



**Unaudited** Interim Condensed Consolidated Financial  
Statements

30 September 2016

Date: 29 November 2016

# Chairman's Statement

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I'm pleased to report that GBG had a good first half year and the Board is confident in the outlook for the full year.

The business traded well in the first half with revenue growing by 16% to £37.5 million (2015: £32.4 million) and adjusted operating profit increasing to £5.2 million (2015: £4.5 million) which was slightly ahead of the market expectations set at the time of our trading update in October.

Our business is traditionally second-half weighted and our expectation, based on our strong pipeline; the inclusion of ID Scan Biometrics Limited ("IDscan") for the full second half; and a significantly higher level of deferred revenue balances than last year, is that our rate of revenue growth will increase in the second half. We are confident that organic growth, which was 9% in the first half, will return to double digit in the second half.

Strategic progress in the year to date, as outlined in more detail below, was particularly encouraging with a number of new product launches, the acquisition of IDscan and the completion of a very positive succession exercise which has secured a new CEO of global calibre.

With recent political developments in Europe and the USA we believe that there will be an increased demand for global Identity Data Intelligence solutions to address areas such as border controls, anti-terrorism, fraud prevention and corporate security. Our proven expertise in these areas stands us in good stead to take advantage of the opportunities that these developments will bring.

## **Strategic Progress**

### ***International Development and Strategic Relationships***

During the period we further developed our international data relationships and increased the number of countries in which our products are deployed and can serve. GBG ID3 Global now offers AML standard checks for 53 countries (2015: 40) and our products and services are installed in 70 countries. Our contract for data supply with our data partner Equifax was also extended during the period. International clients now account for 31% of the Group's revenue (2015: 26%).

### ***Alignment with our Global Markets & Customers***

In July we reorganised the business along global product lines in recognition of our customers' increasing need for products and services that can be integrated once and then rolled out across multiple countries. The aim of the reorganisation was to address this requirement and to provide a single point of contact. Simultaneously, the Group established a new sales team specifically targeting global businesses with multiple product propositions. This strategy has started well with early successes from two industry leading companies in the global banking and insurance sectors.

### ***Succession and New CEO***

Richard Law, who has led GBG's development for 14 years, announced in April 2016 his intention to retire early and requested that the Board find a successor. We were extremely pleased with the calibre of candidates who applied and that we were able to attract Chris Clark from Experian, where he was the CEO of Experian's operations across UK and EMEA, a business with revenues in excess of US\$1 billion. Chris is a first class choice, a great fit for GBG and brings with him global sales and business development experience, which we believe will enable us to accelerate our future growth. Chris will start on 1<sup>st</sup> April 2017 with Richard continuing until then and being available as needed for an orderly handover.

### ***Acquisitions***

In July 2016, GBG acquired IDscan, a high growth company which leads the market in providing technology to automate and improve the process of document and biometric identity verification. The technology is currently used by a wide variety of organisations across sectors including: banking; ecommerce; border control; and event security management. IDscan has traded well since joining GBG with a number of significant new client wins and its technology (which incorporates artificial

intelligence capability) is being integrated into GBG's other products and services. There is a healthy and growing pipeline of high quality opportunities for these propositions.

Loqate, our San Francisco business acquired in 2015, is trading significantly ahead of our expectations and is seeing good growth in the USA, both through our major partnerships and our own efforts.

### **New Products**

We increased the operational spend on product innovation and development which has kept us ahead of our competitors and resulted in a number of significant new product releases.

GBG has developed a new federated identity product, Citizensafe, the first customers of which are the UK Government and Royal Mail via the GOV.UK Verify project. As a result of the Government's delayed deployment, early volumes of identity checks were lower than they had forecast. However, GBG is well placed to develop opportunities for this proposition in both the public and private sectors in the UK and internationally.

### **Results and Trading**

The Group's profit performance in the first half of the year was slightly ahead of the pre-close trading update statement issued in October 2016.

Revenue grew by 16% year on year of which 9% was organic. Our organic revenue growth in the first half was lowered by the late launch of GOV.UK Verify and we are taking a prudent view on the Government's second half growth forecast for this project. GBG is a business with multiple products and territories and as always our team is focussed on ensuring our blend of propositions deliver a strong second half. Our promising pipeline, and substantially increased deferred revenue brought forward from the first half gives us confidence of organic revenue growth returning to double digit. This gives us added confidence in meeting year end expectations.

