



Unaudited Interim Condensed Consolidated Financial
Statements

30 September 2017

Date: 28 November 2017

Chairman's Statement

CHAIRMAN'S STATEMENT

GBG had a strong trading performance in the first six months of the year demonstrating good organic growth and further improving its position in the expanding global identity data intelligence market.

Financial performance

Trading in the first half of the year has seen increases in both revenue and profit and is in line with the pre-close trading update issued in October.

Revenue grew by 40% year on year, of which 18% was organic. Adjusted operating profits[†] increased by 101% to £10.4 million (2016: £5.2 million). As we highlighted in October's trading update, the organic revenue growth includes £3.5m from the sale of a perpetual licence to a leading European bank. This was payable in full on signing and therefore was recognized in full under GAAP.

Profits after tax were £2.4 million (2016: £1.2 million) after taking account of £6.6 million of costs associated with the amortisation of acquired intangibles, share-based payments and exceptional items (2016: £3.4 million). Of these costs, £5.7 million (2016: £2.6 million) were non-cash items.

Our balance sheet is strong, with revenue deferred to future periods up by £8.2 million to £23.7 million. Net assets increased to £149.2 million (2016 £82.8 million) following the acquisition of PCA Predict.

At a divisional level:

- **Fraud, Risk & Compliance** made good progress with revenues increasing by 35% to £32.1 million (2016: £23.8 million). This division provides the Group's solutions spanning ID verification, ID assurance, ID trace & investigate and employment screening.
- **Location & Customer Intelligence** also had a positive first half performance and grew revenues by 50% to £20.6 million (2016: £13.8 million). This division provides our solutions across ID registration and ID engage.

Strategic progress

Products and developments

GBG remains well positioned to meet the growing demand for identity data intelligence products. Over the last six months we have developed additional product functionality and reach. This includes enhancing both our ID verification and location intelligence solutions, by adding more data and improving our matching against international data sources.

GBG has always concentrated on data security and protecting personal information. We continue to invest in these areas to address the ever prevalent threat posed by cyber-crime and the opportunities and challenges posed by new legislation (such as GDPR – the new EU legislation relating to data protection).

Customers

We are pleased that, alongside a strong renewal stream from our existing customer base, we continue to attract new, high quality customers to our portfolio.

- LEGO is now using GBG's location intelligence services across global markets to more accurately locate customers and improve the deliverability of its marketing campaigns.

- KBC Ireland, a division of one of Europe's most recognisable financial institutions, has recently launched a service that uses our IDscan technology. This new service means that customers using the mobile app can now open new bank accounts in just five minutes.
- GBG DecTech continues to make good progress in the EMEA and APAC regions. New customers using our fraud solutions include: HomeChoice, South Africa's leading retailer; Hong Kong Bank of East Asia (HKBEA); and Hexindai, the Chinese consumer lending marketplace.

Acquisitions

In May 2017, GBG acquired PCA Predict, a leading provider of UK and international address validation services. The business has integrated well into the Group and is already providing us with new growth opportunities. This includes new business in the UK from NFU Mutual and Sky; and internationally from a number of leading US based fashion retailers. The combination of PCA and GBG's technologies has helped to create the world's leading location intelligence platform, equipped to handle high transaction volumes and deliver extra capacity to customers at peak times.

In line with our strategy, we will continue to seek acquisitions that will enable us to expand our capabilities, datasets and geographic presence.

People

As always, my thanks go to all of our people across the Group who have each made such an important contribution to these results.

As GBG grows internationally, expanding the variety of products available to a growing spectrum of customers, it becomes increasingly important for GBG to improve its focus on customer needs. This year we have continued to strengthen our talented Executive Team with the creation of key roles centred around improving customer insight, experience and operations. I would like to welcome all our new colleagues to the Group.

Outlook

We have made a good start to the second half of the year and are making positive progress in delivering on our strategic objectives of organic and acquisitive growth. We are growing well both in the UK and internationally and also have high visibility (over 70%) of our full year revenues. With all of this in mind, the Board remains confident of maintaining its momentum through the second half and the outlook for the full year, in respect of revenue and profit growth, is in line with consensus expectations.

David Rasche
Chairman

[†]Adjusted operating profit means profits before amortisation of acquired intangibles, share-based payments, exceptional items, interest and tax. This is a non-GAAP or Adjusted Performance Measure (APM) and as this is used by the majority of our stakeholders it is deemed a more appropriate KPI in use in the business and in its external communications. See "Alternative Performance Measures" in the Interim Consolidated Financial Statements for further details.

Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2017

	Note	Unaudited 6 months to 30 September 2017 £'000	Unaudited 6 months to 30 September 2016 £'000	Audited Year to 31 March 2017 £'000
Revenue	6	52,626	37,512	87,486
Cost of sales		(11,281)	(8,631)	(20,320)
Gross profit		41,345	28,881	67,166
Operating expenses before amortisation of acquired intangibles, share-based payments and exceptional items		(30,917)	(23,700)	(50,178)
Other operating income		-	18	18
Operating profit before amortisation of acquired intangibles, share- based payments and exceptional items (adjusted operating profit)	6	10,428	5,199	17,006
Amortisation of acquired intangibles	11	(3,802)	(1,751)	(4,022)
Share-based payments charge	12	(1,101)	(659)	(994)
Exceptional items	5	(1,741)	(996)	(1,410)
Group operating profit		3,784	1,793	10,580
Finance revenue		17	11	19
Finance costs		(289)	(244)	(517)
Profit before tax		3,512	1,560	10,082
Income tax (expense)/credit	7	(1,077)	(328)	668
Profit for the period attributable to equity holders of the parent		2,435	1,232	10,750
Other comprehensive income:				
Exchange differences on retranslation of foreign operations (net of tax)*		(1,554)	2,564	3,685
Total comprehensive income for the period attributable to equity holders of the parent		881	3,796	14,435
Earnings per share				
- adjusted basic earnings per share for the period	8	6.1p	3.6p	13.1p
- adjusted diluted earnings per share for the period	8	6.0p	3.5p	12.8p
- basic earnings per share for the period	8	1.6p	1.0p	8.2p
- diluted earnings per share for the period	8	1.6p	0.9p	8.0p

