            |
| Principal element of lease payments              | (6.0)         | (5.3)        |
| Interest element of lease payments               | (1.1)         | (1.2)        |
| Interest cost (non-cash)                         | 1.1           | 1.2          |
| <b>Movement in lease liabilities</b>             | <b>(2.6)</b>  | <b>(1.8)</b> |

### Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Currency risk
- Interest rate risk

The Board has overall responsibility for establishing appropriate management of exposure to risk. The Audit Committee oversees how management identifies and addresses risks to the Group.

### Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net (debt)/cash<sup>1</sup> divided by total capital. Net (debt)/cash<sup>1</sup> is calculated as total borrowings as shown in the Consolidated Balance Sheet, less cash and cash equivalents. Total capital is calculated as equity, as shown in the Consolidated Balance Sheet, plus net debt<sup>1</sup>. As at 31 May 2023 the Group's gearing ratio was 15.1% (2022: 15.5%).

### Financial instruments policy

All instruments utilised by the Company and Group are for financing purposes. The financial management and treasury activities of the Group are controlled centrally for all operations with local finance teams responsible for day-to-day banking activities.

### Fair value of financial instruments

As at 31 May 2023, the Group and Company had no other financial instruments other than those disclosed below. In addition, no embedded derivatives have been identified. There have been no transfers between levels in the year.

The following table presents the Group's financial assets and liabilities that are measured at fair value by level of fair value hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

<sup>1</sup> Revenue growth at constant currency, Adjusted EBITDA, Adjusted operating profit, Adjusted EPS, cash conversion, net debt and net debt excluding lease liabilities are APMs and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items.

## 25 Financial instruments continued

### Fair value of financial instruments continued

Borrowings are held at amortised cost, which is considered to equate to fair value. All other assets and liabilities are held at either fair value or their carrying value, which approximates to fair value.

|   | 2023          |               |               | 2022          |               |               |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
|   | Level 1<br>£m | Level 2<br>£m | Level 3<br>£m | Level 1<br>£m | Level 2<br>£m | Level 3<br>£m |
| Financial liabilities/(assets) at fair value through profit or loss | —             | 0.6           | —             | —             | (0.2)         | —             |
| <b>Total financial instruments</b>                                  | <b>—</b>      | <b>0.6</b>    | <b>—</b>      | <b>—</b>      | <b>(0.2)</b>  | <b>—</b>      |

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

### Exposure to credit risk

The carrying value of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

|                                     | Group<br>2023<br>£m | Group<br>2022<br>£m | Company<br>2023<br>£m | Company<br>2022<br>£m |
|-------------------------------------|---------------------|---------------------|-----------------------|-----------------------|
| Trade receivables                   | 26.7                | 40.6                | —                     | —                     |
| Other receivables                   | 2.0                 | 1.2                 | —                     | —                     |
| Accrued income                      | 17.2                | 23.0                | —                     | —                     |
| Contingent consideration receivable | 3.8                 | —                   | —                     | —                     |
| Cash and cash equivalents           | 34.1                | 73.2                | 15.0                  | 20.2                  |
| <b>Total</b>                        | <b>83.8</b>         | <b>138.0</b>        | <b>15.0</b>           | <b>20.2</b>           |

The maximum exposure to credit risk for trade receivables and other receivables at the reporting date by geographic region was:

| Trade receivables by geographical segment | Group<br>2023<br>£m | Group<br>2022*<br>£m | Company<br>2023<br>£m | Company<br>2022<br>£m |
|---|---------------------|----------------------|-----------------------|-----------------------|
| UK  | 14.6                | 14.2                 | —                     | —                     |
| APAC                                      | 1.2                 | 1.0                  | —                     | —                     |
| North America                             | 6.3                 | 14.3                 | —                     | —                     |
| Europe                                    | 6.6                 | 12.4                 | —                     | —                     |
| <b>Total</b>                              | <b>28.7</b>         | <b>41.9</b>          | <b>—</b>              | <b>—</b>              |

\* Represented to present APAC trade receivables of £1.0m separately from the UK segment.

The maximum exposure to credit risk at the reporting date by business segment was:

| Trade receivables by business segment | Group<br>2023<br>£m | Group<br>2022<br>£m | Company<br>2023<br>£m | Company<br>2022<br>£m |
|---------------------------------------|---------------------|---------------------|-----------------------|-----------------------|
| Cyber Security <sup>2</sup>           | 25.1                | 35.4                | —                     | —                     |
| Software Resilience                   | 1.8                 | 6.5                 | —                     | —                     |
| Central & head office                 | 1.8                 | —                   | —                     | —                     |
| <b>Total</b>                          | <b>28.7</b>         | <b>41.9</b>         | <b>—</b>              | <b>—</b>              |

The trade receivables of the Group typically comprise many amounts due from a large number of customers and represent a spread of industry sectors. The largest amount due from a single customer at the reporting date represented 3.1% (2022: 4.4%) of total Group receivables. All of the Group's cash is held with financial institutions of high credit rating.

The provisions in respect of trade receivables are used to record expected credit losses. The Group has dedicated credit control teams, which regularly review customer debt balances to assess the risk of recovery.

2 Formerly Assurance.

# Notes to the Financial Statements continued

at 31 May 2023

## 25 Financial instruments continued

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages and minimises liquidity risk by using global cash management solutions and actively monitoring both actual and projected cash outflows to ensure that it will have sufficient liquidity to meet its liabilities when due and have headroom to provide against unforeseen obligations.

The Ukraine conflict is not considered to have a direct material impact on liquidity risk in the short term due to the Group having limited direct exposure in the affected region. Longer term, the Group has assessed its liquidity forecast as part of the viability assessment and its ability to continue trading as a going concern. For further detail on the Group's assessment of liquidity risk refer to the Viability Statement on page 81.

The following are the contractual maturities of financial liabilities, including interest payments, of the Group:

|   | Carrying amount<br>£m | Contractual cash flows<br>£m | <1 year<br>£m | 1-2 years<br>£m | 2+ years<br>£m | 5+ years<br>£m |
|---|-----------------------|------------------------------|---------------|-----------------|----------------|----------------|
| At 31 May 2023                          |                       |                              |               |                 |                |                |
| <b>Borrowings</b>                       | <b>(81.9)</b>         | <b>(98.0)</b>                | <b>(4.9)</b>  | <b>(4.9)</b>    | <b>(88.2)</b>  | <b>—</b>       |
| <b>Bank overdraft</b>                   | <b>(1.8)</b>          | <b>(1.8)</b>                 | <b>(1.8)</b>  | <b>—</b>        | <b>—</b>       | <b>—</b>       |
| <b>Contingent consideration payable</b> | <b>(1.0)</b>          | <b>(1.0)</b>                 | <b>(1.0)</b>  | <b>—</b>        | <b>—</b>       | <b>—</b>       |
| <b>Lease liabilities</b>                | <b>(30.0)</b>         | <b>(33.6)</b>                | <b>(6.9)</b>  | <b>(6.1)</b>    | <b>(12.6)</b>  | <b>(8.0)</b>   |
| <b>Trade and other payables</b>         | <b>(44.7)</b>         | <b>(44.7)</b>                | <b>(44.7)</b> | <b>—</b>        | <b>—</b>       | <b>—</b>       |
| At 31 May 2022                          |                       |                              |               |                 |                |                |
| Borrowings (restated)*                  | (125.6)               | (132.0)                      | (21.3)        | (21.3)          | (89.4)         | —              |
| Contingent consideration payable        | (1.9)                 | (1.9)                        | (0.9)         | (1.0)           | —              | —              |
| Lease liabilities                       | (32.6)                | (36.4)                       | (6.5)         | (5.5)           | (13.4)         | (11.0)         |
| Trade and other payables                | (48.3)                | (48.3)                       | (48.3)        | —               | —              | —              |

\* Restated to correct the borrowings contractual cash flows resulting in an increase to those cash flows of £21.3m split between < 1 year increase of £1.6m, 1-2 years increase of £1.6m and 2+ years increase by £18.1m.

