

GB GROUP PLC
 ("GBG", the "Group" or the "Company")

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

Strong underlying growth and cash flow, significant strategic and operational progress

GB Group plc (AIM: GBG), the experts in digital location, identity and identity fraud software, announces its unaudited results for the six months ended 30 September 2021.

Financials

	2021	2020	Growth²
Revenue	£109.2m	£103.5m	5.4%
Organic constant currency revenue	£108.7m	£96.6m	12.6%
Operating profit	£14.8m	£15.7m	(5.2%)
Adjusted operating profit ¹	£27.8m	£26.8m	3.5%
Adjusted operating margin ¹	25.5%	25.9%	(40bps)
Profit before tax	£14.4m	£14.9m	(3.2%)
Diluted earnings per share	5.6p	6.0p	(6.7%)
Adjusted diluted earnings per share (restated ³)	10.9p	10.4p	4.8%
Net cash/(debt)	£39.5m	(£2.7m)	n/a

Chris Clark, CEO, commented:

"I am extremely pleased with these results and the significant progress we have made strategically. These results reflect both the considerable potential in our markets and the commitment and expertise of our highly motivated team at GBG. Our goal is to be the global leader in location, identity and identity fraud solutions and the professionalism and hard work of the GBG team has helped us make significant advances this year. I am particularly proud that despite so many outside challenges on our people we maintained our focus on engagement and we continue to be recognised as a great place to work.

We have strengthened our leadership position in our markets both organically and also, post half year end, by adding new customers, technology and people through welcoming Acuant to the GBG family. I am excited by the potential Acuant unlocks for the Group, this combination accelerates our strategic progress by some two years and strengthens our solution set addressing the fast-growing problem of identity fraud.

Looking to the rest of this year we are focussed on executing our plans, optimising the considerable assets now at our disposal and delivering exceptional value to our customers, opportunity to our team members and long-term value to our shareholders."

Notes:

¹ These measures are defined within note 16 to the Half Year Results.

² Growth percentages are calculated with reference to the actual unrounded figures in the primary financial statements and so might not tie directly to the rounded figures in the table if recalculated.

³ Refer to note 7 of the Half Year Results for details of the restatement.

Highlights and outlook

Strong first half performance and balance sheet	<ul style="list-style-type: none"> • Organic constant currency revenues have grown by 12.6% with strong performance from all three segments: <ul style="list-style-type: none"> ○ Identity benefitted from strong underlying demand combined with higher than expected volumes from US stimulus and cryptocurrency related transactions ○ Location continued its strong momentum as customers recognised the importance of frictionless experiences in the shift to digital commerce. New customers included Nestle UK and Garmin ○ Fraud saw recovery on last year as restrictions lifted and on-premise installations became possible again in some locations • Growth underpinned by subscription and transactional/consumption revenues of £105.0 million and strong customer retention which supports good forward revenue visibility • Adjusted operating profits up 3.5% to £27.8 million • Strong balance sheet with £39.5 million of net cash as at 30 September 2021 • Refinancing completed post half year end to increase total facility to £175m and extend term to July 2025
Product development	<ul style="list-style-type: none"> • Launched two new products in the Identity segment; ExpectID Flex API in the US, for the enterprise market and RapID in the UK aimed at the small business market • Launched new version of our market leading Loqate solution, incorporating machine learning and predictive addressing capability globally • The Investigate solution acquired last year is being rolled out ahead of expectation and with strong customer take-up
Acuant Acquisition (post half year end)	<ul style="list-style-type: none"> • Acuant acquisition delivers material US customer base in the largest market for identity solutions globally • The acquisition accelerates GBG's product, data and platform strategy by approximately two years, supporting accelerated global expansion • The acquisition is expected to accelerate GBG's growth, enhance operating profit margins and be earnings neutral in FY23 (post synergies), its first full year of ownership and to be accretive thereafter
People	<ul style="list-style-type: none"> • Introduction of global 'Work When and Where You Want' policy giving team members increased flexibility • Employee engagement scores continue to be high: 94% 'would recommend GBG as a great place to work'
Positive outlook	<ul style="list-style-type: none"> • GBG has significant opportunity evidenced by clear growth and market drivers • The GBG Board reiterates its confidence in meeting financial expectations for the enlarged Group for the remainder of the financial year 2022

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Presentation and webcast

GBG management will be hosting an analyst presentation today (30 November 2021) at 09:00 a.m. GMT. To register for the webcast please use the following link:

<https://webcasting.brrmedia.co.uk/broadcast/6176883cdf7b150b81e939ae>

Shortly following the presentation, an archived webcast will be available on the GBG Investor Centre.

About GBG

GBG are the experts in digital location, identity and identity fraud software. Helping organisations across the globe eliminate customer friction and fraud from their digital experiences. GBG develop and deliver digital identity, address verification, fraud prevention and compliance software to over 21,000 customers globally.

Through the combination of the latest technology, the most accurate data and our unrivalled expertise, GBG helps organisations ranging from start-ups to the largest consumer and technology brands in the world deliver seamless experiences, so their customers can transact online with greater confidence.

GBG is headquartered in the UK with over 1,200 team members across 18 countries.

To find out more about how we help our customers establish trust with their customers, visit www.gbgplc.com and follow us on LinkedIn and Twitter@gbgplc.

Chairman's Statement:

I am very pleased to report a strong first half for the Group. We have delivered a good financial performance with revenue growth in each business segment.

Identity benefitted from strong underlying demand combined with higher than expected volumes from US stimulus and cryptocurrency related transactions. Location continued its excellent performance, as customers recognise that superior customer experience is a key component of the shift to digital commerce. Fraud deployments recovered compared to last year as on-premise installations became possible in some locations due to the lifting of lockdown restrictions. The overall improved sales performance, combined with lower than expected operating expenditure, resulted in a strong adjusted operating profit performance.

As always our performance is underpinned by our exceptional team. We remain focused on making GBG a great place to work and investing in all aspects of professional development. The success of our approach was evident again in our most recent Gallup Q12 survey, with 94% of our team stating that they "would recommend GBG as a great place to work". Results like this build our reputation for delivering a great employee experience and we believe that with our new commitment to flexible working, a 'Work When and Where You Want' initiative, we will continue to attract and engage the best talent in the industry.

We continued to execute well against our strategy, winning new customers across our geographies and end markets, while both renewals and upselling opportunities among our existing customers remained strong. Subscription and transactional/consumption revenues benefitted from the customers gained in the second half of FY21 contributing to the year-on-year growth in the first half of this year. We continued to strengthen our product portfolio and maintain our reputation for innovation during the period. We released ExpectID Flex API (enterprise market) and RapID (small business in UK) in the Identity segment and launched globally the next generation of the industry's most advanced address capture solution from Loqate.

Our business model, which comprises both subscription and transaction/consumption revenue streams, continues to deliver excellent cash generation and means we are well-positioned to accelerate investment in the business both organically and through acquisitions.

As a result we added Acuant to the GBG family this month. This acquisition builds on our existing strength in the USA, the largest global market for identity related solutions and also accelerates GBG's data, product and platform strategy by two years. Acuant also brings additional talent and expertise to the GBG team, supported by our aligned vision and culture. We are very excited about the potential growth that Acuant brings to the Group.

Financial performance:

Both revenue and adjusted operating profit are in line with the performance outlined in the trading update issued on 21 October 2021. Total revenue for the period grew by 5.4% to £109.2 million, after adjusting for both foreign currency translation effects and divested businesses this resulted in a headline increase of 12.6% on an organic constant currency basis.

Software subscription¹ revenue contributed £47.9 million with revenue from transaction/consumption of our solutions adding a further £57.1 million, both of which demonstrate our strong repeatable revenue model. Non-repeatable revenue streams, most typically services and implementation fees, amounted to £4.2 million in the period.

Each of GBG's three segments grew in both reported and organic constant currency terms in the first half of the year.