* Upon a disposal of a foreign operation, this would be recycled to the Income Statement

Interim Consolidated Statement of Changes in Equity

For the six months ended 30 September 2017

	Note	Equity share capital £'000	Merger reserve £'000	Capital redemption reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2016 (audited)		27,208	6,575	3	412	22,203	56,401
Profit for the period		-	-	-	-	1,232	1,232
Other comprehensive income					2,564	-	2,564
Total comprehensive income for the period		-	-	-	2,564	1,232	3,796
Issue of share capital	15	25,321	-	-	-	-	25,321
Share issue costs	15	(750)	-	-	-	-	(750)
Share-based payments charge	12	-	-	-	-	659	659
Tax on share options		-	-	-	-	103	103
Equity dividend	9	-	-	-	-	(2,775)	(2,775)
Balance at 30 September 2016 (unaudited)		51,779	6,575	3	2,976	21,422	82,755
Profit for the period		-	-	-	-	9,518	9,518
Other comprehensive income		-	-	-	1,121	-	1,121
Total comprehensive income for the period		-	-	-	1,121	9,518	10,639
Issue of share capital		184	-	-	-	-	184
Share-based payments charge		-	-	-	-	335	335
Tax on share options		-	-	-	-	270	270
Balance at 1 April 2017 (audited)		51,963	6,575	3	4,097	31,545	94,183
Profit for the period		-	-	-	-	2,435	2,435
Other comprehensive income		-	-	-	(1,554)	-	(1,554)
Total comprehensive income for the period		-	-	-	(1,554)	2,435	881
Issue of share capital	15	58,255	-	-	-	-	58,255
Share issue costs	15	(1,739)	-	-	-	-	(1,739)
Share-based payments charge	12	-	-	-	-	1,101	1,101
Tax on share options		-	-	-	-	51	51
Equity dividend	9	-	-	-	-	(3,582)	(3,582)
Balance at 30 September 2017 (unaudited)		108,479	6,575	3	2,543	31,550	149,150

Interim Consolidated Balance Sheet

As at 30 September 2017

	Note	Unaudited As at 30 September 2017 £'000	Unaudited As at 30 September 2016 £'000	Audited As at 31 March 2017 £'000
ASSETS				
Non-current assets				
Plant and equipment	10	4,216	2,796	2,856
Intangible assets	11	167,551	99,700	98,753
Deferred tax asset		4,190	3,014	4,044
		175,957	105,510	105,653
Current assets				
Inventories		211	97	233
Trade and other receivables		28,951	21,746	30,569
Current tax		-	-	494
Cash and short-term deposits		17,923	11,654	17,618
		47,085	33,497	48,914
TOTAL ASSETS		223,042	139,007	154,567
EQUITY AND LIABILITIES				
Capital and reserves				
Equity share capital		108,479	51,779	51,963
Merger reserve		6,575	6,575	6,575
Capital redemption reserve		3	3	3
Foreign currency translation reserve		2,543	2,976	4,097
Retained earnings		31,550	21,422	31,545
Total equity attributable to equity holders of the parent		149,150	82,755	94,183
Non-current liabilities				
Loans	13	12,974	12,000	11,499
Contingent consideration	17	-	6,845	-
Deferred tax liability		9,431	4,860	4,441
		22,405	23,705	15,940
Current liabilities				
Loans	13	850	3,701	886
Trade and other payables		42,111	28,328	36,401
Contingent consideration	17	7,929	-	7,122
Provisions		25	29	35
Current tax		572	489	-
		51,487	32,547	44,444
TOTAL LIABILITIES		73,892	56,252	60,384
TOTAL EQUITY AND LIABILITIES		223,042	139,007	154,567

Interim Consolidated Cash Flow Statement

For the six months ended 30 September 2017

	Note	Unaudited 6 months to 30 September 2017 £'000	Unaudited 6 months to 30 September 2016 £'000	Audited Year to 31 March 2017 £'000
Group profit before tax		3,512	1,560	10,082
Adjustments to reconcile Group profit before tax to net cash flows				
Finance revenue		(17)	(11)	(19)
Finance costs		289	246	517
Depreciation of plant and equipment	10	635	452	1,031
Amortisation of intangible assets	11	4,200	2,095	4,719
Loss on disposal of plant and equipment		36	2	2
Adjustments to contingent consideration	5	807	194	471
Share-based payments	12	1,101	659	994
(Decrease)/increase in provisions		(10)	(2)	4
Decrease/(increase) in inventories		22	-	(78)
Decrease/(increase) in receivables		3,663	5,158	(3,690)
(Decrease)/increase in payables		(3,725)	(5,735)	2,272
Cash generated from operations		10,513	4,618	16,305
Income tax paid		(611)	(973)	(2,193)
Net cash generated from operating activities		9,902	3,645	14,112
Cash flows from/(used in) investing activities				
Acquisition of subsidiaries, net of cash acquired	16	(62,903)	(36,818)	(36,840)
Purchase of plant and equipment	10	(588)	(744)	(1,437)
Purchase of software	11	(82)	(211)	(774)
Proceeds from disposal of plant and equipment		96	4	5
Expenditure on product development	11	-	(21)	(21)
Interest received		17	11	19
Net cash flows used in investing activities		(63,460)	(37,779)	(39,048)
Cash flows from/(used in) financing activities				
Finance costs paid		(289)	(246)	(517)
Proceeds from issue of shares	15	58,255	25,321	25,505
Share issue costs	15	(1,739)	(750)	(750)
Proceeds from new borrowings	13	10,000	12,000	12,000
Repayment of borrowings	13	(8,430)	(400)	(3,838)
Dividends paid to equity shareholders	9	(3,582)	(2,775)	(2,775)
Net cash flows from financing activities		54,215	33,150	29,625
Net increase/(decrease) in cash and cash equivalents		657	(984)	4,689
Effect of exchange rates on cash and cash equivalents		(352)	223	514
Cash and cash equivalents at the beginning of the period		17,618	12,415	12,415
Cash and cash equivalents at the end of the period		17,923	11,654	17,618