Our costs, which align with our revenue profile were also lower than expected in the first half and, as a result, overall margins were slightly higher than we had expected. The net result is that adjusted operating profit increased by 15% to £5.2 million (2015: £4.5 million).

Profits after tax were £1.2 million (2015: £2.3 million) after taking account of £3.4 million of costs associated with the amortisation of acquired intangibles, share-based payments and exceptional items (2015: £1.9 million). Of these costs, £2.6 million (2015: £1.7 million) were non-cash items.

Our balance sheet is strong with revenue deferred to future periods up by £4.3 million and net assets increased to £82.8 million (2015 £46.2 million) following the acquisition of IDscan.

In addition to a new equity placing which raised £24.6 million, £12 million of new borrowings were used in the period to part fund the acquisition of IDscan. Together with the final earn out payment for DecTech and a dividend payment this resulted in a net debt<sup>††</sup> position at 30 September of £4.0 million compared to a net cash<sup>††</sup> position of £1.2 million last year. We expect our increased growth in the second half together with high cash conversion to return us to a cash surplus by the year end.

At a divisional level:

- The Identity Proofing business which provides the Group's global fraud, risk and compliance solutions (including ID verification, IDA and employment screening) made very good progress with revenues increasing by 24% to £19.2 million (2015: £15.4 million).
- The Identity Solutions business which provides our customer and location intelligence solutions (domestic and international registration, tracing and marketing services solutions) also performed well in the first half and grew revenues by 8% to £18.3 million (2015: £16.9 million).

**Outlook**

Our strong strategic progress in the year to date, the full year contribution from IDscan and improving performance across our existing business lines makes us confident of a good second half and enhanced long term prospects.

On behalf of the Board I would like to thank the Group's leadership team and employees for their continuing hard work.

David Rasche  
**Chairman**

# Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2016

	Note	Unaudited 6 months to 30 September 2016 £'000	Unaudited 6 months to 30 September 2015 £'000	Audited Year to 31 March 2016 £'000
<b>Revenue</b>		<b>37,512</b>	32,368	73,401
Cost of sales		<b>(8,631)</b>	(7,813)	(17,606)
<b>Gross profit</b>		<b>28,881</b>	24,555	55,795
Operating expenses before amortisation of acquired intangibles, share-based payments and exceptional items		<b>(23,700)</b>	(20,065)	(42,481)
Other operating income		<b>18</b>	46	114
<b>Operating profit before amortisation of acquired intangibles, share- based payments and exceptional items (adjusted operating profit)</b>		<b>5,199</b>	4,536	13,428
Amortisation of acquired intangibles	11	<b>(1,751)</b>	(1,254)	(2,501)
Share-based payments charge	12	<b>(659)</b>	(582)	(1,245)
Exceptional items	5	<b>(996)</b>	(21)	(94)
<b>Group operating profit</b>		<b>1,793</b>	2,679	9,588
Finance revenue		<b>1</b>	8	12
	<b>1</b>			
Finance costs		<b>(244)</b>	(117)	(282)
<b>Profit before tax</b>		<b>1,560</b>	2,570	9,318
Income tax expense	7	<b>(328)</b>	(311)	(178)
<b>Profit for the period attributable to equity holders of the parent</b>		<b>1,232</b>	2,259	9,140
<b>Other comprehensive income:</b>				
Exchange differences on retranslation of foreign operations (net of tax)*		<b>2,564</b>	(1,257)	1,096
<b>Total comprehensive income for the period attributable to equity holders of the parent</b>		<b>3,796</b>	1,002	10,236
<b>Earnings per share</b>				
- adjusted basic earnings per share for the period	8	<b>3.6p</b>	3.4p	10.6p
- adjusted diluted earnings per share for the period	8	<b>3.5p</b>	3.3p	10.3p
- basic earnings per share for the period	8	<b>1.0p</b>	1.8p	7.4p
- diluted earnings per share for the period	8	<b>0.9p</b>	1.8p	7.2p

