GBG

USING IDENTITY INTELLIGENTLY

Annual Report and Accounts 2016

Introduction

GBG is a global specialist in Identity Data Intelligence. We help organisations make decisions about the customers they serve and the people they employ.

www.gbgplc.com

Visit us online to understand more about how we use identity data intelligently.

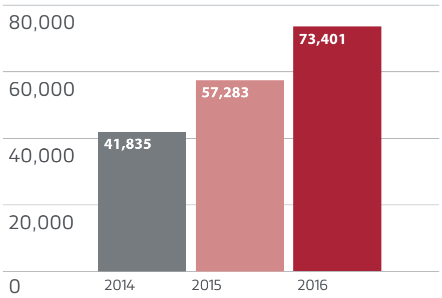
Highlights 2016

GBG has had another strong year achieving record revenues and delivering profitability ahead of market expectations. This is testament to the hard work, dedication and talent of our excellent team.

This was achieved whilst simultaneously increasing our operating expenditure on the development of new products, expanding our international operations and strengthening our management team. As a result we have entered the new financial year with strong momentum and excellent prospects.

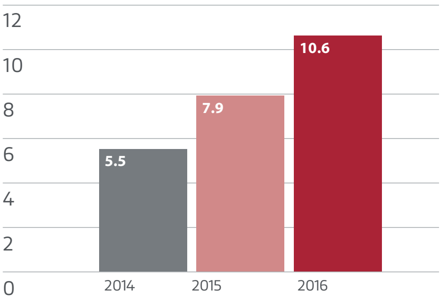
Group revenue (£'000)

£73.4 million



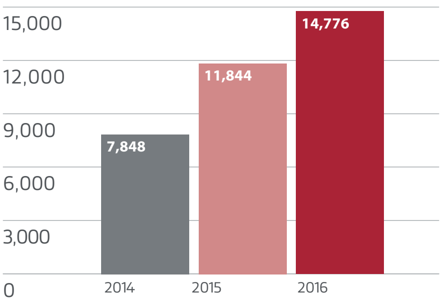
Adjusted earnings per share[1] (pence)

10.6p



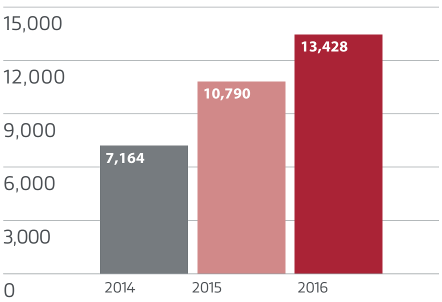
Adjusted EBITDA (£'000)

£14.8 million



Adjusted operating profit[2] (£'000)

£13.4 million



Operational Highlights

- Loqate, which became part of the Group in April 2015, reached profitability earlier than anticipated and finished the year ahead of management expectations.
- Development of CitizenSafe®, GBG's public identity verification service as part of the UK government's GOV.UK Verify platform.
- Strong growth in international revenues, increasing to 26% of Group revenues (2015: 19%), reflecting success in expanding our operations outside the UK.
- Growing levels of new business from major blue chip organisations including British Airways and HSBC.
- Deferred revenue balances increased to £13.8 million (2015: £9.9 million), giving strong visibility for the year ahead.

Chief Executive's Review

Read more on page 16

1 Derived from adjusted operating profit less net finance costs and tax.

2 Profits before amortisation of acquired intangibles, share-based payments charges, exceptional items, share of results from associates, net finance costs and tax.

At a Glance

Data is the fuel of the digital economy. GBG enables clients to connect instantly to over 300 third-party datasets, helping our clients focus on improving their customers' experience while adhering to their own internal risk management, fraud or compliance procedures.

> In the digital world where most of us live, our identities are continually defined by the billions of data bytes we share.

Our Clients

We currently support over 6,000 clients across the world, in both the private and public sector.

The organisations we serve need identity data intelligence to protect themselves from financial crime or regulatory non-compliance and to improve the overall experience they offer customers – with the ultimate goal of improving their overall business.

Our technology spans employee screening, customer on-boarding and fraud management across all B2C sectors. We support customers globally in traditional banking, government, utilities, retail and transport as well as newly emerging industries such as eCommerce, online gaming, cryptocurrency and mobile payments.

As we have grown, our most successful clients have grown and many of our client relationships stretch back more than 20 years.

How We View Identity

Attributed
- Name & address
- Passport
- Payment details
- Education qualifications

Biometric
- Fingerprints
- Retina
- Voice
- DNA

Behavioural
- Interests
- Likes
- Dislikes
- Usage patterns

Digital
- Device ID
- IP address
- Social ID
- Cookies

Identity can be defined as the characteristics by which an individual is known. Today, several elements build our identity and every individual has thousands of characteristics that can be gleaned from a wide range of data sources. The more identity data points analysed, the better informed business decisions will be and the better the customer experience.

This is where identity data intelligence comes in. GBG's technology takes identity data from multiple sources and enables organisations to make clear decisions about the customers they serve and the people they employ.

International Revenue
26%

People Verified
4 billion+

Active Fraud Solutions
47 countries

Identity Registration and Document Validation
190+ countries

Chairman's Statement

> We have invested heavily in talent and technology during the year and are well positioned for the many opportunities being generated worldwide by the need for identity data intelligence.

David Rasche
Chairman

I am extremely pleased with GBG's performance again this year. Revenues and profits continued to show strong growth with the Group delivering adjusted operating profits[1] ahead of market expectations. This was achieved on top of the additional investment of £3.4 million during the year on increasing the scale and reach of our international operations, strengthening the senior management team and further developing our extensive product range.

Revenues increased by 28% to £73.4 million (2015: £57.3 million), of which just over half (16%) was organic growth[2]. Even more pleasing was the translation of this strong top line performance to the adjusted operating profit line with a 24% increase to £13.4 million (2015: £10.8 million) and an increase in adjusted earnings per share of 34% to 10.6 pence (2015: 7.9 pence).

This performance was a direct result of the continuing hard work, passion and dedication of the GBG team in delivering our strategy and I would like to offer my sincere thanks to them on behalf of the Board and shareholders.

Dividend

The Board has recommended a 12.4% increase in the dividend to 2.08 pence (2015: 1.85 pence), continuing our progressive dividend growth which we regard as an important component of our shareholder return. The dividend is subject to approval at the forthcoming Annual General Meeting to be held on 26 July 2016. Upon approval, the dividend will be paid on 26 August 2016. GBG will, once again, offer eligible shareholders the choice to reinvest their dividends back into GBG shares by way of the Dividend Reinvestment Plan.

1 Adjusted operating profit means profits before amortisation of acquired intangibles, share-based payment charges, exceptional items, share of results from associates, net finance costs and tax.
2 Adjusting for constant currency.

Number of global internet users passes 500 million.

2001

2002

GB Information Management rebrands to GB Group, focusing on providing customer insight and contact information.

2004

Launched the world's first electronic ID verification service, URU, in partnership with BT.

Outlook

The growing market for identity data intelligence solutions continues to present strong opportunity for our products and I am confident that GBG's clear leadership in this area will fuel further growth. We have invested heavily in talent and technology during the year and are well positioned for the many opportunities being generated worldwide by the need for identity data intelligence.

We are naturally disappointed that Richard Law has indicated his desire to step down as Chief Executive once a suitable successor has been found but fully understand and support his family-based reasons. Our excellent management team is ensuring that the business continues to thrive while we find the best possible successor. The continued success and excellent long-term prospects for GBG should enable us to attract the highest calibre of talent to take the Group to even greater future success.

D A Rasche
Chairman

One billion internet users worldwide.

2006

Launched international identity verification service covering 21 countries.

Apple launches the new iPhone.

2007

Released first version of eTrace, a deep-dive tracing and investigation service.

2010

Moved to AIM listing.

Two billion internet users worldwide.

2011

Extended capabilities to include people tracing and driving licence checking with acquisition of Data Discoveries and Advanced Checking Solutions.

Became the UK's second largest provider of address management solutions with acquisition of Capscan.

2012

Launched ID3global to provide all ID verification services through a single API.

2013

With acquisitions of TMG.tv and CRD, became UK's largest criminal records checking agency, able to offer clients full ID and 'Right to Work' verification for employees.

2014

GBG Connexus, built on eTrace platform, wins 'Most Innovative Newcomer' at UK's Retail Fraud awards.

Completed acquisitions of Transactis, a customer transactional data aggregator, and DecTech, providing i-fraud prevention capabilities and an enlarged customer base in APAC.

Number of global internet users passes three billion.

2015

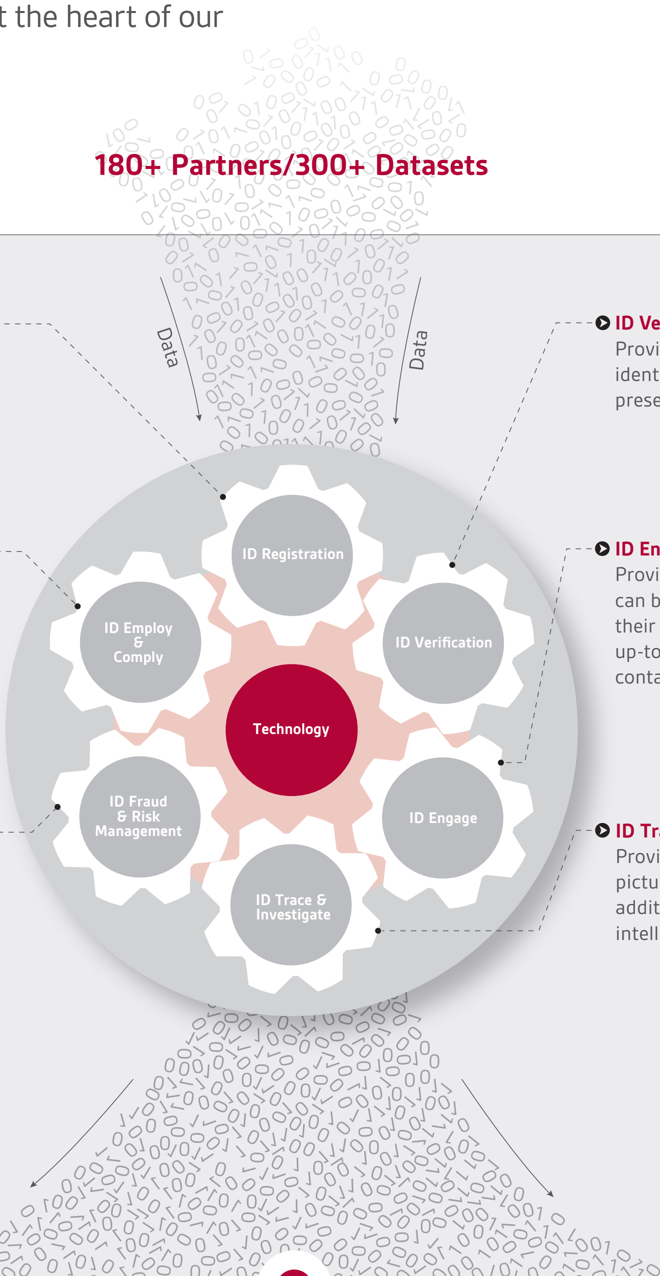
Acquired Loqate, providing a base in Silicon Valley for our US-focused operations and enabling us to bring together all the address and identity data behind its solutions into one global platform.

Rebranded to GBG.

Business Model

We continuously build and nurture partnerships with data providers around the world to ensure the breadth of identity data at the heart of our technology is unrivalled.

180+ Partners/300+ Datasets



ID Registration
Includes software and services for quick and accurate customer registration, address lookup and identity data validation.

ID Employ & Comply
Provides background checks through online verification and authentication of individuals, enabling organisations to safeguard, recruit and engage with confidence.

ID Fraud & Risk Management
Provides fraud detection, risk management and customer on-boarding solutions.

ID Verification
Provides the ability to verify consumers' identities remotely, without the physical presentation of documentation.

ID Engage
Provides database services so our clients can better understand, target and retain their customers and offers accurate and up-to-date identity information for their contact strategies.

ID Trace & Investigate
Provides the largest and most accurate picture of the UK's population. The recent addition of social media open-source intelligence provides global reach.

IDENTITY DATA INTELLIGENCE

- Fraud analytics
- Behaviour monitoring
- Finding people
- AML checks and monitoring
- Age verification
- Customer registration
- Address validation
- Marketing campaign management
- Data cleansing
- Driving licence checks
- Right to Work checks
- Online criminal record checks

How We Create Value

Global Reach
With increased global movement of people, the opening of new markets and the huge growth in cross-border eCommerce, organisations need to know individuals are who they say they are. Of the six product and service areas that make up GBG's core offering, four are currently equipped to work internationally, and it is our goal to build international data into the remaining two in the near term.