Notes to the Interim Report

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of GB Group plc ('the Group') for the six months ended 30 September 2017 were authorised for issue in accordance with a resolution of the directors on 28 November 2017. 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 interim condensed consolidated financial statements for the six months ended 30 September 2017 have been prepared in accordance with IAS 34 'Interim Financial Reporting'. The annual financial statements of the company are prepared in accordance with IFRSs as adopted by the European Union.

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

After making appropriate enquiries, 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 report.

The interim condensed consolidated 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 2017. The financial information for the preceding year is based on the statutory financial statements for the year ended 31 March 2017. 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.

Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2017. The IASB and IFRIC have issued the following Standards and Interpretations with an effective date after these financial statements:

International Accounting Standards (IAS/IFRS)		Effective date
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 16	Leases	1 January 2019

IFRS 15 'Revenue from Contracts with Customers' replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and related interpretations. For the Group, transition to IFRS 15 will take place on 1 April 2018. Half yearly and annual results in the 2018/19 financial year will be IFRS 15 compliant. The standard requires entities to apportion revenue earned from contracts to individual promises, or performance obligations, on a relative standalone selling price basis, based upon a five-step revenue recognition model where revenue is recognised at the point that control of goods or services is transferred to the customer. Whilst some further work is required to determine the impact on reported revenue across all the lines of business, the Group is reviewing and updating its revenue recognition policies in light of the updated requirements in readiness for the transition. Based on the initial findings of this process, management do not currently anticipate that there will be a material change to the quantum and timing of profitability. The new standard also introduces expanded disclosure requirements and these are expected to change the nature and extent of the group's disclosures about its revenue recognition in future reports, when the new standard is adopted.

IFRS 9 'Financial Instruments' replaces IAS 39. The standard is effective for the year ending 31 March 2019 and will impact the classification and measurement of financial instruments and will require certain additional disclosures. Whilst an assessment of the new standard is ongoing, the changes to recognition and measurement of financial instruments and changes to hedge accounting rules are not currently considered likely to have any major impact on the Group's current accounting treatment or hedging activities.

IFRS 16 'Leases' (effective for the year ending 31 March 2020) will require most leases to be recognised on the balance sheet. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. IFRS 16 supersedes IAS 17 'Leases' and related interpretations. The Group has a number of operating lease arrangements and will consider the financial impact of IFRS 16 in due course but in broad terms the impact will be to recognise a lease liability and corresponding asset for the Group's operating lease commitments.

Notes to the Interim Report

3. CYCLICALITY

Due to the cyclical nature of our software renewal business, higher renewals in the second half traditionally result in the Group's performance being biased towards the second half of the year.

4. 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: regulatory risk resulting from regulatory developments; changes in the Group's competitive position; non-supply by a major supplier; disaster recovery, business continuity and cyber risk; new product development; and intellectual property risk. These risks and uncertainties facing our business were reported in detail in the 2017 Annual Report and Accounts and all of them are monitored closely by the Group.

The outcome of the recent UK referendum has caused uncertainty in both the political and economic environments in which we operate. Our business model means that we are comparatively well-placed to manage the consequences of the result and of its effect on the economic environment. However, there is the potential for our costs to increase, for example, through any changes required to our systems to reflect new taxes; regulatory risk to increase as a result of any future divergence with the EU regime; and supplier disruption to occur as a result of challenges in suppliers' own organisations and supply chains. At this time, the outcome of Brexit negotiations and post-Brexit arrangements remains unclear and as such, like all companies, we continue to monitor the situation and manage the practical implications as they occur.

Accounting Estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The main judgements and key sources of estimation uncertainty applied in these interim consolidated financial statements are detailed in the Group's annual financial statements for the year ending 31 March 2017. Specific new judgements and estimates which have had an impact on amounts recognised in the financial statements the six months ended 30 September 2017 include the following:

Valuation and Asset Lives of Separately Identifiable Intangible Assets

In determining the fair value of intangible assets arising on acquisition, management are required to make judgements regarding the timing and amount of future cash flows applicable to the businesses being acquired, discounted using an appropriate discount rate. Such judgements are based on current budgets and forecasts, extrapolated for an appropriate period taking into account growth rates and expected changes to selling prices and operating costs. During the year, the Company acquired Postcode Anywhere (Holdings) Limited and in valuing the separately identifiable intangible assets made specific judgements as to the life of those assets. The most significant of those were the estimated useful lives of the customer relationship and technology IP assets of 10 and 5 years, respectively. Judgements were made on these lives with reference to both historical indicators within the acquired business such as customer or technology lifecycles along with estimates of the impact on such lives that convergence of technology and relationships would have over time.

Contingent Consideration

Contingent consideration relating to acquisitions is included based on management estimates of the most likely outcome (note 17). Those judgements include the forecasting of a number of different outcomes against the performance targets and estimating a probability and risk of each outcome before arriving at a risk weighted value of contingent consideration. Management's revision of these estimates during the period resulted in an increased contingent consideration liability being recognised.