\* 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 2016

	Note	Equity share capital £'000	Merger reserve £'000	Capital redemption reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 April 2015 (audited)</b>		<b>26,418</b>	<b>6,575</b>	<b>3</b>	<b>(684)</b>	<b>13,822</b>	<b>46,134</b>
Profit for the period		-	-	-	-	2,259	2,259
Other comprehensive income					(1,257)	-	(1,257)
<b>Total comprehensive income for the period</b>		-	-	-	(1,257)	2,259	<b>1,002</b>
Issue of share capital	15	412	-	-	-	-	412
Share-based payments charge	12	-	-	-	-	582	582
Deferred tax on share options		-	-	-	-	371	371
Equity dividend	9	-	-	-	-	(2,277)	(2,277)
<b>Balance at 30 September 2015 (unaudited)</b>		<b>26,830</b>	<b>6,575</b>	<b>3</b>	<b>(1,941)</b>	<b>14,757</b>	<b>46,224</b>
Profit for the period		-	-	-	-	6,881	6,881
Other comprehensive income		-	-	-	2,353	-	2,353
<b>Total comprehensive income for the period</b>		-	-	-	2,353	6,881	<b>9,234</b>
Issue of share capital		378	-	-	-	-	378
Share-based payments charge		-	-	-	-	663	663
Deferred tax on share options		-	-	-	-	(98)	(98)
<b>Balance at 1 April 2016 (audited)</b>		<b>27,208</b>	<b>6,575</b>	<b>3</b>	<b>412</b>	<b>22,203</b>	<b>56,401</b>
Profit for the period		-	-	-	-	1,232	1,232
Other comprehensive income		-	-	-	2,564	-	2,564
<b>Total comprehensive income for the period</b>		-	-	-	2,564	1,232	<b>3,796</b>
Issue of share capital	15	25,321	-	-	-	-	25,321
Share issue costs	15	(750)	-	-	-	-	(750)
Share-based payments charge	12	-	-	-	-	659	659
Deferred tax on share options		-	-	-	-	103	103
Equity dividend	9	-	-	-	-	(2,775)	(2,775)
<b>Balance at 30 September 2016 (unaudited)</b>		<b>51,779</b>	<b>6,575</b>	<b>3</b>	<b>2,976</b>	<b>21,422</b>	<b>82,755</b>

# Interim Consolidated Balance Sheet

As at 30 September 2016

	Note	Unaudited As at 30 September 2016 £'000	Unaudited As at 30 September 2015 £'000	Audited As at 31 March 2016 £'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Plant and equipment	10	2,796	2,688	2,234
Intangible assets	11	99,700	52,097	54,113
Deferred tax asset		3,014	2,891	3,017
		<b>105,510</b>	<b>57,676</b>	<b>59,364</b>
<b>Current assets</b>				
Inventories		97	-	-
Trade and other receivables		21,746	17,109	23,774
Cash and short-term deposits		11,654	4,806	12,415
		<b>33,497</b>	<b>21,915</b>	<b>36,189</b>
<b>TOTAL ASSETS</b>		<b>139,007</b>	<b>79,591</b>	<b>95,553</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Equity share capital		51,779	26,830	27,208
Merger reserve		6,575	6,575	6,575
Capital redemption reserve		3	3	3
Foreign currency translation reserve		2,976	(1,941)	412
Retained earnings		21,422	14,757	22,203
<b>Total equity attributable to equity holders of the parent</b>		<b>82,755</b>	<b>46,224</b>	<b>56,401</b>
<b>Non-current liabilities</b>				
Loans	13	12,000	2,958	3,160
Contingent consideration	17	6,845	-	-
Deferred tax liability		4,860	3,522	3,433
		<b>23,705</b>	<b>6,480</b>	<b>6,593</b>
<b>Current liabilities</b>				
Loans	13	3,701	675	582
Trade and other payables		28,328	24,045	30,543
Contingent consideration	17	-	1,850	1,050
Provisions		29	39	31
Current tax		489	278	353
		<b>32,547</b>	<b>26,887</b>	<b>32,559</b>
<b>TOTAL LIABILITIES</b>		<b>56,252</b>	<b>33,367</b>	<b>39,152</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>139,007</b>	<b>79,591</b>	<b>95,553</b>