Everything GBG does has a global future. For example, our identity assurance proposition, CitizenSafe, certified by the UK Government, enables users of government services to verify their identity instantly. It is currently a UK-based proposition but has equal application for any government, anywhere, that is looking to move its service delivery onto a digital platform.

GBG is building the runway for future growth. Once a platform is in place, solutions can be rolled out at low cost across all markets.

Specialist
It is not only our global reach that differentiates GBG from our competitors; we are specialists in our field. With our wide base of data partnerships, we lead the market. We bring together more data than anyone else in our field; we are data agnostic – meaning our technology is designed to assimilate and analyse data from any source and in any format. We continuously develop new propositions, often in collaboration with our customers, so they can respond to fast-changing market and regulatory requirements.

Whilst competitors may be larger than GBG, they have a more limited data pool from which to source intelligence. We are trusted partners of the numerous external organisations who share data with us. This also includes strong relationships with our largest competitors; while we compete with them for specific solutions, we also see them as strategic partners for identity-related data, especially credit data. This concept of 'coopetition' – co-operation with competitors – places GBG as the leader at the very heart of the global identity data intelligence market.

Innovative
Our identity is no longer defined simply by a name, address or phone number. Mobile devices, email and social IDs, online behavioural patterns and biometric data increasingly identify us. Mass adoption of new sharing economy and mobile services are redefining global commerce.

GBG is perfectly placed to support the new digital economy. We enable companies to take new business models to market. Failure to adapt means running the risk of being leapfrogged by those who do.

New proposition development and continued innovation is vital in our industry. We approach this internally within our own technology team; approximately 30 per cent of our staff work in technology development – fundamentally our R&D resource. But we also develop partnerships in key areas of expertise, particularly relating to use of data in specific application areas like Politically Exposed or Sanctioned Persons ('PEPs') and understanding what is happening on the 'dark web' with regards to client data so we can understand what we need to develop to help protect us all.

Every day, around the world, trillions of decisions are taken about people. The decision-making process will increasingly rely upon solid intelligence, drawn from the ever increasing volumes of data available to organisations.

Market Review

We build services to support the digital economy. The World Economic Forum estimates that up to 900 million additional people, mainly in the developing world, will gain access to the internet by 2017.

Products will evolve into services, and services into experiences, with data serving as the backbone of their delivery[1].

In just five minutes:

1 billion+
emails are sent[2]

20 million+
Google searches[2]

360hrs
of video uploaded[2]

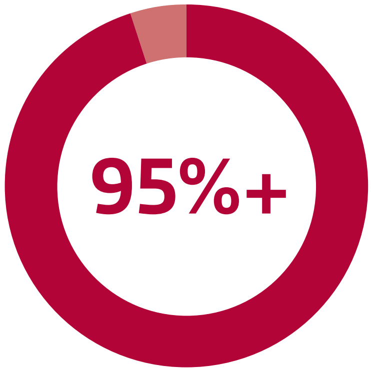
$12.5 million+
eCommerce sales[2]

10 million+
pieces of content shared[2]

1,200+
babies born[3]

Sources:
1 World Economic Forum: Digital transformation of Industries
2 DOMO
3 UNICEF

ID Engage



95% or more of Millennials say they want their brands to court them actively.
Source: Accenture

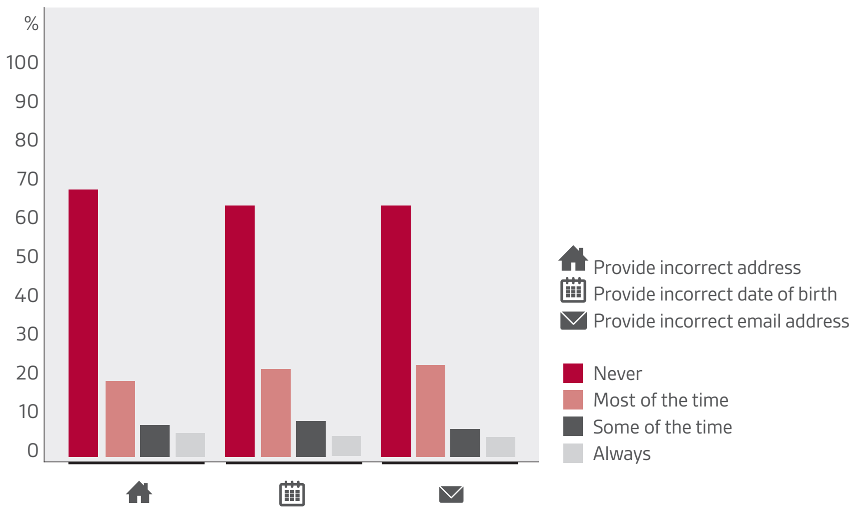
ID Verification

500 million identities were stolen or exposed online in 2015 according to a report by digital security firm Symantec.

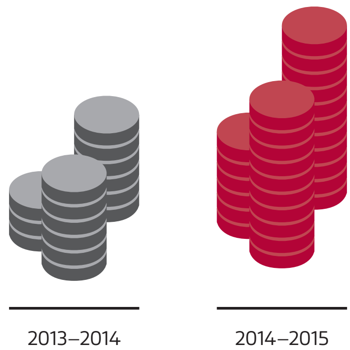
ID Registration

Over 25% of consumers provide intentionally incorrect information when submitting their personal details online.

Source: Verve



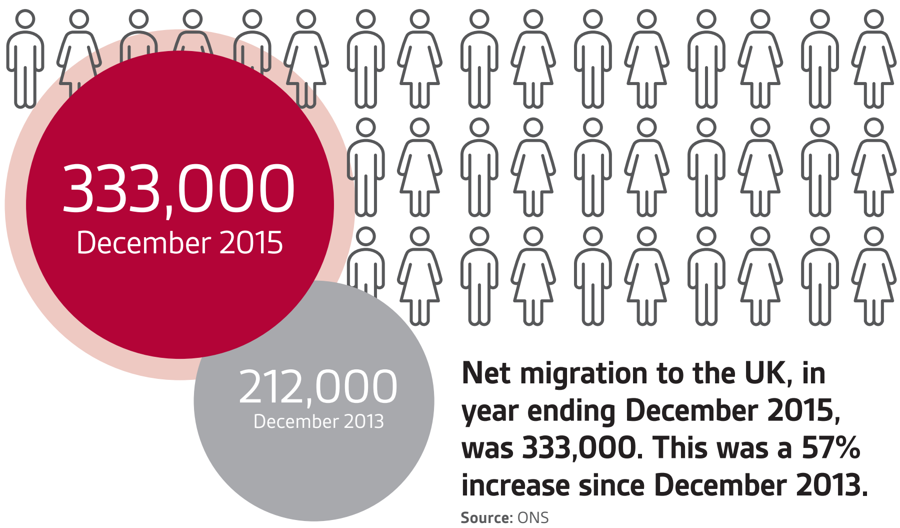
ID Trace & Investigate



In 2014–2015, fraud suffered by British Retail Consortium members increased 55% compared to the previous year.

Source: BRC

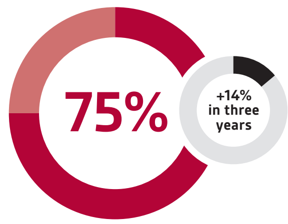
ID Employ & Comply



Net migration to the UK, in year ending December 2015, was 333,000. This was a 57% increase since December 2013.

Source: ONS

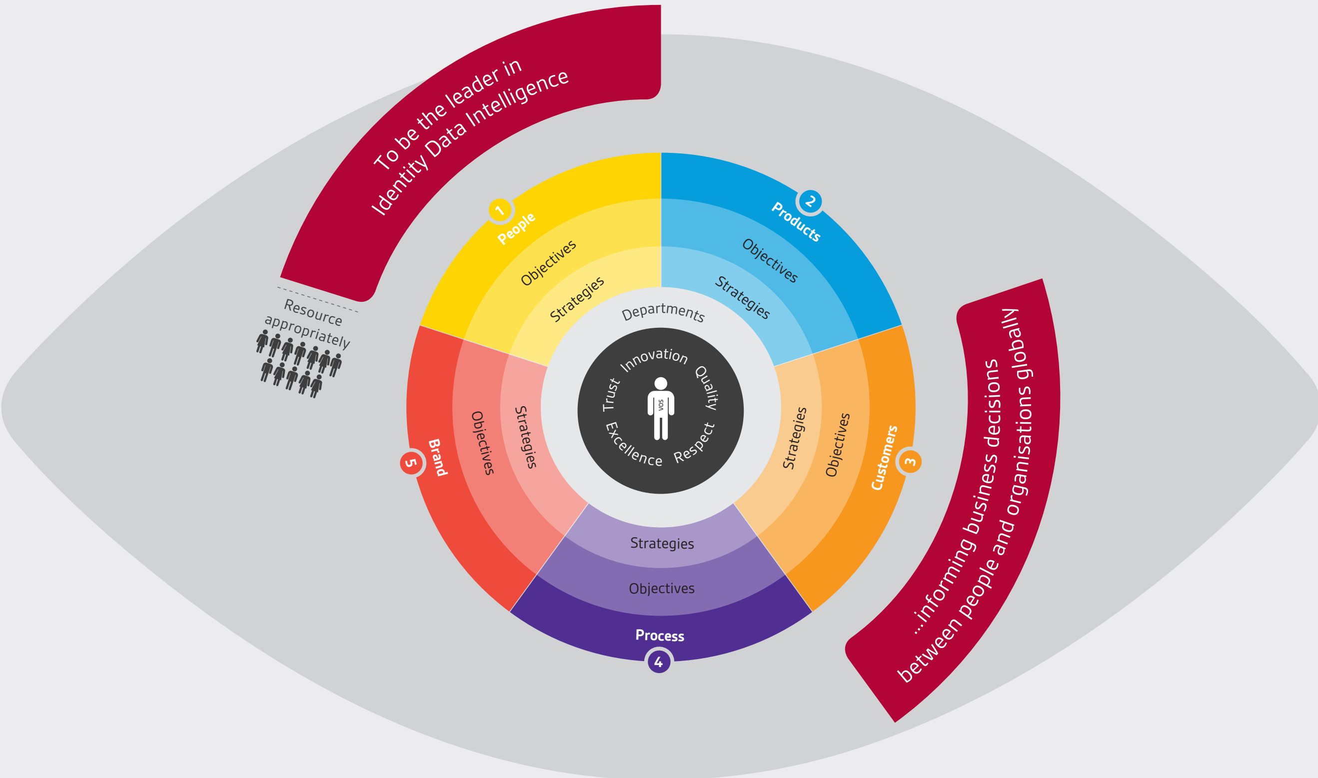
ID Fraud & Risk Management



75% of companies have fallen victim to a fraud incident in the past year, a rise of 14% in just three years.

Source: Kroll Global Fraud Report 2015–2016

Our Vision



Our Strategic Priorities

1 People

We will focus on the engagement of our fantastic team to retain and grow what we believe is some of the best talent in our industry.

2 Products

We will acquire and develop products that extend our unique value propositions in every market in which we operate.

3 Customers

We will focus on bringing on board major brands that can utilise products across the whole GBG portfolio – in every region of the world.

4 Process

We will continuously improve and innovate the way we do business in line with customer and employee feedback with the aim of making GBG an organisation that is easy to work with.

5 Brand

We will invest in our brand to make sure it is fully recognised in all of our target markets and areas of operation.

Strategic Priorities in Action

Everyone at GBG is familiar with our Vision, Objectives and Strategies ('VOS2020') framework. It is applied to all areas and levels of our business, enabling every individual to contribute to our success towards 2020. Through regular reports, it is easy to understand how we are progressing against Group, department, team and individual objectives. Here are some of the key VOS2020 highlights from the last 12 months.

Our strategy in action	People 1	Products 2	Customers 3	Process 4	Brand 5
Recruited a Chief People Officer to unify our people policies and programmes globally.	✓	–	–	–	–
Launched strategic improvement plans to enhance our customer service and product support capabilities.	–	–	✓	–	–
Successfully began moving our core products onto the cloud to support future growth.	–	✓	–	–	–
Created a global Engagement Ambassador programme to represent our teams in all locations.	✓	–	–	–	–
Improved the on-boarding process for customers to enable new account set-up within 24 hours.	–	–	–	✓	–
Acquired California-based Loqate to enhance our access to, and understanding of, location data.	–	✓	–	–	–
Rolled out a new UK website onto a global platform that will support all GBG sites.	–	–	–	–	✓
Successfully unified all sub-brands under the GBG identity.	–	–	–	–	✓
Migrated all former URU customers onto the wholly owned GBG ID3global platform.	–	–	✓	–	–
Launched CitizenSafe® to support the UK's delivery of government services digitally.	–	✓	–	–	–
Rolled out our Voice of the Customer programme across all touch-points to encourage continuous feedback on the way we work.	–	–	–	✓	–
Created an in-house Mergers and Acquisitions ('M&A') team to focus on developing a high quality acquisitions strategy.	–	✓	–	–	–
Formalised our data strategy and compliance team to support our customers in using the correct data, appropriately.	–	–	✓	–	–
Rolled out our share save scheme to all employees, globally, offering all our teams the chance to share in our success.	✓	–	–	–	–
Appointed a Head of New Proposition Development to drive product innovation.	–	✓	–	–	–

Strategic Priorities in Action continued

Strategic Priority 1

People

What We've Achieved

In September 2015, the People Team was successfully reorganised under the leadership of our new Chief People Officer, James Miller. The team now operates globally with sub-teams focused on Recruitment, Operations and Talent Development. We have simplified the way in which performance is monitored and created a strong, consistent framework for personal development that will ensure we grow and nurture all our teams consistently.