Notes to the Interim Report

5. EXCEPTIONAL ITEMS

	Unaudited 6 months to 30 Sept 2017 £'000	Unaudited 6 months to 30 Sept 2016 £'000	Audited Year to 31 March 2017 £'000
Adjustments to contingent consideration (note 17)	807	194	471
Acquisition related costs	735	574	574
Costs associated with staff reorganisations	199	228	365
	1,741	996	1,410

Fair value adjustments to contingent consideration in the period to 30 September 2017 relate to the acquisition of IDScan and include £421,000 relating to a contingent purchase price adjustment along with a £386,000 charge relating to the partial unwinding of the discounting relating to the contingent consideration (note 17). This charge arises because contingent consideration due to be paid at a future date is discounted for the time value of money at the point of initial recognition and over the passage of time, this discount unwinds within the Consolidated Statement of Comprehensive Income. These are non-cash items.

Fair value adjustments to contingent consideration in the six months to 30 September 2016 include a charge of £177,000 relating to the partial unwind of the discount applied to the contingent consideration arising on the acquisition of ID Scan Biometrics Limited (note 17) and £17,000 relating to the unwind of the remaining discounted amount in relation to the contingent consideration that arose on the acquisition of DecTech Solutions Pty Ltd (note 17).

Fair value adjustments to contingent consideration in the year to 31 March 2017 include a £92,000 adjustment relating to the contingent purchase price of IDScan (note 17) along with a £546,000 charge relating to the partial unwinding of the discounting relating to the contingent consideration of the acquisition of IDScan (note 17) and £17,000 relating to the unwind of the remaining discounted amount in relation to the contingent consideration that arose on the acquisition of DecTech Solutions Pty Ltd.

Transaction costs of £735,000 relate to the acquisition of PCA (note 16). In prior periods, transaction costs of £513,000 were incurred in relation to the acquisition of IDScan (note 16). Such costs include those directly attributable to the transaction and exclude operating or integration costs relating to an acquired business, and due to the size and nature of these costs, management consider that they would distort the Group's underlying business performance.

Costs associated with staff reorganisations in both years relate to exit costs of personnel leaving the business on an involuntary basis 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.

6. SEGMENTAL INFORMATION

The Group's operating segments are internally reported to the Group's Chief Executive Officer as two operating segments: Fraud, Risk & Compliance Division – which provides ID verification, ID assurance, ID trace & investigate and employment screening and Location & Customer Intelligence Division – which provides ID registration and ID engage solutions. The measure of performance of those segments that is reported to the Group's Chief Executive Officer is adjusted operating profit before amortisation of acquired intangibles as shown below.

Postcode Anywhere (Holdings) Limited ('PCA'), which was acquired during the period, is reported within the Location & Customer Intelligence division.

Segment results include items directly attributable to either Fraud, Risk & Compliance or Location & Customer Intelligence. Unallocated items for the six months to 30 September 2017 represent Group head office costs £707,000 (2016: £377,000), exceptional items £1,741,000 (2016: £996,000), Group finance income £17,000 (2016: £11,000), Group finance costs £289,000 (2016: £244,000), Group income tax expense £1,077,000 (2016: £328,000) and share-based payments charge £1,101,000 (2016: £659,000). Unallocated items for the year ended 31 March 2017 represent Group head office costs £675,000, exceptional costs £1,410,000, Group finance income £19,000, Group finance costs £517,000, Group income tax credit £668,000 and share-based payments charge £994,000.

Notes to the Interim Report

6. SEGMENTAL INFORMATION (continued)

As previously reported in the Annual Report and Accounts, in order to reflect how the Group is presenting its lines of business to its stakeholders going forward, the naming and structure of the operating segments were amended with effect from 1 April 2017. Going forward 'Identity Proofing' is now known as 'Fraud, Risk & Compliance' and 'Identity Solutions' is known as 'Location & Customer Intelligence'. Furthermore, the 'ID Trace & Investigate' line of business has transferred into Fraud, Risk & Compliance.

	Fraud, Risk & Compliance £'000	Location & Customer Intelligence £'000	Unallocated £'000	Total Unaudited 6 months to 30 September 2017 £'000
Six months ended 30 September 2017				
Total revenue	32,055	20,571	-	52,626
Adjusted operating profit	7,693	3,442	(707)	10,428
Amortisation of acquired intangibles	(1,480)	(2,322)	-	(3,802)
Share-based payments charge	-	-	(1,101)	(1,101)
Exceptional items	-	-	(1,741)	(1,741)
Operating profit	6,213	1,120	(3,549)	3,784
Finance revenue				17
Finance costs				(289)
Income tax expense				(1,077)
Profit for the period				2,435

	Fraud, Risk & Compliance £'000	Location & Customer Intelligence £'000	Unallocated £'000	Total Unaudited 6 months to 30 September 2016 £'000
Six months ended 30 September 2016				
Total revenue	23,754	13,758	-	37,512
Adjusted operating profit	4,412	1,164	(377)	5,199
Amortisation of acquired intangibles	(1,003)	(748)	-	(1,751)
Share-based payments charge	-	-	(659)	(659)
Exceptional items	-	-	(996)	(996)
Operating profit	3,409	416	(2,032)	1,793
Finance revenue				11
Finance costs				(244)
Income tax expense				(328)
Profit for the period				1,232

Notes to the Interim Report

6. SEGMENTAL INFORMATION (continued)

	Fraud, Risk & Compliance £'000	Location & Customer Intelligence £'000	Unallocated £'000	Total Audited Year to 31 March 2017 £'000
Year ended 31 March 2017				
Total revenue	54,814	32,672	-	87,486
Adjusted operating profit	12,923	4,758	(675)	17,006
Amortisation of acquired intangibles	(2,507)	(1,515)	-	(4,022)
Share-based payments charge	-	-	(994)	(994)
Exceptional items	-	-	(1,410)	(1,410)
Operating profit	10,416	3,243	(3,079)	10,580
Finance revenue				19
Finance costs				(517)
Income tax credit				668
Profit for the year				10,750

7. 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 2018.

8. 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 2017		Unaudited 6 months to 30 September 2016		Audited Year to 31 March 2017	
	Pence per share	£'000	Pence per share	£'000	Pence per share	£'000
Profit attributable to equity holders of the company	1.6	2,435	1.0	1,232	8.2	10,750

Notes to the Interim Report

8. 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.