- Location continued its strong momentum reported at the full year with revenue growth on a constant currency basis of 15.4% to £29.9 million. The shift to digital-first and omnichannel retail benefitted the business, as did the ever-increasing consumer expectations on retailers to provide a frictionless experience. New customers to the Group included Nestle UK in the foods sector, GoPro and Garmin in technology retail and Harper Collins in publishing, demonstrating the breadth of the market opportunity.
- Identity, representing 58.4% of the Group's revenues, also performed well with growth on a constant currency basis of 10.4% despite a very strong comparative period affected by US government financial stimulus activity last year. Although this is a one-off project, activity continued through to the current

¹ Software subscriptions can be term-based where the agreement entitles the customer to use a GBG solution for a fixed period of time (fair use volume limits applies) or consumption-based, whereby a customer buys usage credits in advance which entitle them to use of GBG's solutions up to a fixed quantity (and within a fixed time period).

financial year at higher than expected volumes, generating additional revenue of £3 million. The Identity businesses also benefitted from increased cryptocurrency transaction volumes in Q4 2021 continuing through to April and May of this financial period. In addition to these welcome one-off opportunities the favourable underlying demand environment for Identity services continued. New customers to the Group included Welcome Technologies, Meijer, Dabble Sports, Cuna Mutual and Zilch Technologies.

- Fraud Prevention also experienced good organic growth of 17.0% in constant currency, although measured against a comparatively weak period in the previous year, when impacted by a slowdown in both customer decision making during the global pandemic and the on-site requirements of implementations. During H1 significant term-based software subscription extensions were secured from two large global financial services customers that will benefit the Group on a multi-year basis. New contracts were also secured from a leading Vietnamese consumer finance company, EON and ATOS in Europe and a large financial services business in Indonesia.

Flowing from increased sales, adjusted operating profit for the first half also increased by 3.5% to £27.8 million with an adjusted operating profit margin of 25.5%. This is marginally higher than our original expectations due to the one-off revenue impacts noted above and slower than planned recruitment related costs. The significant market opportunity available to GBG means that we will continue to increase investment in our people, technology and channel-to-market capacity with additional expenditure planned in H2.

On a reported basis, operating profit decreased by 5.2% to £14.8 million after taking account of £12.9 million of costs associated with the amortisation of acquired intangibles, share-based payments and exceptional items (2020: £11.2 million). Of these costs £12.8 million (2020: £11.0 million) were non-cash items and £0.3 million related to transaction costs associated with the acquisition of Acuant that were incurred prior to 30 September 2021. The decrease in operating profit was mainly driven by an increase in the charge for equity-settled share-based payments by £1.8 million as a result of a greater number of share options granted to team members and Executive Directors.

The tax charge for the six-month period was £3.2 million (2020: £3.1 million). The tax charge on adjusted profit before tax was £5.3 million (2020: £5.4 million), representing an effective tax rate of 19.4% (2020: 20.9%). The revenue growth and stable operating profit margin and tax rate led to an increase in Adjusted Diluted EPS of 4.8% to 10.9 pence per share.

The Group's balance sheet remains strong. Group operating activities before tax payments generated £32.5 million of cash and cash equivalents (2020: £44.2 million) with an adjusted EBITDA to cash conversion ratio of 112.6% (2020: 154.9%). Following the refinancing as part of the Acuant acquisition the Group has a £175 million revolving credit facility, £20 million of which is unutilised to provide liquidity and enable continued business investment.

Strategic developments:

Technology and solutions

In a rapidly evolving market, our continued leadership depends on our ability to consistently innovate our technology and solutions. These solutions must address the new challenges that our customers experience due to increasing digitalisation, which brings them heightened risk from online fraud and additional regulatory complexity. As a result GBG has made advances in extending its product capability in the first half of the year.

We launched our new ExpectID Flex API in the US and RapID in the UK which meet the needs of our Identity customers during H1. ExpectID Flex API empowers businesses to verify anyone, anywhere in the customer journey and is aimed at our enterprise customers. This advanced methodology plugs directly into IDology's complete portfolio of verification methods without additional integration, providing full decision transparency and fraud analysis.

RapID offers our UK small business customers a plug and play identity verification solution that they can begin using in minutes. It is designed to help small businesses improve their customer onboarding process, moving away from time-consuming manual processes while still ensuring compliance.

In Location, we've launched the next generation of the industry's most advanced type-ahead address capture solution, designed to help businesses improve customer experience, reduce shopping cart abandonment and radically reduce failed deliveries. Research confirms that inaccurate or incomplete addresses cause delays in 41% of deliveries and failure in 39%, underscoring the importance of accurate address data in customer acquisition and growth – a growing problem for brands.

In our Fraud Prevention portfolio we accelerated the migration of customers and prospects to the new Investigate platform, while our Digital Risk Management and Intelligence products were recognised as the Best AI & Machine Learning Innovation at the Asia Risk Awards 2021 in September.

Acquisitions:

M&A is a core pillar of our strategy and we have a strong track record of execution having acquired and successfully integrated 13 companies since 2011. Each acquisition has continued the evolution of the Group from a UK-based customer data and marketing services organisation to a global leader in digital identity and identity fraud solutions, supported by our international location intelligence business, which delivers superior customer experience as well as prevention of some types of fraud.

Our progress has accelerated with the acquisition of the entire issued and to be issued share capital of Acuant on 29 November 2021, for a Purchase Price of \$736 million (£547 million). This acquisition strengthens our position as a global leader in identity verification and identity fraud services and adds considerable revenue and customers in the USA, the world's largest and most strategically important market for digital identity. Acuant also provides the enlarged Group with technology to accelerate our development of new identity fraud solutions, the fastest-growing adjacent sector to the Identity Verification market, which can be deployed to our international markets. We have a long-standing commercial relationship with Acuant, which will assist in both integration and the delivery of revenue and efficiency synergies.

It is also pleasing to report that one year after announcing the acquisition of HooYu Investigate that integration has progressed well, with GBG's breadth and depth of data enriching the Investigate platform and bringing a leading fraud and investigation service to the market. We have won some significant new customers in the insurance, financial services and utilities sectors and we are seeing existing customers upgrade their licenses to the Investigate platform.

People:

Our people bring the talent and passion responsible for GBG's ongoing success. We are focused on providing an inclusive and supportive environment that enables our team members to grow and develop.

Our performance over the last two years has demonstrated that our team can deliver record results and high engagement scores while working remotely. In a departure from the traditional working parameters, our new 'Work When and Where You Want' policy, introduced in July, means that over 1,200 GBG team members across 18 countries now have the flexibility to adjust the timing and location of their work and achieve a better work-life balance. This and other group-wide initiatives has led to further improvement to our Gallup Q12 engagement survey scores in the current period and we continue to consider further measures to enhance employee experience.

Every team member in GBG has contributed to the Group's performance and each one has my gratitude for their deep commitment and excellent work despite the challenges of the period.

Appointment of Additional Non-Executive Director:

In November 2021 we welcomed Bhavneet (Bhav) Singh to the Board as an Independent Non-Executive Director. Bhav has over 25 years' experience leading successful digital businesses through ambitious periods of growth and transformational change. His direct experience with international expansion is highly applicable to GBG's strategic priorities.

Regulation:

As reported in previous statements, The Information Commissioner's Office (the data industry regulator in the UK) announced in November 2018 that it was conducting audits on a number of companies, including GBG, to understand the use of data in their services. We continue to work collaboratively with the Commissioner's Office as it strives to improve privacy compliance and will keep investors informed of any material developments.

Outlook:

GBG is at the forefront of fast-growing global markets in location intelligence, identity verification and fraud detection, influenced by powerful structural drivers. Our business is quickly responding to the accelerating adoption of digital commerce, increased compliance and regulatory demands and the growing risk of digital fraud.

GBG's products and services balance consumer expectation for frictionless digital commerce and the business imperative to attract new customers with regulatory requirements and compliance best practice. Supporting our customers to get this balance right provides the Group with excellent long-term prospects.

After a stronger than expected start to the year, in part related to the US stimulus programme and the exceptional level of transactional revenue related to cryptocurrencies in April and May, we have now seen volumes normalise. Following completion of the acquisition of Acuant yesterday, we are excited to welcome our new team members to GBG and begin the integration. Our primary focus for the remainder of FY22 is on maintaining and supporting the business momentum that saw Acuant grow 22% in the 12 months to September 2021.

Given the scale of opportunity ahead of us we will step up investment in people, product and channel-to-market capacity in the second half. When combined with an increase in travel and marketing spend following a period of Covid-enforced limitations, we anticipate operating margins will normalise and as a result the outlook for the second half of FY22 remains in line with the Board's expectations for the enlarged business.