The contractual cash flows for borrowings disclosed above relate to the Group's RCF facility for the year ended 31 May 2023, which expires in December 2026, and in the prior year includes the Term Loan Facility Agreement that was due to expire in June 2024. The contractual cash flows include an estimate of the interest payable based on the assumption that the borrowings remain drawn based upon 31 May 2023 levels, except that the term loan which existed at 31 May 2022, is repayable over its term. Interest is calculated based on SONIA/SOFR plus a margin based on the current leverage ratio.

### Currency risk

The Group is exposed to currency risk on sales, purchases, cash and borrowings that are denominated in a currency other than the respective functional and presentational currency of the Group. The Group's management reviews the size and probable timing of settlement of all financial assets and liabilities denominated in foreign currencies. The Group's exposure to currency risk is as follows:

|                           | 2023           |            |               |             |               | 2022           |            |               |              |               |
|---------------------------|----------------|------------|---------------|-------------|---------------|----------------|------------|---------------|--------------|---------------|
|                           | Sterling<br>£m | EUR<br>£m  | USD<br>£m     | Other<br>£m | Total<br>£m   | Sterling<br>£m | EUR<br>£m  | USD<br>£m     | Other<br>£m  | Total<br>£m   |
| Trade receivables         | 11.0           | 7.0        | 7.1           | 1.6         | 26.7          | 12.9           | 11.7       | 15.9          | 0.1          | 40.6          |
| Other receivables         | 2.0            | —          | —             | —           | 2.0           | 0.5            | —          | 0.6           | 0.1          | 1.2           |
| Contract assets           | 5.5            | 3.9        | 6.7           | 1.1         | 17.2          | 6.5            | 4.3        | 11.5          | 0.7          | 23.0          |
| Cash and cash equivalents | 17.0           | 5.0        | 9.4           | 2.7         | 34.1          | 26.4           | 2.4        | 42.4          | 2.0          | 73.2          |
| Bank overdraft            | (1.8)          | —          | —             | —           | (1.8)         | —              | —          | —             | —            | —             |
| Borrowings                | (18.6)         | —          | (63.3)        | —           | (81.9)        | (26.2)         | —          | (99.4)        | —            | (125.6)       |
| Lease liabilities         | (19.6)         | (2.0)      | (6.7)         | (1.7)       | (30.0)        | (21.4)         | (2.0)      | (7.3)         | (1.9)        | (32.6)        |
| Trade and other payables  | (31.8)         | (9.2)      | (1.6)         | (2.1)       | (44.7)        | (28.1)         | (9.0)      | (8.9)         | (2.3)        | (48.3)        |
| <b>Total</b>              | <b>(36.3)</b>  | <b>4.7</b> | <b>(48.4)</b> | <b>1.6</b>  | <b>(78.4)</b> | <b>(29.4)</b>  | <b>7.4</b> | <b>(45.2)</b> | <b>(1.3)</b> | <b>(68.5)</b> |

A change in exchange rate of 10% would have an impact of £20.3m (2022: £19.0m) on revenue, £3.9m (2022: £4.2m) on operating profit, £64.2m (2022: £43.6m) on net assets and £6.3m (2022: £9.9m) on borrowings.

The Group's risk management policy is to hedge foreign currency exposure in respect of significant material transactions that may arise from time to time. No such hedges were in place at 31 May 2022 or at 31 May 2023. The Group uses forward exchange contracts to hedge its currency risk, which are short term in nature to match the maturity of the hedged item. These contracts are generally designated as cash flow hedges.

## 25 Financial instruments continued

### Currency risk continued

The Group designates the spot element of forward foreign exchange contracts to hedge its currency risk and applies a hedge ratio of 1:1. The forward elements of forward exchange contracts are excluded from the designation of the hedging instrument and are separately accounted for as a cost of hedging, which is recognised in equity in a cost of hedging reserve. The Group's policy is for the critical terms of the forward exchange contracts to align with the hedged item.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. Given the short-term nature of these hedges there is limited risk of ineffectiveness.

### Interest rate risk

The Group and Company finance their operations through a combination of retained profits and bank borrowings. The Group borrows and invests surplus cash at floating rates of interest based upon bank base rate. The cash and cash equivalents of the Group and Company at the end of the financial year were as follows:

| Group                                  | 2023<br>£m  | 2022<br>£m  |
|--|-------------|-------------|
| Sterling denominated financial assets  | 17.0        | 26.4        |
| Euro denominated financial assets      | 5.0         | 2.4         |
| US Dollar denominated financial assets | 9.4         | 42.4        |
| Other denominated financial assets     | 2.7         | 2.0         |
| <b>Total</b>                           | <b>34.1</b> | <b>73.2</b> |

The financial assets and liabilities of the Company at the end of the financial year were as follows:

| Company                               | 2023<br>£m  | 2022<br>£m  |
|---------------------------------------|-------------|-------------|
| <b>Financial assets</b>               |             |             |
| Sterling denominated financial assets | 15.0        | 20.2        |
| Amounts owed by Group undertakings    | 23.2        | 32.9        |
| <b>Total</b>                          | <b>38.2</b> | <b>53.1</b> |
| <b>Financial liabilities</b>          |             |             |
| Amounts owed to Group undertakings    | 0.2         | 18.2        |
| <b>Total</b>                          | <b>0.2</b>  | <b>18.2</b> |

A change of 100 basis points in interest rates would result in a difference in annual pre-tax profit of £0.9m (2022: £1.3m).

The financial liabilities of the Group (trade and other payables, borrowings and lease liabilities) and their maturity profile are as follows:

|                      | 2023           |               |               |              |                | 2022           |               |                |              |                |
|----------------------|----------------|---------------|---------------|--------------|----------------|----------------|---------------|----------------|--------------|----------------|
|                      | Sterling<br>£m | EUR<br>£m     | USD<br>£m     | Other<br>£m  | Total<br>£m    | Sterling<br>£m | EUR<br>£m     | USD<br>£m      | Other<br>£m  | Total<br>£m    |
| Less than one year   | (36.6)         | (10.3)        | (3.0)         | (2.6)        | (52.5)         | (30.7)         | (9.9)         | (28.9)         | (2.7)        | (72.2)         |
| Two to five years    | (28.1)         | (0.9)         | (68.4)        | (1.2)        | (98.6)         | (35.8)         | (1.1)         | (85.2)         | (1.5)        | (123.6)        |
| More than five years | (7.2)          | —             | (0.1)         | —            | (7.3)          | (9.9)          | —             | (0.8)          | —            | (10.7)         |
| <b>Total</b>         | <b>(71.9)</b>  | <b>(11.2)</b> | <b>(71.5)</b> | <b>(3.8)</b> | <b>(158.4)</b> | <b>(76.4)</b>  | <b>(11.0)</b> | <b>(114.9)</b> | <b>(4.2)</b> | <b>(206.5)</b> |

### Climate change

The Directors have considered the impact of climate change on fair value measurement and financial instruments, with no material impact identified.



## Notes to the Financial Statements continued

at 31 May 2023

### 26 Share-based payments

The Company has a number of share option schemes under which options to subscribe for the Company's shares have been granted to Directors and colleagues, details of which are illustrated in the tables below. Expected term of options represents the period over which the fair value calculations are based. The share-based payment charge for the year was £2.2m (2022: £3.9m) of which £2.2m (2022: £3.4m) related to equity settled payments and £nil (2022: £0.5m) to cash settled payments. The share-based payments charge decreased during the year due to a number of schemes no longer being expected to meet performance criteria required to give rise to options being granted.