# Interim Consolidated Cash Flow Statement

For the six months ended 30 September 2016

	Note	Unaudited 6 months to 30 September 2016 £'000	Unaudited 6 months to 30 September 2015 £'000	Audited Year to 31 March 2016 £'000
<b>Group profit before tax</b>		<b>1,560</b>	2,570	9,318
<b>Adjustments to reconcile Group profit before tax to net cash flows</b>				
Finance revenue		(11)	(8)	(12)
Finance costs		246	115	282
Depreciation of plant and equipment	10	452	524	1,071
Amortisation of intangible assets	11	2,095	1,367	2,778
Loss on disposal of plant and equipment		2	-	-
Fair value adjustment on contingent consideration	5	194	148	78
Fair value gain on revaluation of associate investment	5	-	(247)	(247)
Share-based payments	12	659	582	1,245
Decrease in provisions		(2)	(9)	(17)
Decrease/(increase) in receivables		5,158	3,864	(981)
Decrease in payables		(5,735)	(3,255)	(118)
Cash generated from operations		<b>4,618</b>	5,651	13,397
Income tax (paid)/received		(973)	9	(248)
<b>Net cash generated from operating activities</b>		<b>3,645</b>	5,660	13,149
<b>Cash flows from/(used in) investing activities</b>				
Acquisition of subsidiaries, net of cash acquired	16	(36,818)	(13,058)	(12,263)
Purchase of plant and equipment	10	(744)	(317)	(712)
Purchase of software	11	(211)	(231)	(426)
Proceeds from disposal of plant and equipment		4	-	-
Expenditure on product development	11	(21)	(421)	(624)
Interest received		11	8	12
<b>Net cash flows used in investing activities</b>		<b>(37,779)</b>	(14,019)	(14,013)
<b>Cash flows from/(used in) financing activities</b>				
Finance costs paid		(246)	(115)	(282)
Proceeds from issue of shares	15	25,321	412	790
Share issue costs	15	(750)	-	-
Proceeds from new borrowings	13	12,000	-	-
Repayment of borrowings	13	(400)	(351)	(752)
Dividends paid to equity shareholders	9	(2,775)	(2,277)	(2,277)
<b>Net cash flows from/(used in) financing activities</b>		<b>33,150</b>	(2,331)	(2,521)
Net decrease in cash and cash equivalents		(984)	(10,690)	(3,385)
Effect of exchange rates on cash and cash equivalents		223	(282)	22
Cash and cash equivalents at the beginning of the period		<b>12,415</b>	15,778	15,778
<b>Cash and cash equivalents at the end of the period</b>		<b>11,654</b>	4,806	12,415



# Notes to the Interim Report

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## 1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of GB Group plc ('the Group') for the six months ended 30 September 2016 were authorised for issue in accordance with a resolution of the directors on 28 November 2016. 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 2016 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 2016. The financial information for the preceding year is based on the statutory financial statements for the year ended 31 March 2016. 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 2016. 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' (effective for the year ending 31 March 2019) replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and related interpretations. The standard introduces a single, five-step revenue recognition model that is based upon the principle that revenue is recognised at the point that control of goods or services is transferred to the customer. The standard also updates revenue disclosure requirements. Whilst an assessment of this new standard is ongoing, the Group does not currently expect its adoption to have a material impact on the Group's financial performance or position.

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.

# 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 and business continuity; new product development; and intellectual property risk. These risks and uncertainties facing our business were reported in detail in the 2016 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 but like all companies, we will need to continue to monitor 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 2016.

## 5. EXCEPTIONAL ITEMS

	<b>Unaudited 6 months to 30 Sept 2016 £'000</b>	Unaudited 6 months to 30 Sept 2015 £'000	Audited Year to 31 March 2016 £'000
Fair value adjustments to contingent consideration (note 17)	194	148	78
Fair value gain on revaluation of investment in associate	-	(247)	(247)
Acquisition related costs	574	120	119
Costs associated with staff reorganisations	228	-	178
Costs associated with the relocation of Group head office	-	-	(34)
	<b>996</b>	<b>21</b>	<b>94</b>

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 16) 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 16). 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.

In prior periods an exceptional fair value gain of £247,000 was recognised as a consequence of the Group revaluing its previously held equity stake in Loqate at the date of its acquisition of the remaining 73.3% of shares in accordance with IFRS 3. This is a non-cash item.