David Rasche
Chairman

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 September 2021

Unaudited

	Note	Unaudited 6 months to 30 September 2021 £'000	Unaudited 6 months to 30 September 2020 £'000	Audited Year to 31 March 2021 £'000
Revenue	5	109,154	103,545	217,659
Cost of sales		(32,241)	(30,908)	(65,096)
Gross profit		76,913	72,637	152,563
Operating expenses before amortisation of acquired intangibles, equity-settled share-based payments and exceptional items		(49,130)	(45,801)	(94,667)
Operating profit before amortisation of acquired intangibles, equity- settled share-based payments and exceptional items (Adjusted operating profit)	5	27,783	26,836	57,896
Amortisation of acquired intangibles		(8,581)	(9,058)	(17,671)
Equity-settled share-based payments	12	(3,865)	(2,023)	(5,170)
Exceptional items	4	(490)	(93)	448
Operating profit	5	14,847	15,662	35,503
Finance revenue		7	7	120
Finance costs		(469)	(809)	(1,360)
Profit before tax		14,385	14,860	34,263
Income tax charge	6	(3,195)	(3,084)	(7,385)
Profit after tax and for the period attributable to equity holders of the parent		11,190	11,776	26,878
Earnings per share				
- basic earnings per share for the period	7	5.7p	6.1p	13.8p
- diluted earnings per share for the period	7	5.6p	6.0p	13.5p
- adjusted basic earnings per share for the period (restated) ¹	7	11.2p	10.6p	22.8p
- adjusted diluted earnings per share for the period (restated) ¹	7	10.9p	10.4p	22.4p

¹ See note 7 for details of restatement

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2021
Unaudited

	Unaudited 6 months to 30 September 2021 £'000	Unaudited 6 months to 30 September 2020 £'000	Audited Year to 31 March 2021 £'000
Profit after tax and for the period attributable to equity holders of the parent	11,190	11,776	26,878
Other comprehensive income:			
Exchange differences on retranslation of foreign operations (net of tax)	<u>4,229</u>	<u>(3,961)</u>	<u>(20,559)</u>
Total comprehensive income for the period attributable to equity holders of the parent	<u>15,419</u>	<u>7,815</u>	<u>6,319</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2021

Unaudited

	Note	Equity share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2020		4,855	261,648	6,575	3	3,953	67,900	344,934
Profit for the period		-	-	-	-	-	11,776	11,776
Other comprehensive income		-	-	-	-	(3,961)	-	(3,961)
Total comprehensive (expense)/income for the period		-	-	-	-	(3,961)	11,776	7,815
Issue of share capital		24	3,227	-	-	-	-	3,251
Share-based payments		-	-	-	-	-	2,023	2,023
Tax on share options		-	-	-	-	-	778	778
Balance at 30 September 2020		4,879	264,875	6,575	3	(8)	82,477	358,801
Profit for the period		-	-	-	-	-	15,102	15,102
Other comprehensive expense		-	-	-	-	(16,598)	-	(16,598)
Total comprehensive (expense)/income for the period		-	-	-	-	(16,598)	15,102	(1,496)
Issue of share capital		29	2,752	3,343	-	-	-	6,124
Share-based payments		-	-	-	-	-	3,147	3,147
Tax on share options		-	-	-	-	-	922	922
Share forfeiture receipt		-	-	-	-	-	2,641	2,641
Equity dividend	8	-	-	-	-	-	(5,883)	(5,883)
Balance at 1 April 2021		4,908	267,627	9,918	3	(16,606)	98,406	364,256
Profit for the period		-	-	-	-	-	11,190	11,190
Other comprehensive expense		-	-	-	-	4,229	-	4,229
Total comprehensive income for the period		-	-	-	-	4,229	11,190	15,419
Issue of share capital		18	898	-	-	-	-	916
Share-based payments	12	-	-	-	-	-	3,865	3,865
Tax on share options		-	-	-	-	-	396	396
Share forfeiture refund		-	-	-	-	-	(5)	(5)
Equity dividend	8	-	-	-	-	-	(6,677)	(6,677)
Balance at 30 September 2021		4,926	268,525	9,918	3	(12,377)	107,175	378,170

Condensed Consolidated Balance Sheet

As at 30 September 2021

Unaudited

	Note	Unaudited As at 30 September 2021 £'000	Unaudited As at 30 September 2020 £'000	Audited As at 31 March 2021 £'000
ASSETS				
Non-current assets				
Property, plant and equipment	9	3,813	4,214	3,706
Right-of-use assets	9	2,545	4,006	3,231
Goodwill	9	289,531	300,082	286,351
Other intangible assets	9	83,810	100,560	91,312
Investments		2,289	2,288	2,288
Deferred tax asset		7,871	7,231	7,676
		389,859	418,381	394,564
Current assets				
Inventories		106	136	123
Trade and other receivables		48,851	51,311	58,617
Current tax		7,603	5,363	5,778
Cash and short-term deposits		39,499	32,281	21,135
		96,059	89,091	85,653
TOTAL ASSETS		485,918	507,472	480,217
EQUITY AND LIABILITIES				
Capital and reserves				
Equity share capital		4,926	4,879	4,908
Share premium		268,525	264,875	267,627
Merger reserve		9,918	6,575	9,918
Capital redemption reserve		3	3	3
Foreign currency translation reserve		(12,377)	(8)	(16,606)
Retained earnings		107,175	82,477	98,406
Total equity attributable to equity holders of the parent		378,170	358,801	364,256
Non-current liabilities				
Loans		-	34,736	-
Lease liabilities		1,692	2,912	2,286
Provisions		1,496	1,161	1,010
Deferred revenue		552	651	545
Contingent consideration		-	458	-
Deferred tax liability		21,162	24,622	22,120
		24,902	64,540	25,961
Current liabilities				
Lease liabilities		1,719	1,976	1,650
Trade and other payables		33,187	42,626	41,067
Deferred revenue		44,188	35,326	42,298
Contingent consideration	10	3,752	4,203	3,662
Current tax		-	-	1,323
		82,846	84,131	90,000
TOTAL LIABILITIES		107,748	148,671	115,961
TOTAL EQUITY AND LIABILITIES		485,918	507,472	480,217

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2021

Unaudited

	Unaudited 6 months to 30 September 2021 £'000	Unaudited 6 months to 30 September 2020 £'000	Audited Year to 31 March 2021 £'000
Group profit before tax	14,385	14,860	34,263
Adjustments to reconcile Group profit before tax to net cash flows			
Finance revenue	(7)	(7)	(120)
Finance costs	469	809	1,360
Depreciation of plant and equipment	9 644	742	1,433
Depreciation of right-of-use assets	9 903	948	1,838
Amortisation of intangible assets	9 8,679	9,181	17,914
Impairment of goodwill	-	79	154
Loss/(profit) on disposal of business	4 126	-	(1,403)
Fair value adjustment on contingent consideration	10 90	571	245
Loss on disposal of plant and equipment and intangible assets	7	-	-
Share-based payments	12 3,865	2,023	5,170
Decrease/(increase) in inventories	14	(11)	6
(Decrease)/increase in provisions	(40)	-	88
Decrease in receivables	8,635	12,701	10,028
(Decrease)/increase in payables	(5,299)	2,286	1,655
Cash generated from operations	32,471	44,182	72,631
Income tax paid	(6,682)	(8,917)	(14,205)
Net cash generated from operating activities	25,789	35,265	58,426
Cash flows (used in)/from investing activities			
Acquisition of subsidiaries, net of cash acquired	-	(2,089)	(2,762)
Purchase of plant and equipment	9 (788)	(243)	(455)
Purchase of software	9 (46)	(234)	(283)
Proceeds from disposal of plant and equipment	2	-	-
Net (costs)/proceeds from disposal of businesses	(60)	-	5,307
Interest received	7	7	20
Net cash flows (used in)/from investing activities	(885)	(2,559)	1,827
Cash flows (used in)/from financing activities			
Finance costs paid	(279)	(559)	(1,231)
Proceeds from issue of shares	916	963	3,087
(Refund)/proceeds from share forfeiture	(5)	-	2,641
Repayment of borrowings	-	(27,500)	(62,500)
Repayment of lease liabilities	(817)	(1,143)	(2,252)
Dividends paid to equity shareholders	8 (6,677)	-	(5,883)
Net cash flows used in financing activities	(6,862)	(28,239)	(66,138)
Net increase in cash and cash equivalents	18,042	4,467	(5,885)
Effect of exchange rates on cash and cash equivalents	322	315	(479)
Cash and cash equivalents at the beginning of the period	21,135	27,499	27,499
Cash and cash equivalents at the end of the period	39,499	32,281	21,135

Notes to the Condensed Consolidated Interim Financial Statements

1. CORPORATE INFORMATION

The condensed consolidated interim financial statements of GB Group plc ('the Group') for the six months ended 30 September 2021 were authorised for issue in accordance with a resolution of the directors on 29 November 2021 and are unaudited but have been reviewed by the auditor, Ernst & Young LLP and their report to the Company is set out at the end of these condensed consolidated interim financial statements.