#### Company Share Option (CSOP) scheme – equity settled

Under the CSOP scheme, options will vest if the average EPS growth for the three years following their grant is greater than 10% per annum. Options granted in September 2019 do not have any performance criteria.

| Date of grant  | Expected term of options | Exercisable between           | Exercise price | 2023 Number outstanding |
|----------------|--------------------------|-------------------------------|----------------|-------------------------|
| August 2018    | 7 years                  | August 2021–August 2028       | £2.20          | 5,586                   |
| September 2019 | 7 years                  | September 2022–September 2029 | £1.79          | 279,312                 |

#### Sharesave schemes – equity settled

The Company operates sharesave schemes, which are available to all colleagues based in the UK, Netherlands, Denmark, Spain and Australia, and full-time Executive Directors of the Group and its subsidiaries who have worked for a qualifying period.

| Date of grant | Expected term of options | Exercisable between     | Exercise price | 2023 Number outstanding |
|---------------|--------------------------|-------------------------|----------------|-------------------------|
| March 2019    | 3 years                  | May 2022–October 2022   | £0.99          | 7                       |
| March 2020    | 3 years                  | May 2023–October 2023   | £1.84          | 339,158                 |
| March 2020    | 3 years                  | May 2023–October 2023   | £1.84          | 202,877                 |
| May 2021      | 3 years                  | May 2024–October 2024   | £2.15          | 128,744                 |
| May 2021      | 3 years                  | May 2024–October 2024   | £2.15          | 251,147                 |
| May 2022      | 3 years                  | May 2025–October 2025   | £1.52          | 314,632                 |
| May 2022      | 3 years                  | May 2025–October 2025   | £1.52          | 755,013                 |
| May 2023      | 3 years                  | June 2026–November 2026 | £1.26          | 1,253,012               |
| May 2023      | 3 years                  | June 2026–November 2026 | £1.26          | 268,214                 |

#### Colleague stock purchase plan – equity settled

The Company operates a stock purchase plan, which is available to all US-based colleagues who have worked for a qualifying period. All options are to be settled by equity. Under the scheme the following options have been granted and are outstanding at year end.

| Date of grant | Expected term of options | Exercisable in | Exercise price | 2023 Number outstanding |
|---------------|--------------------------|----------------|----------------|-------------------------|
| May 2022      | 1 year                   | May 2023       | £1.58          | —                       |
| May 2023      | 1 year                   | May 2024       | £1.26          | 604,321                 |

#### Incentive Stock Option (ISO) scheme – equity settled

Under the ISO scheme, options granted will be subject to performance criteria. Options will vest if the average EPS growth for the three years following their grant is greater than 10% per annum.

| Date of grant  | Expected term of options | Exercisable between           | Exercise price | 2023 Number outstanding |
|----------------|--------------------------|-------------------------------|----------------|-------------------------|
| August 2018    | 7 years                  | August 2021–August 2028       | £2.22          | —                       |
| September 2019 | 7 years                  | September 2022–September 2029 | £1.82          | 49,446                  |

## 26 Share-based payments continued

### Long Term Investment Plan (LTIP) schemes – equity settled

Options granted on or after November 2017 to May 2021 have three separate vesting conditions as set out below:

- 60% will vest based on achieving an average increase in Group EPS of 20% or more over a three year period. If growth is equal to an average of 9% (threshold), then 12% of the award will vest. If, however, growth is less than 9%, none of the award element will vest. Between these two points, vesting is determined on a straight-line basis.
- 30% will vest based on achieving a cash conversion ratio<sup>1</sup> expressed as a percentage over the measurement period of greater than 70% per annum on average. If cash conversion<sup>1</sup> is greater than or equal to 80% per annum, then 100% of the award element will vest. If, however, cash conversion is less than 70% per annum, none of the award element will vest. Between these two points, vesting is determined on a straight-line basis.
- 10% will vest based on the Group's total shareholder return (TSR) ranking when measured against the FTSE 250 (excluding investment trusts). If the Group's TSR is consistent with the median group, 20% of the award will vest; below this level, none of the award element will vest. If the TSR is within the upper quartile or above, 100% of the award element will vest; between the median and upper quartile, vesting is determined on a straight-line basis.

Options granted in November 2021 have three separate vesting conditions as set out below:

- 60% will vest based on achieving an average increase in Group EPS of 22.5% or more over a three year period. If growth is equal to an average of 9% (threshold), then 15% of the award will vest. If, however, growth is less than 9% per annum, none of the award element will vest. Between these two points, vesting is determined on a straight-line basis.
- 30% will vest based on achieving a cash conversion ratio<sup>1</sup> expressed as a percentage over the measurement period of greater than 70% per annum on average. If cash conversion<sup>1</sup> is greater than or equal to 80% per annum, then 100% of the award element will vest. If, however, cash conversion is less than 70% per annum, none of the award element will vest. Between these two points, vesting is determined on a straight-line basis.
- 10% will vest based on the Group's total shareholder return (TSR) ranking when measured against the FTSE 250 (excluding investment trusts). If the Group's TSR is consistent with the median group, 20% of the award will vest; below this level, none of the award element will vest. If the TSR is within the upper quartile or above, 100% of the award element will vest; between the median and upper quartile, vesting is determined on a straight-line basis.

Options granted on or after October 2022 have three separate vesting conditions as set out below:

- 60% will vest based on achieving an average increase in Group EPS of 18% or more over a three year period. If growth is equal to an average of 6% (threshold), then 15% of the award will vest. If, however, growth is less than 6% per annum, none of the award element will vest. Between these two points, vesting is determined on a straight-line basis.
- 20% will vest based on achieving a cash conversion ratio<sup>1</sup> expressed as a percentage over the measurement period of greater than 80% per annum on average. If cash conversion<sup>1</sup> is greater than or equal to 90% per annum, then 100% of the award element will vest. If, however, cash conversion is less than 80% per annum, none of the award element will vest. Between these two points, vesting is determined on a straight-line basis.
- 20% will vest based on the Group's total shareholder return (TSR) ranking when measured against the FTSE 250 (excluding investment trusts). If the Group's TSR is consistent with the median group, 15% of the award will vest; below this level, none of the award element will vest. If the TSR is within the upper quartile or above, 100% of the award element will vest; between the median and upper quartile, vesting is determined on a straight-line basis.

| Date of grant  | Expected term of options | Exercisable between         | Exercise price | 2023 Number outstanding |
|----------------|--------------------------|-----------------------------|----------------|-------------------------|
| September 2019 | 3 years                  | June 2022–August 2023       | £nil           | 209,760                 |
| March 2020     | 3 years                  | June 2022–August 2024       | £nil           | —                       |
| May 2021       | 3 years                  | June 2023–August 2025       | £nil           | 516,791                 |
| November 2021  | 3 years                  | June 2024–August 2026       | £nil           | 1,101,449               |
| October 2022   | 3 years                  | October 2025–October 2026   | £nil           | 1,297,672               |
| November 2022  | 3 years                  | November 2025–November 2026 | £nil           | 113,521                 |

<sup>1</sup> Revenue growth at constant currency, Adjusted EBITDA, Adjusted operating profit, Adjusted EPS, cash conversion, net debt and net debt excluding lease liabilities are APMs and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items.

# Notes to the Financial Statements continued

at 31 May 2023

## 26 Share-based payments continued

### Restricted State Unit (RSU) schemes – equity settled

Options granted related to the RSU schemes on or after August 2018 have three separate vesting conditions as set out below:

- 60% will vest based on achieving an average increase in Group EPS of 20% or more over a three year period. If growth is equal to an average of 9% (threshold), then 12% of the award will vest. If, however, growth is less than 9%, none of the award element will vest. Between these two points, vesting is determined on a straight-line basis.
- 30% will vest based on achieving a cash conversion ratio<sup>1</sup> expressed as a percentage over the measurement period of greater than 70% per annum on average. If cash conversion<sup>1</sup> is greater than or equal to 80% per annum, then 100% of the award element will vest. If, however, cash conversion is less than 70% per annum, none of the award element will vest. Between these two points, vesting is determined on a straight-line basis.
- 10% will vest based on the Group's total shareholder return (TSR) ranking when measured against the FTSE 250 (excluding investment trusts). If the Group's TSR is consistent with the median group, 20% of the award will vest; below this level, none of the award element will vest. If the TSR is within the upper quartile or above, 100% of the award element will vest; between the median and upper quartile, vesting is determined on a straight-line basis.