In March 2016, our UK Investors in People accreditation was upgraded to 'silver' status – reflecting the significant focus and investment GBG has made in its people.

Next Year

This year we will roll out a new intranet across all our teams to provide a digital communications platform, personalised to provide relevant role and location information.

We will emphasise the role of our managers in maintaining team engagement and we will create a digital talent recruitment and development platform to enable all our managers to work consistently.

Strategic Priority 2

Products

What We've Achieved

We launched a number of new upgrades to our products last year, including CitizenSafe and the addition of social media data to GBG Connexus, which provides additional tools for international fraud and investigation teams. In November, GBG Connexus won Best Newcomer, Most Innovative Online Product and Best Cross-Functional Product at the 2015 Retail Fraud Awards in the UK.

The migration of our core products onto a cloud-based platform through Rackspace means we can support the future growth of our business, unconstrained by data storage limits.

Next Year

We will continue to focus our product development on making all products available globally. We will continue to source high quality, innovative data to improve our capabilities in our core markets in North America and the Asia Pacific region.

We will continue to ensure that all our products are compliant with the latest legislation in country, including changes to data protection regulations in the EU and Payment Card Industry ('PCI') security standards across the world.

Strategic Priority 3

Customers

What We've Achieved

We launched a comprehensive Voice of the Customer programme, focused initially on our UK customer base which represented 81 per cent of our revenue. Our customers gave very positive and constructive feedback which has now been used to create strategic improvement plans in the key areas of customer service and 'getting help'.

The number of existing customers buying more than one GBG product has risen significantly, contributing to our continued organic revenue growth. The number of customers spending over £1 million with us also grew.

Next Year

This year our focus is on serving customers faster and more efficiently. We will create global service agreements with all our major customers, enabling them to get maximum value out of their relationship with GBG. We will support each with a dedicated Account Team, focused on creating an effortless experience for our customers, and their end consumers.

Strategic Priority 4

Process

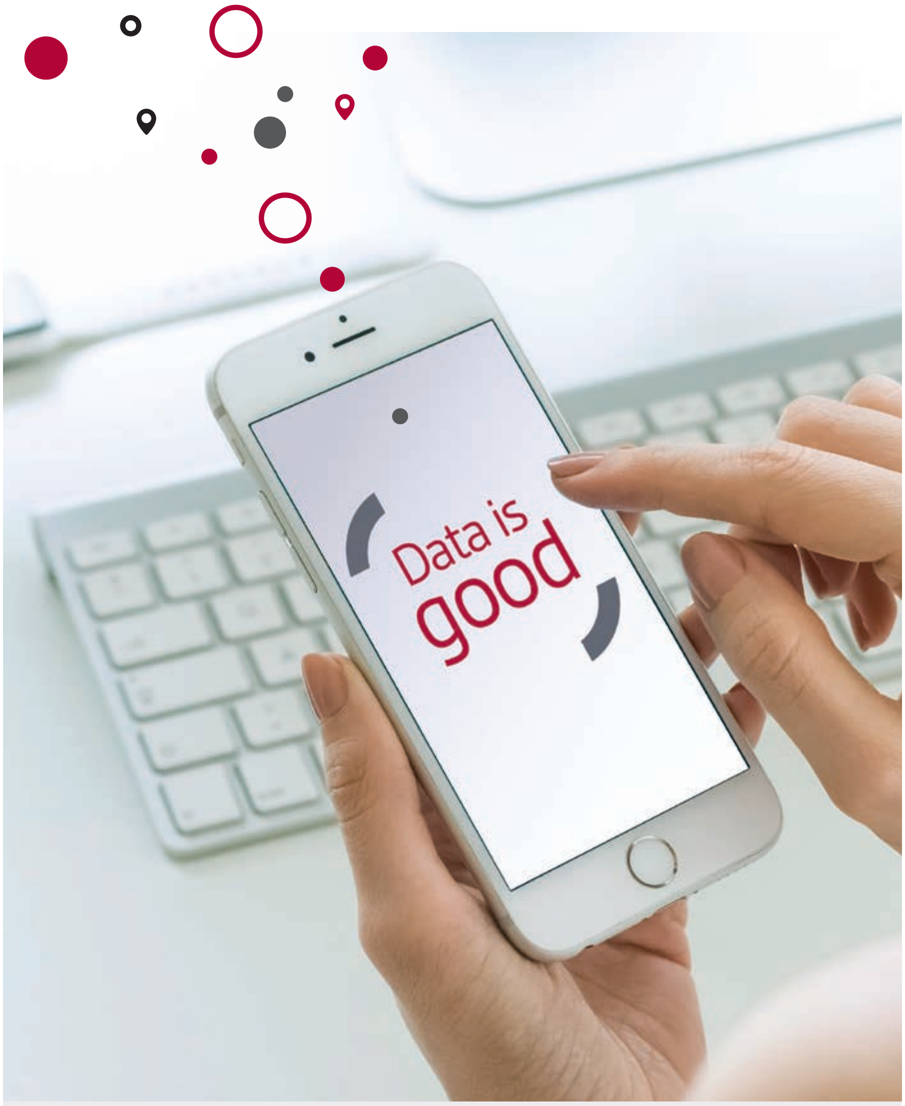
What We've Achieved
We have implemented a clear plan for re-engineering, and then automating, our core processes. Last year we focused on new customer on-boarding with the stated aim of setting up new customer accounts within 24 hours. We now successfully on-board 80 per cent of customers within this timeframe and will continue to improve on this in 2016–2017.

We created the infrastructure to automate our entire lead nurturing and customer management process. Our clear objective is to improve the quality of data and information within our own systems to enable us to serve customers better.

Next Year
We will continue to develop our products in a Software as a Service ('SaaS') environment, enabling customers to integrate our products easily across all locations.

We will continue our programme of strategic improvement plans based on the direct feedback from our customers.

We will further improve the speed at which we integrate acquired businesses into the Group.



Strategic Priority 5

Brand

What We've Achieved
We created a dedicated, globally experienced, Brand team to manage the development of the GBG brand across all assets and communications media. A strong focus on PR and investor communications indicated that GBG's Share of Voice in the UK last year was already at 5 per cent – a figure we can improve upon in 2016–2017.

We launched a new GBG web platform in July 2015 which will ensure that all future GBG websites will be developed within one framework to optimise brand recognition and user experience.

Next Year
We will enhance our investor experience by creating a dedicated Investor Zone to support our results and investor communications schedule.

We will create a new global website and dedicated in-country sites for all our key markets to provide consistent information on our brand, what we do and why.

We will enhance our communications programme with thought leadership that supports our brand development as 'the champion of the disrupter'.

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.

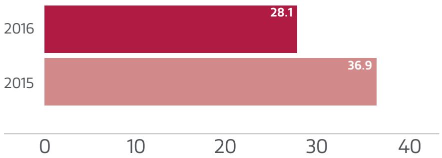
The Group uses the following primary measures to assess the performance of the Group and its propositions.

Financial

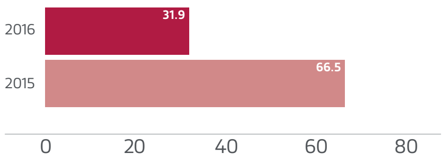
Revenue

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.

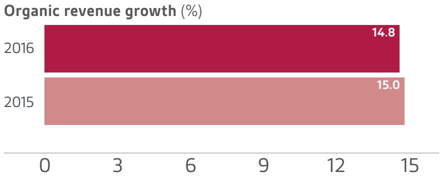
Revenue growth (%)



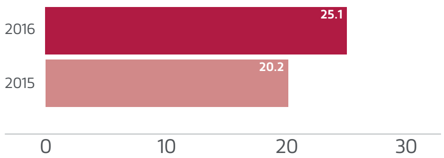
Identity Proofing revenue growth (%)



Organic revenue growth (%)



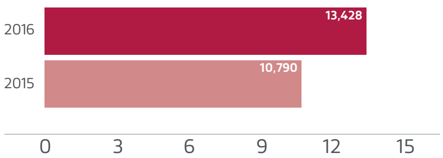
Identity Solutions revenue growth (%)



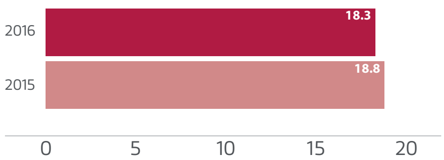
Adjusted Operating Profit

This is used by the Group for internal performance analysis to assess the execution of our strategies.

Adjusted operating profit (£'000)



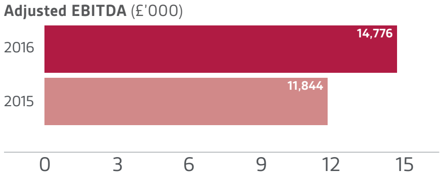
Adjusted operating profit (%)



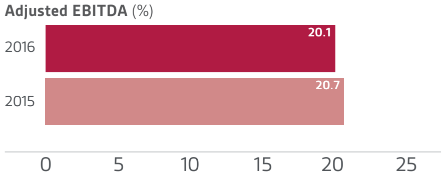
Adjusted EBITDA

This is used by the Group for internal performance analysis to assess the execution of our strategies.

Adjusted EBITDA (£'000)



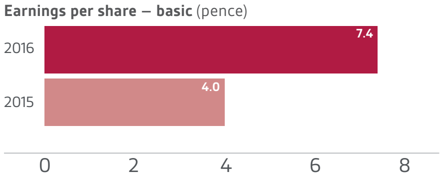
Adjusted EBITDA (%)



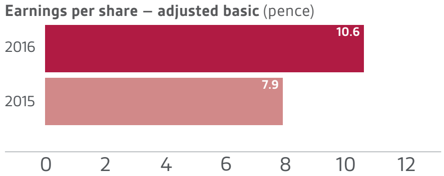
Earnings per Share

Earnings per share is calculated as basic earnings per share from continuing operations on both an adjusted and unadjusted basis.

Earnings per share – basic (pence)



Earnings per share – adjusted basic (pence)



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.

2016

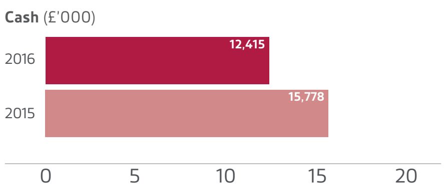
>80%

2015

>80%

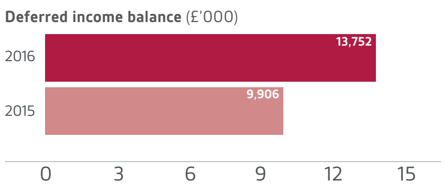
Cash

Cash and cash equivalent balances are used by the Group for internal performance analysis and by investors to assess progress against outlook statements.



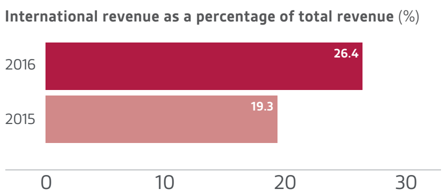
Deferred Income Balance

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.



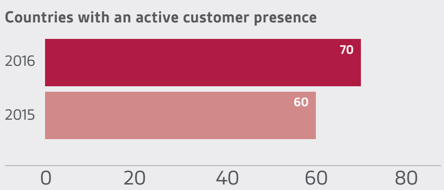
International Revenue as a Percentage of Total Revenue

This is an important internal measure for the Group to assess progress towards expanding our international operations.



Countries with an Active Customer Presence

This is an important internal measure for the Group to assess progress towards expanding our international operations.



Chief Executive's Review

We estimate GBG's addressable market globally to be in the order of £7 billion and we continue to attract new opportunities across the world with both existing and new clients.

Richard Law
Chief Executive

GBG has delivered another strong financial performance this year and we continue to extend our leadership of the identity data intelligence market in the UK and globally. This is a direct result of the hard work and talent of the GBG team and I am very grateful for their continued effort and commitment.