GB Group plc is a public limited company incorporated in the United Kingdom whose shares are publicly traded on the Alternative Investment Market (AIM) of the London Stock Exchange.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of Preparation

These condensed consolidated interim financial statements for the six months ended 30 September 2021 have been prepared in accordance with UK-adopted IAS 34 'Interim Financial Reporting'. The annual financial statements of the Group are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and with those parts of the Companies Act 2006 applicable to companies reporting under International Accounting Standards.

The condensed consolidated interim financial statements are presented in the Group's functional currency of pounds Sterling and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

The condensed consolidated interim financial statements do not constitute statutory financial statements as defined in section 435 of the Companies Act 2006 and therefore do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 March 2021. The financial information for the preceding year is based on the statutory financial statements for the year ended 31 March 2021. These financial statements, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies. These financial statements did not require a statement under either section 498(2) or section 498(3) of the Companies Act 2006.

Going Concern

As detailed in note 15, after the balance sheet date the Group acquired Acuant Intermediate Holding Corp ("Acuant") and refinanced its existing bank facilities. The going concern assessment performed by management for the purpose of the interim review has incorporated both of these events when considering future cashflows, the availability of cash resources and compliance with debt covenants.

An extensive review of the going concern assumption was conducted prior to the approval of the 31 March 2021 Annual Report. This review has been extended through to 31 March 2023 and updated for the actual Group results for the first six months of FY22, which have been ahead of those forecasts used during the year-end review in terms of revenue, profit and cash generation.

The actual revenue performance for the six months showed organic growth at constant currency of 12.6%. The going concern model at the year-end was based on a market consensus position of a decline of 3.2% due to a specific one-off customer project in FY21 which was not expected to repeat and so the performance in the first half of the year has been significantly ahead of this. In part this growth has been due to this specific customer project continuing into the current financial year at higher than expected volumes, generating additional revenue of approximately £3 million. The Group also benefitted from the increased transaction volumes across crypto-currencies, experienced in our Q4 last year and continuing into April and May of this financial period. This generated a further circa £4 million of additional consumption revenue in the first half of the year.

In addition to the revenue (and profit) performance the Group has continued to successfully convert this trading performance into cash. The EBITDA to operating cash conversion % for the first half was 112.6% whereas the prior period was 154.9% due to large receipts from the sale of multi-year contracts in March 2020 in addition to the deferral of VAT payments under the UK coronavirus support scheme. The rolling 12-month cash conversion % was 100.1% at 30 September 2021 compared to 119.5% at 31 March 2021 which is also ahead of the assumptions used in the going concern model for the 31 March 2021 year-end.

The refinancing of the previous bank facilities has extended the term of the facility to July 2025 (the previous facility was due to expire in February 2023), with two further one-year extension options (subject to bank approval). The total value of the facility is £175m, £155m of which was drawdown in USD to part fund the Acuant acquisition. The modelling for going concern assumes that cash over a base level of approximately £20m will be used to repay this drawdown, using future cashflows from both Acuant and the rest of the Group.

The base case model has been updated at the half-year for the actuals to 30 September 2021 and the latest forecasts through to 31 March 2023 based on updated underlying growth assumptions and the modelling performed on Acuant as part of the acquisition due diligence process. Under the updated base case and a range of potential downside scenarios, the Group continues to have significant liquidity and financial covenant headroom under its debt facilities.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

The model was then adjusted to assess what level of decline in revenue against the base model would be required to result in a covenant breach. This shows that it would take a decline of 29% to result in a breach, which would occur as at 31 December 2022 (in the year-end model it took a decline of 45% to result in a breach). This is on the assumption that management implemented a reduction in overheads of 20% which is considered possible without causing significant disruption to the business in those circumstances. Without the overheads reduction it would take a continued decline of 16% to result in a breach, which would also occur in December 2022 (in the year-end model it took a 31% decline without any operating expenses savings).

Whilst the headroom has reduced since the year-end, this is reflective of the drawdown for the acquisition only recently being made. Based on the current trading performance and through reference to current market consensus, a decline of anywhere near 29% is considered by the Directors to be highly unlikely. If this became even a remote possibility, then certain cash conservation measures in management's control would be implemented well in advance of the breach. This includes either not declaring or reducing future final dividend payments, pay and recruitment freezes, withdrawing bonuses and reductions to the payroll cost base. In addition, the range of mitigating actions detailed in the 2021 Annual Report remain available, albeit these are not within management's control. This includes, for example, requesting a delay to UK tax payments, raising cash through an equity placing and disposal of part of the business.

Following review of future forecasts and applying reasonable and extreme sensitivities, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, the Board continues to adopt the going concern basis in preparing the interim financial statements.

Accounting Policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2021 with the exception of the presentation of its fee types and revenue streams due to changes in their disaggregation which is intended to better help users of the accounts understand the repeatable nature of the Group's revenue. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. No newly introduced standard or amendments to standards had a material impact on the condensed consolidated interim financial statements.

Revenue recognition

During the 6-month period ended 30 September 2021, the Group has changed the presentation and disclosure of its fee types and revenue streams in order to disaggregate revenue recognised from contracts with customers into recurring and non-recurring revenue streams. Management believes that the revised disaggregation best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors and is therefore most relevant and useful to users of the accounts.

Aggregation as previously reported	Updated aggregation
Licence	Term-based subscription
Transactional	Consumption
	Consumption-based subscription
Services	Term-based subscription
	Consumption
	Consumption-based subscription
	Other

The Company's revenue recognition policy for each type of revenue is unchanged from the previous period. The description of those revenue recognition policies for each of the new revenue type descriptors is as follows:

Revenue is stated net of value-added tax, rebates and discounts and after the elimination of intercompany transactions within the Group. The Group operates a number of different businesses offering a range of products and services and accordingly applies a variety of methods for revenue recognition, based on the principles set out in IFRS 15.

Revenue is recognised to represent the transfer of promised services to customers in a way that reflects the consideration expected to be received in return. Consideration from contracts with customers is allocated performance obligations identified based on their standalone selling price and is recognised when those performance obligations are satisfied and the control of goods or services is transferred to the customer, either over time or at a point in time.

In determining the amount of revenue and profits to record, and related balance sheet items (such as contract assets, contract liabilities, accrued income and deferred income) to recognise in the period, management is required to form a number of judgements and assumptions. These may include an assessment of the costs the Group incurs to deliver the contractual commitments and whether such costs should be expensed as incurred or capitalised. These judgements are inherently subjective and may cover future events such as the achievement of contractual milestones.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

a) *Term-based subscriptions (previously: software licences)*

Revenue from term-based subscriptions is recognised when control is considered to have passed to the customer. Control can pass either at a point in time or over time depending on the performance obligations under the contract as further described below.

Web-service hosted software solutions

The performance obligation is to provide the customer a right to access the software throughout the subscription period for which revenue is recognised over the subscription period.

On-premise installation

The performance obligations can include the provision of a software subscription, data sets, updates to those data sets during the subscription period and support and maintenance. There also are instances where customers are provided a data set to use with their own software rather than the Group's.

The Group's software has no standalone value to the customer without the data as there is nothing upon which to apply the algorithms. The data file cannot be accessed outside of the software so has no standalone value (unless under the circumstance where it has been subscribed for use on the customer's system). As a result, the software and the data are considered one performance obligation as the customer cannot benefit from one without the other.

Customers are given a right-to-use the software and data as it exists at the point in time the subscription is granted, for which revenue is recognised at the point in time the customer can first use and benefit from it.

A proportion of the transaction price is allocated to the provision of data updates and support and maintenance, which are considered separate performance obligations. This is either based on the stand-alone selling price for those services or, where the Group does not have a history of stand-alone selling prices for a particular software subscription, a cost-plus mark-up approach is applied.

Data disk

The performance obligations can include the subscription to use specific data sets, updates to those data sets during the subscription period and support and maintenance.