The options are to be settled in equity.

| Date of grant | Expected term of options | Exercisable between   | Exercise price | 2023 Number outstanding |
|---------------|--------------------------|-----------------------|----------------|-------------------------|
| May 2021      | 3 years                  | June 2023–August 2023 | £0.01          | 138,554                 |

### Restricted Share Plan (RSP) – equity settled

The vesting condition for the award of RSPs relates to colleagues remaining with the Group for a certain period of time, namely two years to receive 50% of the award, and a further year to receive the remaining 50%. There are no other performance conditions.

| Date of grant | Expected term of options | Exercisable between  | Exercise price                    | 2023 Number outstanding |
|---------------|--------------------------|--|-----------------------------------|-------------------------|
| May 2021      | 2/3 years                | 50% exercisable August 2022 to August 2031, 50% exercisable August 2023 to August 2031         | £nil (£0.01 in the US and Canada) | 536,839                 |
| November 2021 | 2/3 years                | 50% exercisable October 2023 to August 2032, 50% exercisable October 2024 to August 2032       | £nil (£0.01 in the US and Canada) | 1,317,181               |
| October 2022  | 2/3 years                | 50% exercisable October 2024 to October 2032, 50% exercisable October 2025 to October 2032     | £nil (£0.01 in the US and Canada) | 1,139,412               |
| November 2022 | 2/3 years                | 50% exercisable November 2024 to November 2032, 50% exercisable November 2025 to November 2032 | £nil (£0.01 in the US and Canada) | 30,272                  |

### Deferred share scheme – equity settled

| Date of grant | Expected term of options | Exercisable between       | Exercise price | 2023 Number outstanding |
|---------------|--------------------------|---------------------------|----------------|-------------------------|
| October 2021  | 2 years                  | October 2023–October 2031 | £nil           | 91,616                  |

### Phantom schemes – cash settled

Phantom schemes are used to allow the grant of LTIPs to members of the Executive Committee based in certain overseas locations at a time when the Group's option scheme rules were not structured to allow overseas grants. Options granted on or after September 2019 do not have any performance criteria.

| Date of grant  | Expected term of options | Exercisable between           | Exercise price | 2023 Number outstanding |
|----------------|--------------------------|-------------------------------|----------------|-------------------------|
| September 2019 | 3 years                  | September 2022–September 2023 | £nil           | 22,345                  |
| July 2021      | 3 years                  | August 2022–July 2031         | £nil           | 15,500                  |
| November 2021  | 3 years                  | October 2023–November 2031    | £nil           | 15,500                  |

<sup>1</sup> Revenue growth at constant currency, Adjusted EBITDA, Adjusted operating profit, Adjusted EPS, cash conversion, net debt and net debt excluding lease liabilities are APMs and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items.

## 26 Share-based payments continued

### Measurement of fair values

The fair value of services received in return for share options is calculated with reference to the fair value of the award on the date of grant. The fair value is spread over the period during which the colleague becomes unconditionally entitled to the award, adjusted to reflect actual and expected levels of vesting.

The assumptions used in the models are illustrated in the tables below:

| Scheme              | Grant date                   | Expected volatility | Option expected term | Risk free interest rate |
|---------------------|------------------------------|---------------------|----------------------|-------------------------|
| CSOP scheme         | August 2018–September 2019   | 48.0%–52.8%         | 7 years              | 0.35%–2.00%             |
| Sharesave scheme    | March 2019–May 2023          | 39.7%–55.7%         | 3 years              | 0.13%–2.20%             |
| ESPP scheme         | May 2022–May 2023            | 53.8%–55.7%         | 1 year               | 1.15%–2.20%             |
| Special Award (CEO) | September 2022               | n/a                 | 2 years              | n/a                     |
| ISO scheme          | September 2019               | 77.0%               | 7 years              | 0.38%                   |
| LTIP scheme         | September 2019–November 2022 | 37.2%–55.5%         | 3 years              | 0.21%–2.00%             |
| RSU scheme          | May 2021                     | 42.3%               | 3 years              | 0.32%                   |
| RSP scheme          | May 2021–November 2022       | n/a                 | 10 years             | n/a                     |
| Deferred shares     | October 2021                 | 56.0%               | 2 years              | 0.35%                   |
| Phantom schemes     | September 2019–November 2021 | 52.8%–55.5%         | 3 years              | 1.81–1.96%              |

| Scheme              | Grant date                   | Fair value at measurement date | Weighted average fair value at measurement date | Exercise price | Weighted average exercise value at measurement date |
|---------------------|------------------------------|--------------------------------|---|----------------|---|
| CSOP scheme         | August 2018–September 2019   | £0.55–£0.63                    | £0.55   | £1.79–£2.20    | £1.80   |
| Sharesave scheme    | March 2019–May 2023          | £0.39–£0.86                    | £0.59   | £0.99–£2.15    | £1.52   |
| ESPP scheme         | May 2022–May 2023            | £0.30–£0.55                    | £0.30   | £1.26–£1.58    | £1.26   |
| Special Award (CEO) | September 2022               | £2.30                          | £2.30   | £2.30          | £2.30   |
| ISO scheme          | September 2019               | £0.54                          | £0.54   | £1.82          | £1.82   |
| LTIP scheme         | September 2019–November 2022 | £1.61–£2.87                    | £2.19   | £nil           | £nil  |
| RSU scheme          | May 2021                     | £2.87                          | £2.87   | £0.01          | £0.01   |
| RSP scheme          | May 2021–November 2022       | £1.93–£2.85                    | £2.28   | £nil           | £nil  |
| Deferred shares     | October 2021                 | £2.47                          | £2.47   | £nil           | £nil  |
| Phantom schemes     | September 2019–November 2021 | £1.84–£2.87                    | £2.44   | £nil           | £nil  |

The expected volatility has been based on an evaluation of the historical volatility of the Company's share price, particularly over the historical period commensurate with the expected term. The expected term of the instruments has been based on historical experience and general option holder behaviour. For the options granted in the year ended 31 May 2023, dividend yield assumed at the time of option grant is 1.75% (2022: 1.75%).

### Reconciliation of outstanding share options

The options outstanding at 31 May 2023 have an exercise price in the range of £nil to £2.15 (2022: £nil to £2.15) and a weighted average contractual life of three years (2022: three years).

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, outstanding share awards during the year:

|                                   | 2023<br>Number<br>'000 | 2023<br>WAEP | 2022<br>Number<br>'000 | 2022<br>WAEP |
|-----------------------------------|------------------------|--------------|------------------------|--------------|
| Outstanding at 1 June             | 11,431                 | £0.68        | 9,494                  | £0.79        |
| Granted during the year           | 5,114                  | £0.55        | 5,605                  | £0.75        |
| Exercised during the year         | (1,488)                | £0.10        | (1,028)                | £0.89        |
| Forfeited in the year             | (3,837)                | £0.96        | (2,640)                | £1.39        |
| <b>Outstanding at 31 May</b>      | <b>11,220</b>          | <b>£0.61</b> | 11,431                 | £0.68        |
| <b>Exercisable at end of year</b> | <b>1,598</b>           | <b>£1.00</b> | 119                    | £1.00        |



# Notes to the Financial Statements continued

at 31 May 2023

## 26 Share-based payments continued

### Reconciliation of outstanding share options continued

| Scheme                 | Number of instruments as at 1 June 2022 | Instruments granted during the year | Options exercised in the year | Forfeitures in the year | Number of instruments as at 31 May 2023 |
|------------------------|---|-------------------------------------|-------------------------------|-------------------------|---|
| CSOP schemes           | 324,001                                 | 5,586                               | (11,172)                      | (33,517)                | 284,898                                 |
| Sharesave/SAYE schemes | 3,714,713                               | 1,593,682                           | (111,399)                     | (1,684,192)             | 3,512,804                               |
| ESPP schemes           | 506,218                                 | 604,321                             | —                             | (506,218)               | 604,321                                 |
| Special Award          | —                                       | 222,222                             | —                             | —                       | 222,222                                 |
| ISO schemes            | 60,434                                  | —                                   | —                             | (10,988)                | 49,446                                  |
| LTIP schemes           | 3,203,721                               | 1,411,193                           | (528,618)                     | (847,103)               | 3,239,193                               |
| RSU schemes            | 748,711                                 | —                                   | (362,003)                     | (248,154)               | 138,554                                 |
| RSP scheme             | 2,734,411                               | 1,233,252                           | (448,542)                     | (495,417)               | 3,023,704                               |
| Deferred shares        | 110,553                                 | —                                   | (18,937)                      | —                       | 91,616                                  |
| Phantom schemes        | 27,931                                  | 43,673                              | (7,086)                       | (11,173)                | 53,345                                  |
|                        | 11,430,693                              | 5,113,929                           | (1,487,757)                   | (3,836,762)             | 11,220,103                              |

The liability for the cash settled share-based payments at 31 May 2023 was £nil (2022: £0.5m).

