



## **2017 Annual Report and Accounts**

6 June 2017

# Chairman's Statement

---

It gives me great pleasure to report on another year of strong progress for GBG. Revenue has continued to show year-on-year growth and profit was in line with the Board's expectations demonstrating our strength as a Group.

We continue to follow our clearly defined strategy to the year 2020 by investing in innovative products, complementary acquisitions and our people. I believe our approach has put us in a stronger position than ever to address future opportunities. It has been a year of transition for GBG leading up to the retirement of Richard Law and the appointment of Chris Clark as our new CEO. I would like to thank Richard for his very successful tenure and I look forward to working with Chris and the rest of the senior management team as we continue to deliver on our strategy.

## Performance

Revenues increased by 19.2% to £87.5 million (2016: £73.4 million), including like-for-like organic growth\* of 12%. Adjusted operating profit† saw a 26.6% increase to £17.0 million (2016: £13.4 million) with an increase in adjusted earnings per share of 23.6% to 13.1 pence (2016: 10.6 pence). Basic earnings per share increased by 10.8% to 8.2 pence. Deferred revenue in the balance sheet (in respect of amounts already invoiced under annual or multi-year contracts, but which will be recognised in future periods) increased by £5.2 million to £19.0 million. This, added to our other highly visible revenue streams, means that we go into another year with around three quarters of our revenue secured.

GBG continues to be cash generative with cash balances at 31 March 2017 of £17.6 million (2016: £12.4 million). Net cash balances were £5.2 million (2016: £8.7 million).

Our acquisitions have contributed positively to the Group result with our international growth being led by: DecTech in Asia Pacific through a number of new business wins in China; and Loqate in the USA through its major international IT partners. IDscan is settling in well and the prospects offered by its technology (with its artificial intelligence capabilities) provides an exciting future dynamic for the business.

## Dividend

In line with our progressive dividend commitment, the Board is recommending a final dividend of 2.35 pence per share and subject to shareholder approval at the Annual General Meeting in July it will be paid on 25 August 2017. If accepted, this proposal will represent a ninth year of growth in dividends.

## People

Our performance is testament to our team's commitment, professionalism and desire to succeed. At a leadership level the Board has been strengthened with the appointment in April 2017 of Nick Brown as Group Managing Director. Nick joined GBG in 2007, and having been a member of the Group's Executive Team since this time, brings with him significant experience and expertise.

As set out in our strategy, we are creating an environment where every team member is aware of our business plans, understands how they can have a personal impact on GBG's success and is recognised and rewarded for their contribution. The very high percentage of our teams who would recommend GBG as a place to work puts us very much in the top quartile of people engagement scores and shows our positive progress in building a world class team of high calibre talent.

## Outlook

The market for identity data intelligence solutions continues to grow as does our capability, especially after the acquisitions of IDscan and PCA Predict. We have forged stronger relationships with existing customers and have continued to win significant new business in all territories. Our product portfolio has grown and we remain committed to developing our people and building a unique culture.

With Chris Clark in place as our new CEO, and as a result of the investments we've made, I believe we can respond even more effectively to the opportunities in the market, create further growth and build on our successes.

## D A Rasche

Chairman

\* After adjusting for revenue in the year ending 31 March 2016 relating to the recovery of start-up costs from the Gov.uk/verify service

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

# Chief Executive's Statement

---

I am pleased to be able to present this Annual Report to shareholders, my first as CEO.

After two months in the role I have been able to meet with many of GBG's key stakeholders and customers. Throughout all of these meetings I have been struck by the consistent high regard in which the business is held as a leader in the rapidly growing identity data intelligence market. In no small part this is thanks to my predecessor, Richard Law. I would like to thank him for leading and developing such a strong company.

Since I started as CEO in April 2017, I have taken the time to get to know GBG's customers, team members and products. I have seen a strong business made up of talented and committed people throughout the organisation. They are led by an excellent executive leadership team with whom I will work closely over the coming months to further develop the Group's strategic priorities. I believe our key strengths are: our global reach and access to a wide breadth of global data; our product and technology leadership; and our people. This gives us a very strong platform upon which to build a successful future.

## Overview of our business and the market

I am pleased to report another strong financial performance. Last year, the team talked about the growing market for identity data intelligence solutions and the opportunities this presented. The results show that GBG has turned this potential into growth and made good progress in its markets, both in the UK and globally.

I am confident that the year ahead offers more opportunities. GBG can capitalise on these thanks to a combination of a clear strategy, strong leadership, solid customer relationships, new acquisitions, new products and investment in our people. GBG also remains focused on developing its international business model, with international revenues now representing 31% of Group revenue.

Whilst there are many opportunities in our markets there are also a few challenges. Our CitizenSafe® identity assurance service, a certified provider on the UK Government's GOV.UK Verify platform, entered its second year of operation this year. Whilst we are clearly disappointed at the slow growth in this area, it remains a key area of competence for GBG, has offered valuable experience in working with government projects and provides significant potential opportunities, without affecting the overall growth of our other businesses. In addition, changes in regulation, including the upcoming EU GDPR (General Data Protection Regulation), mean that businesses will need to find new ways to manage and protect the data they hold presenting GBG with additional opportunities.

Technology advances are already paving the way for potential growth as biometrics and artificial intelligence build on traditional reference data sets. We are ideally positioned to capitalise on this and are strengthening our R&D capabilities to respond to these ever evolving markets, to take advantage of the opportunities presented and, at the same time, to help our customers feel more confident in the data they use and the decisions they make.

## Growth: new business and international expansion

Throughout the course of the year, GBG has continued to win new customers and strengthen existing relationships.

We have seen our existing product ranges taken up by new customers such as Saxo Bank A/S who signed a long-term agreement with GBG to deploy a multi-product offering combining GBG's identity verification, address look-up and decision support technology. We have also seen new applications for GBG products with IDscan's technology deployed by Lufthansa to speed up passenger check-in and by Santander to speed up the process of document verification in its UK branches.

We have also renewed contracts with some significant GBG customers including Bet365 and Plus500 who have now added GBG Matchcode360 to their existing product portfolio in addition to GBG ID3global.

Internationally we have achieved important further expansion for the Group with CitiBank and DBS (Development Bank of Singapore) in the Asia-Pacific region and BNP Paribas signing new contracts in Europe and South Africa. Each of these contracts reflects GBG's growing global footprint and strengthening international brand.

## Acquisitions

Last year, my predecessor talked about building on our track record of identifying, executing and successfully integrating acquisitions. We have continued to build on this throughout the financial year and post year end.

In June 2016 GBG acquired IDscan Biometrics Ltd, a high-growth company and market-leader in providing the technology to automate and improve document and biometric identity verification. The technology is currently used by a wide variety of organisations across sectors including banking, retail, and event security management. IDscan has traded well since joining GBG with a number of significant new customer wins. Its technology, which incorporates artificial intelligence capability, is being integrated into GBG's other products and services and there is a healthy and growing pipeline of high quality opportunities for these propositions.

In May 2017 we announced the acquisition of Postcode Anywhere (Holdings) Limited ("PCA Predict"). PCA Predict is a leading provider of UK and international address validation services. The combination represents a highly complementary capability set alongside GBG's existing solutions and will position GBG as a leader of UK and international address validation and data quality services. This opens up immediate upsell opportunities, is easily scalable and gives GBG access to an addressable market of over \$1bn.

## New Products

We continue to strive to create leading products across our portfolio. Every area of our business has seen good progress against this core objective.

IDscan, for example, was granted a patent for its facial recognition system, Visage. This presents a unique way of verifying the facial component of a passport or ID card. Document forgery is a sophisticated business but with this new technology the team at IDscan will be able to extend protection to our customers by recognising known fraudsters.

We launched social affinity data into our GBG Matchcode360 proposition; this enhances the profile of a consumer based on their social media behaviour. We are also building expertise around the world so that GBG Matchcode360 can improve the speed and quality of our global location intelligence.

# Chief Executive's Statement continued

---

Alongside these developments, we have added new countries to our GBG ID3 global identity verification service and enhanced the data available for countries we already support. GBG Instinct used for application fraud detection and previously a Windows-based application, is now fully web-enabled.

## **People**

We have also continued to invest in our team through the priorities set out in the GBG People Plan. Across the business we now have over 750 people across 17 countries globally.

GBG is rightly proud of having excellent people engagement scores and we believe this has a fundamentally positive effect on the services we provide to our customers. Our strong execution is all down to our people and for this reason we continue to invest in our teams, ensuring that we can attract key talent to the business and that our existing team members have the skills and tools to assist the business as it scales. Examples of this include the introduction of a best-in-class e-learning platform, our global intranet for information sharing and collaboration, promoting job rotation internationally, and investment in in-house talent attraction.

## **Current Trading & Outlook**

We have made a positive start to the year, with trading in line with management expectations. We have also successfully completed an acquisition and I am excited about the opportunities this brings.

As this is my first statement as CEO I want to thank the GBG team for making me feel so welcome. I am committed to continuing to invest in our people, customers, products and services to provide another positive year for all our stakeholders. I am confident in the direction we are heading as a Group and I am looking forward to the year ahead.

## **Chris Clark**

Chief Executive

# Finance Review

---

## Principal Activities and Business Review

The principal activity of GB Group plc ('GBG') and its subsidiaries (together 'the Group') is the provision of identity data intelligence services. GBG helps organisations recognise and verify all elements of an individual's identity at key interactions in their business processes. Through the application of our proprietary technology, our vision is to inform business decisions between people and organisations globally.

The performance of the Group is reported by segment, reflecting how we run the business and the economic characteristics of each segment. The Group's two operating segments were as follows:

- **Identity Proofing** – which provides electronic ID Verification services for combating ID fraud, money laundering and under-age gambling, ID Employ & Comply services for employee authentication and screening, and ID Fraud & Risk Management services.
- **Identity Solutions** – which provides ID Registration, ID Engage and ID Trace & Investigate software and services that provide accurate and up-to-date consumer information and facilitate better understanding, targeting and retention of profitable consumers.

In order to reflect how the Group will present its lines of business to its stakeholders going forward, the naming and structure of the operating segments will be amended with effect from 1 April 2017. Going forward 'Identity Proofing' will become known as 'Fraud, Risk & Compliance' and 'Identity Solutions' will become known as 'Customer & Location Intelligence'. Furthermore, the 'ID Trace & Investigate' line of business will transfer into Fraud, Risk & Compliance. At the next reporting date, operating segments will be presented in the new structure with comparatives restated to allow appropriate comparisons to be made.

Between them, the segments have six complementary lines of business:

- **ID Verification**, which provides the ability to verify consumers' identities remotely, without the physical presentation of documentation, in order to combat ID fraud, money laundering and restrict access to under-age content, purchases and gambling.
- **ID Employ & Comply**, which provides background checks through online verification and authentication of individuals, enabling organisations to safeguard, recruit and engage with confidence.
- **ID Fraud & Risk Management**, which provides fraud detection, risk management and consumer on-boarding solutions.
- **ID Registration**, which includes software and services for quick and accurate consumer registration and validation of records.
- **ID Engage**, which provides database services so our customers can better understand, target and retain their consumers and offers accurate and up-to-date identity information for their contact strategies.
- **ID Trace & Investigate**, which provides the largest and most accurate picture of the UK's population and properties in order to locate and contact the right individual, first time.

The Group results are set out in the Consolidated Statement of Comprehensive Income and are explained in this Finance Review. A review of the Group's business and future development is contained in the Chairman's Statement, Chief Executive's Statement and the Finance Review.

## Group Vision and Strategy

The Group's vision is to be the leader in identity data intelligence, informing business decisions between people and organisations globally.

The Group's strategy is to create and maintain unique online products and services which provide additional value for customers and are of sufficient strength to enable the Group to create new markets and consistently win new business against its competition. The Group achieves this through its investment in people, business and product development opportunities and the application of innovation, quality and excellence in everything it does.

## Review of the Business

The Group uses adjusted figures as key performance measures in addition to those reported under adopted IFRS as they better reflect the underlying performance of the business. Adjusted figures exclude certain non-operational or exceptional items, which is consistent with prior year treatments. Adjusted measures are marked as such when used.

# Finance Review continued

The following description of the Group's performance is complemented by the segmental analysis in note 4 to the accounts which shows the contributions from the Identity Proofing and Identity Solutions segments. The overall impact of our acquisitions in the year will not be fully evident in our segments until 2018.

	2017 £'000	2016 £'000	Change £'000	Change %
<b>Revenue</b>	<b>87,486</b>	73,401	14,085	19%
<b>Adjusted operating profit</b>	<b>17,006</b>	13,428	3,578	27%
Share-based payments	(994)	(1,245)	251	20%
Amortisation of acquired intangibles	(4,022)	(2,501)	(1,521)	(61)%
<b>Operating profit before exceptional items</b>	<b>11,990</b>	9,682	2,308	24%
Exceptional items	(1,410)	(94)	(1,316)	(1,400)%
Net finance costs	(498)	(270)	(228)	(84)%
Group profit before tax	10,082	9,318	764	8%
Total tax credit/(charge)	668	(178)	846	475%
Group profit for the year attributable to shareholders	10,750	9,140	1,610	18%
Adjusted earnings <sup>1</sup>	17,176	12,980	4,196	32%
Basic weighted average number of shares ('000)	131,609	122,744	8,865	7%
<b>Adjusted basic earnings per share (pence)<sup>1</sup></b>	<b>13.1</b>	10.6	2.5	24%

<sup>1</sup> Adjusted earnings and adjusted earnings per share ('EPS') are both non-GAAP measures determined with reference to the adjusted operating profit less net finance costs and tax.

The Group's overall profile has changed through acquisitions concluded during both this year and in the previous year. These businesses have delivered strong performances in the 12 month period ended 31 March 2017 while being underpinned by solid organic revenue growth of 10 per cent.

Adjusted operating profit for the year increased by 27 per cent to £17.0 million, reflecting:

- Revenue growth of 19 per cent to £87.5 million. This increase included organic growth of 10 per cent.
- The adjusted operating profit margin increased from 18 per cent to 19 per cent, notwithstanding significant continued investment for growth made over the course of the year.

Adjusted basic earnings per share improved by 24 per cent to 13.1 pence (2016: 10.6 pence). Basic earnings per share increased by 11 per cent to 8.2 pence (2016: 7.4 pence). Group cash conversion was strong with net cash generated from operating activities of £14.1 million (2016: £13.1 million) compared to operating profit before depreciation, amortisation, share-based payments and exceptional items (Adjusted EBITDA) of £18.7 million (2016: £14.8 million).

The Group's balance sheet and financing ability remain strong.

## Adjusted EBITDA

Adjusted EBITDA was £18.7 million (2016: £14.8 million), consisting of adjusted operating profit of £17.0 million (2016: £13.4 million), depreciation of £1.0 million (2016: £1.1 million) and amortisation of purchased software and internally developed software of £0.7 million (2016: £0.3 million).

## Exceptional Items

Exceptional costs of £1.4 million (2016: £0.1 million) were incurred by the Group in the year and have been detailed in note 7 to the accounts.

## Net Finance Costs

The Group has incurred net finance costs for the year of £498,000 (2016: £270,000).

## Acquired Intangibles Amortisation

The charge for the year of £4.0 million (2016: £2.5 million) represents the non-cash cost of amortising separately identifiable intangible assets including technology-based assets and customer relationships that were acquired through business combinations. The increased charge in the year is due to the impact of the acquisition during the current year.

## Taxation

The Group tax credit of £0.7 million (2016: £0.2 million charge) reflects permanent differences arising in the year and the recognition of previously unrecognised deferred tax assets. There was £2,185,000 of current tax payable on the Group's profits in the year (2016: £309,000).

## Dividend

The Board of Directors will propose a final ordinary dividend of 2.35 pence per share (2016: 2.08 pence per share), amounting to £3.6 million (2016: £2.8 million). The final ordinary dividend with respect to the year ended 31 March 2017, if approved, will be paid on 25 August 2017 to ordinary shareholders whose names were on the register on 21 July 2017. The Group continues to operate a Dividend Reinvestment Plan, allowing eligible shareholders to reinvest their dividends into GBG shares.

# Finance Review continued

---

## Earnings per Share

The earnings per share analysis in this report and in note 13 cover four measures: adjusted basic earnings per share (adjusted operating profit less net finance costs and tax); adjusted diluted earnings per share (adjusted operating profit less net finance costs and tax adjusting for the dilutive effect of share options); basic earnings per share (after all adjustments); and diluted earnings per share (adjusting for the dilutive effect of share options). Adjusted earnings (adjusted operating profit less net finance costs and tax) was £17.2 million (2016: £13.0 million) resulting in a 24 per cent increase in adjusted basic earnings per share from 10.6 pence to 13.1 pence. Basic earnings per share increased by 11 per cent from 7.4 pence to 8.2 pence. The weighted average number of shares at 31 March 2017 increased to 131.6 million (2016: 122.7 million).

## Cash Flows

Group operating activities before tax payments generated £16.3 million of cash and cash equivalents (2016: £13.4 million) representing an increase of 22 per cent and an adjusted EBITDA to cash conversion ratio of 87 per cent (2016: 91 per cent). Operating cash flows continue to be healthy and the Group continually monitors its measures of cash generation and collection. Net cash generated by operating activities before working capital movements increased by 9 per cent to £15.6 million (2016: £14.3 million). Group investing activities resulted in net outflows of £39.0 million (2016: £14.0 million) including £36.8 million (2016: £12.3 million) in respect of acquisitions/investments, £2.2 million (2016: £1.1 million) on plant and equipment and software purchases and £21,000 on product development (2016: £0.6 million). Financing activities generated £29.6 million (2016: £2.5 million used) of net cash in the year and included £2.8 million of dividends paid (2016: £2.3 million). The Group's overall cash and cash equivalents increased by £5.2 million (2016: £3.4 million decrease) in the year. Further detailed analysis of this movement is included in the Consolidated Cash Flow Statement.

## Acquisitions

During the year the Group acquired ID Scan Biometrics Limited, an unlisted company based in the UK. The total cash consideration paid, net of cash acquired, was £35.8 million. This acquisition was part-funded by the issue of 9.1 million shares as part of a placing. As part of the share sale and purchase agreement, a contingent consideration amount of up to £8.0 million has been agreed. This payment is subject to certain future revenue and EBITDA targets between 12 and 18 months from completion date. In addition to this payment, a total of £1.0 million of contingent consideration was paid out in the year relating to DecTech Solutions Pty Ltd. Further information on these acquisitions and the contingent consideration can be found in notes 31 and 32 to the accounts.

## Deferred Income

Deferred income balances at the end of the year increased by 38 per cent to £19.0 million (2016: £13.8 million). This balance principally consists of contracted licence revenues and profits that are payable up front but recognised over time as the Group's revenue recognition criteria are met. The increase has been driven by continued strong contracted sales growth which will deliver their revenues and profits in future years.

The deferred income balance does not represent the total contract value of any future unbilled annual or multi-year, non-cancellable agreements as the Group more typically invoices customers in annual or quarterly instalments. Deferred income is influenced by several factors, including seasonality, the compounding effects of renewals, invoice duration, invoice timing and new business linearity within a reporting period.

## Net Assets

Group net assets at the end of 2017 were £94.2 million, an increase of £37.8 million on the 2016 level of £56.4 million. This growth is driven by the increase in equity capital of £24.8 million combined with the total comprehensive income for the year of £14.4 million, less dividends paid of £2.8 million and after adjusting for share-based payments and tax on share-based payments of £1.0 million and £0.4 million, respectively.

## Relationships

Other than our shareholders, the Group's performance and value are influenced by other stakeholders, principally our customers, suppliers, employees and our strategic partners. Relationships are managed both on an individual basis and via representative groups. The Group participates in industry groups which give genuine access to customers, suppliers and decision makers in government and other regulatory bodies.

## Treasury Policy and Financial Risk

The Group's treasury operation is managed within formally defined policies and reviewed by the Board. The Group finances its activities principally with cash, short-term deposits and borrowings but has the ability to draw down up to £50 million of further funding from a revolving credit facility that is in place. Other financial assets and liabilities, such as trade receivables and trade payables, arise directly from the Group's operating activities. Surplus funds of the Group are invested through the use of short-term deposits, with the objective of reasonable interest rate returns while still providing the flexibility to fund ongoing operations when required. It is not the Group's policy to engage in speculative activity or to use complex financial instruments.

The Group is exposed to a variety of financial risks including: market risk (including foreign currency risk and cash flow interest rate risk), credit risk and liquidity risk which are described in note 25 to the accounts.

# Finance Review continued

---

## **Use of non-GAAP Measures in the Group Financial Statements**

The Group has identified certain measures that it believes will assist in understanding the performance of the business. The measures are not defined under IFRS and therefore may not be directly comparable with other companies' adjusted measures. The non-GAAP measures are not intended to be a substitute for, or superior to, any IFRS measures of performance, however management considers them to be important comparatives and key measures used within the business for assessing performance.

The following are the key non-GAAP measures identified by the Group and used in the Strategic Report and Financial Statements:

### **Organic Growth**

Organic growth is defined by the Group as year-on-year continuing revenue growth, excluding acquisitions, until the date of their anniversary.

### **Adjusted Operating Profit**

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

### **Adjusted EBITDA**

Adjusted EBITDA means operating profit before depreciation, amortisation, share-based payment charges, exceptional items, net finance costs and tax.

### **Adjusted Earnings**

Adjusted earnings represents adjusted operating profit less net finance costs and tax.

### **Adjusted Earnings Per Share ('Adjusted EPS')**

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

Approved by the Board on 6 June 2017.