The performance obligations over the period of the subscription are satisfied by the provision of disk files to the customer in the same format on a monthly basis to ensure that the customer has access to the most relevant information throughout the contract period. This meets the series guidance under IFRS 15 paragraph 22: "a promise to transfer to the customer a series of distinct goods or services that are substantially the same and that have the same pattern of transfer". Accordingly, the revenue for the full subscription period is recognised over the contractual term.

b) *Consumption (previously: transactional)*

A number of GBG SaaS solutions provide for the provision of consumed data intelligence services with customer paying only for the number of searches they perform. The performance obligation is to provide this check and revenue in respect of those solutions is recognised based on usage. Customers are either invoiced in arrears for searches performed ("consumption") or make a prepayment giving them the right to a specific number of searches ("consumption-based subscription").

Where customers make a prepayment, which entitles them to perform a specific number of transactions over an agreed contract period, once this period has expired any unused transactions are forfeited. Based on a review of historic forfeitures an estimate is made of the expected percentage of transactions that will remain unused over their contracted life. This percentage is applied such that revenue for expected forfeiture is recognised in proportion to the pattern of transactions performed by the customer.

c) *Other (previously: rendering of services)*

Revenue from other revenue such as development charges, set up, hardware, support and maintenance fees are recognised over time by reference to the stage of completion. Stage of completion of the specific transaction is assessed on the basis of the actual services provided as a proportion of the total services to be provided. Where the services consist of the delivery of support and maintenance on software licence agreements, it is generally considered to be a separate performance obligation and revenue is recognised on a straight-line basis over the term of the support period.

d) *Perpetual licences*

Revenue is recognised at a point in time when the contract is agreed, and the software is made available to the customer. Customers are charged an initial or perpetual licence fee for on-premise or hosted software which is usually limited by a set number of users or seats. Initial and perpetual licences provide the customer with the right to use the software and are distinct from other services.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

e) *Contract assets and contract liabilities*

Costs to obtain a contract in the Group typically include sales commissions and under IFRS 15 certain costs such as these are deferred as Contract Assets and are amortised on a systematic basis consistent with the pattern of transfer of the goods or services to which the asset relates. As a practical expedient, these costs are expensed if the amortisation period to which they relate is one year or less.

Where the Group completes performance obligations under a contract with a customer in advance of invoicing the customer, the value of the accrued revenue is initially recognised as a contract asset.

Any contract assets are disclosed within the trade and other receivables in the Consolidated Balance Sheet.

Where the Group receives a short-term prepayment or advance of consideration prior to completion of performance obligations under a contract with a customer, the value of the advance consideration received is initially recognised as a contract liability in liabilities. Revenue is subsequently recognised as the performance obligations are completed over the period of the contract (i.e. as control is passed to the customer). Contract liabilities are presented in deferred income within trade and other payables in the Consolidated Balance Sheet.

f) *Principal versus agent*

The Group has arrangements with some of its customers whereby it needs to determine if it acts as a principal or an agent as more than one party is involved in providing the goods and services to the customer.

The Group is an agent if its role is to arrange for another entity to provide the goods or services. Factors considered in making this assessment are most notably the discretion the Group has in establishing the price for the specified good or service, whether the Group has inventory risk and whether the Group bears the responsibility for fulfilling the promise to deliver the service or good. Where the Group is acting as an agent revenue is recorded at a net amount reflecting the margin earned.

The Group acts as a principal if it controls a promised good or service before transferring that good or service to the customer. Where the Group is acting as a principal, revenue is recorded on a gross basis.

This assessment of control requires some judgement in particular in relation to certain service contracts. An example is the provision of certain employment screening services where the Group may be assessed to be agent or principal dependent upon the facts and circumstances of the arrangement and the nature of the services being delivered.

g) *Contract modifications*

Although infrequent, contracts may be modified for changes in contract terms or requirements. These modifications and amendments to contracts are always undertaken via an agreed formal process. Contract modifications exist when the amendment either creates new or changes the existing enforceable rights and obligations. The effect of a contract modification on the transaction price and the Group's measure of progress for the performance obligation to which it relates, is recognised as an adjustment to revenue in one of the following ways:

- a. Prospectively as an additional separate contract
- b. Prospectively as a termination of the existing contract and creation of a new contract
- c. As part of the original contract using a cumulative catch up
- d. As a combination of b) and c).

For contracts for which the Group has decided there is a series of distinct goods and services that are substantially the same and have the same pattern of transfer where revenue is recognised over time, the modification will always be treated under either a) or b). However, d) may arise when a contract has a part termination and a modification of the remaining performance obligations.

The facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract by contract and may result in different accounting outcomes.

h) *Interest income*

Revenue is recognised as interest accrues using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Judgements and Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Full details of significant accounting judgements, estimates and assumptions used in the application of the Group's accounting policies can be found in the Annual Report and Accounts for the year ended 31 March 2021.

In preparing these condensed financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the statutory accounts for the year ended 31 March 2021. The only exceptions relate to the disclosure of discontinued operations and valuation and asset lives of separately identifiable intangible assets since no disposals or acquisitions have taken place during the period to 30 September 2021. There have been no new material judgements or estimates in the period to 30 September 2021.

3. RISKS AND UNCERTAINTIES

Management identifies and assesses risks to the business using an established control model. The Group has a number of exposures which can be summarised as follows: Covid-19; failure to comply with regulations and laws; increasing competition and lack of global reach; non-supply by a major supplier; cyber-attack; loss of data systems despite disaster recovery & business continuity plans; inability to meet new product development and scalability challenges; loss of intellectual property; and ineffective succession planning and skills retention. These risks and uncertainties facing our business were reported in detail in the 2021 Annual Report and Accounts and all of them are monitored closely by the Group.

4. EXCEPTIONAL ITEMS

	Unaudited 6 months to 30 September 2021 £'000	Unaudited 6 months to 30 September 2020 £'000	Audited Year to 31 March 2021 £'000
(a) Acquisition related costs	274	85	862
(b) Costs associated with team member reorganisations	-	105	441
(c) Impairment of goodwill	-	79	154
(d) Recognition of payroll tax credit	-	(747)	(747)
(e) Fair value adjustments to contingent consideration	-	747	697
(f) Foreign exchange movement on contingent consideration	90	(176)	(452)
(g) Loss/(profit) on disposal of businesses	126	-	(1,403)
Total exceptional costs/(income)	490	93	(448)

- a) Acquisition related costs of £274,000 (2020: £85,000) include legal and professional advisor costs directly attributable to the acquisition of Acuant detailed in note 15. The costs recognised to 30 September 2021 only reflect services received up to that date and do not include any fees that were contingent upon successful completion of the acquisition, as this occurred after the balance sheet date. These costs exclude operating or integration costs relating to an acquired business. Due to the size and nature of these costs, management consider that they would distort the Group's underlying business performance.
- b) Costs associated with team member reorganisations relate to exit costs of personnel leaving the business on an involuntary basis, either as a result of integrating acquisitions or due to reorganisations within our operating divisions. Due to the nature of these costs, management deem them to be exceptional in order to better reflect our underlying performance. Exit costs outside of these circumstances are treated as an operating expense.
- c) During the period to 30 September 2020 £79,000 was recognised as an impairment expense relating to the goodwill in the e-Ware Interactive cash generating unit. The carrying value of the goodwill following the impairment is £nil.

4. EXCEPTIONAL ITEMS (continued)

- d) In the period to 30 September 2020, a previously unrecognised payroll tax credit in the State of Georgia of £747,000 was recognised on the balance sheet, with a corresponding credit being recognised in exceptional items. Previously there was uncertainty over the Group's eligibility to this credit, but this has now been confirmed. As and when the Group receives the benefit of this asset an equivalent amount is due to the sellers of IDology. On this basis the contingent consideration liability has been increased by £747,000 with a corresponding exceptional item charge.
- e) Subsequent to the recognition of the additional contingent consideration of £747,000 referred to in (d) above, in December 2020 the Group agreed to settle this liability with the sellers early, in exchange for a reduction of £50,000 in the amount payable. Therefore, the net exceptional cost in the year to 31 March 2021 in relation to this was £697,000.
- f) The contingent consideration liability is based on the US Dollar value of the losses and deferred tax asset. As a result, the liability was retranslated at the balance sheet date with a loss of £90,000 (30 September 2020: gain of £176,000) being treated as an exceptional item.
- g) During the year to 31 March 2021, the Group disposed of its Marketing Services and Employ and Comply businesses. Intangible assets, property plant and equipment, and trading balances were disposed of as part of these transactions and deducted from the proceeds received which has resulted in an overall profit on disposal. The profit recognised on disposal of Employ and Comply was £2,578,000. The loss on disposal of Marketing Services was £1,175,000. In the period to 30 September 2021, additional costs of £126,000 were incurred in relation to the finalisation of the disposal of the Employ and Comply business.