During the year we increased our operating expenditure on developing new products, expanding our international operations and strengthening our management team. We also established a presence in the USA through the successful acquisition of Loqate based in San Francisco. These investments, coupled with growing markets both in the UK and globally, have enabled us to start the new year well and I consider we have good growth prospects in the year ahead.

Financial Performance

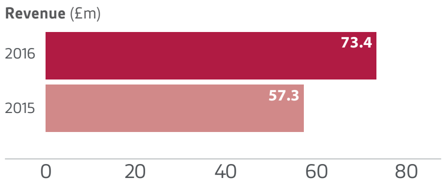
GBG's financial performance has continued to improve with revenues increasing by 28% to £73.4 million (2015: £57.3 million). Organic revenue growth was 16% with the balance primarily from the acquisition of Loqate in April 2015.

As a result of this growth, we reported a 24% increase in adjusted operating profit to £13.4 million (2015: £10.8 million), ahead of market expectations.

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 £3.9 million to £13.8 million, giving strong revenue visibility for the financial year ahead.

Strong revenue growth

+28%



The Company continues to be highly cash generative and cash balances at 31 March 2016 were £12.4 million (2015: £15.8 million) following payments of £14.5 million for the cash purchase of Loqate, the settlement of earn-outs on prior acquisitions and the payment of dividends to shareholders. Net cash balances were £8.7 million (2015: £11.4 million).

As a result of the above, GBG is well positioned to pursue its strategy of continued growth in the year ahead.

The Global Identity Data Intelligence Market

Consumers and citizens are increasingly moving to transacting in real time across international borders. New business models, for instance in the sharing economy, are disrupting the way things are done and the world's governments are moving towards making access to their services as easy and convenient as that for online banking.

These changes benefit us all but at the same time bring with them new risks of fraud, identity theft and cybercrime. GBG's Identity Data Intelligence services constantly analyse many terabytes of information and provide specific intelligence to organisations in over 70 countries enabling them to address these issues and comply with legislation without detracting from the customer experience.

We estimate GBG's addressable market globally to be of the order of £7 billion and we continue to attract new opportunities across the world with both existing and new clients. An illustration of this is the strengthening of our relationship with HSBC who, this year, implemented our GBG Instinct solution for application fraud in its 25th country. The bank's use of our software across territories as diverse as Asia Pacific, Europe, the Middle East, and Central & South America, highlights the growing importance of having a consistent global approach to combatting fraud and identity theft.

Identity Proofing ('IDP')

Our IDP business, which provides electronic identity verification, fraud prevention and employee screening solutions, saw revenues increase by 32% to £33.2 million (2015: £25.2 million). Adjusted operating profit was up by 54% to £6.6 million (2015: £4.3 million).

GBG ID3global identity verification service continues to be implemented on a worldwide scale. This service can now provide identity verification solutions across 53 countries, up from 35 last year, offering coverage for 59% of the world's population or 4.35 billion people.

GBG's fraud prevention products, GBG Instinct and GBG Predator, were installed into 47 countries at the year end with customers such as Barclays, HSBC, Ping An Puhui (China's largest consumer lender) and Maybank (Malaysia's largest bank). The growth in fraud internationally in the financial services sector continued to drive strong demand during the year and we achieved our first solution sale in South America with HSBC.

In addition, we developed our CitizenSafe identity assurance service as a certified provider on the UK Government's GOV.UK Verify platform and we are currently deploying this service working with Government Data Services, part of the Cabinet Office.

Identity Solutions ('IDS')

Our IDS business, which provides identity-based registration, tracing and customer engagement solutions, made good progress, increasing its revenues by 25% to £40.2 million (2015: £32.1 million) and increasing adjusted operating profit by 9% to £7.7 million (2015: £7.1 million).

The IDS business units performed well with high levels of client satisfaction, demonstrated not only by the growth in revenues from our existing client base but also by the successful cross-sell of additional identity data intelligence solutions into new areas. I am encouraged by the increasing number of IDS clients buying more than one GBG product.

New customers for IDS include British Airways and JP Boden.

Acquisitions

Our track record in identifying, executing and successfully integrating acquisitions continued during the year with the addition of US-based Loqate in April 2015.

Loqate further strengthened our identity data intelligence credentials in the US and has integrated and performed very well since acquisition, exceeding our initial expectations of profitability. The US team has successfully integrated with our existing teams and this allows us to apply Loqate's technology not only into our existing territories but to take our other products into North America. Loqate's key distribution partners, Oracle and IBM, are performing very well and we have recently launched our own self-serve service, Everything Location (www.everythinglocation.com), utilising Loqate's technology.

Current Trading and Outlook

We started our year with strong momentum and excellent prospects and I'm pleased to report that trading since the start of the year has continued in line with the Board's expectations.

Given that this will be my last statement as CEO of GBG I wanted to extend my thanks to the GBG team past and present who collectively have grown the business into a very substantial company from its small beginnings.

I am very proud of all that we have achieved and am very confident of further profitable and sustainable growth in the year ahead and beyond.

R A Law
Chief Executive

Global Business Case Study

Fraud: An International Market

Fraud is like a child's balloon where you squeeze one end and all the air moves to another, simply changing the shape but not reducing the volume. Since the adoption of EMV card technology across Asia Pacific, there are now nearly 2 billion 'chip and pin' cards in circulation in the region, representing over 25 per cent of the total. While this is still far behind UK rates of 83 per cent it will be a significant factor in driving fraudsters away from transaction frauds – typically using stolen or cloned cards. So they will simply move elsewhere to find where there are weaknesses in an organisation's processes that they can exploit – and one of these is likely to be around account opening.

Whether applying for a mortgage or a credit card or to take out an insurance premium, an applicant will be sharing data that needs to be robustly checked and confirmed within a matter of seconds. But it's not just about checking the identity details and credit history; has the person applied for a product anywhere else in the organisation? Are we confident that they are not on any anti-money laundering ('AML') sanctions lists? Have any of their attributes been identified as part of an incident elsewhere – including within partner organisations? Doing this quickly over the internet or via the mobile channel will continue to pose a major challenge to fraud teams under pressure from their commercial colleagues who need to on-board customers as quickly as possible.

Client Case Study

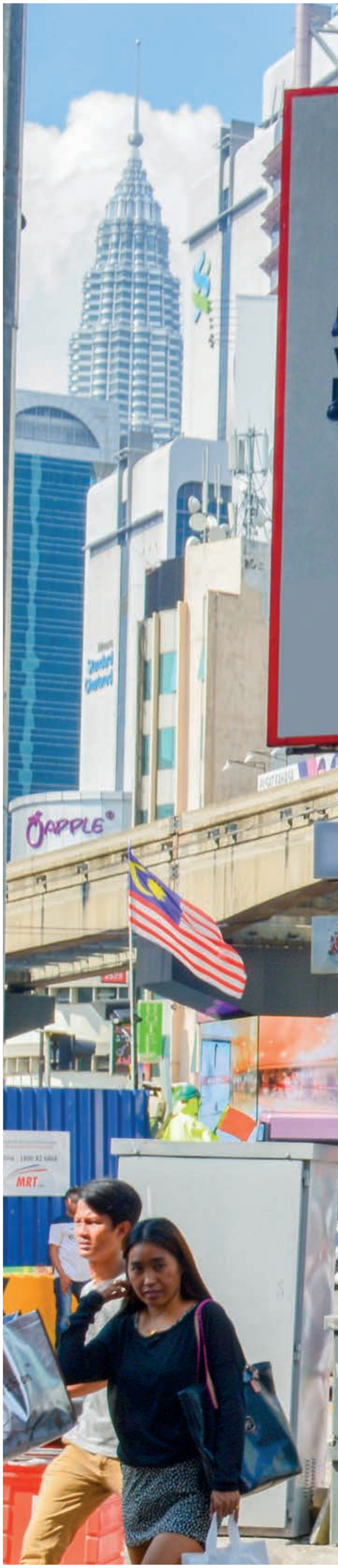
RHB Bank in Malaysia recognised that it needed to speed up the time it took for its customers to open an account, receive their card and start spending. Previously a process that took several days, it created bottlenecks and inefficiencies in the workflow but, most importantly, also ran the risk of customers simply moving elsewhere.

Focused in branches with the highest footfall, RHB automated the process to include instant credit checks with GBG Activate, and fraud and AML checks with GBG Instinct. The data provided by a customer goes into an automated workflow which checks all elements against known fraud data.

The software's decision engine either accepts, rejects or refers the application to a Credit Officer for immediate investigation. But, most importantly, the ultimate decision is then fed back into the system so that all decisions are available for future reference.

The new approach to account opening has meant that customers can sign up in a branch, complete a full credit, ID and fraud check and walk away with their new card, ready to start shopping, in as little as 10 minutes.

RHB




Spring Summer
Bata
99 BUKIT BINTANG
SAYANGI KUALA LUMPUR
Great Eastern
JALAN PUDU
BINTANG

Business Review

The performance of the Group is reported by segment, reflecting how we run the business and the economic characteristics of each division. Our divisions are led by our Managing Directors and have six offerings.

Nick Brown

John Lord

Nick Brown and John Lord

Managing Directors

Appointed in 2006 to head identity-based marketing services, Nick Brown today leads the Group's expanding data quality, location intelligence and employee screening propositions. Nick previously held a senior management position at Sage Plc responsible for developing its UK channel business. This followed senior roles at both Microsoft and Fujitsu Services.

Appointed in 2009, John Lord leads the Group's growing global capability to provide fraud, risk and compliance solutions to many of the world's largest commercial organisations, governments, as well as disruptive start-ups. Prior to GBG, John led global sales before heading up the UK business for one of the world's largest credit rating agencies, Dun & Bradstreet, and also led a major data analytics, outsourcing and contact centre business.

ID Verification

Remotely verify consumers' identities

With GBG, you can verify the identities of over 4 billion people, worldwide.

GBG ID3global can verify over 4 billion identities electronically, rising to over 6.5 billion when document image validation is included. Continued growth is linked to the innovation and disruption taking place in our global marketplace, ranging from financial services and payments, to the sharing economy and online gaming. GBG is perfectly placed to enable clients to take new business models to market when they need to know their customers are who they say they are, while meeting the stringent standards set by the world's regulators.

ID Registration

Quick and accurate customer registration

GBG makes the whole process of collecting and validating data shared by customers – anywhere in the world – really easy.

US-based Loqate, which was acquired in April 2015, has successfully integrated into the GBG family and there are excellent opportunities to scale further as we continue to build our location intelligence services. This will see the creation of a single business unit for the year ahead with three product streams: GBG Matchcode360 for enterprise businesses; GBG Loqate for channel partners; and Everything Location, GBG's new self-service proposition to enable clients to instantly capture and verify addresses in nearly 250 countries and territories.

ID Engage
Database services

A total view of your customers across all channels.

GBG helps pull together customer insights from the myriad of systems and databases within your organisation to create an enhanced customer experience. We work with some of the largest retailers, financial services, utilities and travel companies in the UK. We have unrivalled expertise in how to create a 'total customer view' that can respond instantly to new customer insights – whether they come through a traditional channel like a store or call centre, or whether as a result of activity on your website or social media.

ID Trace & Investigate
Open up the true meaning of individual profiles

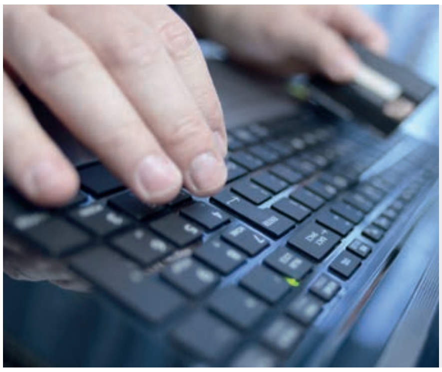
GBG helps you to understand a person's true identity when you need to know more.

GBG Connexus helps you find the people you need to connect with faster than anyone else. In addition to over 1 billion data assets dating back 24 years linking to the UK's 64 million people, this year we introduced new capability through social media Open-Source Intelligence ('OSINT') to instantly gain greater insight into people and places, globally. Our GBG Connexus product won three Retail Fraud Awards in 2015 for combating fraud in retail: Best Newcomer; Most Innovative Online Solution; and Most Innovative Cross-Functional Tool.

ID Employ & Comply
Background checks through online verification

Screen your employees to ensure compliance with AML and Right to Work regulations as well as verify the integrity of information and documents provided.

GBG KnowYourPeople is a comprehensive employee identity and background checking solution combining the capabilities of our GBG OnlineDisclosures, GBG AdvancedCheck and GBG ID3global products. We give our clients the intelligence to confirm the identity, credentials and integrity of their employees. Currently available for UK employers, our expertise and technology is being scaled to offer similar solutions for international markets.



ID Fraud & Risk Management
Fraud detection and risk management

GBG helps you monitor customer transactions to stay alert to behaviour consistent with fraud or financial crime.