**D J Wilson**

Group Finance and Operations Director

# Key Performance Indicators

---

The Board monitors the Group's progress against its strategic objectives and the financial performance of the Group's operations on a regular basis. Performance is assessed against the strategy and budgets using financial and non-financial measures.

The following details the principal Key Performance Indicators ('KPI's) used by the Group, giving the basis of calculation and the source of the underlying data. A summary of performance against these KPIs is given below.

The Group uses the following primary measures to assess the performance of the Group and its propositions.

## **Financial**

- **Revenue**  
Revenue and revenue growth are used for internal performance analysis to assess the execution of our strategies. Organic growth is also measured, 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. Organic growth is defined by the Group as year-on-year continuing revenue growth, excluding acquisitions, until the date of their anniversary and will be reported at each reporting interval.
- **Adjusted Operating Profit**  
This is used throughout the Group by management for internal performance analysis and to assess the execution of our strategies. Management believe that this adjusted measure is a more appropriate metric to understand the underlying performance of the Group.
- **Adjusted EBITDA**  
This is used by the Group for internal performance analysis to assess the execution of our strategies. Management believe that this adjusted measure is a more appropriate metric to understand the underlying performance of the Group.
- **Earnings per Share**  
Earnings per share is calculated as basic earnings per share from continuing operations on both an adjusted and unadjusted basis.
- **Cash**  
Cash and cash equivalent balances are used by the Group for internal performance analysis and by investors to assess progress against outlook statements.
- **Deferred Income Balance**  
Deferred income, which is included in our Consolidated Balance Sheet, is the amount of invoiced business in excess of the amount recognised as revenue. This is an important internal measure for the business and represents the amount that we will record as revenue in our Consolidated Statement of Comprehensive Income in future periods. Trends may vary as business conditions change.
- **International Revenue as a percentage of Total Revenue**  
This is an important internal measure for the Group to assess progress towards expanding our international operations.

## **Non-Financial**

- **Employee Engagement**  
Employee engagement is a key focus area for the business in order to retain and grow what we believe is some of the best talent in our industry.
- **Number of Countries with an Active Customer Presence**  
This is an important internal measure for the Group to assess progress towards expanding our international operations.

# Key Performance Indicators continued

## Performance against KPIs

A summary of the Group's progress in achieving its objectives, as measured against KPIs, is set out below.

	Year ended 31 March	
	2017	2016
Revenue growth	19%	28%
Organic revenue growth	10%	15%
Identity Proofing revenue growth	33%	32%
Identity Solutions revenue growth	8%	25%
Adjusted operating profit (£'000)	17,006	13,428
Adjusted operating profit %	19%	18%
Adjusted EBITDA (£'000)	18,734	14,776
Adjusted EBITDA %	21%	20%
Earnings per share – basic	8.2p	7.4p
Earnings per share – adjusted basic	13.1p	10.6p
Cash (£'000)	17,618	12,415
Deferred income (£'000)	18,997	13,752
International revenue as a percentage of total revenue	31%	26%
Employee engagement	>80%	>80%
Number of Countries with an active customer presence	71	70

# Principal Risks and Uncertainties

The Board considers risk assessment and control to be fundamental to achieving its corporate objectives and has put in place an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and the effectiveness of the related controls. This process is reviewed every six months by the Audit Committee, which reports its findings to the Board.

## Principal Risks and Uncertainties

Management use a model to identify and assess the impact of risks to the business under four key headings – financial, strategic, operational and knowledge. For each risk, the likelihood is identified and impact is assessed using quantitative and qualitative information. Management controls are confirmed and the results reported. Further details on the Group's risk management and control framework are provided on page 12. The significant risks and uncertainties faced by the Group are set out below together with a summary of some of the mitigations employed. In each case, there is an on-going process for identifying, evaluating and managing the principal risks of the Group.

Risk	Description	Mitigation
<b>Regulatory risk</b>	Legislation in all the markets GBG operates in changes on a regular basis. Interpretation of existing laws can also change to create ever tightening standards, often requiring additional human and financial resources and the provision of new assets and systems. While the Group is committed to respond positively to new regulation and legislation, changes could affect the pricing of, or adversely affect the revenue from, the services the Group offers. The new General Data Protection Regulation ('GDPR'), which is a replacement of the Data Protection Act 1998 and which will be effective from May 2018 is currently under review by the Group because of the impact it will have on data handling.	GBG has dedicated Legal, Governance, Health and Safety, and Information Security Teams who are collectively responsible for monitoring changes to legislation and ensuring compliance in each area. GBG also makes use of external legal advisors, globally. GBG has taken a proactive approach in relation to GDPR and has established a dedicated Privacy & Data Compliance Team with a Data Protection Officer who is responsible for ensuring that GBG is compliant with GDPR by the effective date. A headline plan with regards to GDPR has been developed with all initial tasks identified. GBG is in the process of launching a new intranet globally; it is envisaged that this will provide a forum for better promotion of, and monitoring our people's understanding of, all Group policies which will in turn secure compliance with regulatory obligations including those required by data protection laws.
<b>Competitive position</b>	The Group operates in competitive markets and intensified competition could lead to pricing pressures, a reduction in the rate at which the Group adds new customers and to a decrease in the size of the Group's market share if customers choose to receive services from other providers.	GBG's business development functions reviews the activities of competition and reports to senior management on issues and developments. GBG strives to differentiate itself from its competitors and can only do so effectively by understanding their activities and lines of business. GBG continues to enhance its product portfolio both by internal development and through acquisition. GBG's acquisition strategy has opened up new markets and territories to the business and enables cross sell.
<b>Non-supply by major supplier</b>	The Group sources some of its data and infrastructure from third-party suppliers and partners. The removal from the market by one or more of these third-party suppliers or interruption in supply could quickly affect the Group's operations adversely and result in the loss of revenue or additional expenditure for the Group.	GBG's product, data and technology teams work strategically to ensure that an over-reliance isn't placed on any one key supplier. GBG carefully selects its suppliers to minimise risk of supplier failure or insolvency. The business also ensures that its people are aware of supplier requirements or restrictions to minimise the risk of loss of a supplier due to a breach of contractual obligations.
<b>Disaster recovery, business continuity and cyber risk</b>	The Group has an understandable reliance on its office locations, IT systems and people. In the event of an incident affecting business continuity the Group would initiate business continuity plans, however, the loss of key components as a result of the incident could affect the Group's operations and result in additional expenditure. Furthermore, the threat of unauthorised or malicious attacks on our IT systems is an ongoing risk for the Group, the nature of which is constantly evolving and becoming increasingly sophisticated.	GBG's global business continuity programme covers policies and procedures for the key components of each of the businesses' operating units. GBG has policies to protect the Group against cyber-attack and security breaches which is headed up by GBG's Information Security Officer. Disaster recovery requirements and network security are regularly reviewed by the Group and back-ups are maintained in databases and data centres. These policies and programmes are subject to annual review and audit.
<b>New product development</b>	In order to maintain competitive advantage, the Group invests significant amounts of resources into product development. The development of all new technologies and products involves risk, including the product being more expensive, or taking longer to develop than originally planned; the market for the product being smaller than originally envisaged; or that the product fails to reach the production stage.	GBG carries out extensive research and market analysis around the viability of a product before the development phase is initiated.
<b>Intellectual property risk</b>	GBG generally protects its proprietary application software products and services by licensing rights to use the applications rather than selling or licensing the computer source code. The Group relies on trademark, copyright, patent and other intellectual property laws to establish and protect its proprietary rights. However, there is a risk that GBG's proprietary rights could be challenged, limited, invalidated or circumvented.	All GBG contracts include provisions to protect the proprietary rights of the Group. GBG registers trademarks globally and works closely with external advisors to ensure that the businesses' rights are safeguarded in all territories in which the business has a presence.

# Principal Risks and Uncertainties continued

## Key Elements of the Risk Management and Control Framework

The Board is responsible for the operation of the risk management and control framework. The framework followed by the Group is designed to identify and manage the risk of failure to achieve objectives or deliver on strategy, rather than eliminate risk and decisions made within the framework align with the Group's risk appetite. The key elements of the risk management and control framework are summarised in the table of supplementary information below.

Element of Control Framework	Description
<b>1. Internal Controls</b>	The Group's internal controls system facilitates the management of risks that could impact the Group's ability to meet its objectives. The Board acknowledges that the system is a means to manage, rather than eliminate risk, the Internal Controls team meets at least once every six months to carry out a risk review. In this review, executives from across the business are required to collectively identify and assess risks specific to the business and review and monitor controls. The team scores potential risks based on qualitative and quantitative information including an assessment of impact. The Group's Internal Controls Coordinator, whose function is to chair the Group's Internal Control team meetings, collates the results and manages the risk register which holds details of all the risk scores.
<b>2. Risk Management</b>	The Internal Controls Coordinator is responsible for the collation and presentation of the Group risk reviews and the risk register to the Audit Committee. The Internal Controls Coordinator also regularly monitors and assesses the Group's risk management functions and reports directly to the CEO on matters of internal control and risk assessment.  The Audit Committee monitors, through the reports provided by the Internal Controls team, the controls which are in force and any perceived gaps in the control environment. The Audit Committee also considers and determines relevant action in respect of any control issues raised by the Internal Controls Coordinator or the external auditor.
<b>3. Financial reporting process</b>	Management and specialists within GBG's Finance Team are responsible for ensuring the appropriate maintenance of financial records and processes to ensure that all information is relevant, reliable, compliant with the applicable laws and regulations, and distributed both internally and externally in a timely manner. A review of the financial statements is completed by management to ensure that the financial position and results of the Group are appropriately reflected. All financial information published by the Group is subject to the approval of the Audit Committee.
<b>4. Strategic and financial planning</b>	An annual budgeting and strategic planning process has been established whereby the Group assesses its competitive position and goals, taking account of the strategic risks faced. This strategy is translated into a financial plan with clear milestones and performance indicators.
<b>5. Performance management</b>	The performance of the Group against the plan is closely monitored by a formal monthly reporting process and by the attendance of the relevant Executive Directors at monthly Executive Team meetings and at bimonthly Board meetings.
<b>6. Capital investment</b>	A clear process is in place for the approval of capital expenditure, which includes detailed appraisal of the benefits of the proposed investment and any associated key risks. Material capital expenditure requires Board approval.
<b>7. Health and safety</b>	Health and safety standards and benchmarks have been established and the Group's performance in meeting such standards is closely monitored.
<b>8. Documented policies and procedures</b>	These are in place to implement and sustain sound monitoring and controls in relation to all of the final tier elements of the framework.

# Principal Risks and Uncertainties continued

---

## **Viability Statement**

*Information not subject to audit*

GBG's business model and strategic priorities are key to the Board's assessment of the Company's prospects. The Board continuously reviews these alongside its forecasts and budgets in order to have a clear view, so far as is possible, on the viability of the Company over the medium term. The Board's assessment of viability is influenced by the businesses' current and projected performance against financial and non-financial KPIs and an analysis of principal risks within the Company's risk assessment framework. The Board is of the view that, on the basis of the considerations taken in to account and the forecasts which can realistically be made in relation to these, three years is an appropriate period over which to consider the Company's continuing viability.

In assessing the viability the Board considers the following:

- Group strategy;
- Group position and prospects;
- qualitative and quantitative analysis of the Group's principal risks and uncertainties;
- result of impact assessment which is carried out on a quantitative basis; and
- results of scenario planning.

Having considered all of the above factors, the Directors have a reasonable expectation that the Group will continue in operations and meet its liabilities as they fall due over the next three-year period.

The strategic outlook reflects the Board's best estimate of the future prospects of the business, however, as part of the Group's internal controls, scenario testing is conducted to assess the potential financial impact on the Company of its principal risks occurring (as detailed on page 11).

The Directors acknowledge that this assessment is subject to uncertainties outside of their control and, accordingly, the viability of the Company cannot be guaranteed.

# Corporate Social Responsibility

Information not subject to audit

## Introduction

The Board has overall responsibility for corporate social responsibility, with developments and initiatives being led by the Chief Executive with the support of the Executive team. The overall employee experience is important at GBG across all areas from traditional HR and talent management practices to business ethics and the environment through to internal communications and the Group's physical office spaces.

## Business Ethics and Integrity

At GBG we promote a culture of honesty, integrity and respect and all members of the GBG team are expected to operate in an ethical manner and in both their internal and external dealings. We do not tolerate behaviour which goes against this or which could result in reputational damage to the business.

Conduct	Anti-bribery and corruption	Whistleblowing
We are committed to achieving and maintaining high standards with regard to behaviour at work and in all our working practices. All GBG team members are expected to conduct themselves with integrity, impartiality and honesty. We seek to develop a culture where inappropriate behaviour at all levels is challenged. To achieve this the Company encourages the reporting of genuine concerns about malpractice, illegal acts or failures to comply with recognised standards of work without fear of reprisal or victimisation.	It is our policy to conduct all of our business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate and implementing and enforcing effective systems to counter bribery.	We operate a policy which encourages team members to raise concerns and provide clear reporting lines for instances of fraud, bribery, bullying, unfair or unethical treatment and unsafe working practices.

## People and Engagement

GBG's vision is to have 'the best and most engaged people' as we understand the link between high employee engagement and results. GBG has clear strategies for how it achieves this objective and the initiatives which contribute towards this are detailed below.

## Surveys

In order that all GBG team members have a voice within the company and that the business is able to respond to any issues which might impact engagement, the business undertakes twice yearly engagement surveys (the 'Q12' survey). On the back of the Q12 results, all senior managers and Executive Team members are required to champion action plans within each of their areas.

This year, 604 surveys were completed, representing 90 per cent of the organisation. This is our strongest response to date. Our overall score was 82 per cent (2016: 83 per cent) showing consistency as a Group over the past 2 years, despite lots of change across the Company. The two highest scoring questions were 'I know what is expected of me at work' which scored 93 per cent and 'My manager or someone at work seems to care about me as a person' which scored 90 per cent.

## Communications

At GBG, we communicate with our team members on a regular basis keeping them informed of business performance. We use multiple channels and a variety of media to communicate internally across the globe, this is achieved through regular video updates from the CEO and bi-annual workshop style events at all of our locations.

Senior members of the GBG team are encouraged to visit our international sites regularly. The Group also provides team members with the means to continuously give feedback through the global Engagement Ambassador Programme. This year 10 Engagement Ambassadors were appointed to help engage the wider, global teams in finding solutions to immediate challenges, encourage more strategic thinking about how we work together and take collective steps towards GBG's VOS2020.

The Group is preparing to complete its launch of its new intranet 'Be/Connected'. The new system will provide a forum for GBG team members to share news stories, access learning resources and company information.

## Training and Development

At GBG, we aim to provide team members with an engaging and stimulating environment where they are encouraged to learn and develop. The Group has invested £300,000 in training resources during the year, including the development of an online library of training resources which gives our team members just in time access when and where suits them. We call this 'be/developed'.

## Recognition

This year, to further the focus on the Group Vision Objectives and Strategies ('VOS') GBG launched a new initiative called the VOS Awards. The scheme has been designed to recognise individual's outstanding achievements and contributions to the VOS 2020. The new Awards not only link to the Company values of Quality, Innovation, Excellence, Trust and Respect but are also attributed to the five key segments of the company's VOS – People, Product, Customer, Process and Brand.

# Corporate Social Responsibility continued

---

## **Working Environment**

We continue to invest in improving the working environment for our Teams, creating innovative spaces which inspire our people to collaborate more readily and increase personal efficiency. We listen to our people and the Group has a flexible working policy which accommodates flexible working to support those with families and other needs or commitments outside of work, we also encourage working from home where possible.

As part of our plan to create 'vibrant workspaces that enable our team members to deliver', this year we carried out a refurbishments of our Nottingham and Kuala Lumpur offices. Both offices now provide a workspace consistent with other offices. We continue to expand this initiative across our other offices globally.

## **Incentives**

Everyone at GBG is given the opportunity to share in its performance through its Save-As-You-Earn (SAYE) Share Option Scheme. A summary of the schemes is set out on page 27. The Scheme offers staff the option to apply to save up to £250 (or foreign currency equivalent) per month for a period of 3 or 5 years and to purchase shares at a discounted rate (except in territories where offering shares at discount is prohibited) at the end of the Scheme. At the last launch in 2015, we had a fantastic response, with an average take up of 57 per cent being achieved.

In the financial year 2017/2018 we will, once again, offer the SAYE Scheme globally.

## **Equal Opportunity**

The employment policies and procedures of the Group for recruitment, training and career development promote equality of opportunity regardless of gender, sexual orientation, age, marital status, disability, race, religion or other beliefs and ethnic or national origin. The aim is to encourage a culture in which all employees have the opportunity to develop as fully as possible in accordance with their individual abilities and the needs of the Group.

The Group ensures that every consideration is given to applications for employment from disabled persons. Should a member of the GBG Team become disabled, every effort would be taken to offer suitable alternative employment within the Group and to assist with retraining.

## **Community and Charity**

We continue to support charitable and community based causes. In 2016 our charity of choice was The Friendship Clinic, Nepal and our biggest fundraising event was the GBG Challenge event that took place in September 2016.

## **GBG Challenge**

Our vision for the GBG Challenge is to raise money for our chosen charity by maximising the effectiveness of our greatest asset, our people! We do this by inviting everyone at GBG to take part in an enduring physical challenge. The event encourages all GBG team members to work together towards a common goal, whether it's being involved physically or in a very valuable supporting role. The GBG Challenge is a popular engagement event and a great opportunity to get out doors and socialise outside of the office environment whilst also raising money for charity.

In September 2016 138 members of the GBG team took part in the GBG 'Cheshire' Challenge 2016 for The Friendship Clinic, Nepal. This involved either a 26.2 mile walk, a 10k run or a 52.4 mile cycle across the Cheshire countryside. It was a truly fantastic effort by everyone involved and we raised £7,000 for The Friendship Clinic.

As well as the big events like The GBG Challenge, GBG team members are encouraged to take time to participate in smaller charity events within each office which, over the year, has included eight events globally.

## **Environmental/Emissions**

The Company has an environmental policy which states that it will comply with all relevant environmental legislation, establish and review environmental objectives (based on this policy), reduce its waste production wherever feasible, reduce consumption of energy within its office environment and minimise the use of natural resources where possible.

In order to meet these objectives we make sure that we actively promote the recycling of ink cartridges, cardboard, paper and plastic by providing recycling points in each of our office locations.

## **Health and Safety and Accidents**

We aim to provide and maintain safe and healthy working conditions for all our employees, and to provide such information, training and supervision as they need for this purpose. We also accept our responsibility for the health and safety of other people who may be affected by our activities.

Our Health and Safety committee met twice during the year to discuss any incidents of note, sharing best practice initiatives and making plans for improvements. All accidents and near misses, whether they result in absence from work or not, are reported with remedial action identified and implemented to prevent reoccurrences. There have been no reportable accidents within the last year, only minor incidents.

Ellis Whittam, the Health and Safety consultant provide GBG with annual audits at all of our UK offices and guide us on all Health and Safety matters.

# Directors and Officers

---

## **David Anthony Rasche – Chairman (Aged 67) \***

Appointed to the Board in September 2010. He was the founder of SSP Holdings Limited, one of the largest specialist insurance software houses in the world. David has over 40 years' IT industry experience with over 35 years at Board level in the software and services sectors. David has chaired and advised businesses in both the public and private sectors.

## **Christopher Graham Clark – Chief Executive (Aged 48)**

Appointed to the Board in April 2017 as Chief Executive. Before joining GBG Chris was Managing Director at Experian for 5 years where he was responsible for accelerating growth across the UK & EMEA. Chris previously worked at BT for 20 years, running several large and small technology businesses across the globe. Chris has lived and worked in the USA, Europe and Asia, as well as the UK, and has significant international experience.

## **Charmaine Eggberry (Aged 46) \***

Appointed to the Board in January 2014, Charmaine is also a Non-Executive Director of Avanti plc and software robot specialists, Blue Prism plc as well as Chairperson of Buzzmove. She previously held international senior executive roles with Research in Motion (Managing Director and Chief Marketing Officer from 2002–2008) and Nokia (Global Senior Vice President from 2010–2012.) She led Wayra UK, one of the world's largest digital business accelerators and was a non-executive director of Wayra UnLtd, a joint venture between the UK Government and Telefónica. Charmaine is also a board member and trustee of The Marketing Academy.

## **Richard Martin Linford (Aged 65) \***

Appointed to the Board in November 2006. Previously Dick was Chief Financial Officer at News International, a post which he held for 11 years. Prior to this he was Director of Finance at BskyB. Dick is a Fellow of the Chartered Institute of Management Accountants and holds a Masters Degree in Business Administration from Boston University.

## **David John Wilson – Group Finance and Operations Director (Aged 55)**

Appointed to the Board in October 2009 having joined GBG as Finance Director, Dave has a strong background in managing business growth. He has worked in technology, media and telecoms for over 30 years, previously holding international and operational board level positions with companies including Eazyfone (brand Envirofone.com), Codemasters, Fujitsu and Technology plc. Dave was named Finance Director of the Year at the 2013 Grant Thornton Quoted Company Awards and Finance Director of the Year at the 2015 FD Awards.

## **Nicolas Richard Brown – Group Managing Director (Aged 56)**

Appointed to the Board in 2017. Nick joined GBG as Managing Director in 2006 and has been a member of the Group's Executive Team since joining the business. Nick today leads the Group's expanding fraud, risk and compliance, customer and location intelligence, and employee screening propositions on a Global basis. Prior to joining GBG Nick held a senior management position at Sage, responsible for developing its UK channel network and has managed business divisions at both Microsoft and Fujitsu Services.