5. SEGMENTAL INFORMATION

The Group's operating segments are internally reported to the Group's Chief Executive Officer as three operating segments: Location, Identity and Fraud. Included within 'Other' (previously disclosed as 'Unallocated' as at 31 March 2021 and 30 September 2020) is the revenue and profit of the Marketing Services business, the majority of which was disposed of in the year to 31 March 2021.

'Central overheads' represents group operating costs such as technology, compliance, finance, legal, people team, information security, premises, directors' remuneration and PLC costs.

The measure of performance of those segments that is reported to the Group's Chief Executive Officer is adjusted operating profit, being profits before amortisation of acquired intangibles, equity-settled share-based payments, exceptional items, net finance costs and tax, as shown below. Information on segment assets and liabilities is not regularly provided to the Group's Chief Executive Officer and is therefore not disclosed below.

Changes to Segmental Analysis for 6 months to 30 September 2021

The implementation of a new group wide finance system in the prior year has enabled transactions to be analysed in more detail internally. As a result, during the period to 30 September 2021, the presentation of the segmental information that is reported to the Group's Chief Executive Officer and the categories revenue is grouped into, has continued to evolve and has been updated to better reflect the nature of how customers consume our services. Note 2 'revenue recognition' details how the previous categories used for the disaggregation of revenue map to the new categories that have subsequently been adopted.

Previously GBG has presented an 'Unallocated' column in the segment disclosure, which represented both the revenue and profit of the Marketing Services business as well as group operating costs. However, following the disposal of part of its Marketing Services division in the prior year, the Group has now incorporated the remaining portion of the Marketing Services division within the Fraud operating segment. Due to these changes in the presentation of the segmental analysis during the period ended 31 September 2021, the segmental information for the year ended 31 March 2021 and the period ended 30 September 2020 have been re-presented on the same basis. The values that have been re-presented are as follows: 31 March 2021: £1,952,000 and 30 September 2020: £655,000. For the current period, the sold part of the Group's Marketing Services division is now disclosed within 'Other' and group operating costs are disclosed within the 'Central overheads' line.

5. SEGMENTAL INFORMATION (continued)

Historically a portion of group operating costs were attributed to the operating segments using a variety of allocation methods. However, in order to better reflect the underlying trading performance of the operating segments without distortion from changes in corporate costs, from 1 April 2021 group operating costs are no longer allocated and instead are included fully within the 'Central overheads' row. The removal of allocated group operating costs from operating segment results ensures that performance is measured against costs that can be directly controlled or influenced by individual segments.

Due to the variety of allocation methods used historically, often at a granular transaction level, changes from analysing by cost centre to business unit, as well as the use of different systems across the Group at various times during the comparative periods, it was not practical to restate the prior periods (being the year ended 31 March 2021 and the period ended 30 September 2020) to remove allocated group operating costs out of the operating segment results. Had the prior year information been updated then the adjusted operating profit of the individual segments would have increased because less central overheads would have been allocated to them.

Six months ended 30 September 2021	Location £'000	Identity £'000	Fraud £'000	Other £'000	Unaudited Total £'000
Subscription revenues:					
Consumption-based	8,423	6,586	439	-	15,448
Term-based	19,095	1,563	11,770	-	32,428
Total subscription revenues	27,518	8,149	12,209	-	47,876
Consumption	1,982	54,471	670	-	57,123
Other	405	1,108	2,604	38	4,155
Total revenue	29,905	63,728	15,483	38	109,154
Contribution	10,670	28,136	4,881	(214)	43,473
Central overheads	-	-	-	-	(15,690)
Adjusted operating profit					27,783
Amortisation of acquired intangibles	(2,155)	(5,599)	(827)	-	(8,581)
Share-based payments charge					(3,865)
Exceptional items					(490)
Operating profit					14,847
Finance revenue					7
Finance costs					(469)
Income tax expense					(3,195)
Profit for the period					11,190

5. SEGMENTAL INFORMATION (continued)

Re-presentation of 30 September 2020 Disclosure

As disclosed in the year ended 31 March 2021 financial statements, changes were made to the classification of revenue between segments when compared to the 31 March 2020 analysis. Revenue from Location products in VIX Verify were reclassified from the Identity segment to the Location segment. This resulted in a reclassification of £1,417,000 between categories.

	(Re-presented) Location £'000	(Re-presented) Identity £'000	(Re-presented) Fraud £'000	(Re-presented) Other £'000	Unaudited Total £'000
Six months ended 30 September 2020					
Subscription revenues:					
Consumption-based	8,978	6,743	289	-	16,010
Term-based	15,616	2,830	9,188	-	27,634
Total subscription revenues	24,594	9,573	9,477	-	43,644
Consumption	1,669	52,482	503	-	54,654
Other	357	1,059	2,952	879	5,247
Total revenue	26,620	63,114	12,932	879	103,545
Contribution	7,781	23,322	2,221	(514)	32,810
Central overheads					(5,974)
Adjusted operating profit					26,836
Amortisation of acquired intangibles	(1,938)	(6,709)	(230)	(181)	(9,058)
Share-based payments charge					(2,023)
Exceptional items					(93)
Operating profit					15,662
Finance revenue					7
Finance costs					(809)
Income tax expense					(3,084)
Profit for the period					11,776
	(Re-presented) Location £'000	(Re-presented) Identity £'000	(Re-presented) Fraud £'000	(Re-presented) Other £'000	Audited Total £'000
Year ended 31 March 2021					
Subscription revenues:					
Consumption-based	18,384	13,718	648	-	32,750
Term-based	37,399	4,938	19,907	-	62,244
Total subscription revenues	55,783	18,656	20,555	-	94,994
Consumption	2,970	107,173	1,122	-	111,265
Other	916	2,256	6,767	1,461	11,400
Total revenue	59,669	128,085	28,444	1,461	217,659
Contribution	19,472	47,746	5,332	(954)	71,596
Central overheads					(13,700)
Adjusted operating profit					57,896
Amortisation of acquired intangibles	(4,331)	(12,295)	(749)	(296)	(17,671)
Share-based payments charge					(5,170)
Exceptional items					448
Operating profit					35,503
Finance revenue					120
Finance costs					(1,360)
Income tax expense					(7,385)
Profit for the year					26,878

6. TAXATION

The Group calculates the period income tax expense using a best estimate of the tax rate that would be applicable to the expected total earnings for the year ending 31 March 2022.

The table below shows the impact on the effective rate of tax of non-recurring tax items:

	Unaudited 6 months to 30 September 2021			Unaudited 6 months to 30 September 2020		
	Profit before Tax £'000	Income tax charge £'000	Impact on effective tax rate % £'000	Profit before Tax £'000	Income tax charge £'000	Impact on effective tax rate % £'000
Income statement	14,385	3,195	22.2%	14,860	3,084	20.8%
Adjustments:						
Change of tax rates	-	(452)	(3.1%)	-	-	-
Prior year adjustments	-	(44)	(0.3%)	-	138	0.9%
	<u>14,385</u>	<u>2,699</u>	<u>18.8%</u>	<u>14,860</u>	<u>3,222</u>	<u>21.7%</u>

On 3 March 2021, the UK Government announced that effective 1 April 2023 the UK corporation rate will increase from 19% to 25%. This change was substantively enacted on 24 May 2021 and therefore the UK deferred tax assets and liabilities have been adjusted to reflect the change of rate for the amounts expected to unwind after 1 April 2023. This resulted in an additional charge in the period of £452,000.

After adjustment for these non-recurring tax items, the main reason for the decrease in the effective rate of tax is due to a higher benefit from research and development incentives such as Patent Box in the UK.

7. EARNINGS PER ORDINARY SHARE

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the basic weighted average number of ordinary shares in issue during the period.