Our fraud prevention solutions not only check new customer details in real time as they register, but monitor for application and transaction fraud on an ongoing basis. The year saw strong new business and organic growth in international markets, including HSBC which went live with our fraud engine, GBG Instinct, in its 25th country across APAC, the Middle East, France, Argentina and Mexico.

Principal Risks and Uncertainties

GBG'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 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 related controls. This process is reviewed every six months by the Audit Committee, which reports its findings to the Board.

Key elements of the risk management process:

- The Group's internal controls team meets at least once every six months to assess risks, review and monitor controls and identify new risks.
- The Group's Internal Controls Co-ordinator, whose function is to chair the Group's internal control team meetings, collates and presents the results of the Group risk reviews to the Audit Committee. He 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 Co-ordinator or the external auditor.

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 and consequence are identified, management controls are confirmed and results reported.

The Corporate Governance section provides further details on the Group's risk management process (pages 32 to 36).

The significant risks and uncertainties faced by the Group are set out on the following page. In each case, there is an on-going process for identifying, evaluating and managing the principal risks of the Group.

Regulatory risk

Legislation in all the markets we serve 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. Whilst the Group is committed to respond positively to new regulation and legislation, changes could affect the pricing for, or adversely affect the revenue from, the services the Group offers.

Disaster recovery, business continuity and cyber risk

The Group has an understandable reliance on its place of business, IT systems and people. The loss of key components could affect the Group's operations and result in additional expenditure, while the established business continuity plan is effected following an incident. 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.

Competitive position

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 clients choose to receive services from other providers.

New product development

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 is smaller than originally envisaged; or that the product fails to reach the production stage.

Non-supply by major supplier

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.

Intellectual property risk

We generally protect our proprietary application software products and services by licensing rights to use the applications, rather than selling or licensing the computer source code. We rely on trademark, copyright, patent and other intellectual property laws to establish and protect our proprietary rights in these products and services. However, there is a risk that our proprietary rights could be challenged, limited, invalidated or circumvented.

Finance Review

Our strategy is to create and maintain unique online products and services which provide additional value for clients and are of sufficient strength to enable the Group to create new markets and consistently win new business against our competition.

Dave Wilson
Group Finance and Operations Director

Principal Activities and Business Review

GB Group plc ('GBG') and subsidiaries' (together 'the Group') principal activity 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 division.
The Group's two operating segments are as follows:

- **Identity Proofing division** – 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 division** – which provides ID Registration, ID Engage and ID Trace & Investigate software and services that provide accurate and up-to-date customer information and facilitate better understanding, targeting and retention of profitable customers.

Between them, the divisions have six complementary offerings:

- **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 customer on-boarding solutions.
- **ID Registration,** which includes software and services for quick and accurate customer registration and validation of records.
- **ID Engage,** which provides database services so our clients can better understand, target and retain their customers 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 the Finance Review. A review of the Group's business and future development is contained in the Chairman's Statement, Chief Executive's Review 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 clients 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.

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 Solutions and Identity Proofing segments. The overall impact of our acquisitions in the year will not be fully evident in our segments until 2017.

	2016 £'000	2015 £'000	Change £'000	Change %
Revenue	**73,401**	57,283	16,118	28
Adjusted operating profit	**13,428**	10,790	2,638	24
Share-based payments	**(1,245)**	(971)	(274)	(28)
Amortisation of acquired intangibles	**(2,501)**	(1,986)	(515)	(26)
Operating profit before exceptional items and associate result	**9,682**	7,833	1,849	24
Exceptional items	**(94)**	(1,629)	1,535	94
Share of associate investment result	–	(10)	10	100
Net finance costs	**(270)**	(266)	(4)	(2)
Group profit before tax	**9,318**	5,928	3,390	57
Total tax charge	**(178)**	(1,127)	949	84
Group profit for the year attributable to shareholders	**9,140**	4,801	4,339	90
Adjusted earnings[1]	**12,980**	9,397	3,583	38
Basic weighted average number of shares ('000)	**122,744**	119,144	3,600	3
Adjusted basic earnings per share (pence)[1]	**10.6**	7.9	2.7	34

1 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. A reconciliation of these values is reported later in this statement as well as in note 13 to the accounts.

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 2016 while being underpinned by solid organic revenue growth of 15 per cent.

Adjusted operating profit for the year increased by 24 per cent to £13.4 million, reflecting:

- Revenue growth of 28 per cent to £73.4 million. This increase included organic growth of 15 per cent.
- A slight reduction in the adjusted operating profit margin which decreased from 18.8 per cent to 18.3 per cent, notwithstanding significant continued investment for growth made over the course of the year.

Adjusted basic earnings per share improved by 34 per cent to 10.6 pence (2015: 7.9 pence). Basic earnings per share increased by 85 per cent to 7.4 pence (2015: 4.0 pence). Group cash conversion was strong with net cash generated from operating activities of £13.1 million (2015: £11.3 million) compared to operating profit before depreciation, amortisation, share of associate investment result, share-based payments and exceptional items (Adjusted EBITDA) of £14.8 million (2015: £11.8 million).

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

Adjusted EBITDA

Adjusted EBITDA was £14.8 million (2015: £11.8 million), consisting of adjusted operating profit of £13.4 million (2015: £10.8 million) and depreciation/amortisation of £1.4 million (2015: £1.0 million).

Exceptional Items

Exceptional costs of £0.1 million (2015: £1.6 million) were incurred by the Group in the year and have been detailed in note 7 to the accounts.

Net Finance Costs/Income

The Group has incurred net finance costs for the year of £270,000 (2015: £266,000).

Acquired Intangibles Amortisation

The charge for the year of £2.5 million (2015: £2.0 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 fact that 2016 has a full year charge for acquisitions which took place part way through the prior year along with the impact of the acquisition during the current year.

Taxation

The Group tax charge of £0.2 million (2015: £1.1 million) reflects permanent differences arising in the year, partially offset by the recognition of previously unrecognised deferred tax assets relating to share options. There was £309,000 of current tax payable on the Group's profits in the year (2015: £532,000).

Dividend

The Board of Directors will propose a final ordinary dividend of 2.08 pence per share (2015: 1.85 pence per share), amounting to £2.6 million (2015: £2.2 million). The final ordinary dividend with respect to the year ended 31 March 2016, if approved, will be paid on 26 August 2016 to ordinary shareholders whose names were on the register on 22 July 2016. The Group continues to operate a Dividend Reinvestment Plan, allowing eligible shareholders to reinvest their dividends into GBG shares.

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 £13.0 million (2015: £9.4 million) resulting in a 34 per cent increase in adjusted earnings per share from 7.9 pence to 10.6 pence. The weighted average number of shares at 31 March 2016 increased to 122.7 million (2015: 119.1 million).

Finance Review continued

Cash Flows

Group operating activities before tax payments generated £13.4 million of cash and cash equivalents (2015: £11.7 million) representing an increase of 15 per cent and an adjusted EBITDA to cash conversion ratio of 91 per cent (2015: 99 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 39 per cent to £14.3 million (2015: £10.3 million). Group investing activities resulted in net outflows of £14.0 million (2015: £20.7 million) including £12.3 million (2015: £18.7 million) in respect of acquisitions/investments, £1.1 million (2015: £2.0 million) on plant and equipment and software purchases and £0.6 million on product development (2015: £0.1 million). Financing activities used £2.5 million (2015: £13.4 million generated) of net cash in the year and included £2.3 million of dividends paid (2015: £2.0 million). The Group's overall cash and cash equivalents decreased by £3.4 million (2015: £3.9 million increase) in the year. Further detailed analysis of this movement is included in the Consolidated Cash Flow Statement.

Acquisitions

During the year the Group acquired additional shares in Loqate Inc., an unlisted company based in the USA taking its shareholding to 100 per cent. The total cash consideration paid, net of cash acquired, was £8.0 million and all contingent consideration adjustments were settled prior to the end of the year. 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 39 per cent to £13.8 million (2015: £9.9 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 2016 were £56.4 million, an increase of £10.3 million on the 2015 level of £46.1 million. This growth is driven by the increase in equity capital of £0.8 million combined with the total comprehensive income for the year of £10.2 million, less dividends paid of £2.3 million and after adjusting for share-based payments and deferred tax on share-based payments of £1.2 million and £0.3 million respectively.

Relationships

Other than our shareholders, the Group's performance and value are influenced by other stakeholders, principally our clients, 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 clients, 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.

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, share of results from associates, 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 8 June 2016.

D J Wilson
Group Finance and Operations Director

Corporate Social Responsibility

The Board has overall responsibility for corporate social responsibility within the Company. Developments and initiatives are led by the Chief Executive with the support of senior management.

Our Objectives

Commitment to corporate social responsibility is increasingly important to attract and retain employees, customers, suppliers and investors. It helps to strengthen relationships through engagement and has the ability to reflect a company's character and culture in a way that financial results cannot. We have made some real progress to our corporate social responsibilities within the last few years and we continue to look for ways to put this into practice globally.

Employee Engagement

It is our vision to have '**the best and most engaged people**'.

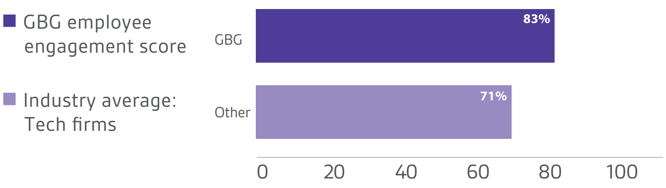
At GBG, we understand the link between high employee engagement and results. We aim to provide our employees with an engaging and stimulating environment where they are encouraged to learn and develop. We communicate with our employees on a regular basis, keeping them informed of business performance. We use multiple channels and a variety of media to communicate with employees across the globe; this is achieved through regular video updates from the CEO, biannual workshop-style events at all of our locations and the sharing of good news stories and business wins on a weekly basis.

Every month at least one senior member of the GBG team will visit our international sites and some members of the Executive Team are spending at least one week overseas each month.

The Group undertakes biannual engagement surveys (Q12) and takes account of any comments and feedback provided by employees in the formulation of its policies.

Employee engagement score

83%



Attrition rate

14%

Corporate Social Responsibility continued

Business Ethics and Integrity

We promote a culture of honesty, integrity and respect, and our employees are expected to operate in an ethical manner 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

We are committed to achieving and maintaining high standards with regard to behaviour at work and in all our working practices. Employees 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.

Anti-bribery and corruption

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.

Whistleblowing

We operate a policy which encourages staff to raise concerns confidentially and provide clear reporting lines for instances of fraud, bribery, bullying, unfair or unethical treatment and unsafe working practices.

Working Environment

We continue to invest in improving the working environment for our employees, creating innovative spaces which inspire staff to both collaborate with colleagues more readily and increase personal efficiency. We listen to our employees and the Group has a flexible working policy which allows staff to make requests for flexible working to accommodate families and other needs or commitments outside of work; we also encourage staff to work from home where possible.

Equal Opportunities

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 people with disabilities. Should an employee become disabled, every effort would be made to offer suitable alternative employment within the Group and assistance with retraining.

Community and Charity

We continue to support charitable and community-based causes. In 2015, our charity of choice was Alder Hey Children's Charity and our biggest fundraising event was the GBG Challenge event that took place in June 2015. During the year we raised £32,000 for Alder Hey Children's Charity.

2015 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 each year by inviting all staff to take part in an enduring physical challenge. The event encourages all GBG team members to work together as a team towards a common goal, whether it's getting involved physically or through a very valuable supporting role. The GBG Challenge is a popular engagement event with staff as it provides a great opportunity to get outdoors and socialise outside of the office environment while also raising money for charity.

In June 2015, 80 members of the GBG team took part in the 'GBG Tri' which involved climbing Mount Snowdon, completing a kayaking challenge around Lake Padarn and a 30-mile cycle (off-road) that circumnavigated Snowdon. It was a truly fantastic effort by everyone involved and we raised over £32,000 for Alder Hey Children's Charity.

As well as the big events like the GBG Challenge, staff are encouraged to take time to participate in smaller charity events within each office which, over the years, has included collecting items for local homeless shelters, supporting BBC Children in Need and taking part in 'Pink Day' for Breast Cancer Awareness.

Calendar year	**2015**	2014	2013
Number of charity events in the year	**8**	6	6
Amount raised	**£32,000**	£14,000	£10,000

SAYE Share Option Scheme

All employees are given the opportunity to share in the Company's performance through its Save-As-You-Earn ('SAYE') Share Option Scheme. The scheme offers staff the option to apply to save up to £250 (or foreign currency equivalent) per month for a period of three or five 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. We had a fantastic response to the scheme in 2015 with the following levels of participation achieved:

Scheme	Country	Number eligible for scheme	Number of participants	Percentage of eligible staff who elected to participate
2015	UK	414	245	59%
	Australia	35	24	69%
	Indonesia	3	1	33%
	Korea	2	2	100%
	Malaysia	1	1	100%
	USA	27	4	15%

Average global take-up of 2015 SAYE Scheme

57%

We plan to continue offering SAYE to our employees in future years

Environmental

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. We also monitor our electricity, gas and water consumption.