## **John-Henri Constantin FCIS – Company Secretary (Aged 51)**

John joined GBG in 1994 as Assistant Company Secretary, becoming Deputy Company Secretary, and in 2002 was appointed Group Company Secretary & General Counsel. With over 20 years' experience of working within a listed company environment he leads the Group's legal, administration, corporate governance and compliance operations. John has been a Fellow of the Institute of Chartered Secretaries and Administrators (FCIS) since 2007.

\* Non-executive director

# Corporate Governance

---

## Introduction from the Chairman

I am pleased to present to you the GB Group Plc ('GBG') Corporate Governance Report for the year ended 31 March 2017.

The Corporate Governance Report sets out our corporate governance framework, the work of your Board and its committees. As a Board we believe that good corporate governance is essential for building a successful and sustainable business in the long-term interests for you, the shareholder.

The role of the Board is to establish the vision and corporate strategy for the Group in order to promote and deliver long-term sustainable shareholder value. The Board has a formal schedule of matters reserved for its decision and meets regularly to review trading performance, ensure adequate funding, set and monitor strategy, examine major business opportunities and report to shareholders. The Board reviewed the list of matters reserved for its approval during the year ended 31 March 2017. The full schedule of matters reserved for the Board can be viewed on GBG's website <https://www.global.gbgrp.com/investors/aim-rule-26/directors-responsibilities>.

## Governance Statement

GBG's shares are listed on the Alternative Investment Market ('AIM') of the London Stock Exchange. GBG is subject to the AIM Admission Rules of the London Stock Exchange and consequently is not required to comply with the corporate governance provisions contained within the UK Corporate Governance Code (the 'Code'). Whilst we acknowledge that we do not fully comply with the Code, the Board does fully support the Code and its principles of good corporate governance and we do apply its principles as far as is practicable and appropriate for an AIM listed company. The following pages outline the structures, processes and procedures by which the Board ensures that high standards of Corporate Governance are maintained throughout the Group.

## New Board Members

The Group announced last year that Richard Law would be retiring as Chief Executive Officer. I am pleased to confirm that Chris Clark was appointed to the Board as his successor with effect from 1 April 2017, in addition Nick Brown was appointed to the Board as Managing Director in April 2017. More information on their appointments is covered in the Nomination Committee Report on page 21.

## Relations with Shareholders

Communications with shareholders are given a high priority and the Board aims to have a dialogue with shareholders based on the mutual understanding of objectives. It is the Chairman who takes ultimate responsibility for communications with Shareholders and ensures that the Board as a whole are made aware of shareholder concerns.

The primary means of shareholder communication is through the Annual Report and Accounts and Half Yearly Report, specifically the Strategic Report including the Chairman's Statement, the Chief Executive's Review and the Finance Review which seek to give investors a detailed review of the business.

The Board values the views of shareholders and recognises their interests in the Group's strategy and performance. Regular meetings are held with institutional investors and analysts including presentations after the Company's Annual Results announcement in June and the Interim Results Announcement at the half-year to ensure that the investing community receives a balanced and consistent view of the Group's performance and to discuss governance and strategy with large investors. Shareholder views are communicated to the Board in advance of their release and feedback and views from the Group's major shareholders are formally communicated to the Non-Executive Directors. The Group also communicates with private investors through the AGM and [investorrelations@gbgrp.com](mailto:investorrelations@gbgrp.com), the Board considers its means of communication to be the most practical and efficient.

The Board takes steps to ensure that the members of the Board, and in particular the Non-Executive Directors, develop an understanding of the views of major shareholders about the Group. The Group has an active investor relations programme, regularly meeting with shareholders at our investor road shows to discuss market opportunity, growth strategy and potential risks the Group may face in the future. Non-Executive Directors are offered the opportunity to attend scheduled meetings with major shareholders and should expect to attend meetings if requested by major shareholders.

D A Rasche, as Chairman of the Group's Remuneration and Nomination Committees and R M Linford as Chairman of the Audit Committee will attend the Annual General Meeting to answer shareholder questions regarding the work of the Committees. Details of resolutions to be proposed at the forthcoming Annual General Meeting will be circulated ahead of the meeting. The Board would like to encourage shareholders to participate in the AGM. The Board typically make themselves available before and after the AGM for discussion with shareholders which is followed by a presentation of the Group's products and services.

## David Anthony Rasche

Chairman  
6 June 2017

# Corporate Governance continued

## The Workings of the Board and its Committees

### Board Composition and Roles

For the year ended 31 March 2017 the Board comprises the Non-Executive Chairman, the Chief Executive Officer, Group Finance and Operations Director and two Non-Executive Directors and is responsible to shareholders for the proper management of the Group. With effect from 1 April 2017 an additional executive Director was appointed to the Board. The Board is satisfied that it currently has an appropriate balance of experience, skills, independence and expertise relevant to the business. The biographies of all Directors appear on page 16.

### Appointments

Vacancies on the Board are filled following rigorous evaluation of suitable candidates possessing an appropriate balance of skills, knowledge and experience. The use of recruitment consultants is considered on a case-by-case basis.

New Directors receive formal guidance about the workings of the Board and its Committees. In addition, shortly after their appointment, they meet with the senior management of the Group and receive detailed information and presentations on Group strategy, products and services.

All Directors are subject to re-election by shareholders at least once every three years as required by the Code, except those who have served for over nine years who should be subject to annual re-election. R M Linford has now served on the Board for over nine years and therefore will be subject to annual re-election until his retirement or removal from the Board.

The service agreements for each of the Directors are available for inspection at the Company's registered office in Chester.

### Director Independence and Training

The Chairman and his fellow Non-Executive Directors bring a range of experience and judgement to bear on issues of strategy, performance, resources and standards of conduct, which are vital to the success of the Group. Under the Code's provisions on Director independence, Non-Executive Directors are not considered independent if they do not comply with certain criteria, which includes if the Chairman of a company chairs certain committees of a company or if an incumbent Director has served for more than nine years. When these criteria are applied to GB Group plc, D A Rasche, Chairman of the Company, chairs the Remuneration Committee of the Board and R M Linford has served the Company as a Non-Executive Director for over nine years.

It is, however, the consideration of the Board that D A Rasche and R M Linford are independent of management and are able to exercise their independent judgement free from interference by any business or other relationship.

To enable the Board to discharge its duties, all Directors have full and timely access to all relevant information. They also have access to management and to the advice of the Company Secretary. Furthermore, all Directors are entitled to seek independent professional advice concerning the affairs of the Group at its expense, although no such advice was sought during the year. The Board members have many years of relevant experience and each is responsible for ensuring their continuing professional development to maintain their effective skills and knowledge.

To enable the Board to discharge its responsibilities effectively, all Directors are able to allocate sufficient time to the Group. The Committees of the Board have terms of reference for the conduct of their respective responsibilities. A summary of the terms of reference are detailed further in this report in addition to being noted on GBG's website. Copies of the terms of reference are also available upon request.

The Board considers that there is a strong, independent non-executive element on the Board and, although not required to nominate a single senior independent member as stipulated in the Code, it has appointed R M Linford to this position.

DIRECTOR	Years Tenure		
	1 – 4	5 - 8	9+
D A Rasche		x	
R A Law*			x
D J Wilson		x	
R M Linford			x
C Eggberry	x		

\*R A Law retired from the Board with effect from 31 March 2017.

### Frequency of Meetings

The Board normally meets at least seven times a year for scheduled Board meetings. The Board also meets as required on an ad-hoc basis to deal with urgent business. The Non-Executive Directors have met during the year without the Executive Directors and Chairman being present. In the year to 31 March 2017, the Board met seven times, the Audit Committee met twice, the Remuneration Committee met twice and the Nomination Committee met twice. The attendance at the Board and Committee meetings was as follows:

# Corporate Governance continued

## Number of Meetings and percentage attendance

	Percentage attendance			
Name	Board (7 meetings)	Audit (2 meetings)	Nomination (2 meetings)	Remuneration (2 meetings)
D A Rasche	100%	50%	100%	100%
R A Law	100%	-	50%	-
D J Wilson	100%	-	100%	-
R M Linford	100%	100%	100%	100%
C Eggberry	86%	50%	100%	100%

## Board, Committee & Director Evaluation

### Board Evaluation

The UK Corporate Governance Code states that the Board should undertake a formal and rigorous annual evaluation of its own performance, its Committees and the individual Directors.

### Director Evaluations

Performance evaluations of each of the Directors is carried out through a series of peer group meetings whereby performance of the Non-Executive Directors is monitored, evaluated and appraised by the Executive Directors and the performance of the Executive Directors is monitored, evaluated and appraised by the Non-Executive Directors. The appraisal process allows the Board to assess whether a Director continues to contribute effectively and whether they demonstrate commitment to the role. If issues over performance arise, these will be taken up with the individual Director concerned by either the Chairman or Chief Executive Officer, at the appropriate time and the Chairman will assess any training and development needs.

### Board & Committee Evaluation

Every three years the evaluation of the board is externally facilitated. In November 2015 we appointed Springboard Associates Limited (who had no other connection with the Company) to evaluate and assess the work of both our Board and Committees to ensure that the Board was fully equipped to support our growing needs. The evaluation was carried out through detailed questionnaires, interviews and observing the Board in action. Areas of focus were identified and resulted in an action plan for the Board.

Progress against the areas of focus since the 2015 evaluation are summarised as follows:

Area of Focus	Progress
Succession Planning	The focus has improved with the outcome being that a new CEO was identified and on boarded with no adverse impact on Group operations. Also a reduction in the number of Managing Directors was effected during the year and the reorganisation and reallocation of duties took place, again with no adverse impact on operations.
Induction of all new Board members	Onboarding of new directors is now a formalised process involving the People Team and the Board. A formal timetable of events, meeting and briefings is planned and tailored for each new director. This was followed in respect of the new CEO who joined in April 2017.
Revised Terms of Reference for the Leadership Team	Terms of reference for the Executive Team were designed and adopted in March 2016 and have been followed during the year and updated to accommodate changes in the structure of the team and developments in best practice.
Update of the Terms of Reference for the Board Committees	In line with recent changes to industry best practice the terms of reference for the Board Committees were adopted in March 2016. These have been followed during the year and adapted for changes in best practice in that time.

In the years where external evaluation is not carried out the evaluation of the Board and its Committees is conducted through an internal questionnaire.

# Audit Committee Report

---

## Audit Committee

### Dear Shareholder

On behalf of your Board I am pleased to present the Audit Committee Report for the period ended 31 March 2017.

### Composition

The Audit Committee comprises Non-Executive Directors and is chaired by myself, Dick Linford, and meets at least twice a year. The Committee provides a forum for reporting by the Group's external auditor. Meetings are also attended, through invitation, by the Executive Directors.

The Board is confident that there is sufficient recent and relevant financial experience on the committee and that the collective experience of the Audit Committee members enables them to act as an effective Committee. The Audit Committee has access to the financial expertise of the Group and its auditors and can seek professional advice at the Company's expense if required.

### Role and Responsibilities

The primary role of the Audit Committee is to:

- maintain the integrity of the financial statements and other formal announcements relating to the Group's financial performance, reviewing significant financial reporting judgements contained in them;
- review the controls that are in force to maintain the integrity of the financial information reported to shareholders;
- review the effectiveness of the Group's systems of internal control and risk management systems in place including, but not limited to, the financial reporting process;
- to develop and implement policy on the engagement of the Group's external auditor to supply non-audit services;
- maintain an appropriate relationship with the Group's external auditors;
- review the effectiveness, scope and objectivity of the audit process;
- to report to the Board on any matters for which it considers that action or improvement is needed and make recommendations as to the steps to be taken; and
- report to the Board on how it has discharged its responsibilities.

### Fair balanced and understandable accounts

In fulfilling its responsibility of monitoring the integrity of financial reports to shareholders, the Audit Committee reviews the accounting principles, policies and practices adopted in the preparation of public financial information and examines documentation relating to the Annual Report, Interim Report, preliminary announcements and other related reports. The Audit Committee has given due consideration to whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy and can confirm that this is the case.

### External Audit

The Audit Committee approves the external auditor's terms of engagement, scope of work, the process for the interim review and the annual audit. The Audit Committee then meets with the auditor to review the written reports submitted and the findings of their work. The Audit Committee should have primary responsibility for making a recommendation on the appointment, re-appointment and removal of the external auditors.

### Internal Audit

The Audit Committee annually reviews the requirement to have an internal audit function and makes a recommendation to the Board. Following a review by the Audit Committee it is considered that due to the size of the business together with the robust controls in place GBG does not require an internal audit function. The Audit Committee bi-annually reviews this requirement.

### Whistleblowing

The Group has grown rapidly through acquisition over the past three years, this has resulted in a large increase in UK and international employees. The Audit Committee saw an opportunity to improve the current whistleblowing procedure and policy, to suit not just the UK employees, but also the international employees. The Group has updated its Whistleblowing Policy. The Audit Committee is yet to receive any whistleblowing reports.

### Report on the Work of the Audit Committee

The Audit Committee also reviews the independence and objectivity of the external auditor prior to proposal of a resolution to shareholders at the Annual General Meeting concerning the appointment and remuneration of the auditor. This process includes the review of audit fee proposals, investigation and approval for non-audit services fees and audit partner rotation (based on best practice and professional standards within the United Kingdom). The Group's auditors, Ernst & Young LLP, similarly consider whether there are any relationships between themselves and the Group that could have a bearing upon their independence and have confirmed their independence to the Audit Committee of GB Group plc. The Audit Committee reached its recommendation to reappoint Ernst & Young LLP as auditors following an assessment of the quality of service provided, the expertise and resources made available to the Group and the effectiveness of the audit process.

The Audit Committee, on behalf of the Board, undertakes an assessment of the auditor's independence each year, which includes: a review of non-audit related services provided by Ernst & Young LLP and related fees; a discussion with the auditor of all relationships with the Group and any other parties which could affect independence or the perception of independence; and a discussion with the auditor of their own procedures for ensuring independence of the audit firm and partners and staff involved in the audit, including the periodic rotation of the audit partner. Each year the Audit Committee obtains written confirmation from the auditors that they are independent.

# Audit Committee Report continued

---

During the year the auditors undertook certain specific pieces of non-audit work (including work in relation to tax matters and our banking covenants). Ernst & Young LLP was selected to undertake these tasks due to their alignment with work carried out under the audit. In order to maintain Ernst & Young LLP's independence and objectivity, they undertook their standard independence procedures in relation to those engagements. Further details of the non-audit fees are included in Note 6 to the financial statements on page 48.

The Audit Committee will continue to assess the effectiveness and independence of the external auditors. In doing so, the Audit Committee will consider a formal tender process when it is viewed as appropriate to do so.

## **Internal Controls and Risk Management**

The Group's corporate objective is to maximise long-term shareholder value. In doing so, the Directors recognise that creating value is the reward for taking and accepting risk. The Board's policy on risk management encompasses all significant business risks to the Group, including financial, operational and compliance risks, which could undermine the achievement of business objectives. Regular monitoring of risk and control processes, across headline risk areas and other business-specific risk areas, provides the basis for regular and exception reporting to management and the Board.

The risk assessment and reporting criteria are designed to provide the Board with a consistent, group-wide perspective of the key risks. The reports to the Board, which are submitted at least every six months, include an assessment of the likelihood and impact of risks materialising, as well as risk mitigation initiatives and their effectiveness.

The Board has overall responsibility for the Group's approach to assessing risk and systems of internal control, and for monitoring their effectiveness. Because of the limitations that are inherent in any system of internal control, such a system is designed to manage rather than eliminate the risks of failure to achieve business objectives, and provides only reasonable and not absolute assurance against material misstatement or loss.

The Board considers risk assessment and control to be fundamental to achieving its corporate objectives within an acceptable risk/reward profile, and confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and the effectiveness of related controls. The process is reviewed every six months by the Audit Committee, which reports its findings to the Board and accords with the Financial Reporting Council's Revised Guidance for Directors (the 'Revised Guidance') on internal control. The key elements of this process, which have been in place throughout the year under review and up to the date of this report, are:

- the Group's internal controls team which meets to assess risks, review and monitor controls and identify new risks;
- the Group's Internal Controls Co-ordinator (the Company Secretary of the Group) whose function is to chair the Group's internal control team meetings and to collate and present the results of the Group risk reviews to the Audit Committee. He also monitors and assesses the Group's risk management functions on a regular basis. The Internal Controls Co-ordinator reports directly to the Chief Executive Officer on matters of internal control and risk assessment; and
- the Audit Committee monitors, through reports to it by the Group Internal Controls Co-ordinator, the controls which are in force and any perceived gaps in the control environment. The Audit Committee also considers and determines relevant action in respect of any control issues raised by the Group Internal Controls Co-ordinator or the external auditor.

The Board is satisfied that there is an ongoing process, which has been operational during the year, and up to the date of approval of the Annual Report, for identifying, evaluating and managing the significant risks faced by the Group in accordance with the Turnbull guidelines, Revised Guidance and any subsequent updates issued by the Financial Reporting Council.

## **Board-level reporting on internal control**

During the year the Audit Committee reviewed regular reports from the external auditors and executive management on matters relating to internal control, financial reporting and risk management. The Audit Committee provides the Board with an independent assessment of the Group's financial position, accounting affairs and control systems.

## **Internal audit**

The Board has considered whether the Group's internal controls processes would be significantly enhanced by an internal audit function and has taken the view that given the small size of the Group, the internal controls in place and significant executive involvement in the Group's day-to-day business that this is not required. The Board will continue to review this matter on a bi-annual basis.

## **Risk management reporting process**

The Group evaluates its internal control environment and key risks, and the results are reviewed at management level and passed to the Audit Committee before being presented to the Board. This process is reviewed on a quarterly basis to ensure the validity and relevance of the key risks included in bi-annual reports. The review covers strategic, financial, compliance and risk management controls. These procedures are mandated and designed to manage the risk in order to ensure that the Group achieves its business objectives.

## **R M Linford**

Audit Committee Chairman

---

# Nomination Committee Report

---

## **Nomination Committee**

### **Dear Shareholder**

On behalf of your board I am pleased to present the Nomination Committee Report for the period ended 31 March 2017.

### **Overview of the Nomination Committee**

The Nomination Committee is chaired by myself, David Rasche and comprises the whole Board and meets as and when it is necessary to do so.

### **Role and Responsibilities**

The Committee's role is to:

- ensure that appropriate procedures are in place for the nomination and selection of candidates for appointment to the Board, having regard to the balance and structure of the Board; and
- make recommendations to the Board regarding the re-election of Directors, succession planning and Board composition having due regard for the benefits of diversity on the Board, including gender.

When required, the Nomination Committee is able to make use of third party advisors to assist in identifying a range of suitable candidates for review by the Nomination Committee.

### **Diversity**

Diversity is an important consideration whenever a new appointment is undertaken to ensure that the Board comprises individuals with a broad range of skills, backgrounds and experience reflecting both the type of industry and the geographical location in which we operate.

The Board believes in the importance of diversity and the benefits that it can bring to the operation of an effective business and is committed to increasing the participation of women across all levels of the organisation and particularly within senior management. We are committed to equal opportunities in all areas of our business, with people gaining promotion on merit. We recruit, train, promote and retain skilled and motivated people irrespective of gender, age, marital status, disability, sexual orientation, race, religion, ethnic or national origin. In line with this commitment we also promote a culture of openness and responsibility within our business.

### **Appointments to the Board**

The Nomination Committee follow a vigorous and transparent process when recommending appointments to the Board and are pleased to recommend Chris Clark to the Board as Chief Executive Officer. Chris was appointed in April 2017 and brings with him extensive experience in similar markets to GBG. The Nomination Committee felt that the combination of Chris' experience, drive and culture made him an ideal fit for GBG and its next stages of growth.

Nick Brown was also appointed to the Board this year. Nick joined GBG in 2007 to head up the Company's identity-based marketing services division and then moved on to lead the Group's expanding fraud, risk & compliance and customer & location intelligence propositions. Following a formal nomination process it was agreed by the Committee to promote Nick to the Board of Directors.

In accordance with the Company's Articles of Association the Board are permitted to appoint a new Director at any time; however, the Articles state that all new Directors will only hold office until the next AGM, at which point he or she must vacate the office and stand for election. Accordingly, Chris Clark and Nick Brown will be put forward for election at this year's AGM.

### **D A Rasche**

*Nomination Committee Chairman*

# Directors' Report

The Directors present their report and accounts for the year ended 31 March 2017.

## Dividends

The Directors recommend a final ordinary dividend of 2.35 pence per share (2016: 2.08 pence per share) amounting to £3.6 million (2016: £2.8 million). This final dividend, if approved, will be paid on 25 August 2017 to ordinary shareholders whose names were on the Register of Members on 21 July 2017. In respect of this year's dividend, the Group will once again offer a Dividend Reinvestment Plan (DRIP) allowing eligible shareholders to reinvest their dividends into GBG shares. Further information regarding the DRIP is set out on page 73.

## Research and Development

The Group has continued to attach a high priority to research and development throughout the year aimed at the development of new products and maintaining the technological excellence of existing products. During the year ended 31 March 2017, approximately 31 per cent (2016: 30 per cent) of the Group's staff were employed in research and development activities.

## Substantial Shareholders

As at 31 March 2017, the Company was notified, in accordance with the Disclosure and Transparency Rules, of the following interests in the ordinary share capital of the Company, which represented 3 per cent or more of the Company's issued share capital.