	30 Sept 2017 No.	30 Sept 2016 No.	31 March 2017 No.
Basic weighted average number of shares in issue	148,506,098	128,812,008	131,608,788
Dilutive effect of share options	2,781,683	3,174,680	2,435,799
Diluted weighted average number of shares in issue	151,287,781	131,986,688	134,044,587

	Unaudited 6 months to 30 September 2017		Unaudited 6 months to 30 September 2016		Audited Year to 31 March 2017	
	Pence per share	£'000	Pence per Share	£'000	Pence per share	£'000
Profit attributable to equity holders of the company	1.6	2,435	0.9	1,232	8.0	10,750

Adjusted

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

	Unaudited 6 months to 30 September 2017			Unaudited 6 months to 30 September 2016			Audited Year to 31 March 2017		
	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	£'000
Adjusted operating profit	7.0	6.9	10,428	4.0	3.9	5,199	12.9	12.7	17,006
Less net finance costs	(0.2)	(0.2)	(272)	(0.2)	(0.2)	(233)	(0.3)	(0.4)	(498)
(Less)/add tax	(0.7)	(0.7)	(1,077)	(0.2)	(0.2)	(328)	0.5	0.5	668
Adjusted earnings	6.1	6.0	9,079	3.6	3.5	4,638	13.1	12.8	17,176

Adjusted operating profit means profits before amortisation of acquired intangibles, share-based payment charges, exceptional items, net finance costs and tax.

Notes to the Interim Report

9. DIVIDENDS PAID AND PROPOSED

	Unaudited 6 months to 30 Sept 2017 £'000	Unaudited 6 months to 30 Sept 2016 £'000	Audited Year to 31 March 2017 £'000
<i>Declared and paid during the period</i>			
Final dividend for 2017: 2.35p per share (2016: 2.08p per share)	3,582	2,775	2,775
<i>Proposed for approval at AGM (not recognised as a liability at 31 March 2017)</i>			
Final dividend for 2017: 2.35p per share	-	-	3,566

10. PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group acquired plant and equipment with a cost of £588,000 (2016: £744,000).

Land and buildings with a fair value of £1,251,000, and plant and equipment with a fair value of £341,000, were acquired with the acquisition of PCA (note 16).

Depreciation provided during the six months ended 30 September 2017 was £635,000 (2016: £452,000).

Assets with a net book value of £132,000 were disposed of during the six months ended 30 September 2017 (2016: £6,000).

Notes to the Interim Report

11. INTANGIBLE ASSETS

Group	Customer relationships £'000	Other acquisition intangibles £'000	Total acquisition intangibles £'000	Goodwill £'000	Purchased software £'000	Internally developed software £'000	Total £'000
Cost							
At 1 April 2016	16,981	4,698	21,679	37,765	2,379	1,747	63,570
Additions – business combinations	3,917	5,872	9,789	34,853	9	-	44,651
Additions – product development	-	-	-	-	-	21	21
Additions – purchased software	-	-	-	-	211	-	211
Foreign exchange adjustments	638	259	897	2,129	-	2	3,028
At 30 September 2016	21,536	10,829	32,365	74,747	2,599	1,770	111,481
Additions – business combinations	-	-	-	46	(2)	-	44
Additions – purchased software	-	-	-	-	563	-	563
Disposals	-	-	-	-	(1,275)	-	(1,275)
Reclassification	-	-	-	-	23	-	23
Foreign exchange adjustments	240	99	339	805	-	1	1,145
At 31 March 2017	21,776	10,928	32,704	75,598	1,908	1,771	111,981
Additions – business combinations	24,865	6,102	30,967	43,376	-	-	74,343
Additions – purchased software	-	-	-	-	82	-	82
Foreign exchange adjustments	(337)	(138)	(475)	(1,123)	-	-	(1,598)
At 30 September 2017	46,304	16,892	63,196	117,851	1,990	1,771	184,808
Amortisation and impairment							
At 1 April 2016	4,449	2,469	6,918	-	1,700	839	9,457
Amortisation during the period	965	786	1,751	-	159	185	2,095
Foreign exchange adjustments	121	108	229	-	-	-	229
At 30 September 2016	5,535	3,363	8,898	-	1,859	1,024	11,781
Amortisation during the period	1,081	1,190	2,271	-	171	182	2,624
Disposals	-	-	-	-	(1,275)	-	(1,275)
Foreign exchange adjustments	52	45	97	-	-	1	98
At 31 March 2017	6,668	4,598	11,266	-	755	1,207	13,228
Amortisation during the period	2,114	1,688	3,802	-	222	176	4,200
Foreign exchange adjustments	(89)	(82)	(171)	-	-	-	(171)
At 30 September 2017	8,693	6,204	14,897	-	977	1,383	17,257
Net book value							
At 30 September 2017	37,611	10,688	48,299	117,851	1,013	388	167,551
At 31 March 2017	15,108	6,330	21,438	75,598	1,153	564	98,753
At 30 September 2016	16,001	7,466	23,467	74,747	740	746	99,700

Goodwill arose on the acquisition of GB Mailing Systems Limited, e-Ware Interactive Limited, Data Discoveries Holdings Limited, Advanced Checking Services Limited, Capscan Parent Limited, TMG.tv Limited, CRD (UK) Limited, DecTech Solutions Pty Ltd, CDMS Limited, Loqate Inc., ID Scan Biometrics Limited and Postcode Anywhere (Holdings) Limited. Under IFRS, goodwill is not amortised and is tested annually for impairment.

Intangible assets categorised as 'other acquisition intangibles' include asset such as non-compete clauses and software technology.

During the year ending 31 March 2017, £23,000 of purchased software assets (at net book value) were reclassified as intangible assets (previously classified as tangible assets).