# Notes to the Interim Report

## 6. SEGMENTAL INFORMATION

The Group's operating segments are internally reported to the Group's Chief Executive Officer as two operating segments: Identity Proofing Division – which provides ID Verification, ID Employ & Comply services and ID Fraud and Risk Management Services and Identity Solutions Division – which provides ID Registration, ID Engage and ID Trace & Investigate services. 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.

ID Scan Biometrics Ltd ("IDscan"), which was acquired during the period, is reported within the Identity Proofing Division.

Segment results include items directly attributable to either Identity Proofing or Identity Solutions. Unallocated items for the six months to 30 September 2016 represent Group head office costs £377,000 (2015: £492,000), exceptional items £996,000 (2015: £21,000), Group finance income £11,000 (2015: £8,000), Group finance costs £244,000 (2015: £117,000), Group income tax expense £328,000 (2015: £311,000) and share-based payments charge £659,000 (2015: £582,000). Unallocated items for the year ended 31 March 2016 represent Group head office costs £886,000, exceptional costs £94,000, Group finance income £12,000, Group finance costs £282,000, Group income tax charge £178,000 and share-based payments charge £1,245,000.

Information on segment assets and liabilities is not regularly provided to the Group's Chief Executive Officer and is therefore not disclosed below.

	Identity Proofing £'000	Identity Solutions £'000	Unallocated £'000	Total Unaudited 6 months to 30 September 2016 £'000
<b>Six months ended 30 September 2016</b>				
Total revenue	19,199	18,313	-	37,512
<b>Adjusted operating profit</b>	<b>2,636</b>	<b>2,940</b>	<b>(377)</b>	<b>5,199</b>
Amortisation of acquired intangibles	(984)	(767)	-	(1,751)
Share-based payments charge	-	-	(659)	(659)
Exceptional items	-	-	(996)	(996)
Operating profit	1,652	2,173	(2,032)	1,793
Finance revenue				11
Finance costs				(244)
Income tax charge				(328)
Profit for the period				1,232

	Identity Proofing £'000	Identity Solutions £'000	Unallocated £'000	Total Unaudited 6 months to 30 September 2015 £'000
<b>Six months ended 30 September 2015</b>				
Total revenue	15,423	16,945	-	32,368
<b>Adjusted operating profit</b>	<b>3,219</b>	<b>1,809</b>	<b>(492)</b>	<b>4,536</b>
Amortisation of acquired intangibles	(545)	(709)	-	(1,254)
Share-based payments charge	-	-	(582)	(582)
Exceptional items	-	-	(21)	(21)
Operating profit	2,674	1,100	(1,095)	2,679
Finance revenue				8
Finance costs				(117)
Income tax charge				(311)
Profit for the period				2,259

# Notes to the Interim Report

## 6. SEGMENTAL INFORMATION (continued)

	Identity Proofing £'000	Identity Solutions £'000	Unallocated £'000	Total Audited Year to 31 March 2016 £'000
<b>Year ended 31 March 2016</b>				
Total revenue	33,213	40,188	-	<b>73,401</b>
<b>Adjusted operating profit</b>	<b>6,629</b>	<b>7,685</b>	<b>(886)</b>	<b>13,428</b>
Amortisation of acquired intangibles	(1,042)	(1,459)	-	<b>(2,501)</b>
Share-based payments charge	-	-	(1,245)	<b>(1,245)</b>
Exceptional items	-	-	(94)	<b>(94)</b>
Operating profit	5,587	6,226	(2,225)	<b>9,588</b>
Finance revenue				<b>12</b>
Finance costs				<b>(282)</b>
Income tax charge				<b>(178)</b>
Profit for the year				<b>9,140</b>

## 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 2017.

# Notes to the Interim Report

## 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 2016		Unaudited 6 months to 30 September 2015		Audited Year to 31 March 2016	
	Pence per share	£'000	Pence per share	£'000	Pence per share	£'000
Profit attributable to equity holders of the company	<u>1.0</u>	<u>1,232</u>	<u>1.8</u>	<u>2,259</u>	<u>7.4</u>	<u>9,140</u>