## 27 Called up share capital and reserves

| Allotted, called up and fully paid                      | 2023<br>Number<br>of shares | 2022<br>Number<br>of shares | 2023<br>£m | 2022<br>£m |
|---|-----------------------------|-----------------------------|------------|------------|
| Ordinary shares of 1p each at the beginning of the year | 309,967,243                 | 308,956,045                 | 3.1        | 3.1        |
| Ordinary shares of 1p each issued in the year           | 2,161,649                   | 1,011,198                   | —          | —          |
| Ordinary shares of 1p each at the end of the year       | 312,128,892                 | 309,967,243                 | 3.1        | 3.1        |

During the year, 2,161,649 (2022: 1,011,198) new ordinary shares of 1p were issued as a result of the exercise of share options. The proceeds of £0.1m (2022: £0.8m) were credited to the share premium account.

As at 31 May 2023, 868,800 shares were held in treasury (2022: nil).

### Share premium

The share premium account records the difference between the nominal amount of shares issued and the fair value of the consideration received. The share premium account may be used for certain purposes specified by UK law, including to write off expenses incurred on any issue of shares and to pay fully paid bonus shares. The share premium account is not distributable but may be reduced by special resolution of the Company's ordinary shareholders and with court approval.

### Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability. The reserve is £nil at 31 May 2023 as the hedging instrument has now expired.

### Merger reserve

The merger reserve arose in 2015 from the acquisition of Accumuli plc through a share-for-share exchange in part consideration for the business.

### Currency translation reserve

The results of overseas operations are translated at the average foreign exchange rates for the year, and their balance sheets are translated at the rates prevailing at the Balance Sheet date. Exchange differences arising on the translation of opening net assets and results of overseas operations are recognised in the currency translation reserve. All other exchange differences are included in the Income Statement.

### Retained earnings

Retained earnings for the Group are made up of accumulated reserves.

For the Company, retained earnings are made up of accumulated reserves and are considered distributable reserves.

## 28 Profit attributable to members of the Parent Company

The profit for the year dealt with in the accounts of the Parent Company was £17.5m (2022: £20.0m).

## 29 Other financial commitments

Non-cancellable lease rental costs are payable as follows:

|                         | 2023                     |             | 2022                     |             |
|-------------------------|--------------------------|-------------|--------------------------|-------------|
|                         | Land and buildings<br>£m | Other<br>£m | Land and buildings<br>£m | Other<br>£m |
| Within one year or less | —                        | —           | —                        | 0.1         |

The lease commitments disclosed above represent short-term (less than one year) leases only, for which the Group has taken the exemption from accounting for under IFRS 16.

## 30 Contingencies

There are no contingent liabilities not provided for at the end of the financial year (2022: £nil). Similarly, there are no contingent assets (2022: £nil).

## 31 Pension scheme

The Group operates a defined contribution pension scheme that is open to all eligible colleagues. The pension cost charge for the year represents contributions payable by the Group to the fund and amounted to £6.3m (2022: £5.1m).

For the Company, the pension cost charge for the year represents contributions payable by the Company to the fund and amounted to £nil (2022: £nil).

## 32 Related party transactions

Management has defined that related party transactions are that with key management personnel members only.

Key management personnel have been assessed to be the Group's Board of Directors. During the year ended 31 May 2023 there were nine (2022: seven) key management personnel. The compensation paid or payable to key management for employee services is shown below:

|                                | Group<br>2023<br>£m | Group<br>2022*<br>£m | Company<br>2023<br>£m | Company<br>2022<br>£m |
|--------------------------------|---------------------|----------------------|-----------------------|-----------------------|
| Salary costs (including bonus) | 1.8                 | 1.5                  | —                     | —                     |
| Social security costs          | 0.3                 | 0.3                  | —                     | —                     |
| Pension costs                  | —                   | —                    | —                     | —                     |
| Share-based payments           | 0.2                 | 0.4                  | —                     | —                     |
| <b>Total</b>                   | <b>2.3</b>          | <b>2.2</b>           | <b>—</b>              | <b>—</b>              |

\* Represented to present social security costs separate from salary costs.

There were no other related party transactions identified during the year.

## 33 Investments in subsidiary undertakings

| Company   | Shares in Group<br>undertakings<br>£m |
|---|---------------------------------------|
| At 1 June 2021  | 151.8                                 |
| Increase in subsidiary investment for share-based charges | 3.9                                   |
| Investment in subsidiary undertakings                     | 121.2                                 |
| At 31 May 2022  | 276.9                                 |
| Increase in subsidiary investment for share-based charges | 2.2                                   |
| <b>At 31 May 2023</b>                                     | <b>279.1</b>                          |

On 26 May 2022, the Company acquired 121,205,727 ordinary shares of £0.01 in NCC Group Holdings Limited for a consideration of £121,205,727 and was settled through an intercompany loan.

The increase in subsidiary investment for share-based charges represents IFRS 2 'Share-based Payments' charges in respect of subsidiaries which will not be recharged.

# Notes to the Financial Statements continued

at 31 May 2023

## 33 Investments in subsidiary undertakings continued

Fixed asset investments are recognised at cost.

The undertakings in which the Company has a 100% interest at 31 May 2023 are as follows:

| Subsidiary undertakings                          | Country of incorporation | Principal activity          | Registered office  |
|--|--------------------------|-----------------------------|--|
| NCC Group Holdings Limited                       | England and Wales        | Holding company             | XYZ Building, 2 Hardman Boulevard, Spinningfields, Manchester M3 3AQ (XYZ <sup>1</sup> )               |
| NCC Group (Solutions) Limited                    | England and Wales        | Holding company             | XYZ <sup>1</sup>   |
| NCC Group Corporate Limited                      | England and Wales        | Corporate cost centre       | XYZ <sup>1</sup>   |
| NCC Group Finance Limited                        | England and Wales        | Financing company           | XYZ <sup>1</sup>   |
| The National Computing Centre Limited            | England and Wales        | Dormant                     | XYZ <sup>1</sup>   |
| NCC Group Software Resilience Limited            | England and Wales        | Holding company             | XYZ <sup>1</sup>   |
| NCC Group Software Resilience (UK) Limited       | England and Wales        | Holding company             | XYZ <sup>1</sup>   |
| NCC Services Limited                             | England and Wales        | Software Resilience         | XYZ <sup>1</sup>   |
| NCC Group Escrow Limited                         | England and Wales        | Dormant                     | XYZ <sup>1</sup>   |
| NCC Group Software Resilience (Europe) BV        | Netherlands              | Holding company             | Barbara Strozziilaan 101, 1083HN Amsterdam, Netherlands  |
| NCC Group GmbH                                   | Germany                  | Software Resilience         | c/o Deloitte Legal Rechtsanwaltsgesellschaft mbH, Rosenheimer Platz 6, 81669, Munich, Bavaria, Germany |
| NCC Group Deutschland GmbH                       | Germany                  | Cyber Security <sup>4</sup> | Leopoldstrasse Business Centre GmbH, Konrad-Zuse-Platz 8, 81829, Munich, Germany                       |
| NCC Group Escrow Europe BV                       | Netherlands              | Software Resilience         | Barbara Strozziilaan 101, 1083HN Amsterdam, Netherlands  |
| NCC Group Escrow Europe (Switzerland) AG         | Switzerland              | Software Resilience         | Ibelweg 18A, 6300 Zug, Switzerland   |
| NCC Group Software Resilience (MEA-APAC) Limited | England and Wales        | Holding company             | XYZ <sup>1</sup>   |
| NCC Group FZ-LLC                                 | United Arab Emirates     | Software Resilience         | Dquarters, Building 16, unit EO30, DIC5, Dubai Internet City, Dubai, United Arab Emirates              |
| NCC Group Cyber Security Limited                 | England and Wales        | Holding company             | XYZ <sup>1</sup>   |
| NCC Group Cyber Security (UK) Limited            | England and Wales        | Holding company             | XYZ <sup>1</sup>   |
| NCC Group Security Services Limited              | England and Wales        | Cyber Security <sup>4</sup> | XYZ <sup>1</sup>   |
| NCC Group Audit Limited                          | England and Wales        | Cyber Security <sup>4</sup> | XYZ <sup>1</sup>   |
| ArmstrongAdams Limited                           | England and Wales        | Cyber Security <sup>4</sup> | XYZ <sup>1</sup>   |
| NCC Group Signify Solutions Limited              | England and Wales        | Cyber Security <sup>4</sup> | XYZ <sup>1</sup>   |
| NCC Group Accumuli Security Limited              | England and Wales        | Cyber Security <sup>4</sup> | XYZ <sup>1</sup>   |
| NCC Group Cyber Security (Europe) BV             | Netherlands              | Holding company             | Fox-IT <sup>3</sup>  |
| NCC Group A/S                                    | Denmark                  | Cyber Security <sup>4</sup> | Lautruphøj 1, 2750 Ballerup, Denmark   |
| NCC Group Cyber Portuguesa, Unipessoal, LDA      | Portugal                 | Cyber Security <sup>4</sup> | Av. António Augusto de Aguiar nº 19 – 4º, 1050-012 Lisboa, Portugal                                    |
| NCC Group Security Services Espana SLU           | Spain                    | Cyber Security <sup>4</sup> | Plaza Manuel Gómez Moreno, número 2, Edificio Alfredo Mahou, planta 19ª, letra B, 28020, Madrid, Spain |
| Cyber Security Sweden AB                         | Sweden                   | Cyber Security <sup>4</sup> | c/o Advokatfirman Delphi, P.O. Box 1432, 111 84 Stockholm  |
| Fox-IT Holding B.V.                              | Netherlands              | Holding company             | Olof Palmestraat 6, 2616 LM Delft, Netherlands (Fox-IT <sup>3</sup> )                                  |
| Fox-IT Group B.V.                                | Netherlands              | Holding company             | Fox-IT <sup>3</sup>  |
| Fox-IT B.V.                                      | Netherlands              | Cyber Security <sup>4</sup> | Fox-IT <sup>3</sup>  |
| Fox-IT Operations B.V.                           | Netherlands              | Dormant                     | Fox-IT <sup>3</sup>  |
| Fox Crypto B.V.                                  | Netherlands              | Cyber Security <sup>4</sup> | Fox-IT <sup>3</sup>  |
| NCC Group Cyber Security (APAC) Limited          | England and Wales        | Holding company             | XYZ <sup>1</sup>   |