Notes to the Interim Report

12. SHARE-BASED PAYMENTS

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

During the six months ended 30 September 2017, the following share options were granted to executive directors and staff.

Scheme	Date	No. of options	Exercise price	Fair value
Compensatory options	1 April 2017	400,000	2.5p	283.90p-286.20p
Section A options	1 April 2017	10,238	293.0p	79.86p-87.99p
Section B options	1 April 2017	989,762	293.0p	79.86p-87.99p
Section B options	19 July 2017	50,000	345.0p	95.37p
GBG Sharesave scheme – 3 year	15 August 2017	451,250	272.0p-370.0p	70.38p-113.83p
GBG Sharesave scheme – 5 year	15 August 2017	140,743	272.0p	127.39p

The charge recognised from equity-settled share-based payments in respect of employee services received during the period was £1,101,000 (2016: £659,000).

13. LOANS

In April 2014, the Group secured an Australian dollar three year term loan of AUS\$10,000,000. The debt bears an interest rate of +1.90% above the Australian Dollar bank bill interest swap rate ('BBSW'). During the year ending 31 March 2017, this term loan was extended from its original maturity of April 2017 to November 2018. Security on the debt is provided by way of an all asset debenture. During the period, £430,000 (2016: £400,000) was repaid in relation to the Australian dollar term loan.

The Group has a three year revolving credit facility agreement expiring in November 2020 which is subject to a limit of £50,000,000. The facility bears an initial interest rate of LIBOR +1.50%. This interest rate is subject to an increase of 0.25% should the business exceed certain leverage conditions. The acquisition of PCA (note 16) was part funded through a £10,000,000 draw down on the Group's existing borrowing facilities, of which £8,000,000 was repaid in the six months to 30 September 2017.

	30 Sept 2017 £'000	30 Sept 2016 £'000	31 March 2017 £'000
Opening bank loan	12,385	3,742	3,742
New borrowings	10,000	12,000	12,000
Repayment of borrowings	(8,430)	(400)	(3,838)
Foreign currency translation adjustment	(131)	359	481
Closing bank loan	<u>13,824</u>	<u>15,701</u>	<u>12,385</u>
Analysed as:			
Amounts falling due within 12 months	850	3,701	886
Amounts falling due after one year	<u>12,974</u>	<u>12,000</u>	<u>11,499</u>
	<u>13,824</u>	<u>15,701</u>	<u>12,385</u>

Notes to the Interim Report

14. RELATED PARTY TRANSACTIONS

During the period, the Group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into and trading balances outstanding at 30 September are as follows:

Group	Sales to related parties £'000	Purchases from related parties £'000	Net amounts owed by related parties £'000
Directors (see below):			
30 September 2017	-	-	-
30 September 2016	-	-	-
31 March 2017	-	3	-
Other related parties (see below):			
30 September 2017	-	-	-
30 September 2016	23	-	(14)
31 March 2017	55	-	7

The Chairman of the Company incurred some expenses via his consultancy business Rasche Consulting Limited.

Richard Law, the Chief Executive of the Company in the year ending 31 March 2017, is a director of Zuto Limited which is a client of the Group. Transactions with Zuto Limited have been reported under the heading of 'other related parties' in the table above.

In prior periods, a Non-Executive Director of the Company was a director of Avanti Communications Group Plc which is a client of the Group. A Non-Executive Director of the Company is a Director of Removal Stars Limited which is a client of the Group. Transactions with these companies have been reported under the heading of 'other related parties' in the table above.

Terms and conditions of transactions with related parties

Sales and balances between related parties are made at normal market prices. Outstanding balances with entities other than subsidiaries are unsecured, interest free and cash settlement is expected within 30 days of invoice. Terms and conditions with subsidiaries are the same, with the exception that balances are placed on intercompany accounts with no specified credit period. During the six months ended 30 September 2017, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2016: £nil).

Compensation of key management personnel (including directors)

	Unaudited 6 months to 30 Sept 2017 £'000	Unaudited 6 months to 30 Sept 2016 £'000	Audited Year to 31 March 2017 £'000
Short-term employee benefits	753	579	1,731
Post-employment benefits	31	16	31
Fair value of share options awarded	1,980	393	393
	2,764	988	2,155

Notes to the Interim Report

15. EQUITY SHARE CAPITAL

During the period 17,793,273 (2016: 10,296,940) ordinary shares with a nominal value of 2.5p were issued for an aggregate cash consideration of £58,255,000 (2016: £25,321,000). The cost associated with the issue of shares was £1,739,000 (2016: £750,000).

	30 Sept 2017 £'000	30 Sept 2016 £'000	31 March 2017 £'000
Issued			
Allotted, called up and fully paid	3,812	3,355	3,368
Share premium	104,667	48,424	48,595
	108,479	51,779	51,963

16. BUSINESS COMBINATIONS

Acquisitions in the Period Ended 30 September 2017

Acquisition of Postcode Anywhere (Holdings) Limited

On 11 May 2017, the Company acquired 100% of the voting shares of Postcode Anywhere (Holdings) Limited ('PCA'), a provider of UK and International address validation and data quality services, for a total consideration of £73,852,423. The combination of the two businesses represents a highly complementary capability alongside GBG's existing ID registration solutions. The Consolidated Statement of Comprehensive Income includes the results of PCA for the five month period from the acquisition date.