### 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 2016 No.	30 Sept 2015 No.	31 March 2016 No.
Basic weighted average number of shares in issue	<b>128,812,008</b>	122,121,920	122,744,412
Dilutive effect of share options	<b>3,174,680</b>	4,127,693	3,770,597
Diluted weighted average number of shares in issue	<b><u>131,986,688</u></b>	<u>126,249,613</u>	<u>126,515,009</u>

	Unaudited 6 months to 30 September 2016		Unaudited 6 months to 30 September 2015		Audited Year to 31 March 2016	
	Pence per share	£'000	Pence per share	£'000	Pence per share	£'000
Profit attributable to equity holders of the company	<u>0.9</u>	<u>1,232</u>	<u>1.8</u>	<u>2,259</u>	<u>7.2</u>	<u>9,140</u>

### 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 2016			Unaudited 6 months to 30 September 2015			Audited Year to 31 March 2016		
	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	4.0	3.9	5,199	3.7	3.6	4,536	10.9	10.6	13,428
Less net finance costs	(0.2)	(0.2)	(233)	(0.1)	(0.1)	(109)	(0.2)	(0.2)	(270)
Less tax	(0.2)	(0.2)	(328)	(0.2)	(0.2)	(311)	(0.1)	(0.1)	(178)
Adjusted earnings	<u>3.6</u>	<u>3.5</u>	<u>4,638</u>	<u>3.4</u>	<u>3.3</u>	<u>4,116</u>	<u>10.6</u>	<u>10.3</u>	<u>12,980</u>

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

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## 9. DIVIDENDS PAID AND PROPOSED

	<b>Unaudited 6 months to 30 Sept 2016 £'000</b>	Unaudited 6 months to 30 Sept 2015 £'000	Audited Year to 31 March 2016 £'000
<i>Declared and paid during the period</i>			
Final dividend for 2016: 2.08p per share (2015: 1.85p per share)	<u>2,775</u>	<u>2,277</u>	<u>2,277</u>
<i>Proposed for approval at AGM (not recognised as a liability at 31 March 2016)</i>			
Final dividend for 2016: 2.08p per share	<u>-</u>	<u>-</u>	<u>2,577</u>

## 10. PLANT AND EQUIPMENT

During the six months ended 30 September 2016, the Group acquired plant and equipment with a cost of £744,000 (2015: £317,000).

Plant and equipment with a fair value of £237,000 was acquired with the acquisition of ID Scan Biometrics Ltd (note 16).

Depreciation provided during the six months ended 30 September 2016 was £452,000 (2015: £524,000).

Assets with a net book value of £6,000 were disposed of during the six months ended 30 September 2016 (2015: none).

# 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
<b>Cost</b>							
At 1 April 2015	14,839	3,786	18,625	30,505	-	1,104	50,234
Additions – business combinations	1,912	819	2,731	6,623	-	20	9,374
Additions – product development	-	-	-	-	231	421	652
Foreign exchange adjustments	(404)	(162)	(566)	(1,364)	-	(2)	(1,932)
At 30 September 2015	16,347	4,443	20,790	35,764	231	1,543	58,328
Additions – business combinations	-	-	-	(121)	-	(2)	(123)
Additions – product development	-	-	-	-	-	203	203
Additions – purchased software	-	-	-	-	195	-	195
Reclassification	-	-	-	-	1,953	-	1,953
Foreign exchange adjustments	634	255	889	2,122	-	3	3,014
At 31 March 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
<b>Amortisation and impairment</b>							
At 1 April 2015	2,754	1,558	4,312	-	-	626	4,938
Amortisation during the period	808	446	1,254	-	19	94	1,367
Foreign exchange adjustments	(41)	(33)	(74)	-	-	-	(74)
At 30 September 2015	3,521	1,971	5,492	-	19	720	6,231
Amortisation during the period	831	416	1,247	-	45	119	1,411
Reclassification	-	-	-	-	1,636	-	1,636
Foreign exchange adjustments	97	82	179	-	-	-	179
At 31 March 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
<b>Net book value</b>							
At 30 September 2016	16,001	7,466	23,467	74,747	740	746	99,700
At 31 March 2016	12,532	2,229	14,761	37,765	679	908	54,113
At 30 September 2015	12,826	2,472	15,298	35,764	212	823	52,097

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. and IDscan under IFRS, goodwill is annually tested 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 2016, £317,000 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 2016, the following share options were granted to executive directors.