	Unaudited 6 months to 30 September 2021		Unaudited 6 months to 30 September 2020		Audited Year to 31 March 2021	
	Pence per share	£'000	Pence per share	£'000	Pence per share	£'000
Profit attributable to equity holders of the Company	<u>5.7</u>	<u>11,190</u>	<u>6.1</u>	<u>11,776</u>	<u>13.8</u>	<u>26,878</u>

7. EARNINGS PER ORDINARY SHARE (continued)

Diluted

Diluted earnings per share amounts are calculated by dividing the profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	Unaudited 30 September 2021 No.	Unaudited 30 September 2020 No.	Audited 31 March 2021 No.
Basic weighted average number of shares in issue	196,570,487	194,523,778	195,224,730
Dilutive effect of share options	4,873,340	3,157,853	3,281,173
Diluted weighted average number of shares in issue	<u>201,443,827</u>	<u>197,681,631</u>	<u>198,505,903</u>

	Unaudited 6 months to 30 September 2021 Pence per share £'000	Unaudited 6 months to 30 September 2020 Pence per share £'000	Audited Year to 31 March 2021 Pence per share £'000
Profit attributable to equity holders of the Company	<u>5.6</u>	<u>6.0</u>	<u>13.5</u>
	<u>11,190</u>	<u>11,776</u>	<u>26,878</u>

Adjusted

Adjusted earnings per share is defined as adjusted operating profit less net finance costs and adjusted tax divided by the basic weighted average number of ordinary shares of the Company.

	Unaudited 6 months to 30 September 2021			(Restated) ¹ Unaudited 6 months to 30 September 2020			(Restated) ¹ Audited Year to 31 March 2021		
	£'000	Basic pence per share	Diluted pence per share	£'000	Basic pence per share	Diluted pence per share	£'000	Basic pence per share	Diluted pence per share
Adjusted operating profit	27,783	14.1	13.8	26,836	13.8	13.6	57,896	29.7	29.2
Less net finance costs	(462)	(0.2)	(0.2)	(802)	(0.4)	(0.4)	(1,240)	(0.6)	(0.6)
Less adjusted tax	(5,309)	(2.7)	(2.7)	(5,443)	(2.8)	(2.8)	(12,175)	(6.3)	(6.2)
Adjusted earnings	<u>22,012</u>	<u>11.2</u>	<u>10.9</u>	<u>20,591</u>	<u>10.6</u>	<u>10.4</u>	<u>44,481</u>	<u>22.8</u>	<u>22.4</u>

¹ Since the 31 March 2021 financial statements were produced, the Group has decided to amend the adjusted earnings per share calculation so that an adjusted tax charge is used rather than the full reported tax charge. The calculation of the adjusted tax charge is consistent with the calculation of adjusted operating profit and therefore excludes the impact on tax of amortisation of acquired intangibles, equity-settled share-based payments and exceptional items.

This has resulted in a restatement of the comparative figures for the 6 months to 30 September 2020 and year to 31 March 2021.

The impact of the prior period restatement on the 6 months to 30 September 2020 was a decrease in adjusted earnings of £2,359,000 and a decrease to adjusted basic earnings per share for the period and adjusted diluted earnings per share for the period of 1.2p and 1.2p respectively.

The impact of the prior year restatement on the year to 31 March 2021 was a decrease to adjusted earnings of £4,790,000 and a decrease to adjusted basic earnings per share for the period and adjusted diluted earnings per share for the period of 2.4p and 2.4p respectively.

8. DIVIDENDS PAID AND PROPOSED

	Unaudited 6 months to 30 September 2021 £'000	Unaudited 6 months to 30 September 2020 £'000	Audited Year to 31 March 2021 £'000
<i>Declared and paid during the period</i>			
Final dividend for 2021: 3.40p (2020: nil per share)	<u>6,677</u>	<u>-</u>	<u>5,883</u>
<i>Proposed for approval at AGM (not recognised as a liability at 31 March)</i>			
Final dividend for 2021: 3.40p (2020: nil per share)	<u>-</u>	<u>-</u>	<u>6,674</u>
<i>Interim dividend (not recognised as a liability at 30 September)</i>			
Interim dividend for 2021/22: nil per share (2020/21: 3.00p per share)	<u>-</u>	<u>5,855</u>	<u>-</u>

9. NON-CURRENT ASSETS

	Property, plant & equipment £'000	Right-of-use assets £'000	Goodwill £'000	Intangibles £'000
Cost				
Opening net book value at 1 April 2021	3,706	3,231	286,351	91,312
Additions	788	235	-	46
Disposals	(9)	-	-	-
Depreciation/amortisation	(644)	(903)	-	(8,679)
Foreign exchange movement	(28)	(18)	3,180	1,131
	<u>3,813</u>	<u>2,545</u>	<u>289,531</u>	<u>83,810</u>
Closing net book value at 30 September 2021	<u>3,813</u>	<u>2,545</u>	<u>289,531</u>	<u>83,810</u>

10. CONTINGENT CONSIDERATION

	30 September 2021 £'000	30 September 2020 £'000	31 March 2021 £'000
Opening	3,662	6,179	6,179
Recognition on the acquisition of subsidiary undertakings	-	747	747
Foreign exchange movement	90	(176)	(452)
Settlement discount	-	-	(50)
Settlement of consideration	-	(2,089)	(2,762)
Closing	<u>3,752</u>	<u>4,661</u>	<u>3,662</u>
Analysed as:			
Amounts falling due within 12 months	3,752	4,203	3,662
Amounts falling due after one year	<u>-</u>	<u>458</u>	<u>-</u>
	<u>3,752</u>	<u>4,661</u>	<u>3,662</u>

Contingent consideration is in respect of the IDology acquisition and is in respect of the pre-acquisition tax losses within IDology Inc. As and when GBG receives a cash benefit from these losses, either through a reduction in tax payments or through a tax refund, an amount equal to the cash benefit is due to the sellers.

11. FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT

The objectives, policies and strategies pursued by the Group in relation to financial instruments are described within the 2021 Annual Report.

All financial assets and liabilities have a carrying value that approximates to fair value. For trade and other receivables, allowances are made within the book value for credit risk. The Group does not have any derivative financial instruments.

Financial instruments that are recognised at fair value subsequent to initial recognition are classified using a fair value hierarchy that reflects the significance of inputs used in making measurements of fair value.

The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For financial instruments that are recognised at the fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At 30 September 2021, the Group had a non-listed equity investment and contingent consideration which were measured at Level 3 fair value subsequent to initial recognition. The fair value of the non-listed equity investment was £2,288,000 (30 September 2020: £2,288,000). The fair value of the contingent consideration was £3,752,000 (30 September 2020: £4,661,000) with the resulting gain or loss being recognised in the consolidated income statement within operating expenses.

12. SHARE-BASED PAYMENTS

The Group operates Executive Share Option Schemes under which Executive Directors, managers and staff of the Group are granted options over shares.

During the six months ended 30 September 2021, the following share options were granted to Executive Directors and team members.

Scheme	Date	No. of options	Exercise price	Fair value
LTIP	1 April - 16 July 2021	1,240,125	2.5p	652.0p - 893.0p
Share Match Awards	6 July 2021	326,944	2.5p	504.0p - 825.0p
SAYE (3 Year)	19 August 2021	278,704	6.63p-8.85p	217.0p - 303.0p
SAYE (5 Year)	19 August 2021	36,136	6.63p-8.85p	273.0p - 347.0p

The charge recognised from equity-settled share-based payments in respect of employee services received during the period was £3,865,000 (2020: £2,023,000).

13. CONTINGENT LIABILITY

The Information Commissioner's Office, the data industry regulator in the UK, announced in November 2018 that it was conducting audits on a number of companies to understand the use of data in their services. GBG was included in this review and is working with the Commissioner to continue to improve its privacy compliance. We will keep investors informed of any material developments.

14. RELATED PARTY TRANSACTIONS

During the period, the Group has not entered into transactions, in the ordinary course of business, with other related parties (2020: £nil).

Compensation of key management personnel (including directors)

	6 months to 30 September 2021 £'000	6 months to 30 September 2020 £'000	Year to 31 March 2021 £'000
Short-term employee benefits	1,622	1,064	2,974
Post-employment benefits	-	81	74
Fair value of share options awarded	3,653	3,324	2,862
	<u>5,275</u>	<u>4,469</u>	<u>5,910</u>

15. SUBSEQUENT EVENTS

On 18 November 2021, the Group refinanced its existing revolving credit facility and the total facility was increased to a £175m multi-currency facility. The debt bears an interest rate of Sterling Overnight Index Average (SONIA) for GBP drawdowns or Secured Overnight Financing Rate (SOFR) for USD drawdowns plus a margin of between 1.6% and 2.4% depending on the Group's current leverage position. The margin payable based on the leverage position following the drawdown of \$210m detailed below is 1.75%. The facility is due to expire in July 2025 with two one-year extension options. An arrangement fee of £1.12m was paid in relation to the extension.