The fair value of the identifiable assets and liabilities of PCA as at the date of acquisition was:

	Fair value recognised on acquisition £'000
Assets	
Technology intellectual property	5,733
Customer relationships	24,865
Non-compete agreements	369
Land and buildings	1,251
Plant and equipment	341
Deferred tax assets	379
Trade and other receivables	1,763
Cash	10,949
Trade and other payables	(9,280)
Deferred tax liabilities	(5,736)
Total identifiable net assets at fair value	30,634
Goodwill arising on acquisition	43,218
Total purchase consideration transferred	73,852
<i>Purchase consideration:</i>	
Cash	73,852
Total purchase consideration	73,852
<i>Analysis of cash flows on acquisition:</i>	
Transaction costs of the acquisition (included in cash flows from operating activities)	(735)
Net cash acquired with the subsidiary	10,949
Cash paid	(73,852)
Acquisition of subsidiaries, net of cash acquired (included in cash flows from investing activities)	(62,903)
Net cash outflow	(63,638)

The fair value of the acquired trade receivables amounts to £1,763,000. The gross amount of trade receivables is £1,763,000. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

Notes to the Interim Report

16. BUSINESS COMBINATIONS (continued)

The goodwill recognised above is attributed to intangible assets that cannot be individually separated and reliably measured from PCA due to their nature. These items include 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.

The transaction costs of £735,000 associated with this acquisition have been expensed and are included in exceptional items in the Consolidated Statement of Comprehensive Income and are part of operating cash flows in the Cash Flow Statement.

From the date of acquisition, PCA has contributed £6,599,000 of revenue and operating profits of £2,388,000 to the Group. If the combination had taken place at the beginning of the period, the Group revenue and adjusted operating profits would have been £53,995,000 and £10,446,000, respectively.

Acquisitions in the Period Ended 30 September 2016

Acquisition of ID Scan Biometrics Limited

On 1 July 2016, the Company acquired 100% of the voting shares of ID Scan Biometrics Limited ('IDscan'), a provider of software that automates on-boarding of customers and employees by simplifying the identity verification and data capture process. IDscan helps authentication of documents including passports, visas, ID cards, driving licenses, utility bills and work permits while also capturing facial biometrics which provides proof that those documents are not stolen. The combination represents a highly complementary capability set alongside GBG's unique global Know Your Customer, Anti-Money Laundering and fraud detection solutions. For the period ending 30 September 2016, the Consolidated Statement of Comprehensive Income includes the results of IDscan for the three month period from the acquisition date.

The fair value of the identifiable assets and liabilities of IDscan as at the date of acquisition was:

	Fair value recognised on acquisition £'000
Assets	
Technology intellectual property	5,405
Customer relationships	3,917
Non-compete agreements	467
Plant and equipment	222
Purchased software	7
Inventory	155
Trade and other receivables	2,408
Cash	1,186
Trade and other payables	(2,911)
Corporation tax liabilities	(427)
Deferred tax liabilities	(1,818)
Total identifiable net assets at fair value	8,611
Goodwill arising on acquisition	35,057
Total purchase consideration transferred	43,668
<i>Purchase consideration:</i>	
Cash	37,000
Contingent consideration adjustment	6,668
Total purchase consideration	43,668
<i>Analysis of cash flows on acquisition:</i>	
Transaction costs of the acquisition (included in cash flows from operating activities)	(513)
Net cash acquired with the subsidiary	1,186
Cash paid	(37,000)
Acquisition of subsidiaries, net of cash acquired (included in cash flows from investing activities)	(35,814)
Net cash outflow	(36,327)

Notes to the Interim Report

16. BUSINESS COMBINATIONS (continued)

The fair value of the acquired trade receivables amounts to £2,200,000. The gross amount of trade receivables is £2,211,000. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill recognised above is attributed to intangible assets that cannot be individually separated and reliably measured from IDscan due to their nature. These items include the expected value of synergies and an assembled workforce. None of the goodwill is expected to be deductible for income tax purposes.

The transaction costs of £513,000 associated with this acquisition have been expensed and are included in exceptional items in the Consolidated Statement of Comprehensive Income and are part of operating cash flows in the Cash Flow Statement.

From the date of acquisition to 30 September 2016, IDscan contributed £1,758,000 of revenue and operating profits of £504,000 to the Group. If the combination had taken place at the beginning of the period ended 30 September 2016, the Group revenue and operating profits would have been £39,540,000 and £2,198,000, respectively.

The fair values reported in the Annual Report were provisional due to the ongoing determination of the fair value of certain assets. As a consequence of the finalisation of these values, the identifiable net assets at fair value has reduced by £177,000 compared to that previously reported with a corresponding increase in the amount of goodwill.

Contingent Consideration – IDscan

As part of the share sale and purchase agreement, a contingent consideration amount of up to £8,000,000 has been agreed. This payment is subject to certain future revenue and EBITDA targets between 12 and 18 months from completion date. The obligation has been classed as a liability in accordance with the provisions of IAS 32.

At the acquisition date the discounted fair value of the contingent consideration was estimated at £6,668,000 having been determined from management's estimates of the range of outcomes and their respective likelihoods. At 30 September 2017, the value of the contingent consideration, after a contingent purchase price adjustment and partial unwinding of the discounting, was £7,929,000. Adjustments to the fair value of the contingent consideration are made in the Consolidated Statement of Comprehensive Income under IFRS 3 (Revised) Business Combinations.

Notes to the Interim Report

17. CONTINGENT CONSIDERATION

LIABILITIES	Unaudited 30 Sept 2017 £'000	Unaudited 30 Sept 2016 £'000	Audited 31 March 2017 £'000
Opening	7,122	1,050	1,050
Recognition on the acquisition of subsidiary undertakings	-	6,668	6,668
Fair value adjustment to contingent consideration	421	-	(92)
Settlement of consideration	-	(1,026)	(1,026)
Unwinding of discount	386	194	563
Exchange differences on retranslation	-	(41)	(41)
Closing	<u>7,929</u>	<u>6,845</u>	<u>7,122</u>
Analysed as:			
Amounts falling due within 12 months	7,929	-	7,122
Amounts falling due after one year	-	6,845	-
	<u>7,929</u>	<u>6,845</u>	<u>7,122</u>

The closing balance at 30 September 2017 relates to provisions for contingent consideration for IDscan.