### 33 Investments in subsidiary undertakings continued

| Subsidiary undertakings                       | Country of incorporation | Principal activity                                      | Registered office  |
|---|--------------------------|---|--|
| NCC Group Pte Limited                         | Singapore                | Cyber Security <sup>4</sup>                             | Unit #10-09 PLUS Building,<br>20 Cecil Street, Singapore<br>(049705)                                   |
| NCC Group Pty Limited                         | Australia                | Cyber Security <sup>4</sup>                             | Suite 23.01, Level 23,<br>45 Clarence Street, Sydney,<br>NSW 2000                                      |
| NCC Group Japan KK                            | Japan                    | Cyber Security <sup>4</sup>                             | Level 18, Yesibu Garden Place<br>Tower, 4-20-3 Ebisu Shibuya-Ku,<br>Tokyo                              |
| NCC Group (Americas) Inc.                     | USA                      | Holding company   | 650 California Street, Suite 2950,<br>San Francisco, CA 94108, USA<br>(North America HQ <sup>2</sup> ) |
| NCC Group, LLC                                | USA                      | Software Resilience<br>and central/head office<br>costs | North America HQ <sup>2</sup>  |
| NCC Group Cyber Security (Americas), LLC      | USA                      | Holding company   | North America HQ <sup>2</sup>  |
| NCC Group Security Services, Inc.             | USA                      | Cyber Security <sup>4</sup>                             | North America HQ <sup>2</sup>  |
| NCC Group Secure Registrar, Inc.              | USA                      | Domain services   | North America HQ <sup>2</sup>  |
| NCC Group Domain Services, Inc.               | USA                      | Domain services   | North America HQ <sup>2</sup>  |
| NCC Group Security Services Corporation       | Canada                   | Cyber Security <sup>4</sup>                             | Suite 2700, The Stack,<br>1133 Melville St,<br>Vancouver, BC V6E 4E5                                   |
| Payment Software Company, Inc.                | USA                      | Cyber Security <sup>4</sup>                             | North America HQ <sup>2</sup>  |
| Payment Software Company Limited              | England and Wales        | Cyber Security <sup>4</sup>                             | XYZ <sup>1</sup>   |
| NCC Group Software Resilience (Americas), LLC | USA                      | Holding company   | North America HQ <sup>2</sup>  |
| NCC Group Escrow Associates, LLC              | USA                      | Software Resilience                                     | North America HQ <sup>2</sup>  |
| NCC Group Software Resilience (NA), LLC       | USA                      | Software Resilience                                     | North America HQ <sup>2</sup>  |
| Fox-IT Belgium B.V.                           | Belgium                  | Cyber Security <sup>4</sup>                             | Silversquare, Antwerp Tower,<br>Frankrijklei 5, 2000 Antwerp,<br>Belgium                               |

The undertakings in which the Company holds less than a 100% interest at the year end are as follows:

| Undertaking | % interest | Country of incorporation | Principal activity  |
|-------------|------------|--------------------------|---------------------|
| Deposit AB  | 24%        | Sweden                   | Software Resilience |

The Directors consider the above ownership structure to give rise to no significant influence over the undertaking. There is no Board representation, and the Group has no power to participate in the operating and financial policy decisions of the undertaking. Accordingly, the undertaking of Deposit AB has not been consolidated.

1 2 Hardman Boulevard, Spinningfields, Manchester M3 3AQ.

2 650 California Street, Suite 2950, San Francisco, CA 94108, USA.

3 Olof Palmestraat 6, 2616 LM Delft, Netherlands.

4 Formerly Assurance.



## Notes to the Financial Statements continued

at 31 May 2023

### 34 Disposals

On 31 December 2022, the Group completed the planned disposal of its DDI business for consideration of £5.8m. Of this amount, £3.8m, is contingent on the novation of certain customer contracts. The assets and liabilities included as part of the disposal were as follows:

|                             | 2023<br>£m |
|-----------------------------|------------|
| Attributable goodwill       | (1.0)      |
| Trade and other receivables | (1.2)      |
| Trade and other payables    | 1.2        |
| Net assets disposed of      | (1.0)      |
| <b>Consideration</b>        | <b>5.8</b> |
| Transaction costs           | (0.1)      |
| <b>Gain on disposal</b>     | <b>4.7</b> |
| Satisfied by:               |            |
| Cash and cash equivalents   | 2.0        |
| Contingent consideration    | 3.8        |
| <b>Consideration</b>        | <b>5.8</b> |

### 35 Acquisitions

#### Prior period acquisition of IPM business

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

- Scale-up the Group's core business to create a global business and platform for further growth
- Generate revenue synergies through allowing the enlarged division to offer NCC Group broader suite of established verification services as well as the newer Escrow-as-a-Service (EaaS) cloud offering to the IPM business's existing customer base
- Present an exciting new opportunity to sell NCC Group Cyber Security<sup>2</sup> services into the IPM business's broad and blue-chip customer base in the medium term
- Be accretive to earnings per share from completion, even without factoring in revenue synergies
- Result in greater strategic strength for the future

Management considers shareholder approval of the transaction determines a change in control and therefore the date of shareholder approval is considered to be the acquisition date for the transaction. Shareholder approval was granted on 1 June 2021 and the IPM Software Resilience business has been consolidated into the Group results from that date (see Note 3). Transfer of consideration for the acquisition was made on 7 June 2021, which is commonly referenced within these Financial Statements as being the date of practical completion of the transaction.

Details of assets acquired that are subject to fair value adjustments are noted below. The acquisition for an original total consideration of \$220.0m was subsequently adjusted during the year ended 31 May 2022 to \$216.1m (£152.0m) to reflect a normalised working capital adjustment of \$2.7m and a final positive net working capital adjustment of \$1.2m. The acquisition was funded through an equity net placing of £70.2m (\$98.4m) on 17 May 2021 combined with a new three year \$70m term loan and the remaining \$47.7m funded via existing cash balances and our revolving credit facility. The term loan was entered into on 12 May 2021 but not drawn down until 2 June 2021.