Substantial Shareholder	No. of shares owned at 31 March 2017	Percentage of shares owned at 31 March 2017
Octopus Investments	13,852,332	10.28%
Standard Life Investments	13,746,914	10.21%
Hargreave Hale	11,257,849	8.36%
BlackRock Investment Mgt (UK)	7,248,043	5.38%
Herald Investment Management	6,565,528	4.87%
Charles Stanley	6,062,709	4.50%

Since 31 March 2017 a number of notifications have been received by the Company in accordance with the Disclosure and Transparency Rules. As at 1 June 2017, the Company was notified of the following interests in the ordinary share capital of the Company, which represented 3 per cent or more of the Company's issued share capital.

Substantial Shareholder	No. of shares owned at 31 May 2017	Percentage of shares owned at 31 May 2017
Standard Life Investments	15,073,918	9.93%
Octopus Investments	14,332,129	9.44%
Hargreave Hale	12,892,827	8.49%
Kames Capital	8,584,761	5.65%
BlackRock Investment Mgt	7,306,227	4.81%
Herald Investment Mgt	6,565,528	4.32%
Charles Stanley	6,250,102	4.12%

## Directors and Their Interests

The names and brief biographical details of Directors at the date of this report are set out on page 16.

The Directors who served during the year ended 31 March 2017 and details of their interests in the share capital of the Company and share options are set out in the Report on Directors' Remuneration on pages 26 to 30.

Directors are re-appointed by ordinary resolution at a General Meeting of the shareholders. The Board can appoint a director but anyone so appointed must be re-appointed by an ordinary resolution at the next General Meeting. Directors who have held office for more than three years since their last appointment are eligible for re-election by rotation at the next Annual General Meeting.

In accordance with the Articles of Association D A Rasche and C Eggberry will retire by rotation. R M Linford, having served for longer than 9 years will stand for re-election. D A Rasche, C Eggberry and R M Linford, being eligible, have indicated their willingness to be re-elected at the forthcoming Annual General Meeting. In addition, Chris Clark and Nick Brown, having been appointed to the Board on 1 April 2017 and 3 April 2017, respectively, will each, being eligible, stand for election at the next Annual General Meeting.

The Directors have confirmed that, having conducted the board performance evaluation process, D A Rasche, C Eggberry and R M Linford all continue to contribute effectively and demonstrate commitment to their roles.

Details of the notice period contained in the service agreements for D A Rasche, C Eggberry and R M Linford are detailed in the Report on Directors' Remuneration on pages 26 to 30.

## Directors' Liabilities

The Company has granted an indemnity to its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provisions remain in force at the date of approving this Directors' Report.

## Change of Control

Within the Group's revolving credit facility, the lender has the right to demand immediate payment of any outstanding balances upon a change of control of the Group following a takeover bid.

# Directors' Report continued

The Group does have an agreement with a data supplier which, if the Group were acquired by a competitor of that data supplier, would allow it to terminate its agreement with the Group. The data supplier would, however, continue to be bound to service arrangements with the Group's clients existing on the date of termination.

Upon a change of control, share options may be exercised within six months of the time when the change of control takes effect and any subsequent conditions at the offer process have been satisfied.

There are no agreements between the Group and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

## Additional Information for Shareholders

The following provides the additional information required for shareholders as a result of the implementation of the Takeovers Directive into UK law.

### Share Capital Structure

At 31 March 2017, the Group's issued share capital comprised:

	No.	£'000	% of Total Share Capital
Ordinary shares of 2.5p each	134,702,937	3,368	100%

### Restrictions on Transfers

The Group is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and for voting rights.

### Ordinary Shares

On a show of hands at a General Meeting of the Group, every holder of ordinary shares present in person and entitled to vote shall have one vote and on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The notice of the General Meeting specifies deadlines for exercising voting rights either by proxy notice or present in person or by proxy in relation to resolutions to be passed at the General Meeting. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the Annual General Meeting and the results are released as an announcement after the meeting.

There are no restrictions on the transfer of ordinary shares in the Company other than:

- certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws and market requirements relating to close periods); and
- pursuant to the internal policies of the Company whereby certain employees of the Company require the approval of the Company to deal in the Company's securities.

### Articles of Association

The Group's Articles of Association may only be amended by a special resolution at a General Meeting of the shareholders.

### Proposed Resolutions for the Annual General Meeting

Details of business to be conducted at this year's Annual General Meeting to be held on 25 July 2017, are contained in the Notice of the Annual General Meeting which will be communicated to shareholders separately. In the opinion of the Directors, the passing of these resolutions is in the best interest of the shareholders.

### Financial Instruments

The Group's financial risk management objectives and policies are discussed in the Finance Review on pages 5 to 8 and within note 25.

### Auditors

A resolution proposing the re-appointment of Ernst & Young LLP as auditors to the Company will be put to the shareholders at the Annual General Meeting.

### Directors' Statement as to Disclosure of Information to Auditors

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 16. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

# Directors' Report continued

---

## **Going Concern**

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's Statement on pages 3 to 4. The financial position of the Group, its cash flows and liquidity position are described in the Finance Review in pages 5 to 8. In addition, note 25 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposures to credit risk and liquidity risk.

After review of the budget, financial forecasts and other relevant information, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

## **Events After the Reporting Period**

On 11 May 2017 the Group acquired 100% of the share capital of Postcode Anywhere (Holdings) Limited, a provider of UK and International address validation and data quality services. Further details can be found in note 33.

By Order of the Board

**J H Constantin FCIS**

Secretary

6 June 2017

# Report on Directors' Remuneration

---

*Information not subject to audit*

## Remuneration Committee

### Dear Shareholder

On behalf of your Board, I am pleased to present the Directors Remuneration Report for the year ended 31 March 2017.

### Composition

The Remuneration Committee is chaired by myself, David Rasche and comprises Non-Executive Directors and meets at least twice a year.

### Overview of the Remuneration Committee

#### Role and Responsibilities

The Remuneration Committee's role is to recommend to the Board the remuneration strategy and framework for the Executive Directors and senior managers, including the performance-related bonus scheme.

The members of the Company's Remuneration Committee are D A Rasche, C Eggberry and R M Linford. On 24 May 2017, the position of Chair of the Remuneration Committee passed from D A Rasche to C Eggberry. D A Rasche will continue to serve as a member of the Remuneration Committee along with R M Linford.

The Remuneration Committee is responsible for considering and making recommendations to the Board on:

- the Company's general policy on executive and senior management remuneration;
- the specific remuneration packages for Executive Directors of the Company, including basic salary, performance-based incentives, pensions and other benefits; and
- the design and operation of the Company's share schemes.

The remuneration of each Director is determined on behalf of the Board by the Remuneration Committee in accordance with the relevant provisions of the UK Corporate Governance Code.

A resolution will be put to shareholders at the Annual General Meeting on 25 July 2017 asking them to consider and approve this Report.

### Remuneration Policy

The Company's remuneration policy is formulated to attract and retain high-calibre executives and motivate them to develop and implement the Company's business strategy in order to optimise long-term shareholder value. It is the intention that this policy should conform to best practice standards and that it will continue to apply for 2017 and subsequent years, subject to ongoing review as appropriate. The policy is framed around the following key principles:

- total rewards will be set at levels that are sufficiently competitive to enable the recruitment and retention of high-calibre executives;
- total incentive-based rewards will be earned through the achievement of demanding performance conditions consistent with shareholder interests;
- incentive plans, performance measures and targets will be structured to operate soundly throughout the business cycle;
- the design of long-term incentives will be prudent and will not expose shareholders to unreasonable financial risk;
- in considering the market positioning of reward elements, account will be taken of the performance of the Group and of each individual Executive Director; and
- reward practice will conform to best practice standards as far as reasonably practicable.

When formulating the scale and structure of remuneration levels, the Remuneration Committee considers market rates drawn from external market data of the level of remuneration offered to Directors of similar type and seniority in other companies whose activities are similar to those of GB Group plc. The Remuneration Committee also considers the pay and employment conditions of employees of the Company when determining Directors' remuneration. It may also seek advice from external consultants where appropriate and the services of h2glenfern Limited were retained during the year. No Director was involved in deciding the level and composition of their own remuneration.

Each Executive Director's remuneration package consists of basic salary, bonus, share options, health and car benefits, prolonged disability insurance and pension contributions. An appropriate balance is maintained between the fixed and performance related remuneration elements. The details of individual components of the remuneration packages and service contracts are outlined below.

#### Basic Salary and Benefits

In accordance with the remuneration policy outlined above, the salaries of the Executive Directors are reviewed annually. Consideration is also taken of an Executive Director's experience, responsibilities and performance. Performance is assessed both from an individual and business perspective.

Benefits in kind comprise private fuel benefit and private medical insurance for both R A Law and D J Wilson. Cash in lieu of a benefit in kind is in respect of a car allowance for D J Wilson and for R A Law is in respect of a car allowance plus payment in lieu of pension.

#### Pensions

The Company does not have a contributory pension scheme. For D J Wilson pension payments are paid directly into his personal pension plan. R A Law has reached the maximum level permitted for a personal pension plan and now receives a direct payment in lieu of his pension entitlement.

#### Fees

The fees of the Non-Executive Directors are determined by the Executive Directors within the limits stipulated in the Articles of Association.

# Report on Directors' Remuneration continued

## Performance Related Bonus

This is calculated based on a fixed formula which is determined at the beginning of each financial year by the Remuneration Committee. The formula measures the Group's performance to specified targets principally relating to Adjusted EPS. Although the amount of bonus is dependent on the level of performance achieved, payments under the bonus scheme are capped to 125 per cent of salary. During the year R A Law was awarded £288,000 and D J Wilson was awarded £211,000.

## Share Option Schemes

GB Group plc has operated Executive Share Option Schemes since May 1993 under which Executive Directors, managers and staff of the Company are granted options over shares in the Company at prevailing market prices at the date of grant.

Under the Executive Share Option Schemes, options are granted to Executive Directors and employees at the discretion of the Remuneration Committee and on the basis of their performance. Options are granted at the full market value of the Company's shares at the time of grant and are exercisable between three and ten years from the date of grant. The options vest when the Company's earnings per share growth is greater than the growth of the Retail Prices Index ('RPI') over a 3 year period prior to the date of exercise. Options may be awarded under Section A and Section B of the Scheme with Section A options being approved under Schedule 4 of the Income Tax (Earnings and Pensions) Act 2003 ('ITEPA') and Section B options being unapproved under Schedule 4 of the ITEPA.

At an Extraordinary General Meeting of the Company held on 12 November 2003, shareholder approval was given to create a new Executive Share Option Scheme (called 'Section C Scheme') under which senior executives of the Company could be granted options over shares in GB Group plc at the discretion of the Remuneration Committee and on the basis of their performance. Options are granted at the full market value of the Company's shares at the time of grant and are exercisable between three and ten years from the date of grant.

These Section C options, however, only become exercisable to the extent that they have vested at the date of exercise. The percentage of an option that will vest and be capable of exercise will depend on the performance of the Company. A minimum of 50 per cent of the options will vest when the Total Shareholder Return ('TSR') performance of the Company, as compared to the TSR of the FTSE Computer Services Sub-Sector over a three-year period, matches or exceeds the median company. The percentage of shares subject to an option in respect of which that option becomes capable of exercise will then increase on a sliding scale so that the option will become exercisable in full if top quartile performance is achieved.

At a General Meeting of the Company held on 29 July 2010, shareholder approval was given:

- (i) to increase the overall limit on the number of shares that can be awarded as options an aggregate dilution limit of 15 per cent in the issued share capital of the Company over a rolling ten year period. Excluded from the computation of this limit will be options granted within the past ten years but which were exercised before September 2006 and any option granted but that cannot vest (i.e. because a performance target applicable to it that has not been satisfied or fully satisfied); and
- (ii) to create a new Executive Share Option Scheme (called 'Section D Scheme') under which senior executives of the Company could be granted options over shares in GB Group plc at the discretion of the Board. Options are granted at the full market value of the Company's shares at the time of grant and are exercisable between three and ten years from the date of grant.

These Section D options, however, only become exercisable to the extent that they have vested at the date of exercise. The options will vest subject to the achievement of normalised EPS growth of the Company at an annual compound rate of 20 per cent over the performance period. The performance period is the three financial years following the financial year of the Company ended immediately prior to the date of grant of the award of options.

Upon a change of control, options may be exercised within six months of the time when the change of control takes effect and any subsequent conditions at the offer process have been satisfied.

On 2 November 2011, the Board approved the implementation of a new option scheme under which executives of the Company could be awarded matching shares under a share matching plan. Under the Share Matching Plan, participants may purchase shares ('Investment Shares') from the market up to a maximum aggregate value of: 80 per cent of the gross amount of their bonus, net of the employee's national insurance and income tax paid; and/or 20 per cent of their gross annual salary, net of the employee's national insurance and income tax paid.

In consideration of acquiring such Investment Shares, the Company undertakes to grant an option to allot a number of matching shares in proportion to the Investment Shares acquired. Such matching shares are capped at three times the number of Investment Shares purchased by the participant.

The vesting conditions for the issue of matching shares will occur when Adjusted EPS growth is greater than a target set by the Remuneration Committee at the time of making an option award. Between the lower and upper Adjusted EPS growth target levels the amount of shares that will vest will increase on a straight line basis from nil to 100 per cent. Adjusted EPS growth in excess of the upper target level will mean that the vesting criterion has been fully achieved and 100 per cent of the matching shares will vest. The range of lower level growth targets for options currently in issue is between 10 per cent and 15 per cent and the range of upper level growth targets for options in issue is between 22.5 per cent and 25 per cent. The performance period over which Adjusted EPS growth is measured is over financial 3 years.

Options awarded under the Share Matching Scheme are treated as unapproved under section 4 of the ITEPA.

In addition, the Company also operates a savings related share option scheme, which is open to all employees.

Further information of the options issued to the Executive Directors is detailed below.

# Report on Directors' Remuneration continued

## Service Contracts

The service contracts and letters of appointment of the Directors include the following terms:

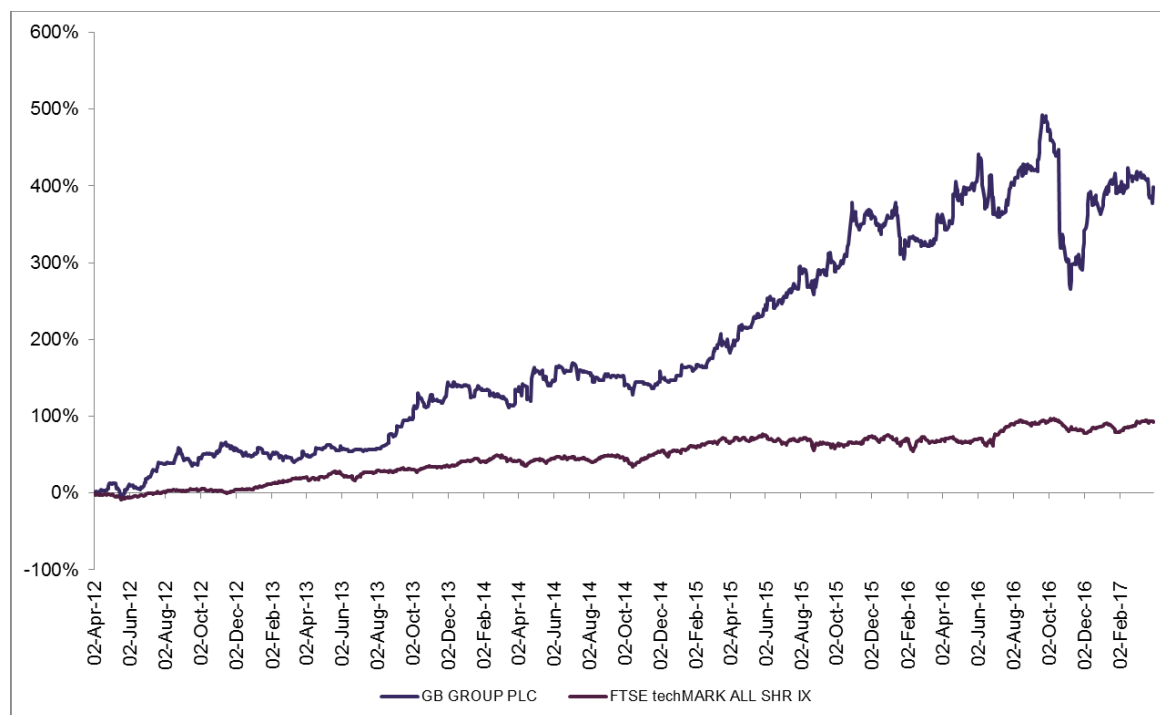
<b>Executive Directors</b>	<b>Date of Contract</b>	<b>Unexpired Term (months) or Rolling Contract</b>	<b>Notice Period (months)</b>
R A Law	6 June 1995	Rolling Contract	12
D J Wilson	1 October 2010	Rolling Contract	6
<b>Non-Executive Directors</b>			
D A Rasche	1 September 2016	3	1
R M Linford	24 May 2017	11	1
C Eggberry	8 January 2017	9	1

There are no special provisions for compensation in the event of loss of office. The Remuneration Committee considers the circumstances of individual cases of early termination and determines compensation payments accordingly.

## Shareholder Return Graph

The graph below shows the percentage change in total shareholder return for each of the last five financial years compared to the FTSE Techmark (All Share) index.

The FTSE Techmark (All Share) was selected as it represents a broad equity index in which the Company can be compared against.



# Report on Directors' Remuneration continued

*Information subject to audit*

## Directors' Remuneration

	Salaries £'000	Fees £'000	Cash in lieu of benefits in kind £'000	Benefits in kind £'000	Bonuses £'000	2017 Total £'000	2016 Total £'000
D A Rasche	125	25 <sup>†</sup>	-	-	-	150	95
R A Law *	318	-	87	6	288	699	736
D J Wilson *	250	-	14	5	211	480	426
R M Linford	40	-	-	-	-	40	40
C Eggberry	45	-	-	-	-	45	45
	<u>778</u>	<u>25</u>	<u>101</u>	<u>11</u>	<u>499</u>	<u>1,414</u>	<u>1,342</u>

\* denotes Executive Director

<sup>†</sup> This relates to fees for additional work carried out during the financial year ended 31 March 2017 in preparing for the succession of R A Law.

Details of cash in lieu of benefits in kind and benefits in kind are disclosed on page 26.

In addition to his fees as a Director of the Company, D A Rasche is reimbursed for all additional expenses and charges he incurs. These costs of £3,000 have been disclosed in note 30 to the accounts.

## Directors' Pension Arrangements (defined contribution)

The Company paid contributions to defined contribution schemes in respect of the following Directors:

	2017 Total £'000	2016 Total £'000
R A Law	-	-
D J Wilson	<u>31</u>	<u>24</u>
	<u>31</u>	<u>24</u>

Note: R A Law has reached the maximum level permitted for a personal pension plan. He now receives a direct payment in lieu of his pension entitlement, which was £70,000 (2016: £62,000) and is included in the column entitled 'Cash in lieu of benefits in kind' in the Directors' Remuneration table above.

## Directors' Interests

Set out below are the beneficial interests of the Directors and their families in the share capital of the Company at the beginning and end of the year.

<i>Ordinary shares of 2.5p</i>	<i>31 March 2017</i>	<i>1 April 2016</i>
D A Rasche	840,778	746,095
R A Law	429,237	2,316,045
R M Linford	300,000	286,364
D J Wilson	245,592	455,096
C Eggberry	18,182	18,182

# Report on Directors' Remuneration continued

## Directors' Interests in the Group's Share Option Schemes

### Executive Share Options

	At 31 March 2016	Share option scheme	Granted during financial year	Exercised during financial year	Lapsed during financial year	At 31 March 2017	Option exercise price (p)	Date exercisable
R A Law	243,458	SM	-	(243,458)	-	-	2.50	2016-2023
	356,774	SM	-	-	-	356,774	2.50	2017-2024
	296,562	SM	-	-	-	296,562	2.50	2018-2025
	<u>896,794</u>		<u>-</u>	<u>(243,458)</u>	<u>-</u>	<u>653,336</u>		
D J Wilson	100,434	A	-	-	-	100,434	23.00	2012-2019
	50,000	C	-	-	-	50,000	19.75	2012-2019
	311,164	D	-	-	-	311,164	25.75	2013-2020
	135,867	SM	-	(135,867)	-	-	2.50	2016-2023
	159,177	SM	-	-	-	159,177	2.50	2017-2024
	156,683	SM	-	-	-	156,683	2.50	2018-2025
	-	SM	130,764	-	-	130,764	2.50	2019-2020
	<u>913,325</u>		<u>130,764</u>	<u>(135,867)</u>	<u>-</u>	<u>908,222</u>		

Note: Share Option Scheme Details are provided in relation to the Directors' Interests in each of the Group's Share Option Schemes:

A	Section A
B	Section B
C	Section C
D	Section D
SM	Share Matching

Further information about the general terms of the Group's share option schemes can be found on page 27 of this Remuneration Report.

### Savings Related Share Scheme

	At 31 March 2016	Granted during financial year	Exercised during financial year	Lapsed during financial year	At 31 March 2017	Option exercise price (p)	Date exercisable
R A Law	3,984	-	(3,984)	-	-	76.80	2016
	<u>3,984</u>	<u>-</u>	<u>(3,984)</u>	<u>-</u>	<u>-</u>		
D J Wilson	6,640	-	-	-	6,640	76.80	2018
	<u>6,640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,640</u>		

The aggregate gains made on the exercise of options during the year was £1,212,000 (2016: £2,772,000).