Health and Safety

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 meets twice a 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.

We are pleased to have recently engaged Ellis Whittam, a health and safety consultant, to provide annual audits at all of our UK offices and guide us on all health and safety matters.

Directors and Officers

The GBG Board comprises diverse international experience from across the technology, financial services, insurance, media, telecoms, marketing and legal sectors.

1
David Anthony Rasche
Chairman (Aged 66)
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.

2
Richard Anthony Law
Chief Executive (Aged 56)
Appointed to the Board in June 1995 as Finance Director and was appointed as Chief Executive in December 2001. Before joining GBG Richard was a Corporate Financier with Ernst & Young. Richard is also a Non-Executive Director of Zuto Limited. In 2015, he was named the Institute of Directors CEO of the Year North West.

3
David John Wilson
Group Finance & Operations Director (Aged 54)
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.

4
Richard Martin Linford
Non-Executive Director (Aged 64)
Appointed to the Board in November 2006. Previously, Richard 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. Richard is a Fellow of the Chartered Institute of Management Accountants and holds a Masters Degree in Business Administration from Boston University.

5
Charmaine Eggberry
Non-Executive Director (Aged 45)
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 to 2008) and Nokia (Global Senior Vice President from 2010 to 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.

6
John-Henri Constantin
Company Secretary (Aged 50)
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.

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Corporate Governance

Introduction from the Chairman

On behalf of the Board I am pleased to present the Corporate Governance Report which sets out our corporate governance framework, the work of the Board and its Committees. As a Board we believe that good corporate governance is essential for building a successful and sustainable business.

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'). However, the Board does fully support the Code and its principles of good corporate governance and we do apply the Code as far as is practicable and appropriate for a public company of our size. The following pages outline the structures, processes and procedures by which the Board ensures that these standards of corporate governance are maintained throughout the Group.

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 in February 2016. The full schedule of matters reserved for the Board can be viewed on GBG's website www.gbgplc.com.

The Workings of the Board and its Committees

Board Composition and Roles

The Board comprises the Non-Executive Chairman, the Chief Executive Officer, Group Finance Director and two Non-Executive Directors and is responsible to shareholders for the proper management of the Group. The biographies of all Directors appear on page 30; details of Committee memberships are provided in the table on page 33.

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 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. This year, R M Linford will have served on the Board for nine years and therefore will be subject to annual re-election from this year's AGM until his retirement or removal from the Board.

The service agreements of all of the Directors are available for inspection at the Company's registered office in Chester. The Board is satisfied that it currently has an appropriate balance of experience, skills and expertise appropriate to the business.

Director Independence and Training

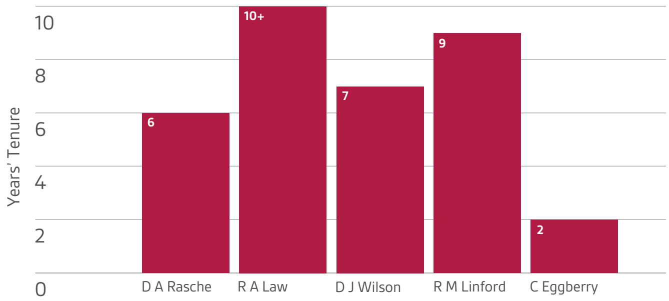
The Chairman and his fellow Non-Executive Directors bring a range of experience and judgement to bear on issues of strategy, performance, resources and standards of conduct, which are vital to the success of the Group. Under the Code's provisions on Director independence, Non-Executive Directors are 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 GBG, D A Rasche, Chairman of the Company, may not be deemed independent, as defined by the Code, as he 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, R M Linford and the Non-Executive Directors 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 is 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.



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 2016, the Board met eight times, the Audit Committee met twice, the Remuneration Committee met twice and the Nomination Committee met once. The attendance at the Board and Committee meetings was as follows:

Number of Meetings and Percentage Attendance

	Percentage meeting attendance			
Name	Board	Audit	Nomination	Remuneration
D A Rasche	100%	100%	100%	100%
R A Law*	100%	–	100%	–
D J Wilson*	100%	–	100%	–
R M Linford	100%	100%	100%	100%
C Eggberry	87.5%	100%	100%	100%

* Being Executive Directors, R A Law and D J Wilson are not members of the Audit and Remuneration Committees of the Board.

Board Evaluation and Effectiveness

In recognition of the continued growth and success of the business we appointed Springboard Associates Limited ('Springboard') in November 2015 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 through detailed questionnaires, interviews and observing the Board in action. The areas identified for improvement have resulted in an action plan for the Board and the development of our governance framework. The Board has already made significant improvements to process and procedures since Springboard produced their report and is fully committed to having a governance framework in place that promotes accountability, fairness and transparency.

Identified in the Board evaluation, key topics that have helped to form the 2016 Board objectives include: increased focus on succession planning for the Board and Executive team; a more formalised process for the successful induction of all new Board members; revised Terms of Reference for the Leadership Team to improve the process for operational decision-making and to free up the Board's time for more high level strategy activities; and an update of the Terms of Reference for the Board Committees in line with recent changes to industry best practice.

Performance evaluations of each of the Directors are 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.

Committees of the Board

The following Committees deal with specific aspects of the Group's affairs. The Group has produced written Terms of Reference for each Committee based on corporate governance pronouncements, details of which are available on the Group's website.

	Membership of and position on Committees		
Name and position	Audit	Nomination	Remuneration
D A Rasche (Company Chairman)	Member	Chairman	Chairman
R A Law (CEO)	–	Member	–
D J Wilson (GFOD)	–	Member	–
R M Linford (NED)	Chairman	Member	Member
C Eggberry (NED)	Member	Member	Member

Audit Committee

Composition

The Audit Committee comprises Non-Executive Directors and is chaired by R M 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, by 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 auditor 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;
- 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 auditor;
- review the effectiveness, scope and objectivity of the audit process;
- 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.

Corporate Governance continued

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, reappointment and removal of the external auditor.

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 biannually reviews this requirement.

Whistleblowing
The Audit Committee reviews arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Committee's objectives are to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

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 AGM 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 UK). The Group's auditor, 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 auditor 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 auditor that they are independent.

During the year the auditor undertook certain specific pieces of non-audit work (including work in relation to tax matters and our banking covenants). Ernst & Young LLP were 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 accounts on page 61.

The Audit Committee will continue to assess the effectiveness and independence of the external auditor. 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 Coordinator (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 Coordinator 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 Coordinator, 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 Coordinator 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.

Remuneration Committee

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

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 Report on Directors' Remuneration, which includes details of the Group's remuneration policies, Directors' remuneration, pension entitlements and benefits together with information on service contracts, is set out on pages 39 to 43.

Nomination Committee

The Nomination Committee is chaired by D A 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.

Key Elements of the Control Framework

Financial reporting process – management and specialists within the finance department are responsible for ensuring the appropriate maintenance of financial records and processes to ensure that all information is relevant, reliable and in accordance 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.

Strategic and financial planning – 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.

Performance management – 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, when required.

Capital investment – 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.

Health and safety – health and safety standards and benchmarks have been established and the Group's performance in meeting such standards is closely monitored.

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 biannual 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.

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 an annual basis.

Board-level reporting on internal control – during the year the Audit Committee reviews regular reports from the external auditor 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.

Corporate Governance continued

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 Chairman's Statement, 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 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@gbgplc.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 roadshows 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 AGM to answer shareholder questions regarding the work of the Committees. Details of resolutions to be proposed at the forthcoming AGM can be found in the Notice 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 regarding the Group's products and services.

D A Rasche
Chairman
8 June 2016

Directors' Report

The Directors present their report and accounts for the year ended 31 March 2016.

Dividends

The Directors recommend a final ordinary dividend of 2.08 pence per share (2015: 1.85 pence per share) amounting to £2.6 million (2015: £2.2 million). This final dividend, if approved, will be paid on 26 August 2016 to ordinary shareholders whose names were on the Register of Members on 22 July 2016. 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.

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 2016, approximately 30 per cent (2015: 23 per cent) of the Group's staff were employed in research and development activities.

Substantial Shareholders

As at 31 March 2016, 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.

	Number	Percentage
Octopus Investments	11,312,053	9.13%
Standard Life Investments	10,685,216	8.63%
BlackRock Investment Mgt (UK)	10,639,593	8.59%
Hargreave Hale	8,286,189	6.69%
Herald Investment Management	6,905,528	5.57%
Kestrel Partners LLP	5,467,198	4.41%
River & Mercantile Asset Management	4,148,806	3.35%
Charles Stanley & Co. Limited	4,140,483	3.34%

As at 1 June 2016, the Company has not received any notification, in accordance with the Disclosure and Transparency Rules, of any changes to interests in the Ordinary Share capital of the Company, representing 3 per cent or more of the Company's issued share capital since 31 March 2016.

Directors and their Interests

The names and brief biographical details of Directors at the date of this report are set out on page 30.

The Directors who served during the year ended 31 March 2016, 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 39 to 43.

Directors are reappointed by ordinary resolution at a General Meeting of the shareholders. The Board can appoint a Director but anyone so appointed must be elected 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 AGM.

In accordance with the Articles of Association, D J Wilson and R M Linford will both retire by rotation and, being eligible, have indicated their willingness to be re-elected at the forthcoming AGM. The Directors have confirmed that having conducted the Board performance evaluation process, D J Wilson and R M Linford continue to contribute effectively and demonstrate commitment to their roles.

Details of the notice period contained in the service agreements for D J Wilson and R M Linford are detailed in the Report on Directors' Remuneration on pages 39 to 43.

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 the 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.

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 2016, the Group's issued share capital comprised:

	Number	£'000	% of Total Share Capital
Ordinary shares of 2.5 pence each	123,886,390	3,097	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.

Directors' Report continued

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 AGM 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.

AGM 2016
Details of business to be conducted at this year's AGM to be held on 26 July 2016, are contained in the Notice of the AGM which will be communicated to shareholders separately.

Financial Instruments
The Group's financial risk management objectives and policies are discussed on pages 24 to 26 and within note 25 to the accounts.

Auditor
A resolution proposing the re-appointment of Ernst & Young LLP as auditor to the Company will be put to the shareholders at the AGM.

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 30. Having made enquiries of fellow Directors and of the Company's auditor, 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 auditor is 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 auditor is aware of that information.

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 Review on pages 16 to 17. The financial position of the Group, its cash flows and liquidity position are described in the Finance Review on pages 24 to 26. In addition, note 25 to the accounts 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.

By order of the Board

J H Constantin FCIS
Company Secretary
8 June 2016

Report on Directors' Remuneration

Information not subject to audit

Introduction

The members of the Company's Remuneration Committee are D A Rasche (Chairman), C Eggberry and 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 using the principles of the relevant provisions of the UK Corporate Governance Code.

A resolution will be put to shareholders at the AGM on 26 July 2016 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 2016 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 a 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.

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 Earnings Per Share ('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 £346,000 and D J Wilson was awarded £214,000.

Share Option Schemes

GBG 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 three-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 GBG 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.

Report on Directors' Remuneration continued

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 to 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 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 GBG 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 three financial 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 on page 41.

Service Contracts

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

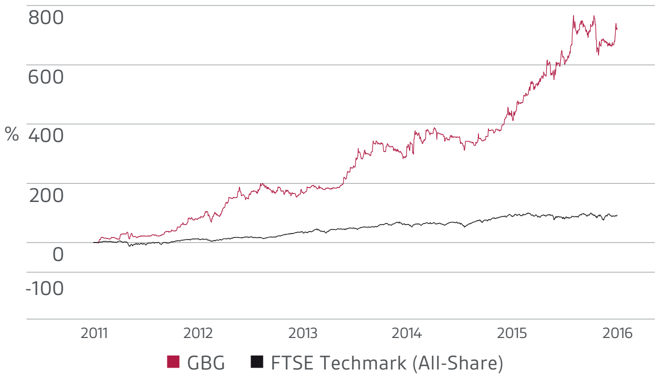
	Date of contract	Unexpired term (months) or rolling contract	Notice period (months)
Executive Directors			
R A Law	6 June 1995	Rolling contract	12
D J Wilson	1 October 2010	Rolling contract	6
Non-Executive Directors			
D A Rasche	1 September 2015	3	1
R M Linford	24 May 2015	11	1
C Eggberry	8 January 2016	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.



Year ends 31 March

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.