Scheme	Date	No. of options	Exercise price	Fair value
Executive Share Matching Plan	8 September 2016	287,290	2.5p	300.5p

The charge recognised from equity-settled share-based payments in respect of employee services received during the period was £659,000 (2015: £582,000).

## 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') and matures in April 2017. Security on the debt is provided by way of an all asset debenture.

The Group has a 3 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.

	30 Sept 2016 £'000	30 Sept 2015 £'000	31 March 2016 £'000
Opening bank loan	3,742	4,389	4,389
New borrowings	12,000	-	-
Repayment of borrowings	(400)	(351)	(752)
Foreign currency translation adjustment	359	(405)	105
Closing bank loan	<u>15,701</u>	<u>3,633</u>	<u>3,742</u>
<b>Analysed as:</b>			
Amounts falling due within 12 months	3,701	675	582
Amounts falling due after one year	<u>12,000</u>	<u>2,958</u>	<u>3,160</u>
	<u>15,701</u>	<u>3,633</u>	<u>3,742</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
Associates:			
<b>30 September 2016</b>	-	-	-
30 September 2015	1	-	-
31 March 2016	-	-	-
Directors (see below):			
<b>30 September 2016</b>	-	-	-
30 September 2015	-	1	-
31 March 2016	-	1	-
Other related parties (see below):			
<b>30 September 2016</b>	<b>23</b>	-	<b>(14)</b>
30 September 2015	19	-	-
31 March 2016	33	-	(5)

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

The Chief Executive of the Company 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.

A Non-Executive Director of the Company is a director of Avanti Communications Group Plc which is a client of the Group. Transactions with Avanti Communications Group Plc 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. During the six months ended 30 September 2016, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2015: nil).

### **Compensation of key management personnel (including directors)**

	Unaudited 6 months to 30 Sept 2016 £'000	Unaudited 6 months to 30 Sept 2015 £'000	Audited Year to 31 March 2016 £'000
Short-term employee benefits	579	440	1,520
Post-employment benefits	16	12	24
Fair value of share options awarded	393	929	929
	<b>988</b>	<b>1,381</b>	<b>2,473</b>

# Notes to the Interim Report

## 15. EQUITY SHARE CAPITAL

During the period 10,296,940 (2015: 2,332,024) ordinary shares with a nominal value of 2.5p were issued for an aggregate cash consideration of £25,321,000 (2015: £412,000). The cost associated with the issue of shares was £750,000 (2015: £nil).

	<b>30 Sept 2016 £'000</b>	30 Sept 2015 £'000	31 March 2016 £'000
<b>Issued</b>			
Allotted, called up and fully paid	<b>3,355</b>	3,077	3,097
Share premium	<b>48,424</b>	23,753	24,111
	<b>51,779</b>	26,830	27,208

## 16. BUSINESS COMBINATIONS

### Acquisition of ID Scan Biometrics Ltd

On 1 July 2016, the Company acquired 100% of the voting shares of 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 whilst 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. 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:

	<b>Fair value recognised on acquisition £'000</b>
<b>Assets</b>	
Technology intellectual property	5,405
Customer relationships	3,917
Non-compete agreements	467
Plant and equipment	237
Purchased software	9
Acquired goodwill	12
Inventory	154
Trade and other receivables	2,559
Cash	1,208
Trade and other payables	(2,900)
Corporation tax liabilities	(427)
Deferred tax liabilities	(1,818)
<b>Total identifiable net assets at fair value</b>	<b>8,827</b>
Goodwill arising on acquisition	34,841
<b>Total purchase consideration transferred</b>	<b>43,668</b>
<i>Purchase consideration:</i>	
Cash	37,000
Contingent consideration adjustment	6,668
<b>Total purchase consideration</b>	<b>43,668</b>
<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 (included in cash flows from investing activities)	1,208
Cash paid	(37,000)
<b>Net cash outflow</b>	<b>(35,279)</b>

# Notes to the Interim Report

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## 16. BUSINESS COMBINATIONS (continued)

The fair values above contain certain provisional amounts which will be finalised no later than one year after the date of acquisition. Provisional amounts have been included at 30 September 2016 as a consequence of the timing and complexity of the acquisition.