At 31 March 2017, the price of the Company's shares quoted on the London Stock Exchange was 268.25p and the lowest and highest prices during the year ended 31 March 2017 were 169.0p and 283.75p, respectively.

There have been no other changes to Directors' interests in the shares of the Company from the end of the year to 1 June 2017. Full details of the Directors' interests in the shares and options of the Company are contained in the Register of Directors' Interests, which is open to inspection.

**D A Rasche**

Remuneration Committee Chairman

# Statement of Responsibilities

---

## **Directors' Responsibility Statement**

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ('IFRS's) as adopted by the European Union.

The Directors are required to prepare Group and Company financial statements for each financial year which present fairly the financial position of the Group and Company and the financial performance and cash flows of the Group and Company for that period. In preparing the financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and the Company's financial position and financial performance; and
- state that the Group and Company have complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Responsibility Statement by Management**

We confirm that to the best of our knowledge:

- a) the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole; and
- b) the Annual Report includes a fair review of the development, performance and position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

**C G Clark**

Director

**D J Wilson**

Director

# Auditor's Report

---

## **Independent Auditor's Report to the Members of GB Group Plc**

We have audited the financial statements of GB Group Plc for the year ended 31 March 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS's) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective Responsibilities of Directors and Auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 31, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the Audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on Financial Statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2017 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## **Opinion on Other Matters Prescribed by the Companies Act 2006**

In our opinion based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

## **Matters on Which We are Required to Report by Exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report. We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## **Victoria Venning**

(Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Manchester

6 June 2017

# Consolidated Statement of Comprehensive Income

Year ended 31 March 2017

	Note	2017 £'000	2016 £'000
<b>Revenue</b>	3	<b>87,486</b>	73,401
Cost of sales		<u>(20,320)</u>	<u>(17,606)</u>
<b>Gross profit</b>		<b>67,166</b>	55,795
Operating expenses before amortisation of acquired intangibles, share-based payments and exceptional items		<b>(50,178)</b>	(42,481)
Other operating income		<u>18</u>	<u>114</u>
<b>Operating profit before amortisation of acquired intangibles, share-based payments and exceptional items (adjusted operating profit)</b>		<b>17,006</b>	13,428
Amortisation of acquired intangibles	15	<b>(4,022)</b>	(2,501)
Share-based payments charge	27	<b>(994)</b>	(1,245)
Exceptional items	7	<b>(1,410)</b>	(94)
<b>Group operating profit</b>		<b>10,580</b>	9,588
Finance revenue	9	<b>19</b>	12
Finance costs	10	<b>(517)</b>	(282)
<b>Profit before tax</b>		<b>10,082</b>	9,318
Income tax credit/(charge)	11	<b>668</b>	(178)
<b>Profit for the year attributable to equity holders of the parent</b>		<b>10,750</b>	9,140
<b>Other comprehensive income:</b>			
Exchange differences on retranslation of foreign operations (net of tax) <sup>1</sup>		<u>3,685</u>	1,096
<b>Total comprehensive income for the year attributable to equity holders of the parent</b>		<b>14,435</b>	10,236
<b>Earnings per share</b>	13		
- adjusted basic earnings per share for the year		<b>13.1p</b>	10.6p
- adjusted diluted earnings per share for the year		<b>12.8p</b>	10.3p
- basic earnings per share for the year		<b>8.2p</b>	7.4p
- diluted earnings per share for the year		<b>8.0p</b>	7.2p

<sup>1</sup> Upon a disposal of a foreign operation, this would be recycled to the Income Statement

# Consolidated Statement of Changes in Equity

Year ended 31 March 2017

	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</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		-	-	-	-	9,140	9,140
Other comprehensive income		-	-	-	1,096	-	1,096
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,096</b>	<b>9,140</b>	<b>10,236</b>
Issue of share capital	21	790	-	-	-	-	790
Share-based payments charge	27	-	-	-	-	1,245	1,245
Tax on share options		-	-	-	-	273	273
Equity dividend	12	-	-	-	-	(2,277)	(2,277)
<b>Balance at 31 March 2016</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		-	-	-	-	10,750	10,750
Other comprehensive income		-	-	-	3,685	-	3,685
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>3,685</b>	<b>10,750</b>	<b>14,435</b>
Issue of share capital	21	25,505	-	-	-	-	25,505
Share issue costs	21	(750)	-	-	-	-	(750)
Share-based payments charge	27	-	-	-	-	994	994
Tax on share options		-	-	-	-	373	373
Equity dividend	12	-	-	-	-	(2,775)	(2,775)
<b>Balance at 31 March 2017</b>		<b>51,963</b>	<b>6,575</b>	<b>3</b>	<b>4,097</b>	<b>31,545</b>	<b>94,183</b>

# Company Statement of Changes in Equity

Year ended 31 March 2017

	Note	Equity share capital £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 April 2015</b>		<b>26,418</b>	<b>6,575</b>	<b>3</b>	<b>18,331</b>	<b>51,327</b>
Profit for the period		-	-	-	8,317	8,317
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>8,317</b>	<b>8,317</b>
Issue of share capital	21	790	-	-	-	790
Share-based payments charge	27	-	-	-	1,245	1,245
Tax on share options		-	-	-	273	273
Equity dividend	12	-	-	-	(2,277)	(2,277)
<b>Balance at 31 March 2016</b>		<b>27,208</b>	<b>6,575</b>	<b>3</b>	<b>25,889</b>	<b>59,675</b>
Profit for the period		-	-	-	10,717	10,717
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>10,717</b>	<b>10,717</b>
Issue of share capital	21	25,505	-	-	-	25,505
Share issue costs	21	(750)	-	-	-	(750)
Share-based payments charge	27	-	-	-	994	994
Tax on share options		-	-	-	373	373
Equity dividend	12	-	-	-	(2,775)	(2,775)
<b>Balance at 31 March 2017</b>		<b>51,963</b>	<b>6,575</b>	<b>3</b>	<b>35,198</b>	<b>93,739</b>

# Consolidated Balance Sheet

As at 31 March 2017

	Note	2017 £'000	2016 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Plant and equipment	14	2,856	2,234
Intangible assets	15	98,753	54,113
Deferred tax asset	11	4,044	3,017
		<b>105,653</b>	<b>59,364</b>
<b>Current assets</b>			
Inventories		233	-
Trade and other receivables	19	30,569	23,774
Current tax		494	-
Cash and short-term deposits	20	17,618	12,415
		<b>48,914</b>	<b>36,189</b>
<b>Total assets</b>		<b>154,567</b>	<b>95,553</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Equity share capital	21	51,963	27,208
Merger reserve		6,575	6,575
Capital redemption reserve		3	3
Foreign currency translation reserve		4,097	412
Retained earnings		31,545	22,203
<b>Total equity attributable to equity holders of the parent</b>		<b>94,183</b>	<b>56,401</b>
<b>Non-current liabilities</b>			
Loans	22	11,499	3,160
Deferred tax liability	11	4,441	3,433
		<b>15,940</b>	<b>6,593</b>
<b>Current liabilities</b>			
Loans	22	886	582
Trade and other payables	23	36,401	30,543
Contingent consideration	32	7,122	1,050
Provisions	24	35	31
Current tax		-	353
		<b>44,444</b>	<b>32,559</b>
<b>Total liabilities</b>		<b>60,384</b>	<b>39,152</b>
<b>Total equity and liabilities</b>		<b>154,567</b>	<b>95,553</b>

Approved by the Board on 6 June 2017

**C G Clark** - Director  
**D J Wilson** - Director

Registered in England number 2415211

# Company Balance Sheet

As at 31 March 2017

	Note	2017 £'000	2016 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Plant and equipment	14	1,975	2,012
Intangible assets	15	1,701	1,595
Investments	17	104,096	60,428
Deferred tax asset	11	2,996	2,588
		<b>110,768</b>	<b>66,623</b>
<b>Current assets</b>			
Trade and other receivables	19	21,846	18,836
Current tax		614	87
Cash and short-term deposits	20	11,011	9,663
		<b>33,471</b>	<b>28,586</b>
<b>Total assets</b>		<b>144,239</b>	<b>95,209</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Equity share capital	21	51,963	27,208
Merger reserve		6,575	6,575
Capital redemption reserve		3	3
Retained earnings		35,198	25,889
<b>Total equity attributable to equity holders of the parent</b>		<b>93,739</b>	<b>59,675</b>
<b>Non-current liabilities</b>			
Loans	22	9,000	-
		<b>9,000</b>	<b>-</b>
<b>Current liabilities</b>			
Trade and other payables	23	34,343	35,503
Contingent consideration	32	7,122	-
Provisions	24	35	31
		<b>41,500</b>	<b>35,534</b>
<b>Total liabilities</b>		<b>50,500</b>	<b>35,534</b>
<b>Total equity and liabilities</b>		<b>144,239</b>	<b>95,209</b>

During the year the Company made a profit £10,717,000 (2016: £8,317,000).

Approved by the Board on 6 June 2017

**C G Clark** - Director

**D J Wilson** - Director

Registered in England number 2415211

# Consolidated Cash Flow Statement

Year ended 31 March 2017

	Note	2017 £'000	2016 £'000
<b>Group profit before tax</b>		<b>10,082</b>	9,318
<b>Adjustments to reconcile Group profit before tax to net cash flows</b>			
Finance revenue	9	(19)	(12)
Finance costs	10	517	282
Depreciation of plant and equipment	14	1,031	1,071
Amortisation of intangible assets	15	4,719	2,778
Loss on disposal of plant and equipment		2	-
Fair value adjustment on contingent consideration	32	471	78
Fair value gain on revaluation of associate investment	31	-	(247)
Share-based payments	27	994	1,245
Increase/(decrease) in provisions	24	4	(17)
Increase in inventories		(78)	-
Increase in trade and other receivables		(3,690)	(981)
Increase/(decrease) in trade and other payables		<u>2,272</u>	<u>(118)</u>
Cash generated from operations		<b>16,305</b>	13,397
Income tax paid		<u>(2,193)</u>	<u>(248)</u>
<b>Net cash generated from operating activities</b>		<b><u>14,112</u></b>	<u>13,149</u>
<b>Cash flows from/(used in) investing activities</b>			
Acquisition of subsidiaries, net of cash acquired	31	(36,840)	(12,263)
Purchase of plant and equipment	14	(1,437)	(712)
Purchase of software	15	(774)	(426)
Proceeds from disposal of plant and equipment		5	-
Expenditure on product development	15	(21)	(624)
Interest received	9	<u>19</u>	<u>12</u>
<b>Net cash flows used in investing activities</b>		<b><u>(39,048)</u></b>	<u>(14,013)</u>
<b>Cash flows from/(used in) financing activities</b>			
Finance costs paid	10	(517)	(282)
Proceeds from issue of shares	21	25,505	790
Share issue costs	21	(750)	-
Proceeds from new borrowings	22	12,000	-
Repayment of borrowings	22	(3,838)	(752)
Dividends paid to equity shareholders	12	<u>(2,775)</u>	<u>(2,277)</u>
<b>Net cash flows from/(used in) financing activities</b>		<b><u>29,625</u></b>	<u>(2,521)</u>
Net increase/(decrease) in cash and cash equivalents		<b>4,689</b>	(3,385)
Effect of exchange rates on cash and cash equivalents		514	22
Cash and cash equivalents at the beginning of the period		<u>12,415</u>	<u>15,778</u>
<b>Cash and cash equivalents at the end of the period</b>	20	<b><u>17,618</u></b>	<u>12,415</u>

# Company Cash Flow Statement

Year ended 31 March 2017

	Note	2017 £'000	2016 £'000
<b>Company profit before tax</b>		<b>10,831</b>	<b>8,825</b>
<b>Adjustments to reconcile Company profit before tax to net cash flows</b>			
Finance revenue		(12)	(7)
Finance costs		365	118
Depreciation of plant and equipment	14	784	1,020
Amortisation of intangible assets	15	689	273
Loss on disposal of plant and equipment		1	-
Fair value adjustment on contingent consideration	32	454	(111)
Share-based payments	27	994	1,245
Increase/(decrease) in provisions	24	4	(17)
Increase in trade and other receivables		(3,010)	(5,259)
(Decrease)/increase in trade and other payables		(1,160)	7,428
Cash generated from operations		9,940	13,515
Income tax paid		(676)	(242)
<b>Net cash generated from operating activities</b>		<b>9,264</b>	<b>13,273</b>
<b>Cash flows from/(used in) investing activities</b>			
Acquisition of subsidiary undertakings	31	(37,000)	(14,183)
Purchase of plant and equipment	14	(748)	(624)
Purchase of software	15	(774)	(426)
Expenditure on product development	15	(21)	(624)
Interest received		12	7
<b>Net cash flows used in investing activities</b>		<b>(38,531)</b>	<b>(15,850)</b>
<b>Cash flows from/(used in) financing activities</b>			
Finance costs paid		(365)	(118)
Proceeds from issue of shares	21	25,505	790
Share issue costs	21	(750)	-
Proceeds from new borrowings		12,000	-
Repayment of borrowings		(3,000)	-
Dividends paid to equity shareholders	12	(2,775)	(2,277)
<b>Net cash flows from/(used in) financing activities</b>		<b>30,615</b>	<b>(1,605)</b>
Net increase/(decrease) in cash and cash equivalents		1,348	(4,182)
Cash and cash equivalents at the beginning of the period		9,663	13,845
<b>Cash and cash equivalents at the end of the period</b>	20	<b>11,011</b>	<b>9,663</b>

# Notes to the Accounts

---

## 1. Corporate Information

GB Group plc ('the Company'), its subsidiaries and associates (together 'the Group') provide identity data intelligence products and services helping organisations recognise and verify all elements of an individual's identity at key interactions in their business processes. The nature of the Group's operations and its principal activities are set out in the Finance Review on pages 5 to 8.

The Company is a public company limited by shares incorporated in the United Kingdom and is listed on the London Stock Exchange with its ordinary shares traded on the Alternative Investment Market. The company registration number is 2415211. The address of its registered office is The Foundation, Herons Way, Chester Business Park, Chester, CH4 9GB. A list of the investments in subsidiaries, including the name, country of incorporation, registered office address and proportion of ownership interest is given in note 17.

These consolidated financial statements have been approved for issue by the Board of Directors on 6 June 2017.

The Company's financial statements are included in the consolidated financial statements of GB Group plc. As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented.

## 2. Accounting Policies

### Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS's) as adopted by the European Union and IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, modified in respect of the revaluation of financial assets and liabilities at fair value. A summary of the significant accounting policies is set out below.

The accounting policies that follow set out those policies that apply in preparing the financial statements for the year ended 31 March 2017 and the Group and Company have applied the same policies throughout the year.

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

### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March each year.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income ('OCI') are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

# Notes to the Accounts continued

---

## 2. Accounting Policies continued

### Business Combinations

The Group uses the acquisition method of accounting to account for business combinations of entities not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 'Financial Instruments: Recognition and Measurement', is measured at fair value with the changes in fair value recognised in the statement of profit or loss. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

The Group applies IFRS 3 'Business Combinations' and as a consequence of the acquisition of the remaining 73.3% of shares in Loqate, the area of the standard applicable to business combinations achieved in stages became relevant to the Group. If the business combination is achieved in stages, the acquisition date fair value of the Group's previously held investment in the acquiree is remeasured to fair value at the acquisition date with any resultant gain or loss recognised through profit or loss.

### Foreign Currencies

The Group's consolidated financial statements are presented in pounds Sterling, which is also the parent company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

### Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

### Group Companies

On consolidation, the assets and liabilities of foreign operations are translated into pounds Sterling at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at average exchange rates for the period. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

### Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated to write off cost less estimated residual value based on prices prevailing at the balance sheet date on a straight-line basis over the estimated useful life of each asset as follows:

Plant and equipment	- over 3 to 10 years
---------------------	----------------------

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of Comprehensive Income in the year the item is derecognised.

Residual values and estimated remaining lives are reviewed annually.

# Notes to the Accounts continued

## 2. Accounting Policies continued

### Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's ('CGU's) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the Statement of Comprehensive Income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only on assets other than goodwill if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

### Intangible Assets

#### Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill already carried in the balance sheet at 1 April 2004 or relating to acquisitions after that date is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the CGU expected to benefit from the synergies. Impairment is determined by assessing the recoverable amount of the CGU, including the related goodwill. Where the recoverable amount of the CGU is less than the carrying amount, including goodwill, an impairment loss is recognised in the Statement of Comprehensive Income. The carrying amount of goodwill allocated to a CGU is taken into account when determining the gain or loss on disposal of the unit, or an operation within it. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the CGU retained.

#### Research and Development Costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the availability to measure reliably the expenditure during the development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure capitalised is amortised on a straight-line basis over 2 to 4 years.

#### Acquired Intangibles

Separately identifiable intangible assets such as patent fees, licence fees, trademarks and customer lists and relationships are capitalised on the balance sheet only when the value can be measured reliably, or the intangible asset is purchased as part of the acquisition of a business. Such intangible assets are amortised over their useful economic lives on a straight-line basis.

Separately identified intangible assets acquired in a business combination are initially recognised at their fair value. Intangible assets are subsequently stated at fair value or cost less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised in the Consolidated Statement of Comprehensive Income on a straight-line basis over the estimated useful life of the asset. The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Estimated useful lives typically applied are as follows:

Technology based assets	- over 2 to 4 years
Brands and trademarks	- over 2 to 3 years
Customer relationships	- over 10 years

#### Acquired Computer Software Licences

Acquired computer software licences comprise computer software licences purchased from third parties, and also the cost of internally developed software. Acquired computer software licences are initially capitalised at cost, which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditure including employee costs, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is added to the original cost of the software.

Costs associated with maintaining the computer software are recognised as an expense when incurred. Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 3 to 5 years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

# Notes to the Accounts continued

---

## 2. Accounting Policies continued

### The Company's Investments in Subsidiaries

In its separate financial statements the Company recognises its investments in subsidiaries at cost less any provision for impairment.

### Interests in Associates

Associates are undertakings that are not subsidiaries or joint ventures over which the Group has significant influence and can participate in financial and operating policy decisions. Investments in associated undertakings are accounted for using the equity method. The Consolidated Statement of Comprehensive Income includes the Group's share of the profit or loss after tax of the associated undertakings. Investments in associates include goodwill identified on acquisition and are carried in the Consolidated Balance Sheet at cost plus post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in value.

### Inventories

Inventories are valued at the lower of cost or net realisable value (net selling price less further costs to completion), after making due allowance for obsolete and slow moving items. Cost is determined by the first in first out ('FIFO') cost method.

### Trade and Other Receivables

Trade receivables, which generally have 14 to 60 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. A provision is made against a trade receivable only when there is objective evidence that the Group may not be able to recover the entire amount due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of a provision for doubtful debts account. Impaired debts are derecognised when they are assessed as uncollectable.

### Cash and Short-Term Deposits

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity date of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any outstanding bank overdrafts.

### Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate ('EIR') method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

### Trade and Other Payables

Trade and other payables are initially recognised at their fair value and subsequently recorded using the effective interest method.

### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### Pensions

The Group does not have a contributory pension scheme. Payments are made to individual private defined contribution pension arrangements. Contributions are charged in the Statement of Comprehensive Income as they become payable.

### Revenue Recognition

Revenue is measured at the fair value of the consideration received from the sale of software and rendering of services, net of value-added tax, rebates and discounts and after the elimination of inter-company transactions within the Group. Revenue is recognised as follows:

#### *(a) Sale of Software Licences*

Revenue in respect of software licences where the Group has no further obligations and the contract is non-cancellable is recognised at the time of sale. Revenue in respect of software licences where there are further contractual obligations, in the form of additional services provided by the Group, such as software delivered online, is recognised over the duration of the licence in line with when the costs are incurred and delivery obligations fulfilled.

#### *(b) Rendering of Services*

Revenue from the rendering of services is recognised by reference to the stage of completion. Stage of completion of the specific transaction is assessed on the basis of the actual services provided as a proportion of the total services to be provided. Where the Group is acting as an agent in a transaction and is not the primary obligor then revenue is reported net of amounts payable to the supplier.

#### *(c) Interest Income*

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

# Notes to the Accounts continued

---

## 2. Accounting Policies continued

### **(d) Rental Income**

Net rental income arising from the sub-let of properties under operating leases is reported as other operating income in the Statement of Comprehensive Income.

### **Exceptional Items**

The Group presents as exceptional items on the face of the Statement of Comprehensive Income those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

### **Dividends**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

### **Share-based Payment Transactions**

Employees (including Directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

### **Equity-settled Transactions**

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuation specialist using a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of GB Group plc ('market conditions') and non-vesting conditions, if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The Statement of Comprehensive Income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting conditions were satisfied, provided that all other vesting conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. In addition, an expense is recognised over the remainder of the new vesting period for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it was granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected in the computation of earnings per share (note 13).

### **Leases**

Assets funded through finance leases and similar hire purchase contracts are capitalised as property, plant and equipment, where the Group assumes substantially all of the risks and rewards of ownership. Upon initial recognition, the leased asset is measured at the lower of its fair value and the present value of the minimum lease payments. Future instalments under such leases, net of financing costs, are included within interest-bearing loans and borrowings. Rental payments are apportioned between the finance element, which is included in finance costs, and the capital element which reduces the outstanding obligation for future instalments so as to give a constant charge on the outstanding obligation.

All other leases are accounted for as operating leases and the rental charges are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the life of the lease.