Ordinary Shares of 2.5 pence	**31 March 2016**	1 April 2015
D A Rasche	**746,095**	746,095
R A Law	**2,316,045**	1,939,730
R M Linford	**286,364**	286,364
D J Wilson	**455,096**	365,035
C Eggberry	**18,182**	18,182

Directors' Interests in the Group's Share Option Schemes

Executive Share Options

	At 31 March 2015	Share Option Scheme	Granted during financial year	Exercised during financial year	Lapsed during financial year	**At 31 March 2016**	Option exercise price (pence)	Date exercisable
R A Law	36,000	C	–	–	(36,000)	**–**	35.75	2008–15
	400,000	D	–	(400,000)	–	**–**	25.75	2013–20
	350,000	B	–	(350,000)	–	**–**	42.00	2014–21
	469,825	SM	–	(469,825)	–	**–**	2.50	2015–22
	243,458	SM	–	–	–	**243,458**	2.50	2016–23
	356,774	SM	–	–	–	**356,774**	2.50	2017–24
	–	SM	296,562	–	–	**296,562**	2.50	2018–25
	1,856,057		296,562	(1,219,825)	(36,000)	**896,794**		
D J Wilson	100,434	A	–	–	–	**100,434**	23.00	2012–19
	50,000	C	–	–	–	**50,000**	19.75	2012–19
	311,164	D	–	–	–	**311,164**	25.75	2013–20
	251,064	SM	–	(251,064)	–	**–**	2.50	2015–22
	135,867	SM	–	–	–	**135,867**	2.50	2016–23
	159,177	SM	–	–	–	**159,177**	2.50	2017–24
	–	SM	156,683	–	–	**156,683**	2.50	2018–25
	1,007,706		156,683	(251,064)	–	**913,325**		

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 39 of this Report.

Report on Directors' Remuneration continued

Savings-Related Share Scheme

	At 31 March 2015	Granted during financial year	Exercised during financial year	Lapsed during financial year	**At 31 March 2016**	Option exercise price (pence)	Date exercisable
R A Law	3,984	–	–	–	**3,984**	76.80	2018
	3,984	–	–	–	**3,984**		
D J Wilson	6,640	–	–	–	**6,640**	76.80	2018
	6,640	–	–	–	**6,640**		

The aggregate gains made on the exercise of options during the year was £2,772,000 (2015: £1,304,000).

At 31 March 2016, the price of the Company's shares quoted on the London Stock Exchange was 268.25 pence and the lowest and highest prices during the year ended 31 March 2016 were 169.0 pence and 283.75 pence 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 2016. 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.

Information subject to audit

Directors' Remuneration

	Salaries/ fees £'000	Cash in lieu of benefits in kind £'000	Benefits in kind £'000	Bonuses £'000	**2016 Total £'000**	2015 Total £'000
D A Rasche	95	–	–	–	**95**	55
R A Law[1]	305	80	5	346	**736**	678
D J Wilson[1]	193	14	5	214	**426**	390
R M Linford	40	–	–	–	**40**	40
C Eggberry	45	–	–	–	**45**	35
	678	94	10	560	**1,342**	1,198

1 Denotes Executive Director.

Details of cash in lieu of benefits in kind and benefits in kind are disclosed on page 39.

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 £1,000 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:

	2016 Total £'000	2015 Total £'000
R A Law	**–**	–
D J Wilson	**24**	22
	24	22

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 £62,000 (2015: £58,000) and is included in the column entitled 'Cash in lieu of benefits in kind' in the Directors' Remuneration table above.

On behalf of the Board

D A Rasche
Remuneration Committee Chairman
8 June 2016

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 UK law and those International Financial Reporting Standards ('IFRSs') 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 Company and Group and the financial performance and cash flows of the Company and Group 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 Company and Group 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 Company and Group 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 UK 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

R A Law	**D J Wilson**
Director	**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 2016 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 32. 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 44, 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 2016 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 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.

Matters on Which We are Required to Report by Exception

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
8 June 2016

Consolidated Statement of Comprehensive Income
Year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Revenue	3	**73,401**	57,283
Cost of sales		**(17,606)**	(16,448)
Gross profit		**55,795**	40,835
Operating expenses before amortisation of acquired intangibles, share-based payments and exceptional items		**(42,481)**	(30,079)
Other operating income		**114**	34
Operating profit before amortisation of acquired intangibles, share-based payments, exceptional items and share of associate investment result (adjusted operating profit)		**13,428**	10,790
Amortisation of acquired intangibles	15	**(2,501)**	(1,986)
Share-based payments charge	27	**(1,245)**	(971)
Exceptional items	7	**(94)**	(1,629)
Share of associate investment result	18	**–**	(10)
Group operating profit		**9,588**	6,194
Finance revenue	9	**12**	25
Finance costs	10	**(282)**	(291)
Profit before tax		**9,318**	5,928
Income tax expense	11	**(178)**	(1,127)
Profit for the year attributable to equity holders of the parent		**9,140**	4,801
Other comprehensive income:			
Exchange differences on retranslation of foreign operations (net of tax)*		**1,096**	(684)
Total comprehensive income for the year attributable to equity holders of the parent		**10,236**	4,117
Earnings per share	13		
– adjusted basic earnings per share for the year		**10.6p**	7.9p
– adjusted diluted earnings per share for the year		**10.3p**	7.5p
– basic earnings per share for the year		**7.4p**	4.0p
– diluted earnings per share for the year		**7.2p**	3.9p

* 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 2016

	Note	Equity share capital £'000	Merger reserve £'000	Capital redemption reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	**Total equity £'000**
Balance at 1 April 2014		**14,964**	**6,575**	**3**	**–**	**9,291**	**30,833**
Profit for the period		–	–	–	–	4,801	**4,801**
Other comprehensive income		–	–	–	(684)	–	**(684)**
Total comprehensive income for the period		**–**	**–**	**–**	**(684)**	**4,801**	**4,117**
Issue of share capital	21	11,784	–	–	–	–	**11,784**
Share issue costs	21	(330)	–	–	–	–	**(330)**
Share-based payments charge	27	–	–	–	–	971	**971**
Deferred tax on share options		–	–	–	–	714	**714**
Equity dividend	12	–	–	–	–	(1,955)	**(1,955)**
Balance at 31 March 2015		**26,418**	**6,575**	**3**	**(684)**	**13,822**	**46,134**
Profit for the period		–	–	–	–	9,140	**9,140**
Other comprehensive income		–	–	–	1,096	–	**1,096**
Total comprehensive income for the period		**–**	**–**	**–**	**1,096**	**9,140**	**10,236**
Issue of share capital	21	790	–	–	–	–	**790**
Share-based payments charge	27	–	–	–	–	1,245	**1,245**
Deferred tax on share options		–	–	–	–	273	**273**
Equity dividend	12	–	–	–	–	(2,277)	**(2,277)**
Balance at 31 March 2016		**27,208**	**6,575**	**3**	**412**	**22,203**	**56,401**

Company Statement of Changes in Equity

Year ended 31 March 2016

	Note	Equity share capital £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	**Total equity £'000**
Balance at 1 April 2014		**14,964**	**6,575**	**3**	**12,925**	**34,467**
Profit for the period		–	–	–	5,676	**5,676**
Total comprehensive income for the period		**–**	**–**	**–**	**5,676**	**5,676**
Issue of share capital	21	11,784	–	–	–	**11,784**
Share issue costs	21	(330)	–	–	–	**(330)**
Share-based payments charge	27	–	–	–	971	**971**
Deferred tax on share options		–	–	–	714	**714**
Equity dividend	12	–	–	–	(1,955)	**(1,955)**
Balance at 31 March 2015		**26,418**	**6,575**	**3**	**18,331**	**51,327**
Profit for the period		–	–	–	8,317	**8,317**
Total comprehensive income for the period		**–**	**–**	**–**	**8,317**	**8,317**
Issue of share capital	21	790	–	–	–	**790**
Share-based payments charge	27	–	–	–	1,245	**1,245**
Deferred tax on share options		–	–	–	273	**273**
Equity dividend	12	–	–	–	(2,277)	**(2,277)**
Balance at 31 March 2016		**27,208**	**6,575**	**3**	**25,889**	**59,675**

Consolidated Balance Sheet
As at 31 March 2016

	Note	2016 £'000	2015 £'000
Assets			
Non-current assets			
Plant and equipment	14	**2,234**	2,829
Intangible assets	15	**54,113**	45,296
Deferred tax asset	11	**3,017**	3,113
		59,364	51,238
Current assets			
Trade and other receivables	19	**23,774**	17,408
Cash and short-term deposits	20	**12,415**	15,778
		36,189	33,186
Total assets		**95,553**	84,424
Equity and liabilities			
Capital and reserves			
Equity share capital	21	**27,208**	26,418
Merger reserve		**6,575**	6,575
Capital redemption reserve		**3**	3
Foreign currency translation reserve		**412**	(684)
Retained earnings		**22,203**	13,822
Total equity attributable to equity holders of the parent		**56,401**	46,134
Non-current liabilities			
Loans	22	**3,160**	3,643
Contingent consideration	32	**–**	895
Deferred tax liability	11	**3,433**	2,968
		6,593	7,506
Current liabilities			
Loans	22	**582**	746
Trade and other payables	23	**30,543**	23,984
Contingent consideration	32	**1,050**	5,733
Provisions	24	**31**	48
Current tax		**353**	273
		32,559	30,784
Total liabilities		**39,152**	38,290
Total equity and liabilities		**95,553**	84,424

Approved by the Board on 8 June 2016

R A Law	**D J Wilson**
Director	**Director**

Registered in England number 2415211

Company Balance Sheet
As at 31 March 2016

	Note	2016 £'000	2015 £'000
Assets			
Non-current assets			
Plant and equipment	14	**2,012**	2,588
Intangible assets	15	**1,595**	478
Investments	17	**60,428**	48,321
Deferred tax asset	11	**2,588**	1,585
		66,623	52,972
Current assets			
Trade and other receivables	19	**18,836**	13,577
Current tax		**87**	–
Cash and short-term deposits	20	**9,663**	13,845
		28,586	27,422
Total assets		**95,209**	80,394
Equity and liabilities			
Capital and reserves			
Equity share capital	21	**27,208**	26,418
Merger reserve		**6,575**	6,575
Capital redemption reserve		**3**	3
Retained earnings		**25,889**	18,331
Total equity attributable to equity holders of the parent		**59,675**	51,327
Current liabilities			
Trade and other payables	23	**35,503**	28,075
Contingent consideration	32	**–**	934
Provisions	24	**31**	48
Current tax		**–**	10
		35,534	29,067
Total liabilities		**35,534**	29,067
Total equity and liabilities		**95,209**	80,394

Approved by the Board on 8 June 2016

R A Law
Director

D J Wilson
Director

Registered in England number 2415211

Consolidated Cash Flow Statement
Year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Group profit before tax		**9,318**	5,928
Adjustments to reconcile Group profit before tax to net cash flows			
Share of associate investment result	18	**–**	10
Finance revenue	9	**(12)**	(25)
Finance costs	10	**282**	291
Depreciation of plant and equipment	14	**1,071**	873
Amortisation of intangible assets	15	**2,778**	2,167
Loss on disposal of plant and equipment		**–**	55
Fair value adjustment on contingent consideration	32	**78**	403
Fair value gain on revaluation of associate investment	31	**(247)**	–
Share-based payments	27	**1,245**	971
Decrease in provisions	24	**(17)**	(267)
Increase in trade and other receivables		**(981)**	(2,852)
(Decrease)/increase in trade and other payables		**(118)**	4,130
Cash generated from operations		**13,397**	11,684
Income tax paid		**(248)**	(337)
Net cash generated from operating activities		**13,149**	11,347
Cash flows from/(used in) investing activities			
Acquisition of subsidiaries, net of cash acquired	31	**(12,263)**	(18,672)
Purchase of plant and equipment	14	**(712)**	(1,961)
Purchase of software	15	**(426)**	–
Proceeds from disposal of plant and equipment	14	**–**	13
Expenditure on product development	15	**(624)**	(63)
Interest received	9	**12**	25
Net cash flows used in investing activities		**(14,013)**	(20,658)
Cash flows from/(used in) financing activities			
Finance costs paid	10	**(282)**	(291)
Proceeds from issue of shares	21	**790**	11,284
Share issue costs	21	**–**	(330)
Proceeds from new borrowings	22	**–**	5,487
Repayment of borrowings	22	**(752)**	(781)
Dividends paid to equity shareholders	12	**(2,277)**	(1,955)
Net cash flows from financing activities		**(2,521)**	13,414
Net (decrease)/increase in cash and cash equivalents		**(3,385)**	4,103
Effect of exchange rates on cash and cash equivalents		**22**	(171)
Cash and cash equivalents at the beginning of the period		**15,778**	11,846
Cash and cash equivalents at the end of the period	20	**12,415**	15,778

Company Cash Flow Statement
Year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Company profit before tax		**8,825**	6,924
Adjustments to reconcile Company profit before tax to net cash flows			
Finance revenue		**(7)**	(16)
Finance costs		**118**	75
Depreciation of plant and equipment	14	**1,020**	771
Amortisation of intangible assets	15	**273**	175
Loss on disposal of plant and equipment		**–**	55
Fair value adjustment on contingent consideration	32	**(111)**	(206)
Share-based payments	27	**1,245**	971
Decrease in provisions	24	**(17)**	(267)
Increase in trade and other receivables		**(5,259)**	(1,249)
Increase in trade and other payables		**7,428**	3,247
Cash generated from operations		**13,515**	10,480
Income tax paid		**(242)**	(60)
Net cash generated from operating activities		**13,273**	10,420
Cash flows from/(used in) investing activities			
Acquisition of subsidiary undertakings	31	**(14,183)**	(5,857)
Investment in subsidiary undertakings		**–**	(9,122)
Purchase of plant and equipment	14	**(624)**	(1,909)
Purchase of software	15	**(426)**	–
Proceeds from disposal of plant and equipment	14	**–**	13
Expenditure on product development	15	**(624)**	(63)
Interest received		**7**	16
Net cash flows used in investing activities		**(15,850)**	(16,922)
Cash flows from/(used in) financing activities			
Finance costs paid		**(118)**	(75)
Proceeds from issue of shares	21	**790**	11,284
Share issue costs	21	**–**	(330)
Dividends paid to equity shareholders	12	**(2,277)**	(1,955)
Net cash flows from financing activities		**(1,605)**	8,924
Net (decrease)/increase in cash and cash equivalents		**(4,182)**	2,422
Cash and cash equivalents at the beginning of the period		**13,845**	11,423
Cash and cash equivalents at the end of the period	20	**9,663**	13,845

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 page 24.