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, IDscan has 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 year, the Group revenue and operating profits would have been £39,540,000 and £2,198,000, respectively.

### **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 2016, the value of the contingent consideration after partial unwinding of the discounting was £6,845,000. Adjustments to the fair value of the contingent consideration are made in the Consolidated Statement of Comprehensive Income under IFRS 3 (Revised) Business Combinations.

### **Contingent consideration - DecTech**

During the period ending 30 September 2016, final settlement of AUS\$2,000,000 (£1,026,000) was made relating to the second tranche of the contingent consideration from the acquisition of DecTech.

# Notes to the Interim Report

## 17. CONTINGENT CONSIDERATION

<b>ASSETS</b>	<b>Unaudited 30 Sept 2016 £'000</b>	Unaudited 30 Sept 2015 £'000	Audited 31 March 2016 £'000
Opening	-	-	-
Recognition on the acquisition of subsidiary undertakings	-	1,280	1,280
Fair value adjustment to contingent consideration	-	42	177
Settlement of consideration	-	-	(1,457)
Closing	<u>-</u>	<u>1,322</u>	<u>-</u>
<b>Analysed as:</b>			
Amounts falling due within 12 months	-	1,322	-
	<u>-</u>	<u>1,322</u>	<u>-</u>

<b>LIABILITIES</b>	<b>Unaudited 30 Sept 2016 £'000</b>	Unaudited 30 Sept 2015 £'000	Audited 31 March 2016 £'000
Opening	<b>1,050</b>	6,628	6,628
Recognition on the acquisition of subsidiary undertakings	<b>6,668</b>	-	-
Settlement of consideration	<b>(1,026)</b>	(4,745)	(5,745)
Unwinding of discount	<b>194</b>	190	255
Exchange differences on retranslation	<b>(41)</b>	(223)	(88)
Closing	<u><b>6,845</b></u>	<u>1,850</u>	<u>1,050</u>
<b>Analysed as:</b>			
Amounts falling due within 12 months	-	1,850	1,050
Amounts falling due after one year	<b>6,845</b>	-	-
	<u><b>6,845</b></u>	<u>1,850</u>	<u>1,050</u>

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.

# 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 2016 Annual Report. Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group:

	30 September 2016		30 September 2015		31 March 2016	
	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
<b>Financial assets:</b>						
Trade and other receivables	17,669	-	13,162	-	19,768	-
Contingent consideration	-	-	-	1,322	-	-
<b>Total current</b>	<b>17,669</b>	<b>-</b>	<b>13,162</b>	<b>1,322</b>	<b>19,768</b>	<b>-</b>
<b>Total financial assets</b>	<b>17,669</b>	<b>-</b>	<b>13,162</b>	<b>1,322</b>	<b>19,768</b>	<b>-</b>
<b>Financial liabilities:</b>						
Loans	12,000	-	2,958	-	3,160	-
Contingent consideration	-	6,845	-	-	-	-
<b>Total non-current</b>	<b>12,000</b>	<b>6,845</b>	<b>2,958</b>	<b>-</b>	<b>3,160</b>	<b>-</b>
Trade and other payables	12,832	-	12,195	-	16,791	-
Loans	3,701	-	675	-	582	-
Contingent consideration	-	-	-	1,850	-	1,050
<b>Total current</b>	<b>16,533</b>	<b>-</b>	<b>12,870</b>	<b>1,850</b>	<b>17,373</b>	<b>1,050</b>
<b>Total financial liabilities</b>	<b>28,533</b>	<b>6,845</b>	<b>15,828</b>	<b>1,850</b>	<b>20,533</b>	<b>1,050</b>

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 2016 £'000	Unaudited 30 Sept 2015 £'000	Audited 31 March 2016 £'000
<b>Fair value within current assets:</b>			
Contingent consideration	-	1,322	-
<b>Fair value within current liabilities:</b>			
Contingent consideration	-	1,850	1,050
<b>Fair value within non-current liabilities:</b>			
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

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## 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. 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 2020 which is subject to a limit of £50,000,000. The facility 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 2016 and 30 September 2015 the Group was not in breach of any bank covenants.

# Independent Review Report to GB Group plc

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## 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 2016 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 2016 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 2016