Lease incentives are primarily rent-free periods. Lease incentives are amortised over the lease term against the relevant rental expense.

### **Taxes**

#### **Current Tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

# Notes to the Accounts continued

## 2. Accounting Policies continued

### Deferred Income Tax

Deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities included in the financial statements and the amounts used for tax purposes that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- No provision is made where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination that at the time of the transaction affect neither accounting nor taxable profit.
- No provision is made for deferred tax that would arise on all taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.
- Deferred tax assets are recognised only to the extent that the Directors consider that it is probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences and unused tax losses and credits can be deducted.
- Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### Finance Costs

Finance costs consist of interest and other costs that are incurred in connection with the borrowing of funds. Finance costs are expensed in the period in which they are incurred.

### New Accounting Standards and Interpretations Applied

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31 March 2016.

### New Accounting Standards and Interpretations not Applied

During the year, the IASB and IFRIC have issued the following Standards and Interpretations with an effective and adoption date after the date of these financial statements:

<i>International Accounting Standards (IAS/IFRS)</i>		<i>Effective date</i>
IAS 7	Disclosure Initiative – Amendments to IAS 7	1 January 2017
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12	1 January 2017
IFRS 12	Disclosure of Interests in Other Entities – Clarification of the scope of the disclosure requirements in IFRS 12	1 January 2017
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 2	Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2	1 January 2018
IFRS 9	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4	1 January 2018
IAS 40	Transfers of Investment Property (Amendments to IAS 40)	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Various	Annual Improvements to IFRS – 2014-2016 Cycle	1 January 2018
IFRS 16	Leases	1 January 2019
IAS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28	TBC

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. The standard also updates revenue disclosure requirements. Management have undertaken reviews of the revenue recognition treatments for each of the Group's lines of business and made initial assessments of the relative impact that the new standard would have to the existing policies and practices within the Group. Whilst the review and implementation planning of this new standard is ongoing, the preliminary conclusions are such that management remain of the belief that the adoption of IFRS 15 will not 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. While 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 all 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 operating lease commitments set out in note 26.

# Notes to the Accounts continued

---

## 2. Accounting Policies continued

### Judgements and Key Sources of Estimation Uncertainty

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 the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

In the process of applying the Group's accounting policies, management has made the following judgements and estimates, which have the most significant effect on the amounts recognised in the financial statements:

#### *Impairment of Goodwill*

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy on page 42. Determining whether goodwill is impaired requires an estimation of the value in use and/or the estimated recoverable amount of the asset derived from the business, or part of the business, CGU, to which the goodwill has been allocated. The value in use calculation requires an estimate of the present value of future cash flows expected to arise from the CGU, by applying an appropriate discount rate to the timing and amount of future cash flows.

Management are required to make judgements regarding the timing and amount of future cash flows applicable to the CGU, based on current budgets and forecasts, and extrapolated for an appropriate period taking into account growth rates and expected changes to sales and operating costs. Management estimate the appropriate discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the business or the individual CGU.

An analysis of the Group's goodwill and the assumptions used to test for impairment are set out in note 16.

#### *Deferred Tax Assets*

The amount of the deferred tax asset included in the balance sheet of the Group is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. A deferred tax asset is recognised when it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Recognition, therefore, involves management judgement regarding the prudent forecasting of future taxable profits of the business including considering appropriate levels of risk. At the balance sheet date, management has forecast that the Group would generate future taxable profits against which certain decelerated tax losses, tax losses and other temporary differences could be relieved. The total amount of deferred tax assets that management had forecast as available at the year-end based on these forecasts and estimates was higher than the previous year and as a result the Group has increased the total value of the deferred tax asset being recognised. The carrying value of the recognised deferred tax asset at 31 March 2017 was £4,044,000 (2016: £3,017,000) and the unrecognised deferred tax asset at 31 March 2017 was £3,217,000 (2016: £5,152,000). Further details are contained in note 11.

#### *Share-based Payments*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Judgement is required in determining the most appropriate valuation model for a grant of equity instruments, depending on the terms and conditions of the grant. Management are also required to use judgement in determining the most appropriate inputs to the valuation model including expected life of the option, volatility and dividend yield. The assumptions and models used are disclosed in note 27.

#### *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. Management estimate the appropriate discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the businesses being acquired. An example of these judgements is that during the year, the Company acquired ID Scan Biometrics 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 4 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 32). 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.

#### *Development Costs and Internally Generated Software*

The Group capitalises development costs for a project in accordance with its policy. Careful judgement by management is applied when deciding whether the recognition requirements for development costs have been met and once management have satisfied themselves that policy criteria are met the development costs are carried as assets and amortised over the estimated revenue generating life of each asset. At 31 March 2017, the carrying value of the internally generated software assets was £564,000 (2016: £908,000) and the amount of research and development costs expensed was £7,849,000 (2016: £5,719,000).

# Notes to the Accounts continued

## 3. Revenue

Revenue disclosed in the Consolidated Statement of Comprehensive Income is analysed as follows:

	2017 £'000	2016 £'000
Sale of goods	42,132	31,661
Rendering of services	45,354	41,740
<b>Revenue</b>	<b>87,486</b>	<b>73,401</b>
Finance revenue	19	12
<b>Total revenue</b>	<b>87,505</b>	<b>73,413</b>

## 4. Segmental Information

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

Segment results include items directly attributable to either Identity Proofing or Identity Solutions. Unallocated items for 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. Unallocated items for 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	2017 £'000
<b>Year ended 31 March 2017</b>				
Total revenue	44,206	43,280	-	87,486
<b>Adjusted operating profit</b>	<b>8,348</b>	<b>9,333</b>	<b>(675)</b>	<b>17,006</b>
Amortisation of acquired intangibles	(2,469)	(1,553)	-	(4,022)
Share-based payments charge	-	-	(994)	(994)
Exceptional items	-	-	(1,410)	(1,410)
Operating profit	5,879	7,780	(3,079)	10,580
Finance revenue			19	19
Finance costs			(517)	(517)
Income tax credit			668	668
Profit for the year				10,750

ID Scan Biometrics, which was acquired during the period, is reported within the Identity Proofing operating segment.

	Identity Proofing £'000	Identity Solutions £'000	Unallocated £'000	2016 £'000
<b>Year ended 31 March 2016</b>				
Total revenue	33,213	40,188	-	73,401
<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)	-	(2,501)
Share-based payments charge	-	-	(1,245)	(1,245)
Exceptional items	-	-	(94)	(94)
Operating profit	5,587	6,226	(2,225)	9,588
Finance revenue			12	12
Finance costs			(282)	(282)
Income tax charge			(178)	(178)
Profit for the year				9,140

Loqate, which was acquired during the period, is reported within the Identity Solutions operating segment.

# Notes to the Accounts continued

## 4. Segmental Information continued

### Geographical Information

	Revenues from external customers		Non-current assets	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
United Kingdom	60,306	54,045	80,713	36,461
United States of America	7,468	4,940	123	90
Australia	1,489	1,192	20,308	19,796
Others	18,223	13,224	465	-
Total	87,486	73,401	101,609	56,347

The geographical revenue information above is based on the location of the customer.

Non-current assets for this purpose consist of plant and equipment and intangible assets.

## 5. Operating Profit

This is stated after charging/(crediting):	2017 £'000	2016 £'000
Research and development expense written off	7,849	5,719
Depreciation of plant and equipment	1,031	1,071
Amortisation/impairment of intangible assets	4,719	2,778
Foreign exchange gain	(180)	(29)
Operating lease payments - land and buildings	1,274	889
- other	16	16

## 6. Auditor's Remuneration

	2017 £'000	2016 £'000
Audit of the financial statements <sup>1</sup>	127	102
Other fees to auditors - other assurance services	23	21
- taxation compliance services	54	24
- tax advisory services	19	4
	223	151

<sup>1</sup> £77,000 (2016: £77,000) of this relates to the Company.

## 7. Exceptional Items

	2017 £'000	2016 £'000
Fair value adjustments to contingent consideration (note 32)	471	78
Fair value gain on revaluation of investment in associate (note 18)	-	(247)
Acquisition related costs (note 31)	574	119
Costs associated with staff reorganisations	365	178
Costs associated with the relocation of the Group head office	-	(34)
	1,410	94

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 32) 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 32) 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. 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 year to 31 March 2016 include a £177,000 adjustment relating to a contingent purchase price adjustment relating to Loqate (note 32) along with a £255,000 charge relating to the partial unwinding of the discounting relating to the contingent consideration of the acquisition of DecTech Solutions Pty Ltd and CDMS Limited (note 32). 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.

# Notes to the Accounts continued

## 7. Exceptional Items continued

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.

In the 2016 financial year 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.

The tax impact of the exceptional costs was £73,000 (2016:£29,000).

## 8. Staff Costs and Directors' Emoluments

a) Staff Costs	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Wages and salaries	31,385	26,435	23,051	21,509
Social security costs	3,852	3,125	3,007	2,794
Other pension costs	1,359	1,172	1,040	965
	<u>36,596</u>	<u>30,732</u>	<u>27,098</u>	<u>25,268</u>

Included in wages and salaries is a total charge of share-based payments of £994,000 (2016: £1,245,000) which arises from transactions accounted for as equity-settled share-based payment transactions.

The average monthly number of employees during the year within each category was as follows:

	Group		Company	
	2017 No.	2016 No.	2017 No.	2016 No.
Research and development	207	165	117	107
Production	99	67	44	48
Selling and administration	354	310	298	283
	<u>660</u>	<u>542</u>	<u>459</u>	<u>438</u>

b) Directors' Emoluments	2017 £'000	2016 £'000
Wages and salaries	915	782
Pension	31	24
Bonuses	499	560
	<u>1,445</u>	<u>1,366</u>
Aggregate gains made by Directors on the exercise of options	<u>1,212</u>	<u>2,772</u>

The remuneration for the highest paid Director was as follows:

	2017 £'000	2016 £'000
Wages and salaries	411	390
Bonus	288	346
	<u>699</u>	<u>736</u>

The highest paid Director has reached the maximum level permitted for a personal pension plan and receives a direct payment in lieu of his pension entitlement, which was £70,000 (2016: £62,000).

The number of share options granted during the year for the highest paid Director was nil (2016: 296,562) and the number of share options exercised during the year was 243,458 (2016: 1,219,825).

Details of the remuneration, pension entitlements and share options of each Director are included in the Report on Directors' Remuneration on pages 26 to 30.

## 9. Finance Revenue

	2017 £'000	2016 £'000
Bank interest receivable	<u>19</u>	<u>12</u>
	<u>19</u>	<u>12</u>

# Notes to the Accounts continued

## 10. Finance Costs

	2017 £'000	2016 £'000
Bank loan fees and interest	517	282
	<u>517</u>	<u>282</u>

## 11. Taxation

### a) Tax on Profit on Ordinary Activities

The tax (credit)/charge in the Consolidated Statement of Comprehensive Income for the year is as follows:

	2017 £'000	2016 £'000
<b>Current income tax</b>		
UK corporation tax on profit for the year	1,325	145
Amounts overprovided in previous years	(231)	(404)
Foreign tax	638	568
	<u>1,732</u>	<u>309</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(2,492)	(220)
Impact of change in tax rates	92	89
	<u>(2,400)</u>	<u>(131)</u>
Tax (credit)/charge in the Statement of Comprehensive Income	<u>(668)</u>	<u>178</u>

### b) Reconciliation of the Total Tax Charge

The profit before tax multiplied by the standard rate of corporation tax in the UK would result in a tax charge (2016: charge) as explained below:

	2017 £'000	2016 £'000
Consolidated profit before tax	<u>10,082</u>	<u>9,318</u>
Consolidated profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2016: 20%)	2,016	1,864
Effect of:		
Permanent differences	343	(924)
Rate changes	92	89
Utilisation of unrecognised losses	(123)	-
Prior year items	(319)	(357)
Research and development tax relief	(477)	(329)
Patent Box relief	(334)	-
Recognition of unrecognised deferred tax assets	(1,498)	(197)
Effect of higher taxes on overseas earnings	(368)	32
Total tax (credit)/charge reported in the Statement of Comprehensive Income	<u>(668)</u>	<u>178</u>

The Group is entitled to current year tax relief of £939,000 (2016: £1,212,000), calculated at a tax rate of 20% (2016: 20%), in relation to the statutory deduction available on share options exercised in the year.

### c) Tax Losses

The Group has carried forward trading losses at 31 March 2017 of £17,871,000 (2016: £18,259,000). To the extent that these losses are available for offset against future trading profits of the Group, it is expected that the future effective tax rate would be below the standard rate. There were also capital losses carried forward at 31 March 2017 of £2,257,000 (2016: £2,257,000), which should be available for offset against future capital gains of the Group to the extent that they arise.

# Notes to the Accounts continued

## 11. Taxation continued

### d) Deferred Tax – Group

#### Deferred Tax Asset

The recognised and unrecognised potential deferred tax asset of the Group is as follows:

	Recognised		Unrecognised	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Decelerated capital allowances	1,996	1,200	-	1,032
Share options	1,019	1,460	-	-
Other temporary differences	385	357	50	33
Capital losses	-	-	384	406
Trading losses	644	-	2,783	3,681
	<b>4,044</b>	<b>3,017</b>	<b>3,217</b>	<b>5,152</b>

The movement on the deferred tax asset of the Group is as follows:

	2017 £'000	2016 £'000
Opening balance	3,017	3,113
Foreign currency adjustments	61	17
Origination and reversal of temporary differences	1,058	4
Impact of change in tax rates	(92)	(117)
	<b>4,044</b>	<b>3,017</b>

The deferred tax asset has been recognised to the extent it is anticipated to be recoverable out of future taxable profits based on profit forecasts for the foreseeable future. The utilisation of the unrecognised deferred tax asset in future periods will reduce the future tax rate below the standard rate.

The Group has unrecognised deductible temporary differences of £18,139,000 (2016: £24,107,000) and unrecognised capital losses of £2,257,000 (2016: £2,257,000).

#### Deferred Tax Liability

The deferred tax liability of the Group is as follows:

	2017 £'000	2016 £'000
Intangible assets	4,441	3,433
	<b>4,441</b>	<b>3,433</b>

The movement on the deferred tax liability of the Group is as follows:

	2017 £'000	2016 £'000
Opening balance	3,433	2,968
Acquisition of intangibles in subsidiaries	1,818	929
Foreign currency adjustments	149	63
Origination and reversal of temporary differences	(832)	(527)
Impact of change in tax rates	(127)	-
	<b>4,441</b>	<b>3,433</b>

# Notes to the Accounts continued

## 11. Taxation continued

### e) Deferred Tax - Company

#### Deferred Tax Asset

The recognised and unrecognised potential deferred tax asset of the Company is as follows:

	Recognised		Unrecognised	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Decelerated capital allowances	1,977	1,128	-	1,032
Share options	1,019	1,460	-	-
Other temporary differences	-	-	50	33
Capital losses	-	-	384	406
Trading losses	-	-	2,783	2,946
	<b>2,996</b>	<b>2,588</b>	<b>3,217</b>	<b>4,417</b>

The movement on the deferred tax asset of the Company is as follows:

	2017 £'000	2016 £'000
Opening balance	2,588	1,585
Acquired on acquisition	-	1,093
Origination and reversal of temporary differences	500	27
Impact of change in tax rates	(92)	(117)
	<b>2,996</b>	<b>2,588</b>

The deferred tax asset has been recognised to the extent it is anticipated to be recoverable out of future taxable profits based on profit forecasts for the foreseeable future. The utilisation of the unrecognised deferred tax asset in future periods will reduce the future tax rate below the standard rate.

The Company has unrecognised deductible temporary differences of £16,635,000 (2016: £22,216,000) and unrecognised capital losses of £2,257,000 (2016: £2,257,000).

#### f) Change in corporation tax rate

As legislated in Finance (No. 2) Act 2015, which was substantively enacted on 26 October 2015, the UK corporation tax rate will reduce from 20% to 19% from 1 April 2017. A further reduction to 17% with effect from 1 April 2020 was enacted in the Finance Act 2016. The reductions in future rates to 19% and then to 17% have been used in the calculation of the UK's deferred tax assets and liabilities as at 31 March 2017.

## 12. Dividends Paid and Proposed

	2017 £'000	2016 £'000
<i>Declared and paid during the year</i>		
Final dividend for 2016: 2.08p (2015: 1.85p)	<b>2,775</b>	<b>2,277</b>
<i>Proposed for approval at AGM (not recognised as a liability at 31 March)</i>		
Final dividend for 2017: 2.35p (2016: 2.08p)	<b>3,566</b>	<b>2,577</b>

# Notes to the Accounts continued

## 13. 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 year.

	2017 pence per share	2017 £'000	2016 pence per share	2016 £'000
Profit attributable to equity holders of the Company	8.2	10,750	7.4	9,140

### Diluted

Diluted earnings per share amounts are calculated by dividing the profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year 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.

	2017 No.	2016 No.
Basic weighted average number of shares in issue	131,608,788	122,744,412
Dilutive effect of share options	2,435,799	3,770,597
Diluted weighted average number of shares in issue	134,044,587	126,515,009

	2017 pence per share	2017 £'000	2016 pence per share	2016 £'000
Profit attributable to equity holders of the Company	8.0	10,750	7.2	9,140

### 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.

	Basic 2017 pence per share	Diluted 2017 pence per share	2017 £'000	Basic 2016 pence per share	Diluted 2016 pence per share	2016 £'000
Adjusted operating profit	12.9	12.7	17,006	10.9	10.6	13,428
Less net finance costs	(0.3)	(0.4)	(498)	(0.2)	(0.2)	(270)
Add/(less) tax	0.5	0.5	668	(0.1)	(0.1)	(178)
Adjusted earnings	13.1	12.8	17,176	10.6	10.3	12,980

# Notes to the Accounts continued

## 14. Plant and Equipment

Group	Plant and equipment £'000
<b>Cost</b>	
At 1 April 2015	6,931
Acquired on acquisition	72
Additions	712
Reclassification	(1,953)
Foreign currency adjustment	23
At 31 March 2016	5,785
Acquired on acquisition	222
Additions	1,437
Disposals	(2,460)
Reclassification	(23)
Foreign currency adjustment	80
At 31 March 2017	5,041
<b>Depreciation and impairment</b>	
At 1 April 2015	4,102
Provided during the year	1,071
Reclassification	(1,636)
Foreign currency adjustment	14
At 31 March 2016	3,551
Provided during the year	1,031
Disposals	(2,453)
Foreign currency adjustment	56
At 31 March 2017	2,185
<b>Net book value</b>	
At 31 March 2017	2,856
At 31 March 2016	2,234
At 1 April 2015	2,829

The net book value in respect of assets held under finance leases and hire purchase agreements is £nil (2016: £nil).

Company	Plant and equipment £'000
<b>Cost</b>	
At 1 April 2015	6,446
Acquired on acquisition <sup>1</sup>	137
Additions	624
Reclassification	(1,953)
At 31 March 2016	5,254
Additions	748
Disposals	(2,437)
At 31 March 2017	3,565
<b>Depreciation and impairment</b>	
At 1 April 2015	3,858
Provided during the year	1,020
Reclassification	(1,636)
At 31 March 2016	3,242
Provided during the year	784
Disposals	(2,436)
At 31 March 2017	1,590
<b>Net book value</b>	
At 31 March 2017	1,975
At 31 March 2016	2,012
At 1 April 2015	2,588

During the period £23,000 (2016: £317,000) of purchased software assets (at net book value) were reclassified as intangible assets.

The net book value in respect of assets held under finance leases and hire purchase agreements is £nil (2016: £nil).

<sup>1</sup>On 1 April 2015, the trade, assets and liabilities of CDMS Limited were transferred to the Company.