On 29 November 2021, the Group acquired 100% of the issued share capital of Acuant Intermediate Holding Corp ("Acuant"), a leading North American identity verification platform, for total consideration of \$736m (£547m). Consideration for the acquisition was \$619m (£462m) in cash and \$117m (£87m) in GB Group plc shares issued directly to the Acuant vendors. The cash consideration was funded \$404m (£305m) from an equity placing of 42 million new ordinary shares in GB Group plc, a partial drawdown of \$210m (£155m) from the Group's renewed revolving credit facility and the remaining balance being funded by existing cash resources. The acquisition of Acuant increases GBG's US presence, accelerates GBG's data, product and platform strategy and provides further customer and sector diversification.

As the acquisition completed on the same date as the approval of these financial statements, a detailed assessment of the book and fair value of the identifiable net assets, liabilities acquired and goodwill arising on the transaction has not been completed and have therefore not been disclosed.

Whilst fair value adjustments, and recognition of separate intangible assets (such as customer relationships and software technology), will result in a reduction to goodwill, it is expected that some goodwill will be recognised. The goodwill represents items, such as intangible assets that cannot be individually separated and reliably measured from Acuant due to their nature. These items include the value of Acuant management and team members, the capability for synergies from bringing the businesses together, combining propositions and capabilities that will help the business achieve accelerated consolidated growth from both cross-sell and up-sell. None of the goodwill is expected to be deductible for income tax purposes.

16. ALTERNATIVE PERFORMANCE MEASURES

Management assess the performance of the Group using a variety of alternative performance measures. In the discussion of the Group's reported operating results, alternative performance measures are presented to provide readers with additional financial information that is regularly reviewed by management. However, this additional information presented is not uniformly defined by all companies including those in the Group's industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies. Additionally, certain information presented is derived from amounts calculated in accordance with IFRS but is not itself an expressly permitted GAAP measure. Such measures are not defined under IFRS and are therefore termed 'non-GAAP' measures and should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

The Group's income statement and segmental analysis separately identify trading results before certain items. The directors believe that presentation of the Group's results in this way is relevant to an understanding of the Group's financial performance, as such items are identified by virtue of their size, nature or incidence. This presentation is consistent with the way that financial performance is measured by management and reported to the Board and assists in providing a meaningful analysis of the trading results of the Group. In determining whether an event or transaction is presented separately, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence. Examples of charges or credits meeting the above definition, and which have been presented separately in the current and/or prior years include amortisation of acquired intangibles, share-based payments charges, acquisition related costs and business restructuring programmes. In the event that other items meet the criteria, which are applied consistently from year to year, they are also presented separately.

The following are the key non-GAAP measures used by the Group:

Organic Growth

Organic growth is defined by the Group as year-on-year continuing revenue growth, excluding acquisitions which are included only after the first anniversary following their purchase.

Constant Currency

Constant currency means that non-Pound Sterling revenue in the comparative period is translated at the same exchange rate applied to the current year non-Sterling revenue. This therefore eliminates the impact of fluctuations in exchange rates on underlying performance.

	Unaudited 30 September 2021 £'000	Unaudited 30 September 2020 £'000	Growth %
Group revenue	109,154	103,545	5.4%
Revenue from acquisitions up to their first anniversary	(412)	-	(0.4%)
Revenue from disposals	(38)	(3,273)	3.4%
Organic revenue	108,704	100,272	8.4%
Constant currency adjustment	-	(3,694)	4.2%
Organic revenue at constant currency	108,704	96,578	12.6%

Adjusted Operating Profit

Adjusted operating profit means operating profit before amortisation of acquired intangibles, share-based payment charges and exceptional items.

	Unaudited 30 September 2021 £'000	Unaudited 30 September 2020 £'000
Operating profit	14,847	15,662
Amortisation of acquired intangibles	8,581	9,058
Share-based payment charges	3,865	2,023
Exceptional items	490	93
Adjusted Operating Profit	27,783	26,836

16. ALTERNATIVE PERFORMANCE MEASURES (continued)

Adjusted Operating Profit Margin

Adjusted operating profit margin Adjusted Operating Profit as a percentage of revenue.

	Unaudited 30 September 2021 £'000	Unaudited 30 September 2020 £'000
Adjusted operating profit	27,783	26,836
Group revenue	109,154	103,545
Adjusted Operating Profit Margin	25.5%	25.9%

Operating Profit Before Exceptional Items

Adjusted operating profit less amortisation of acquired intangibles and share-based payments charge.

	Unaudited 30 September 2021 £'000	Unaudited 30 September 2020 £'000
Adjusted operating profit	27,783	26,836
Amortisation of acquired intangibles	(8,581)	(9,058)
Share-based payment charges	(3,865)	(2,023)
Operating profit before exceptional items	15,337	15,755

Adjusted EBITDA

Adjusted EBITDA means Adjusted Operating Profit before depreciation and amortisation of non-acquired intangibles.

	Unaudited 30 September 2021 £'000	Unaudited 30 September 2020 £'000
Adjusted Operating Profit	27,783	26,836
Depreciation of property, plant and equipment	644	742
Depreciation of right-of-use assets	903	948
Amortisation of non-acquired intangibles	98	123
Adjusted EBITDA	29,428	28,649

Adjusted Tax

Adjusted Tax means income tax charge before the tax impact of amortisation of acquired intangibles, share-based payment charges and exceptional items.

	Unaudited 30 September 2021 £'000	Unaudited 30 September 2020 £'000	Unaudited 31 March 2021 £'000
Income tax charge	3,195	3,084	7,385
Tax impact of amortisation of acquired intangibles	1,311	2,214	4,541
Tax impact of share-based payments charges	803	390	1,067
Tax impact of exceptional items	-	(155)	(818)
Adjusted Tax	5,309	5,443	12,175

16. ALTERNATIVE PERFORMANCE MEASURES (continued)

Adjusted Earnings

Adjusted earnings represent Adjusted Operating Profit less net finance costs and adjusted income tax charges. Refer to note 7 for calculation.

Adjusted Earnings Per Share ('Adjusted EPS')

Adjusted EPS represents adjusted earnings divided by a weighted average number of shares in issue, and is disclosed to indicate the underlying profitability of the Group. Refer to note 7 for calculation.

Net Cash/Debt

This is calculated as cash and cash equivalent balances less outstanding external loans. Unamortised loan arrangement fees are netted against the loan balance in the financial statements but are excluded from the calculation of net cash/debt. Lease liabilities are not included in the calculation of net debt.

	Unaudited 30 September 2021 £'000	Unaudited 30 September 2020 £'000
Cash and cash equivalents	<u>39,499</u>	<u>32,281</u>
Loans on balance sheet	-	34,736
Unamortised loan arrangement fees ¹	-	264
External Loans	<u>-</u>	<u>35,000</u>
Net Cash/(Debt)	39,499	(2,719)

¹ At 30 September 2021, unamortised loan arrangement fees of £269,000 relating to the revolving credit facility have been reclassified from loans to prepayments due to the loan value being £nil at 30 September 2021 and the net position is therefore an asset rather than a liability. Unamortised fees at 30 September 2021 are higher than at 30 September 2020 due to a fee of £193,000 paid in January 2021 to exercise a one-year extension option.

Cash Conversion %

This is calculated as cash generated from operations in the Consolidated Cash Flow Statement, adjusted to exclude cash payments for exceptional items, as a percentage of Adjusted EBITDA.

	Unaudited 30 September 2021 £'000	Unaudited 30 September 2020 £'000
Cash generated from operations before tax payments (from Consolidated Cash Flow Statement)	32,471	44,182
Total exceptional items	490	93
Accrued cash exceptional items at the start of the period paid in the current period	549	-
Accrued cash exceptional items at the end of the period	(273)	-
Non-cash exceptional items	(90)	97
Cash generated from operations before tax payments and exceptional items paid	<u>33,147</u>	<u>44,372</u>
Adjusted EBITDA	29,428	28,649
Cash Conversion %	<u>112.6%</u>	<u>154.9%</u>

Independent Review Report to GB Group plc

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2021 which comprises Condensed Consolidated Statement of Profit or Loss, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Balance Sheet, Condensed Consolidated Cash Flow Statement and the related explanatory notes 1 to 15. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2021 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of the Company will be prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion is based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.