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

|  | Fair value<br>£m |
|--|------------------|
| Identifiable intangible assets: (Note 12):                         |                  |
| Customer relationships   | 91.4             |
| Computer software  | 1.2              |
| Right-of-use assets  | 0.2              |
| Trade and other receivables  | 3.8              |
| Trade and other payables   | (0.2)            |
| Deferred income  | (12.1)           |
| Lease liabilities  | (0.2)            |
| Deferred tax liability   | (0.7)            |
| <b>Total identifiable assets acquired, and liabilities assumed</b> | <b>83.4</b>      |
| Goodwill   | 68.6             |
| <b>Total consideration</b>   | <b>152.0</b>     |
| Satisfied by:  |                  |
| Cash   | 152.0            |

<sup>2</sup> Formerly Assurance.

### 35 Acquisitions continued

#### Prior period acquisition of IPM business continued

No cash was acquired as part of the acquisition.

Total costs directly attributable to the acquisition of the IPM business totalling £8.5m have been expensed to Individually Significant Items during the year ended 31 May 2021 (£7.6m) and the year ended 31 May 2022 (£0.9m). Issue costs of £2.4m were incurred as part of the equity placing and have been debited to the share premium account in the year ended 31 May 2021.

The fair value of the financial assets includes trade receivables with a fair value of £3.8m and a gross contractual value of £5.2m.

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

There is a contingent consideration arrangement that requires amounts to be repaid to NCC Group plc in the event that certain customers terminate their contractual agreements as a result of the change in ownership. The fair value of the contingent consideration potentially due to NCC Group plc is considered to be £nil by management. This fair value was estimated based on comparing the expected number of customers likely to terminate their contractual arrangements as a result of the change in ownership to the threshold for repayment to NCC Group plc. On 31 May 2023, no further information has become available that suggests the fair value of this contingent consideration will be greater than £nil.

During the year ended 31 May 2022, a final working capital adjustment had been agreed with the vendor resulting in an amount of £0.8m being returned to the Group and giving rise to a decrease in the fair value of consideration of £0.8m to £152.0m. This adjustment leads to a decrease in goodwill of £0.8m. Additionally, management has identified new information in respect of the opening provision for expected credit losses and has subsequently decreased the fair value of acquired trade and other receivables by £0.8m to £3.8m. This adjustment leads to an increase in goodwill of £0.8m. On this basis, goodwill of £68.6m remains unchanged from that reported for the period ended 30 November 2021.

The IPM business contributed £20.2m of the Group's revenue, £15.6m to the Group's gross profit and £8.6m operating profit for the period between the date of acquisition (1 June 2021) and 31 May 2022.

#### Measurement of fair values

##### Assets acquired

|                               |   |
|-------------------------------|---|
| <b>Computer software</b>      | As there is no active market for such bespoke intangible assets a cost approach has been taken to value computer software acquired based on the cost to recreate the assets. The fair value is based on the estimated time required by appropriately skilled individuals to recreate such assets.   |
| <b>Customer relationships</b> | <p>The valuation approach taken is the income approach, specifically the multi-period excess earnings method (MEEM). The fundamental principle underlying the MEEM is isolating the net earnings attributable to the asset being measured. There are three key steps in calculating the MEEM:</p> <ol style="list-style-type: none"> <li>1. Projecting financial information including cash flows, revenue, expenses, etc. for the IPM business acquired.</li> <li>2. Subtracting the cash flows attributable to all other assets through a contributory asset charge (CAC). The CAC is a form of economic rent for the use of all other assets in generating total cash flows that is composed of the required rate of return on all other assets and an amount necessary to replace the fair value of certain contributory intangible assets.</li> <li>3. Calculating the cash flows attributable to the intangible asset subject to valuation and discounting them to present value. Cash flows are forecast through to FY28 and taken into perpetuity beyond this date. Cash flow forecasts include a level of growth in revenue in addition to specific growth synergies expected from the aligning of IPM customers' existing products with the Group's products and IPM's fit with existing operations. Cash flow forecasts include a level of customer attrition based on historical experience of IPM customer termination rates.</li> </ol> <p>Both the amount and the duration of the cash flows are considered from a market participant's perspective.</p> |
| <b>Lease liabilities</b>      | The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition.   |
| <b>Right-of-use assets</b>    | The right-of-use assets were measured at an amount equal to the lease liabilities. No significant judgements have been identified as part of this assessment.   |
| <b>Deferred income</b>        | The fair value of the deferred revenue liability has been calculated using a top-down approach. This approach relies on market indicators of expected revenue for any obligation yet to be delivered with appropriate adjustments. This approach starts with the amount that an entity would receive in a transaction, less the cost of the selling effort (which has already been performed) including a profit margin on that selling effort.   |

# Notes to the Financial Statements continued

at 31 May 2023

## 35 Acquisitions continued

### Measurement of fair values continued

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

A description of the key assumptions and possible sensitivities are provided below:

| Description of key assumption  | Reasonably possible scenario   | Impact   |
|--|--|--|
| The valuation of the customer relationships intangible asset of £91.4m assumes a discount rate of 10.7% driven by the internal rate of return implied by the consideration paid for the acquired business.   | It is considered reasonably possible that this discount rate could be 1% higher or lower depending on the expected performance of the business post-acquisition. | The impact of increasing the discount rate by 1% would be to reduce the value of the customer relationship intangible asset by £6.0m with a corresponding increase in the value of goodwill arising on acquisition. The amortisation on acquired intangibles charged to the Income Statement for the year ended 31 May 2022 would reduce by £0.6m.<br><br>The impact of decreasing the discount rate by 1% would be to increase the value of the customer relationship intangible asset by £6.8m with a corresponding decrease in the value of goodwill arising on acquisition. The amortisation on acquired intangibles charged to the Income Statement for the year ended 31 May 2022 would increase by £0.6m. |
| The valuation of the customer relationships intangible asset of £91.4m includes an estimate of a level of growth of the revenue generated from that customer base, post-acquisition. The forecasts used assume that revenue (excluding synergies) will increase incrementally to a maximum of a 3.7% annual increase in FY25 before returning to levels more consistent with the US long-term inflationary growth rate in FY26 and beyond. | It is considered reasonably possible that this growth rate does not exceed an inflationary US long-term inflationary growth rate of 2%.                          | The impact of this scenario is to reduce the value of the customer relationship intangible asset by £3.1m with a corresponding increase in the value of goodwill arising on acquisition. The amortisation on acquired intangibles charged to the Income Statement for the year ended 31 May 2022 would reduce by £0.4m.  |

### Prior period acquisition of Adelard business

On 20 April 2022, shareholder approval was passed for the acquisition of substantially all of the assets of Adelard LLP for £3m. This gave rise to goodwill of £1.1m, intangible assets of £1.3m, right of use assets of £0.2m, trade receivables and other receivables of £0.9m and current liabilities of £0.5m.

Consideration payable of £3.0m is represented by £1.0m cash paid on completion and a further contingent consideration (dependent on novation of contracts and FY23 revenue performance) of £1.9m (discounted). At 31 May 2023, a further £1.0m cash consideration had been paid following the successful novation of certain sales contracts.

Adelard is a Cyber Security<sup>2</sup> expert in high value critical systems for national and industrial infrastructure and its services are complementary to the Group.

### 36 Post balance sheet events

In line with the Group's next chapter strategy, during September 2023, the Group issued external marketing material to potentially dispose of an element of the Europe Cyber Security<sup>2</sup> CGU as it is considered non-core to the Group.

### 37 Audit exemption

The subsidiary undertakings listed below are exempt from the Companies Act 2006 requirements relating to the audit of their individual accounts by virtue of Section 479A of the Act as this company has guaranteed the subsidiary company under Section 479C of the Act.

| Company name                            | Principal activity |
|---|--------------------|
| Payment Software Company Limited        | 10059024           |
| NCC Group Cyber Security Limited        | 13287219           |
| NCC Group Cyber Security (UK) Limited   | 13294277           |
| NCC Group Cyber Security (APAC) Limited | 13294684           |
| NCC Group Audit Limited                 | 04323323           |
| NCC Group Signify Solutions Limited     | 03915262           |
| NCC Group Finance Limited               | 13350193           |

The Directors acknowledge their responsibility for complying with the requirements of the Companies Act 2006 with respect to accounting records and preparation of accounts.