# Notes to the Accounts continued

## 15. 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	<b>18,625</b>	30,505	-	1,104	<b>50,234</b>
Foreign currency adjustment	230	93	<b>323</b>	758	-	1	<b>1,082</b>
Additions – business combinations	1,912	819	<b>2,731</b>	6,502	-	18	<b>9,251</b>
Additions – product development	-	-	-	-	-	624	<b>624</b>
Additions – purchased software	-	-	-	-	426	-	<b>426</b>
Reclassification	-	-	-	-	1,953	-	<b>1,953</b>
At 31 March 2016	<u>16,981</u>	<u>4,698</u>	<b><u>21,679</u></b>	<u>37,765</u>	<u>2,379</u>	<u>1,747</u>	<b><u>63,570</u></b>
Foreign currency adjustment	878	358	<b>1,236</b>	2,934	-	3	<b>4,173</b>
Additions – business combinations	3,917	5,872	<b>9,789</b>	34,899	7	-	<b>44,695</b>
Additions – product development	-	-	-	-	-	21	<b>21</b>
Additions – purchased software	-	-	-	-	774	-	<b>774</b>
Disposals	-	-	-	-	(1,275)	-	<b>(1,275)</b>
Reclassification	-	-	-	-	23	-	<b>23</b>
At 31 March 2017	<u>21,776</u>	<u>10,928</u>	<b><u>32,704</u></b>	<u>75,598</u>	<u>1,908</u>	<u>1,771</u>	<b><u>111,981</u></b>
<b>Amortisation and impairment</b>							
At 1 April 2015	2,754	1,558	<b>4,312</b>	-	-	626	<b>4,938</b>
Foreign currency adjustment	56	49	<b>105</b>	-	-	-	<b>105</b>
Amortisation during the year	1,639	862	<b>2,501</b>	-	64	213	<b>2,778</b>
Reclassification	-	-	-	-	1,636	-	<b>1,636</b>
At 31 March 2016	<u>4,449</u>	<u>2,469</u>	<b><u>6,918</u></b>	<u>-</u>	<u>1,700</u>	<u>839</u>	<b><u>9,457</u></b>
Foreign currency adjustment	173	153	<b>326</b>	-	-	1	<b>327</b>
Amortisation during the year	2,046	1,976	<b>4,022</b>	-	330	367	<b>4,719</b>
Disposals	-	-	-	-	(1,275)	-	<b>(1,275)</b>
At 31 March 2017	<u>6,668</u>	<u>4,598</u>	<b><u>11,266</u></b>	<u>-</u>	<u>755</u>	<u>1,207</u>	<b><u>13,228</u></b>
<b>Net book value</b>							
At 31 March 2017	<u>15,108</u>	<u>6,330</u>	<b><u>21,438</u></b>	<u>75,598</u>	<u>1,153</u>	<u>564</u>	<b><u>98,753</u></b>
At 31 March 2016	<u>12,532</u>	<u>2,229</u>	<b><u>14,761</u></b>	<u>37,765</u>	<u>679</u>	<u>908</u>	<b><u>54,113</u></b>
At 1 April 2015	<u>12,085</u>	<u>2,228</u>	<b><u>14,313</u></b>	<u>30,505</u>	<u>-</u>	<u>478</u>	<b><u>45,296</u></b>

The customer relationships intangible asset acquired through the acquisition of Capscan Parent Limited has a carrying value of £2,161,000 and a remaining amortisation period of 4.6 years. The customer relationships intangible asset acquired through the acquisition of TMG.tv Limited has a carrying value of £596,000 and a remaining amortisation period of 5.6 years. The customer relationships intangible asset acquired through the acquisition of CRD (UK) Limited has a carrying value of £549,000 and a remaining amortisation period of 6.25 years. The customer relationships intangible asset acquired through the acquisition of DecTech Solutions Pty Ltd has a carrying value of £3,353,000 and a remaining amortisation period of 7.1 years. The customer relationships intangible asset acquired through the acquisition of CDMS Limited has a carrying value of £2,740,000 and a remaining amortisation period of 7.6 years. The customer relationships intangible asset acquired through the acquisition of Loqate Inc. has a carrying value of £1,840,000 and a remaining amortisation period of 8.1 years. The customer relationships intangible asset acquired through the acquisition of ID Scan Biometrics Limited has a carrying value of £3,623,000 and a remaining amortisation period of 9.25 years. Intangible assets categorised as 'other acquisition intangibles' include assets such as non-compete clauses and software technology.

Goodwill arose on the acquisition of GB Mailing Systems Limited, e-Ware Interactive Limited, Data Discoveries Holdings Limited, Advanced Checking Services Limited ('ACS'), Capscan Parent Limited, TMG.tv Limited, CRD (UK) Limited, DecTech Solutions Pty Ltd, CDMS Limited and Loqate Inc.. Under IFRS, goodwill is not amortised and is tested annually for impairment (note 16).

During the period £23,000 (2016: £317,000) of purchased software assets (at net book value) were reclassified as intangible assets (previously classified as tangible assets).

# Notes to the Accounts continued

## 15. Intangible Assets continued

Company	Purchased software £'000	Development costs £'000	Total £'000
<b>Cost</b>			
At 1 April 2015	-	1,092	<b>1,092</b>
Acquired on acquisition <sup>1</sup>	23	-	<b>23</b>
Additions – product development	-	624	<b>624</b>
Additions – purchased software	426	-	<b>426</b>
Reclassification	1,953	-	<b>1,953</b>
At 31 March 2016	<u>2,402</u>	<u>1,716</u>	<b><u>4,118</u></b>
Additions – product development	-	21	<b>21</b>
Additions – purchased software	774	-	<b>774</b>
Disposals	(1,275)	-	<b>(1,275)</b>
At 31 March 2017	<u>1,901</u>	<u>1,737</u>	<b><u>3,638</u></b>
<b>Amortisation and impairment</b>			
At 1 April 2015	-	614	<b>614</b>
Reclassification	1,636	-	<b>1,636</b>
Amortisation during the year	64	209	<b>273</b>
At 31 March 2016	<u>1,700</u>	<u>823</u>	<b><u>2,523</u></b>
Disposals	(1,275)	-	<b>(1,275)</b>
Amortisation during the year	327	362	<b>689</b>
At 31 March 2017	<u>752</u>	<u>1,185</u>	<b><u>1,937</u></b>
<b>Net book value</b>			
At 31 March 2017	<u>1,149</u>	<u>552</u>	<b><u>1,701</u></b>
At 31 March 2016	<u>702</u>	<u>893</u>	<b><u>1,595</u></b>
At 1 April 2015	<u>-</u>	<u>478</u>	<b><u>478</u></b>

<sup>1</sup> On 1 April 2015, the trade, assets and liabilities of CDMS Limited were transferred to the Company.

During the period £nil (2016: £317,000) of purchased software assets (at net book value) were reclassified as intangible assets (previously classified as tangible assets).

# Notes to the Accounts continued

## 16. Impairment Testing of Goodwill

Goodwill acquired through business combinations has been allocated for impairment testing purposes to six CGUs as follows:

- Identity Solutions Unit (represented by the Identity Solutions operating segment excluding e-Ware and Loqate)
- Identity Proofing Unit (represented by the Identity Proofing operating segment excluding DecTech and IDscan)
- e-Ware Interactive Unit (part of the Identity Solutions operating segment)
- IDscan Unit (part of the Identity Proofing operating segment)
- DecTech Unit (part of the Identity Proofing operating segment)
- Loqate Unit (part of the Identity Solutions operating segment)

This represents the lowest level within the Group at which goodwill is monitored for internal management purposes. In previous years Data Discoveries, CDMS and Capscan were identified as separate CGUs but following the transfer of the trade, assets and liabilities to the Company, these are now included within the Identity Solutions Unit. TMG, CRD and ACS were identified as separate CGUs but following the transfer of the trade, assets and liabilities to the Company, these are now included within the Identity Proofing Unit.

Where there are no indicators of impairment on the goodwill arising through business combinations made during the year they are tested for impairment no later than at the end of the year.

<i>Carrying Amount of Goodwill Allocated to CGUs</i>	<b>2017</b>	2016
	<b>£'000</b>	£'000
Identity Solutions Unit	<b>11,672</b>	11,672
Identity Proofing Unit	<b>5,293</b>	5,293
e-Ware Interactive Unit	<b>79</b>	79
IDscan Unit	<b>34,899</b>	-
DecTech Unit	<b>15,972</b>	13,993
Loqate Unit	<b>7,683</b>	6,728
	<b>75,598</b>	37,765

## Key Assumptions Used in Value in Use Calculations

The Group prepares cash flow forecasts using budgets and forecasts approved by the Directors which cover a three year period and an appropriate extrapolation of cash flows beyond this using a long-term average growth rate not greater than the average long-term retail growth rate in the territory where the CGU is based.

The key assumptions for value in use calculations are those regarding the forecast cash flows, discount rates and growth rates. The Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the individual CGU. Growth rates reflect long-term growth rate prospects for the economy in which the CGU operates.

	<b>2017</b>		<b>2016</b>	
	<b>Pre-tax WACC</b>	<b>Growth rate (in perpetuity)</b>	<b>Pre-tax WACC</b>	<b>Growth rate (in perpetuity)</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Identity Solutions Unit	<b>6.5%</b>	<b>2.0%</b>	8.2%	2.3%
Identity Proofing Unit	<b>6.5%</b>	<b>2.0%</b>	8.2%	2.3%
e-Ware Interactive Unit	<b>6.5%</b>	-	8.2%	-
IDscan Unit	<b>6.5%</b>	<b>2.0%</b>	-	-
DecTech Unit	<b>16.2%</b>	<b>2.7%</b>	15.6%	2.7%
Loqate Unit	<b>12.7%</b>	<b>2.3%</b>	12.7%	2.3%

In the case of the e-Ware Interactive CGU, the annual impairment review as at 31 March 2017 indicated that the recoverable amount exceeded the carrying value by £150,000 (2016: £50,000) after assuming an annual cash flow attrition of 20%. In assessing the future recoverable amounts, cash flow attrition is assumed on the basis that the recoverable amount is associated with only single remaining customer attributable to that acquisition. Any decline in estimated value-in-use in excess of that amount would be liable to result in an impairment. Since the value in use of the e-Ware Interactive CGU is based on a single client, its loss or a significant reduction in its cash flow would cause the carrying value of the unit to exceed its recoverable amount.

In the case of the IDscan CGU, the annual impairment review as at 31 March 2017 indicated that the recoverable amount exceeded the carrying value of goodwill by £88,800,000 and that any decline in estimated value-in-use in excess of that amount would be liable to result in an impairment. The sensitivities, which result in the recoverable amount equalling the carrying value, can be summarised as follows:

- an absolute increase of 10.7% in the pre-tax weighted average cost of capital from 6.5% to 17.2%; or
- a reduction of 65% in the forecast profit margins.

In the case of the DecTech CGU, the annual impairment review as at 31 March 2017 indicated that the recoverable amount exceeded the carrying value of goodwill by £11,200,000 (2016: £14,900,000) and that any decline in estimated value-in-use in excess of that amount would be liable to result in an impairment. The sensitivities, which result in the recoverable amount equalling the carrying value, can be summarised as follows:

- an absolute increase of 8.8% in the pre-tax weighted average cost of capital from 16.2% to 25%; or
- a reduction of 41% in the forecast profit margins.

# Notes to the Accounts continued

## 16. Impairment Testing of Goodwill continued

In the case of the Loqate CGU, the annual impairment review as at 31 March 2017 indicated that the recoverable amount exceeded the carrying value of goodwill by £11,500,000 (2016: £7,400,000) and that any decline in estimated value-in-use in excess of that amount would be liable to result in an impairment. The sensitivities, which result in the recoverable amount equalling the carrying value, can be summarised as follows:

- an absolute increase of 13.2% in the pre-tax weighted average cost of capital from 12.7% to 25.9%; or
- a reduction of 60% in the forecast profit margins.

The recoverable amount of the other CGUs exceed their carrying value on the basis of the respective assumptions shown above and any reasonably possible changes thereof.

## 17. Investments

### Company

	£'000
<b>Cost</b>	
At 1 April 2016	60,428
Acquisition of subsidiary undertakings	43,668
At 31 March 2017	104,096
<b>Amounts written off</b>	
At 1 April 2016 and 31 March 2017	-
<b>Net book value</b>	
At 31 March 2017	104,096
At 31 March 2016	60,428

The Company accounts for its investments in subsidiaries using the cost model. The Company holds 100% of the ordinary share capital of all investments as follows:

Name of company	Proportion of voting rights and shares held	Country of incorporation	Registered office address
Capscan Parent Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
Capscan Limited <sup>1</sup>	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
Data Discoveries Holdings Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
Data Discoveries Limited <sup>1</sup>	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
Managed Analytics Limited <sup>1</sup>	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
Fastrac Limited <sup>1</sup>	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
e-Ware Interactive Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
GB Information Management Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
GB Datacare Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
GB Mailing Systems Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
Citizensafe Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
TelMe Global Traveller Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
TelMe.com Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
Ebetsafe Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
Farebase Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
TMG.tv Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
CRD (UK) Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
GBG DecTech Holding Pty Ltd	100%	Australia	Co Sec Consulting Pty Ltd, 59 Gipps Street, Collingwood, VIC 3066
GBG DecTech Pty Ltd <sup>1</sup>	100%	Australia	Co Sec Consulting Pty Ltd, 59 Gipps Street, Collingwood, VIC 3066
GBG DecTech Sdn Bhd <sup>1</sup>	100%	Malaysia	Level 7 Menara Millenium, Jalan Damanlela Pusat Bandar, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan
GBG DecTech Solutions S.L <sup>1</sup>	100%	Spain	08002-Barcelona, Edifici The Triangle, 4th Floor, Placa de Catalunya, Barcelona, Spain
迪安科	100%	China	Room 1714, Building 4, China Investment Center, No.9 Guangan Road, Fengtai District, Beijing, China
Loqate Inc.	100%	United States	999 Baker Way Ste 320, San Mateo, CA 94404-1566
Loqate Limited <sup>1</sup>	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
ID Scan Biometrics Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
IDscan Research Bilisim Teknolojileri Sanayi Ve Ticaret Limited Sirketi <sup>1</sup>	100%	Turkey	Mersin Universitesi Çiftlikköy Kampüsü, Teknopark İdari Bina No: 106 Yenişehir – Mersin
IDScan Research (Pty) Ltd <sup>1</sup>	100%	South Africa	145, 5th Avenue, Franklin Roosevelt Park, Johannesburg, Gauteng, 2195 South Africa
UAB IDscan Biometrics R&D <sup>1</sup>	100%	Lithuania	Kauno m. Kauno m. I. Kanto g. 18-4B Lithuania
Safer Clubbing At Night Network (Scan Net) Ltd <sup>1</sup>	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
Transactis Limited <sup>1</sup>	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
Inkfish Limited <sup>1</sup>	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB

<sup>1</sup> held indirectly.

# Notes to the Accounts continued

## 18. Investments in Associates

The Group had a 26.7% interest in Loqate Inc., a private company based in the USA which develops international addressing solutions, geocoding solutions and location based services which are used in the Group's portfolio of products and services. The associated undertaking was accounted for using the equity method. On 27 April 2015, the Group acquired the remaining 73.3% of the shares in Loqate Inc. and its performance is included in the consolidated financial statements since that date.

At the acquisition date of the remaining 73.3% of shares in Loqate, the Group revalued its previously held equity stake in Loqate at its acquisition-date fair value in accordance with IFRS 3. The resulting gain of £247,000 has been recognised in the Consolidated Statement of Comprehensive Income for the year ended 31 March 2016.

## 19. Trade and Other Receivables

Trade receivables are non-interest bearing and are generally on 14 to 60 day terms. At 31 March 2017, the value of trade receivables outstanding in excess of the standard expected credit term but not impaired was £7,468,000 (2016: £6,661,000).

The credit quality of trade receivables that are neither past due nor impaired is assessed using a combination of historical information relating to counterparty default rates and external credit ratings where available.

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Trade receivables	26,160	19,768	18,897	15,519
Amounts owed from subsidiary undertakings	-	-	251	-
Prepayments and accrued income	4,409	4,006	2,698	3,317
	<b>30,569</b>	<b>23,774</b>	<b>21,846</b>	<b>18,836</b>

Trade receivables are shown net of an allowance for unrecoverable amounts, movements on which are as follows:

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Balance at 1 April	855	659	673	561
Acquired on acquisition	8	67	-	70
Additional provisions	261	226	137	139
Write-offs	(470)	(97)	(443)	(97)
Foreign exchange	27	-	-	-
Balance at 31 March	<b>681</b>	<b>855</b>	<b>367</b>	<b>673</b>

# Notes to the Accounts continued

## 19. Trade and Other Receivables continued

As at 31 March, the analysis of Group trade receivables that were past due but not impaired is as follows:

	Total £'000	Neither past due nor impaired £'000	Past due but not impaired		
			< 30 days £'000	30 – 60 days £'000	> 60 days £'000
2017	26,160	18,692	3,355	945	3,168
2016	19,768	13,107	2,720	504	3,437

## 20. Cash

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Cash at bank and in hand	17,618	12,415	11,011	9,663
	<u>17,618</u>	<u>12,415</u>	<u>11,011</u>	<u>9,663</u>

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

## 21. Equity Share Capital

	2017 £'000	2016 £'000
<b>Authorised</b>		
147,663,704 (2016: 147,663,704) ordinary shares of 2.5p each	<u>3,692</u>	<u>3,692</u>
<b>Issued</b>		
Allotted, called up and fully paid	3,368	3,097
Share premium	<u>48,595</u>	<u>24,111</u>
	<u>51,963</u>	<u>27,208</u>
	2017 No.	2016 No.
Number of shares in issue at 1 April	123,886,390	120,735,364
Issued on placing	9,090,910	-
Issued on exercise of share options	<u>1,725,637</u>	<u>3,151,026</u>
Number of shares in issue at 31 March	<u>134,702,937</u>	<u>123,886,390</u>

During the year 10,816,547 (2016: 3,151,026) ordinary shares with a nominal value of 2.5p were issued for an aggregate cash consideration of £25,505,000 (2016: £790,000). The cost associated with the issue of shares in the year was £750,000 (2016: £nil).

# Notes to the Accounts continued

## 22. 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'). This term loan was extended during the year from its original maturity of April 2017 to November 2018. Security on the debt is provided by way of an all asset debenture.

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.

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Opening bank loan	3,742	4,389	-	-
New borrowings	12,000	-	12,000	-
Repayment of borrowings	(3,838)	(752)	(3,000)	-
Foreign currency translation adjustment	481	105	-	-
Closing bank loan	<u>12,385</u>	<u>3,742</u>	<u>9,000</u>	<u>-</u>
<b>Analysed as:</b>				
Amounts falling due within 12 months	886	582	-	-
Amounts falling due after one year	11,499	3,160	9,000	-
	<u>12,385</u>	<u>3,742</u>	<u>9,000</u>	<u>-</u>

## 23. Trade and Other Payables

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Trade payables	2,748	5,572	2,363	5,051
Amounts owed to subsidiary undertakings	-	-	8,044	10,276
Other taxes and social security costs	3,014	3,019	2,578	2,824
Accruals	11,642	8,200	9,412	6,957
Deferred income	18,997	13,752	11,946	10,395
	<u>36,401</u>	<u>30,543</u>	<u>34,343</u>	<u>35,503</u>

## 24. Provisions

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Opening balance	31	48	31	48
Provided for dilapidation obligations in less than 1 year	10	-	10	-
Utilised	(6)	(17)	(6)	(17)
Closing balance	<u>35</u>	<u>31</u>	<u>35</u>	<u>31</u>

Provisions associated with the costs of dilapidation obligations on certain leasehold properties within the Group are £29,000 (2016: £25,000). The cash flows associated with these provisions are expected to occur in less than one year.

# Notes to the Accounts continued

---

## 25. Financial Instruments and Risk Management

The Group's activities expose it to a variety of financial risks including: market risk (including foreign currency risk and cash flow interest rate risk), credit risk, liquidity risk and capital management. The Group's overall risk management programme considers the unpredictability of financial markets and seeks to reduce potential adverse effects on the Group's financial performance. The Group does not currently use derivative financial instruments to hedge foreign exchange exposures.

### Credit Risk

Credit risk is managed on a Group basis except for credit risk relating to accounts receivable balances which each entity is responsible for managing. Credit risk arises from cash and cash equivalents, as well as credit exposures from outstanding customer receivables. Management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. For those sales considered higher risk, the Group operates a policy of cash in advance of delivery. The Group regularly monitors its exposure to bad debts in order to minimise exposure. Credit risk from cash and cash equivalents is managed via banking with well-established banks with a strong credit rating.

### Foreign Currency Risk

The Group's foreign currency exposure arises from:

- Transactions (sales/purchases) denominated in foreign currencies;
- Monetary items (mainly cash receivables and borrowings) denominated in foreign currencies; and
- Investments in foreign operations, whose net assets are exposed to foreign currency translation.

The Group has currency exposure on its investment in a foreign operation in Australia and partially offsets its exposure to fluctuations on the translation into Sterling by holding net borrowings in Australian Dollars. In terms of sensitivities, the effect on equity of a 10% increase in the Australian Dollar and Sterling exchange rate would be an increase of £88,000 (2016: £155,000 increase). The effect on equity of a 10% decrease in the Australian Dollar and Sterling exchange rate net of the effect of the net investment hedge in the foreign operation would be a decrease of £107,000 (2016: £189,000 decrease).

The Group has currency exposure on its investment in a foreign operation in the United States of America. In terms of sensitivities, the effect on equity of a 10% increase in the US Dollar and Sterling exchange rate would be an increase of £109,000 (2016: £38,000 increase). The effect on equity of a 10% decrease in the US Dollar and Sterling exchange rate would be a decrease of £133,000 (2016: £46,000 decrease).

The exposure to transactional foreign exchange risk within each company is monitored and managed at both an entity and a Group level.

### Cash Flow Interest Rate Risk

The Group has financial assets and liabilities which are exposed to changes in market interest rates. Changes in interest rates impact primarily on deposits and loans by changing their future cash flows (variable rate). Management does not currently have a formal policy of determining how much of the Group's exposure should be at fixed or variable rates and the Group does not use hedging instruments to minimise its exposure. However, at the time of taking new loans or borrowings, management uses its judgement to determine whether it believes that a fixed or variable rate would be more favourable for the Group over the expected period until maturity. In terms of sensitivities, the effect on profit before taxation of an increase/decrease in the basis points on floating rate borrowings of 25 basis points would be £84,000 (2016: £17,000).

### Liquidity Risk

Cash flow forecasting is performed on a Group basis by the monitoring of rolling forecasts of the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs and surplus funds are placed on deposit and available at very short notice. The maturity date of the Group's loan is disclosed in note 22.

### Capital Management

The Group manages its capital structure in order to safeguard the going concern of the Group and maximise shareholder value. The capital structure of the Group consists of debt, which includes loans disclosed in note 22, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings.

The Group may maintain or adjust its capital structure by adjusting the amount of dividend paid to shareholders, returning capital to shareholders, issuing new shares or selling assets to reduce debt.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to borrowings. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any borrowings in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2017 and 2016.