The opening balance at 1 April 2016 represented contingent consideration amounts relating to the acquisition of DecTech. During the year ending 31 March 2017, a final payment of AUS\$2,000,000 (£1,026,000) was made to settle the outstanding obligation on DecTech. The closing balance at 31 March 2017 relates to provisions for contingent consideration for IDscan. Exchange differences of £41,000 arose from the retranslation of DecTech into pounds Sterling for consolidation purposes and are not part of the fair value movement on the underlying contingent consideration.

In prior periods, the fair value of contingent consideration was estimated having been determined from management's estimates of the range of outcomes to certain future revenue and EBITDA forecasts for periods between 12 and 18 months from completion date and their estimated respective likelihoods. The contractual cash flows were therefore based on future trading activity, which is estimated based on latest forecasts (Level 3 as defined by IFRS 13). In the current period, management have assessed that it is highly likely that the maximum contingent consideration amount will be payable.

Notes to the Interim Report

18. FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT

The objectives, policies and strategies pursued by the Group in relation to financial instruments are described within the 2017 Annual Report. Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group:

	30 September 2017		30 September 2016		31 March 2017	
	Loans and receivables £'000	Fair value profit or loss £'000	Loans and receivables £'000	Fair value profit or loss £'000	Loans and receivables £'000	Fair value profit or loss £'000
Financial assets:						
Trade and other receivables	23,601	-	17,669	-	26,160	-
Total current	23,601	-	17,669	-	26,160	-
Total financial assets	23,601	-	17,669	-	26,160	-
Financial liabilities:						
Loans	12,974	-	12,000	-	11,499	-
Contingent consideration	-	-	-	6,845	-	-
Total non-current	12,974	-	12,000	6,845	11,499	-
Trade and other payables	18,421	-	12,832	-	17,404	-
Loans	850	-	3,701	-	886	-
Contingent consideration	-	7,929	-	-	-	7,122
Total current	19,271	7,929	16,533	-	18,290	7,122
Total financial liabilities	32,245	7,929	28,533	6,845	29,789	7,122

Trade and other receivables exclude the value of any prepayments or accrued income. Trade and other payables exclude the value of deferred income. 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.

Contingent consideration

The fair value of contingent consideration is the present value of expected future cash flows based on latest forecasts of future performance.

	Unaudited 30 Sept 2017 £'000	Unaudited 30 Sept 2016 £'000	Audited 31 March 2017 £'000
Fair value within current liabilities:			
Contingent consideration	7,929	-	7,122
Fair value within non-current liabilities:			
Contingent consideration	-	6,845	-

Assets and liabilities for contingent consideration are Level 3 financial instruments under IFRS 13. The Group classifies fair value measurement 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).

Notes to the Interim Report

18. FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT (continued)

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.

Financial Liabilities

The Group has an Australian dollar three year term loan of AUS\$10,000,000 maturing in November 2018. The debt bears an interest rate of +1.90% above the Australian Dollar bank bill interest swap rate ('BBSW').

The Group has a 3 year revolving credit facility agreement expiring in November 2018 with an option to extend by a further year. The facility is subject to a limit of £50,000,000 and bears an initial interest rate of LIBOR +1.50%.

The facilities are secured by way of an all asset debenture.

The Group is subject to a number of covenants in relation to its borrowings which, if breached, would result in loan balances becoming immediately repayable. These covenants specify certain maximum limits in terms of the following:

- Leverage
- Interest cover

At 30 September 2017, 31 March 2017 and 30 September 2016 the Group was not in breach of any bank covenants.

Notes to the Interim Report

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:

Adjusted Operating Profit

Adjusted operating profit means profits before amortisation of acquired intangibles, share-based payment charges, exceptional items, net finance costs and tax. This is used throughout the Group by management for internal performance analysis and to assess the execution of our strategies. Management believe that it is both useful and necessary to report these measures as they are used for internal performance reporting, these measures are used in setting director and management remuneration and they are useful in connection with discussion with the investment analyst community and debt rating agencies.

Organic Growth

Organic growth is defined by the Group as year-on-year continuing revenue growth, excluding acquisitions, until the date of their anniversary and represents performance on a comparable basis. Whilst organic growth is neither intended to be a substitute for reported growth, nor is it superior to reported growth, the Group believes that these measures provide useful and necessary information to investors and other interested parties. Specifically, it provides additional information on the underlying growth of the business, it is used for internal performance analysis and it facilitates comparability of underlying growth with other companies (although the term 'organic' is not a defined term under IFRS and may not, therefore, be comparable with similarly titled measures reported by other companies).

Net debt

Net debt means cash and short-term deposits less loans. Net debt is a measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength. It is also a single measure that can be used to assess both the Group's cash position and its indebtedness. The use of the term 'net debt' does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure. Net debt is considered to be an alternative performance measure as it is not defined in IFRS.

Adjusted Earnings and Adjusted Earnings Per Share

Adjusted earnings represents adjusted operating profit less net finance costs and tax and adjusted EPS represents adjusted earnings divided by the weighted average number of shares in issue, and is disclosed to indicate the underlying profitability of the Group.

Independent Review Report to GB Group plc

Introduction

We have been engaged by the GB Group plc (the 'Company') to review the condensed set of consolidated financial statements in the half-yearly financial report for the 6 months ended 30 September 2017 which comprises Interim Consolidated Statement of Comprehensive Income, Interim Consolidated Statement of Changes in Equity, Interim Consolidated Balance Sheet, Interim Consolidated Cash Flow Statement and the related explanatory notes 1 to 18. 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 consolidated financial statements.

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.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with International Accounting Standards 34 'Interim Financial Reporting' as adopted by the European Union.

As disclosed in note 2, the annual financial statements of the company are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of consolidated financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standards 34 'Interim Financial Reporting' as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. 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 Ireland) 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly financial report for the 6 months ended 30 September 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Ernst & Young LLP
Manchester
28 November 2017

The maintenance and integrity of the GB Group plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial information since it was initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.