<sup>2</sup> Formerly Assurance.

## Glossary of terms – other terms

| Other terms   | Definition and usage   |
|---|--|
| <b>Code</b>   | Guidance, issued by the Financial Reporting Council in 2016 and updated in 2018, on how companies should be governed, applicable to UK-listed companies including NCC Group plc.   |
| <b>Adjusted</b>   | Any result described as adjusted excludes the impact of Individually Significant Items, and any tax on any of these items.   |
| <b>Adjusted earnings</b>  | Adjusted earnings are defined as statutory earnings before amortisation of acquisition intangibles, Individually Significant Items and the share-based payments charge, net of the tax effect of these items.  |
| <b>Adjusted operating profit margin<sup>1</sup></b>               | Calculated as Adjusted operating profit divided by revenue from continuing activities.   |
| <b>AGM</b>  | Annual General Meeting of shareholders of the Company held each year to consider ordinary and special business as provided in the Notice of AGM.   |
| <b>Alternative Performance Measure (APM)</b>                      | An Alternative Performance Measure (which is denoted in each case or use thereof by a footnote) is a non-GAAP performance metric used by management either internally or externally to present management's view of the underlying business performance. They are not superior to GAAP-based measures and are simply an alternative way of looking at performance. See Note 3 for further information. |
| <b>Board</b>  | The Board of Directors of the Company (for more information see pages 88 and 90).  |
| <b>Cash conversion ratio<sup>1</sup></b>                          | Calculated as cash generated from operating activities before interest and taxation divided by Adjusted EBITDA <sup>1</sup> , expressed as a percentage.   |
| <b>CDO</b>  | Cyber Defence Operations.  |
| <b>CEO</b>  | Chief Executive Officer.   |
| <b>CFO</b>  | Chief Financial Officer.   |
| <b>CISO</b>   | Chief Information Security Officer.  |
| <b>Company, Group, NCC, we, our or us</b>                         | We use these terms, depending on the context, to refer to either NCC Group plc, the individual Company, or to NCC Group plc and its subsidiaries collectively.   |
| <b>CPO</b>  | Chief People Officer.  |
| <b>CTO</b>  | Chief Technology Officer.  |
| <b>Directors, Executive Directors and Non-Executive Directors</b> | The Directors/Executive Directors and Non-Executive Directors of the Company whose names are set out on pages 88 and 90 of this report.  |
| <b>EBIT</b>   | Earnings before interest and tax.  |
| <b>EBIT margin %</b>  | EBIT margin % is calculated as follows: Adjusted EBIT divided by revenue.  |
| <b>EBITDA</b>   | Earnings before interest, tax, depreciation and amortisation. Calculated as operating profit before Individually Significant Items and adding back depreciation and amortisation charged.  |
| <b>EBITDA margin %</b>  | EBITDA divided by revenue.   |
| <b>EPS</b>  | Earnings per share. Profit for the year attributable to equity shareholders of the Parent allocated to each ordinary share.  |
| <b>FCA</b>  | Financial Conduct Authority.   |
| <b>Financial year</b>   | For NCC Group this is an accounting year ending on 31 May.   |
| <b>FRC</b>  | Financial Reporting Council.   |
| <b>Free cash flow</b>   | Net cash from operating activities less net capital expenditure and acquisition costs.   |
| <b>FRS</b>  | A UK Financial Reporting Standard as issued by the UK Financial Reporting Council (FRC).   |
| <b>FVLCTS</b>   | Fair value less costs to sell.   |

<sup>1</sup> Revenue growth at constant currency, Adjusted EBITDA, Adjusted operating profit, Adjusted EPS, cash conversion, net debt and net debt excluding lease liabilities are APMs and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items.



## Glossary of terms – other terms continued

| Other terms                           | Definition and usage  |
|---------------------------------------|---|
| <b>Gross profit</b>                   | Gross profit is revenue less direct costs of sale. It excludes costs considered to be overheads that are supporting the business as a whole as opposed to a specific revenue item.  |
| <b>Gross margin %/GM %</b>            | Calculated as gross profit divided by revenue from continuing activities.   |
| <b>HMRC</b>                           | His Majesty's Revenue & Customs, the tax collecting authority of the UK.  |
| <b>IAS or IFRS</b>                    | An International Accounting Standard or International Financial Reporting Standard, as issued by the International Accounting Standards Board (IASB). IFRS is also used as the term to describe international generally accepted accounting principles as a whole.  |
| <b>Individually Significant Items</b> | Items that the Directors consider to be material in nature, scale or frequency of occurrence that need to be excluded when calculating some non-statutory performance measures in order to allow users of the Financial Statements to gain a full understanding of the underlying business performance. See Note 5 for further information. |
| <b>KPMG</b>                           | The Company's external auditor, KPMG LLP.   |
| <b>LTIP</b>                           | Long Term Incentive Plan established to align the interests of senior and executive management with those of shareholders. The plan is formally known as the NCC Group Long Term Incentive Plan 2013 (approved by shareholders in 2013).  |
| <b>MD</b>                             | Managing Director.  |
| <b>MDR</b>                            | Managed Detection and Response.   |
| <b>Net debt<sup>1</sup></b>           | Total borrowings offset by cash and cash equivalents.   |
| <b>Ordinary shares</b>                | Voting shares entitling the holder to part ownership of a company.  |
| <b>SAYE/Sharesave</b>                 | Save As You Earn, being a tax efficient scheme to encourage colleague share ownership.  |
| <b>Software Resilience</b>            | Software Resilience represents our escrow resilience services.  |
| <b>Subsidiary</b>                     | A company or other entity that is controlled by NCC Group.  |
| <b>TSC</b>                            | Technical Security Consulting.  |
| <b>TSR</b>                            | Total shareholder return, which is share price growth plus dividends reinvested (where applicable) over a specified period of time, divided by the share price at the start of the period.  |

<sup>1</sup> Revenue growth at constant currency, Adjusted EBITDA, Adjusted operating profit, Adjusted EPS, cash conversion, net debt and net debt excluding lease liabilities are APMs and not IFRS measures. See Note 3 for an explanation of APMs and adjusting items.

## Other information

### Directors

Chris Stone – Non-Executive Chair  
Mike Maddison – Chief Executive Officer  
Guy Ellis – Chief Financial Officer  
Chris Batterham – Independent Non-Executive Director  
Julie Chakraverty – Senior Independent Non-Executive Director  
Jennifer Duvalier – Independent Non-Executive Director  
Mike Ettling – Independent Non-Executive Director  
Lynn Fordham – Independent Non-Executive Director

### Company Secretary

Jonathan Williams

### Registered Group and Company head office

XYZ Building  
2 Hardman Boulevard  
Spinningfields  
Manchester  
M3 3AQ

### Registered number

4627044  
Registered in England and Wales

### Joint brokers and corporate finance advisers

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London  
EC2N 4JL

#### Peel Hunt LLP

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120 London Wall  
London  
EC2Y 5ET

### Auditor

**KPMG LLP**  
1 St Peter's Square  
Manchester  
M2 3AE

### Solicitors

**DLA Piper UK LLP**  
1 St Peter's Square  
Manchester  
M2 3DE

### Registrar

**Equiniti**  
Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6DA

### Bankers

**HSBC UK Bank plc**  
2nd Floor  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

### National Westminster Bank plc

1 Hardman Boulevard  
Manchester  
M3 3AQ

### ING Bank N.V. London Branch

8–10 Moorgate  
London  
EC2R 6DA

### Fifth Third Bank

National Association  
38 Fountain Square Plaza  
Cincinnati  
OH 45263

## Financial calendar

|   |                  |
|---|------------------|
| Ex-dividend date                          | 9 November 2023  |
| Record date                               | 10 November 2023 |
| AGM                                       | 30 November 2023 |
| Dividend payment date                     | 8 December 2023  |
| 2024 half year end                        | 30 November 2023 |
| 2024 interim statement                    | 1 February 2024  |
| 2024 year end                             | 31 May 2024      |
| 2024 year end trading pre-close statement | June 2024        |
| 2024 preliminary year end statement       | September 2024   |

These dates are provisional and may be subject to change.



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# **NCC Group plc** Annual report and accounts for the year ended 31 May 2023