# Notes to the Accounts continued

## 25. Financial Instruments and Risk Management continued

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments and includes contractual interest payments:

Year ended 31 March 2017	On demand £'000	Less than 12 months £'000	1 to 5 years £'000	Total £'000
Loans	-	-	13,589	13,589
Contingent consideration	-	7,575	-	7,575
Trade and other payables	2,748	14,656	-	17,404
	<b>2,748</b>	<b>22,231</b>	<b>13,589</b>	<b>38,568</b>

Year ended 31 March 2016	On demand £'000	Less than 12 months £'000	1 to 5 years £'000	Total £'000
Loans	-	-	3,895	3,895
Contingent consideration	-	1,068	-	1,068
Trade and other payables	5,572	11,219	-	16,791
	<b>5,572</b>	<b>12,287</b>	<b>3,895</b>	<b>21,754</b>

A summary of the Group's use of financial instruments is set out in the Finance Review on pages 5 to 8.

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group at 31 March:

	2017 Loans and receivables £'000	Fair value profit or loss £'000	2016 Loans and receivables £'000	Fair value profit or loss £'000
<b>Financial assets:</b>				
Trade and other receivables	26,160	-	19,768	-
<b>Total current</b>	<b>26,160</b>	<b>-</b>	<b>19,768</b>	<b>-</b>
<b>Total</b>	<b>26,160</b>	<b>-</b>	<b>19,768</b>	<b>-</b>
<b>Financial liabilities:</b>				
Loans	11,499	-	3,160	-
<b>Total non-current</b>	<b>11,499</b>	<b>-</b>	<b>3,160</b>	<b>-</b>
Trade and other payables	17,404	-	16,791	-
Loans	886	-	582	-
Contingent consideration	-	7,122	-	1,050
<b>Total current</b>	<b>18,290</b>	<b>7,122</b>	<b>17,373</b>	<b>1,050</b>
<b>Total</b>	<b>29,789</b>	<b>7,122</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.

# Notes to the Accounts continued

## 25. Financial Instruments and Risk Management continued

### Use of Financial Instruments

#### Contingent Consideration

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

	31 March 2017 £'000	31 March 2016 £'000
<b>Fair value within current liabilities:</b>		
Contingent consideration	<u>7,122</u>	<u>1,050</u>
<b>Fair value within non-current liabilities:</b>		
Contingent consideration	<u>-</u>	<u>-</u>

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).

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 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%.

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

## 26. Obligations Under Leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the expected term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense over the term of the lease.

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Future minimum rentals payable under non-cancellable operating leases are as follows:				
Not later than one year	836	1,066	486	749
After one year but not more than five years	1,284	1,585	778	1,232
After five years	-	-	-	-
	<u>2,120</u>	<u>2,651</u>	<u>1,264</u>	<u>1,981</u>

The Group leases various administrative offices and equipment under lease agreements which have varying terms and renewal rights.

A Group company sublet surplus space in a property during the year and this agreement ended in May 2016.

# Notes to the Accounts continued

## 27. Share-based Payments

### Group and Company

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

#### Executive Share Option Scheme

Options are granted to Executive Directors and employees on the basis of their performance. Options are granted at the full market value of the Company's shares at the time of grant and are exercisable between three and ten years from the date of grant. The options vest when the Company's earnings per share ('EPS') growth is greater than the growth of the Retail Prices Index ('RPI') over a three year period prior to the exercise date. There are no cash settlement alternatives.

#### Executive Share Option Scheme (Section C Scheme)

Options are granted to Executive Directors and employees on the basis of their performance. Options are granted at the full market value of the Company's shares at the time of grant and are exercisable between three and ten years from the date of grant. The percentage of an option that will vest and be capable of exercise will depend on the performance of the Company. A minimum of 50% of the options will vest when the Total Shareholder Return ('TSR') performance of the Company, as compared to the TSR of the FTSE Computer Services Sub-Sector over a three-year period, matches or exceeds the median company. The percentage of shares subject to an option in respect of which that option becomes capable of exercise will then increase on a sliding scale so that the option will become exercisable in full if top quartile performance is achieved.

#### Executive Share Option Scheme (Section D Scheme)

Options are granted to Executive Directors and employees on the basis of their performance. Options are granted at the full market value of the Company's shares at the time of grant and are exercisable between three and ten years from the date of grant. The vesting of awards under the Section D Scheme is subject to the achievement of a normalised EPS growth at an annual compound rate of 20% over the performance period. The base year for the purposes of the EPS target will be the financial year of the Company ended immediately prior to the grant of the award. The performance period will be the three financial years following the base year. Section D Scheme options will only become exercisable to the extent they have vested in accordance with the EPS target.

#### Share Matching Plan

In the year ended 31 March 2012, the Remuneration Committee introduced the Share Matching Plan. Participants who invest a proportion of their annual cash bonus in GBG shares can receive up to a multiple of their original investment in GBG shares, calculated on a pre-tax basis. Any matching is conditional upon achieving pre-determined Adjusted EPS growth targets set by the Remuneration Committee for the following three years. Share Matching Plan options will only become exercisable to the extent they have vested in accordance with the Adjusted EPS target.

#### GBG Sharesave Scheme

The Group has a savings-related share option plan, under which employees save on a monthly basis, over a three or five year period, towards the purchase of shares at a fixed price determined when the option is granted. This price is usually set at a 20% discount to the market price at the time of grant. The option must be exercised within six months of maturity of the savings contract, otherwise it lapses.

The charge recognised from equity-settled share-based payments in respect of employee services received during the year is £994,000 (2016: £1,245,000).

The following table illustrates the number and weighted average exercise prices ('WAEP') of, and movements in, share options during the year.

	2017 No.	2017 WAEP	2016 No.	2016 WAEP
Outstanding as at 1 April	5,018,024	46.28p	6,724,777	26.93p
Granted during the year	522,880	38.98p	1,561,245	87.73p
Forfeited during the year	(451,004)	32.78p	(13,298)	114.73p
Cancelled during the year	(22,793)	163.0p	(15,674)	127.43p
Exercised during the year	(1,725,637)	29.19p <sup>1</sup>	(3,151,026)	25.07p <sup>2</sup>
Expired during the year	-	-	(88,000)	35.68p
Outstanding at 31 March	3,341,470	54.93p	5,018,024	46.28p
Exercisable at 31 March	1,471,685	24.58p	1,318,453	38.96p

<sup>1</sup> The weighted average share price at the date of exercise for the options exercised is 301.38p

<sup>2</sup> The weighted average share price at the date of exercise for the options exercised is 217.51p

For the shares outstanding as at 31 March 2017, the weighted average remaining contractual life is 6.5 years (2016: 5.9 years).

The weighted average fair value of options granted during the year was 266.35p (2016: 133.46p). The range of exercise prices for options outstanding at the end of the year was 2.5p – 275.0p (2016: 2.50p – 272.25p).

# Notes to the Accounts continued

## 27. Share-based Payments continued

The fair value of equity-settled share options granted is estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model for the years ended 31 March 2017 and 31 March 2016.

	2017	2016
Dividend yield (%)	0.7	0.7 – 0.9
Expected share price volatility (%)	30	20 – 25
Risk-free interest rate (%)	0.2 – 0.6	0.9 – 1.3
Lapse rate (%)	5.0	5.0
Expected exercise behaviour	See below	See below
Market-based condition adjustment (%)	48.00	48.00
Expected life of option (years)	2.3 – 4.6	3.0 – 5.0
Exercise price (p)	2.50 – 275.0	2.50 – 272.25
Weighted average share price (p)	301.38	217.51

Other than for Matching Scheme options, it is assumed that 50% of options will be exercised by participants as soon as they are 20% or more 'in-the-money' (i.e. 120% of the exercise price) and the remaining 50% of options will be exercised gradually at the rate of 20% per annum for each year they remain at or above 20% 'in-the-money'.

For Matching Scheme options, it is assumed that participants will choose to exercise at the earliest opportunity (i.e. vesting date) since the exercise price is a nominal amount and is therefore not expected to influence the timing of a participant's decision to exercise the options.

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

The market-based condition adjustment takes into account the likelihood of achieving market conditions, and allows for the fact that, if a Section C option vests, it does not always vest at 100%.

No other features of options granted were incorporated into the measurement of fair value.

## 28. Profit Attributable to Members of the Parent Company

The profit dealt with in the financial statements of the Parent Company is £10,717,000 (2016: £8,317,000). There are no OCI items in either financial year.

## 29. Description of Reserves

### Equity Share Capital

The balance classified as share capital includes the total net proceeds (both nominal value and share premium) on issue of the Company's equity share capital, comprising 2.5p ordinary shares.

### Merger Reserve

The balance on the merger reserve represents the fair value of the consideration given in excess of the nominal value of the ordinary shares issued in the acquisition of GB Mailing Systems by the issue of shares.

### Capital Redemption Reserve

The balance classified as capital redemption reserve includes the nominal value of own shares purchased back by the Company and subsequently cancelled.

# Notes to the Accounts continued

## 30. Related Party Transactions

During the year, the Group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into and trading balances outstanding at 31 March are as follows:

Group	Sales to related parties £'000	Purchases from related parties £'000	Net amounts owed to/(by) related parties £'000
Directors (see below):			
2017	-	3	-
2016	-	1	-
Other related parties (see below):			
2017	55	-	7
2016	33	-	(5)
Company	Sales to related parties £'000	Purchases from related parties £'000	Net amounts owed to/(by) related parties £'000
Subsidiaries:			
2017	1,938	853	7,793
2016	915	714	10,276
Directors (see below):			
2017	-	3	-
2016	-	1	-
Other related parties (see below):			
2017	55	-	7
2016	33	-	(5)

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

Richard Law, the Chief Executive of the Company during the year, is a Director of Zuto Limited which is a client of the Group. Transactions with them have been reported under the heading of 'other related parties' in the table above.

For part of the year, 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 for transactions with subsidiaries are the same, with the exception that balances are placed on intercompany accounts with no specified credit period. During the year ended 31 March 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)

	Group and Company	
	2017 £'000	2016 £'000
Short-term employee benefits	1,731	1,520
Post-employment benefits	31	24
Fair value of share options awarded	393	929
	<u>2,155</u>	<u>2,473</u>

# Notes to the Accounts continued

## 31. Business Combinations

### Acquisitions in the Year Ended 31 March 2017

#### Group

#### 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. The Consolidated Statement of Comprehensive Income includes the results of IDscan for the nine 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
<b>Assets</b>	
Technology intellectual property	5,405
Customer relationships	3,917
Non-compete agreements	467
Plant and equipment	222
Purchased software	7
Acquired goodwill	19
Inventory	155
Trade and other receivables	2,551
Cash	1,186
Trade and other payables	(2,896)
Corporation tax liabilities	(427)
Deferred tax liabilities	(1,818)
<b>Total identifiable net assets at fair value</b>	<b>8,788</b>
Goodwill arising on acquisition	34,880
<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)	1,186
Cash paid	(37,000)
<b>Net cash outflow</b>	<b>(35,301)</b>

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 31 March 2017 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 £6,076,000 of revenue and operating profits of £1,587,000 to the Group. If the combination had taken place at the beginning of the year, the Group revenue and operating profits would have been £89,514,000 and £10,984,000, respectively.

The fair values reported in the Interim 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 £39,000 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.

# Notes to the Accounts continued

## 31. Business Combinations continued

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 31 March 2017, the value of the contingent consideration after partial unwinding of the discounting was £7,122,000. 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 31 March 2017, 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.

## Acquisitions in the Year Ended 31 March 2016

### **Group**

#### *Acquisition of Loqate Inc.*

On 27 April 2015, the Group acquired additional shares in Loqate Inc. ('Loqate') taking its shareholding to 100% of the voting shares. Loqate is an unlisted company based in the United States of America and is a leading provider of global location intelligence data and technology. The Company acquired Loqate to bring together all the data that sits behind its address and identity verification solutions into one common global platform – making for a seamless integration of registration, on-boarding and identity checking processes. It will also further support GBG's expansion by allowing access to the North American market through Loqate's significant partnerships with some of the world's largest software companies. The Consolidated Statement of Comprehensive Income includes the results of Loqate for the eleven month period from the acquisition date for the 2016 financial year.

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

	<b>Fair value recognised on acquisition £'000</b>
<b>Assets</b>	
Technology intellectual property	756
Customer relationships	1,912
Non-compete agreements	63
Plant and equipment	72
Internally developed software	18
Trade and other receivables	1,106
Cash	667
Trade and other payables	(2,559)
Deferred tax liabilities	(929)
<b>Total identifiable net assets at fair value</b>	<b>1,106</b>
Goodwill arising on acquisition	6,502
<b>Total purchase consideration transferred</b>	<b>7,608</b>
 <i>Purchase consideration:</i>	
Cash	8,641
Value of original equity stake	247
Contingent consideration adjustment	(1,280)
<b>Total purchase consideration</b>	<b>7,608</b>
 <i>Analysis of cash flows on acquisition:</i>	
Transaction costs of the acquisition (included in cash flows from operating activities)	(108)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	667
Cash paid	(8,641)
<b>Net cash outflow</b>	<b>(8,082)</b>

The fair value of the acquired trade receivables amounts to £627,000. The gross amount of trade receivables is £694,000. 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 Loqate 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 £108,000 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, Loqate has contributed £4,140,000 of revenue and operating profits of £296,000 to the Group. If the combination had taken place at the beginning of the year, the Group revenue and operating profits would have been £73,672,000 and £9,335,000, respectively.

# Notes to the Accounts continued

## 31. Business Combinations continued

### *Contingent Consideration - Loqate*

As part of the share sale and purchase agreement, a purchase price adjustment mechanism was agreed which at the acquisition date had a fair value of a purchase price reduction of £1,280,000 having been determined from management's estimates of the ranges and their respective likelihoods. The contingent consideration adjustment was determined and settled with the sellers before the year end resulting in a repayment of £1,457,000. The difference was recognised as an exceptional gain item in the Consolidated Statement of Comprehensive Income (note 7).

### *Other Business Combination Adjustments - DecTech*

During the year ended 31 March 2016, final settlement of AUS\$9,500,000 (£4,700,000) was made relating to the first tranche of the contingent consideration on the acquisition of DecTech resulting in a reduction in the contingent consideration liability on the balance sheet. At 31 March 2016, the value of the second tranche of contingent consideration after partial unwinding of the discounting was AUS\$1,970,000 (£1,050,000). Adjustments to the fair value of the contingent consideration are made in the Consolidated Statement of Comprehensive Income under IFRS 3 (Revised) Business Combinations (note 7).

### *Other Business Combination Adjustments - CDMS*

During the year ended 31 March 2016, final settlement of £1,000,000 was made relating to the contingent consideration on the acquisition of CDMS resulting in a reduction in the contingent consideration liability on the balance sheet. Adjustments to the fair value of the contingent consideration for the unwinding of discounting was made in the Consolidated Statement of Comprehensive Income under IFRS 3 (Revised) 'Business Combinations' (note 7).

## Company

### *Acquisition of CDMS Limited*

On 1 April 2015, the Company acquired the trade, assets and liabilities of CDMS Limited at book value. Details of the assets and liabilities that were transferred to the Company were as follows:

	Fair value £'000
<b>Assets</b>	
Plant and equipment	137
Intangible assets – purchased software	23
Deferred tax assets	1,093
Trade and other receivables	2,196
Cash	1,197
Trade and other payables	(1,824)
<b>Total net assets at fair value</b>	<b>2,822</b>

The Directors believe that the fair values of the assets and liabilities were equal to the book values.

Consideration for the transfer was equal to the book value of total net assets and was settled through intercompany accounts.

The fair value of the acquired receivables amounts to £2,196,000. The gross amount of receivables is £2,266,000. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

# Notes to the Accounts continued

## 32. Contingent Consideration

### Assets

<i>Group and Company</i>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April	-	-
Recognition on the acquisition of subsidiary undertakings	-	1,280
Fair value adjustment to contingent consideration	-	177
Settlement of consideration	-	(1,457)
At 31 March	-	-

### Liabilities

<i>Group</i>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April	<b>1,050</b>	6,628
Recognition on the acquisition of subsidiary undertakings	<b>6,668</b>	-
Fair value adjustment to contingent consideration	<b>(92)</b>	-
Settlement of consideration	<b>(1,026)</b>	(5,745)
Unwinding of discount	<b>563</b>	255
Exchange differences on retranslation	<b>(41)</b>	(88)
At 31 March	<b>7,122</b>	1,050

#### Analysed as:

Amounts falling due within 12 months	<b>7,122</b>	1,050
Amounts falling due after one year	-	-
At 31 March	<b>7,122</b>	1,050

The opening balance at 1 April 2016 represented contingent consideration amounts relating to the acquisition of DecTech. During the year a final payment of AU\$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.

The opening balance at 1 April 2015 represented contingent consideration amounts relating to the acquisition of CDMS and DecTech. During the year a final payment of £1,000,000 was made to settle the outstanding obligation on CDMS and a payment of £4,745,000 for the first tranche on DecTech. The closing balance at 31 March 2016 relates to provisions for contingent consideration for DecTech. Exchange differences of £88,000 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.

<i>Company</i>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April	-	934
Recognition on the acquisition of subsidiary undertakings	<b>6,668</b>	-
Fair value adjustment to contingent consideration	<b>(92)</b>	-
Settlement of consideration	-	(1,000)
Unwinding of discount	<b>546</b>	66
At 31 March	<b>7,122</b>	-

#### Analysed as:

Amounts falling due within 12 months	<b>7,122</b>	-
Amounts falling due after one year	-	-
At 31 March	<b>7,122</b>	-

The fair value of contingent consideration is 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 are therefore based on future trading activity, which is estimated based on latest forecasts (Level 3 as defined by IFRS 13).

# Notes to the Accounts continued

---

## **33. Events After the Reporting Period**

### **Acquisition of Postcode Anywhere (Holdings) Limited**

On 11 May 2017 the Group acquired 100% of the share capital of Postcode Anywhere (Holdings) Limited ('PCA Predict') a provider of UK and International address validation and data quality services, for a total consideration of £73,852,423 which included approximately £10,387,000 of cash on the balance sheet of PCA Predict. The combination of the two businesses represents a highly complementary capability alongside GBG's existing ID Registration solutions.

Part of the consideration was funded through a separate placing of 17,058,824 new ordinary shares in the capital of GB Group plc which were admitted to trading on 11 May 2017. This placing raised approximately £58 million. Part of the consideration was also funded through a £10 million draw down on the Group's existing borrowing facilities.

As the completion accounts are yet to be finalised, no information has been disclosed at this time on the fair value of assets and liabilities acquired and goodwill arising.

Further details of the acquisition are set out in a separate regulatory announcement released on 9 May 2017.

# Useful Information

---

## Shareholder Information

The Investors section of the Company's website, [www.gbgplc.com](http://www.gbgplc.com), contains detailed information on news, key financial information, annual reports, share price information, dividends and key contact details. The following is a summary and readers are encouraged to view the website for more detailed information.

## Dividend Reinvestment Plan

The Company offers a Dividend Reinvestment Plan that enables shareholders to reinvest cash dividends into additional shares in the Company. Application forms can be obtained from Equiniti. You must arrange for your Dividend Reinvestment Plan application form to be received by Equiniti no later than 4 August 2017 to join the plan for the final dividend for the year ended 31 March 2017.

## Share Price Information

The closing middle market price of a share of GB Group plc on 31 March 2017 was 293.0p. During the year, the share price fluctuated between 169.0p and 283.75p. The Company's share price is available on the website, [www.gbgplc.com](http://www.gbgplc.com), with a 15 minute delay, and from the London Stock Exchange website.

## Share Scams

Shareholders should be aware that fraudsters may try and use high pressure tactics to lure investors into share scams. Information on share scams can be found on the Financial Conduct Authority's website, [www.fca.org.uk/scams](http://www.fca.org.uk/scams).

## Financial Calendar

Ex-dividend date for 2017 final dividend	20 July 2017
Record date for 2017 final dividend	21 July 2017
Annual General Meeting	25 July 2017
2017 final dividend payment date	25 August 2017
Announcement of 2017 half year results	November 2017

## Shareholder Enquiries

GBG is aware that there may be times when shareholders may wish to contact the Company when there are changes in their circumstances (such as when they have moved house or have got married and have changed their name). There may also be occasions when a share certificate has been misplaced or lost and a duplicate copy is required. In such instances, GBG's registrar, Equiniti, is able to deal with these enquiries and take the necessary action.

Website: <https://equiniti.com/contact/>

Address:  
Equiniti  
Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6DA

Phone from UK: 0371 384 2030  
Phone from overseas: +44 121 415 7047

## Website

In addition to accessing the latest information about the Company and its products and services, the following is also available from the GBG website:

- copies of announcements, press releases and case studies;
- copies of past and present annual and interim reports which can be viewed and downloaded.

# Useful Information continued

---

## **Registered Office**

GB Group plc  
The Foundation, Herons Way  
Chester Business Park  
Chester  
CH4 9GB  
United Kingdom

(Registered in England, Number 2415211)

## **Auditors**

Ernst & Young LLP  
100 Barbirolli Square  
Manchester  
M2 3EY

## **Nominated Advisor and Broker**

Peel Hunt  
Moor House  
120 London Wall  
London  
EC2Y 5ET

## **Solicitors**

Squire Patton Boggs (UK) LLP  
Trinity Court  
16 John Dalton Street  
Manchester  
M60 8HA

## **Registrars**

Equiniti  
Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6DA

T: +44 (0)1244 657333  
E: [enquiries@gbgplc.com](mailto:enquiries@gbgplc.com)  
W: [www.gbgplc.com](http://www.gbgplc.com)