The Company is a public limited company incorporated in the United Kingdom and is listed on the London Stock Exchange with its ordinary shares traded on the Alternative Investment Market. The address of its registered office is The Foundation, Herons Way, Chester Business Park, Chester, CH4 9GB. A list of the significant investments in subsidiaries, including the name, country of incorporation 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 8 June 2016.

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 2016 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 Other Comprehensive Income ('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 de-recognised 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 de-recognition 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.

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 3 years
Brands and trademarks	– over 2 to 3 years
Customer relationships	– over 10 years

Acquired Computer Software Licences

Acquired computer software licences comprise of 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.

Notes to the Accounts continued

2. Accounting Policies continued

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.

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.

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.

2. Accounting Policies continued

(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.

(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.

Notes to the Accounts continued

2. Accounting Policies continued

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.

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 2015, except for the adoption of relevant new Standards and Interpretations noted below. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group and the Company.

International Accounting Standards (IAS/IFRS)		***Adoption date***
IAS 19	Defined Benefit Plans: Employee Contributions — Amendments to IAS 19	1 February 2015
Various	Annual Improvements to IFRS – 2010–2012 Cycle	1 February 2015
Various	Annual Improvements to IFRS – 2011–2013 Cycle	1 January 2015
IFRS 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	1 January 2016
IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28	1 January 2016
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11	1 January 2016
IFRS 14	Regulatory Deferral Accounts	1 January 2016
IAS 1	Disclosure Initiative – Amendments to IAS 1	1 January 2016
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38	1 January 2016
IAS 27	Equity Method in Separate Financial Statements – Amendments to IAS 27	1 January 2016
Various	Annual Improvements to IFRS – 2012–2014 Cycle	1 January 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 date after the date of these financial statements:

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

IFRS 15 'Revenue from Contracts with Customers' (effective for the year ending 31 March 2019) replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and related interpretations. The standard introduces a single, five-step revenue recognition model that is based upon the principle that revenue is recognised at the point that control of goods or services is transferred to the customer. The standard also updates revenue disclosure requirements. Whilst an assessment of this new standard is ongoing, the Group does not currently expect its adoption to have a material impact on the Group's financial performance or position.

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

2. Accounting Policies continued

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.

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 55. 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. In estimating the amount of the deferred tax asset that may be recognised, management make judgements, based on current budgets and forecasts, about the amount of future taxable profits and the timing of when these will be realised. The carrying value of the recognised deferred tax asset at 31 March 2016 was £3,017,000 (2015: £3,113,000) and the unrecognised deferred tax asset at 31 March 2016 was £5,152,000 (2015: £5,351,000). 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.

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 2016 the carrying value of the internally generated software assets was £908,000 (2015: £478,000) and the amount of research and development costs expensed were £5,719,000 (2015: £3,298,000).

Notes to the Accounts continued

3. Revenue

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

	2016 £'000	2015 £'000
Sale of goods	**31,661**	24,721
Rendering of services	**41,740**	32,562
Revenue	**73,401**	57,283
Finance revenue	**12**	25
Total revenue	**73,413**	57,308

4. Segmental Information

The Group's operating segments are internally reported to the Group's Chief Executive Officer as two operating segments: Identity Proofing Division – which provides ID Verification, ID Employ & Comply and ID Fraud and Risk Management services and Identity Solutions Division – which provides ID Registration, ID Engage and ID Trace & Investigate services. The measure of performance of those segments that is reported to the Group's Chief Executive Officer is adjusted operating profit before amortisation of acquired intangibles as shown below.

Segment results include items directly attributable to either Identity Proofing or Identity Solutions. 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. Unallocated items for 2015 represent Group head office costs £591,000, share of associate investment result £10,000, exceptional costs £1,629,000, Group finance income £25,000, Group finance costs £291,000, Group income tax charge £1,127,000 and share-based payments charge £971,000.

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

Year ended 31 March 2016	Identity Proofing £'000	Identity Solutions £'000	Unallocated £'000	2016 £'000
Total revenue	33,213	40,188	–	**73,401**
Adjusted operating profit	6,629	7,685	(886)	**13,428**
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.

Year ended 31 March 2015	Identity Proofing £'000	Identity Solutions £'000	Unallocated £'000	2015 £'000
Total revenue	25,167	32,116	–	57,283
Adjusted operating profit	4,304	7,077	(591)	10,790
Amortisation of acquired intangibles	(1,097)	(889)	–	(1,986)
Share-based payments charge	–	–	(971)	(971)
Exceptional items	–	–	(1,629)	(1,629)
Share of associate investment result	–	–	(10)	(10)
Operating profit	3,207	6,188	(3,201)	6,194
Finance revenue			25	25
Finance costs			(291)	(291)
Income tax charge			(1,127)	(1,127)
Profit for the year				4,801

DecTech Solutions Pty Ltd and CDMS Limited, which were acquired during the year, were absorbed and are managed in the Group's Identity Proofing and Identity Solutions operating segments, respectively.

4. Segmental Information continued

Geographical Information

	Revenues from external customers		Non-current assets	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
United Kingdom	**54,045**	46,210	**36,461**	28,370
United States of America	**4,940**	–	**90**	–
Australia	**1,192**	859	**19,796**	19,755
Others	**13,224**	10,214	**–**	–
Total	**73,401**	57,283	**56,347**	48,125

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):

	2016 £'000	2015 £'000
Research and development expense written off	**5,719**	3,298
Depreciation of plant and equipment	**1,071**	873
Amortisation/impairment of intangible assets (operating expense)	**2,778**	2,167
Foreign exchange (gain)/loss	**(29)**	10
Operating lease payments – land and buildings	**889**	673
– other	**16**	17

6. Auditor's Remuneration

	2016 £'000	2015 £'000
Audit of the financial statements[1]	**102**	107
Other fees to auditors – other assurance services	**21**	20
– taxation compliance services	**24**	25
– tax advisory services	**4**	–
	151	152

1 £77,000 (2015: £87,000) of this relates to the Company.

7. Exceptional Items

	2016 £'000	2015 £'000
Fair value adjustments to contingent consideration (note 32)	**78**	403
Fair value gain on revaluation of investment in associate (note 18)	**(247)**	–
Acquisition related costs (note 31)	**119**	452
Costs associated with staff reorganisations	**178**	331
Provision for dilapidation obligations on the relocation of the Group head office (note 24)	**–**	138
Costs associated with the relocation of the Group head office	**(34)**	305
	94	1,629

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.

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

Notes to the Accounts continued

8. Staff Costs and Directors' Emoluments

a) Staff Costs

	2016 £'000	2015 £'000
Wages and salaries	**26,435**	20,111
Social security costs	**3,125**	2,350
Other pension costs	**1,172**	856
	30,732	23,317

Included in wages and salaries is a total charge of share-based payments of £1,245,000 (2015: £971,000) 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:

	2016 No.	2015 No.
Research and development	**165**	91
Production	**67**	44
Selling and administration	**310**	254
	542	389

b) Directors' emoluments

	2016 £'000	2015 £'000
Wages and salaries	**782**	699
Pension	**24**	22
Bonuses	**560**	499
	1,366	1,220

Aggregate gains made by Directors on the exercise of options	**2,772**	1,304

The remuneration for the highest paid Director was as follows:

	2016 £'000	2015 £'000
Wages and salaries	**390**	370
Bonus	**346**	308
	736	678

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 £62,000 (2015: £58,000).

The number of share options granted during the year for the highest paid Director was 296,562 (2015: 356,774) and the number of share options exercised during the year was 1,219,825 (2015: 546,875).

Details of the remuneration, pension entitlements and share options of each Director are included in the Report on Directors' Remuneration on pages 39 to 43.

9. Finance Revenue

	2016 £'000	2015 £'000
Bank interest receivable	**12**	25
	12	25

10. Finance Costs

	2016 £'000	2015 £'000
Bank loan fees and interest	**282**	291
	282	291

11. Taxation

a) Tax on profit on ordinary activities

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

	2016 £'000	2015 £'000
Current income tax		
UK corporation tax on profit for the year	**145**	10
Amounts overprovided in previous years	**(404)**	–
Foreign tax	**568**	522
	309	532
Deferred tax		
Origination and reversal of temporary differences	**(220)**	612
Prior year items	**–**	(102)
Impact of change in tax rates	**89**	85
	(131)	595
Tax charge in the Statement of Comprehensive Income	**178**	1,127

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 (2015: charge) as explained below:

	2016 £'000	2015 £'000
Consolidated profit before tax	**9,318**	5,928
Consolidated profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015: 21%)	**1,864**	1,245
Effect of:		
Permanent differences	**(924)**	307
Rate changes	**89**	85
Utilisation of unrecognised losses	**–**	(110)
Prior year items	**(357)**	(102)
Research and development tax relief	**(329)**	–
Recognition of unrecognised deferred tax assets	**(197)**	(366)
Effect of higher taxes on overseas earnings	**32**	68
Total tax charge reported in the Statement of Comprehensive Income	**178**	1,127

The Group is entitled to current year tax relief of £1,212,000 (2015: £647,000), calculated at a tax rate of 20% (2015: 21%), 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 2016 of £18,259,000 (2015: £18,418,000). 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 2016 of £2,257,000 (2015: £2,257,000), which should be available for offset against future capital gains of the Group to the extent that they arise.

d) Deferred tax – Group

Deferred tax asset

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

	Recognised		Unrecognised	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Decelerated capital allowances	**1,200**	1,565	**1,032**	1,333
Share options	**1,460**	991	**–**	–
Other temporary differences	**357**	336	**33**	36
Capital losses	**–**	–	**406**	451
Trading losses	**–**	221	**3,681**	3,531
	3,017	3,113	**5,152**	5,351

Notes to the Accounts continued

11. Taxation continued

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

	2016 £'000	2015 £'000
Opening balance	**3,113**	2,127
Acquired on acquisition	**–**	1,274
Foreign currency adjustments	**17**	(20)
Origination and reversal of temporary differences	**4**	(155)
Impact of change in tax rates	**(117)**	(113)
	3,017	3,113

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 £24,107,000 (2015: £24,500,000) and unrecognised capital losses of £2,257,000 (2015: £2,257,000).

Deferred tax liability

The deferred tax liability of the Group is as follows:

	2016 £'000	2015 £'000
Intangible assets	**3,433**	2,968
	3,433	2,968

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

	2016 £'000	2015 £'000
Opening balance	**2,968**	1,251
Acquisition of intangibles in subsidiaries	**929**	2,183
Foreign currency adjustments	**63**	(79)
Origination and reversal of temporary differences	**(527)**	(387)
	3,433	2,968

e) Deferred tax – Company

Deferred tax asset

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

	Recognised		Unrecognised	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Decelerated capital allowances	**1,128**	373	**1,032**	–
Share options	**1,460**	991	**–**	–
Other temporary differences	**–**	–	**33**	36
Capital losses	**–**	–	**406**	451
Trading losses	**–**	221	**2,946**	–
	2,588	1,585	**4,417**	487

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

	2016 £'000	2015 £'000
Opening balance	**1,585**	2,127
Acquired on acquisition	**1,093**	–
Origination and reversal of temporary differences	**27**	(429)
Impact of change in tax rates	**(117)**	(113)
	2,588	1,585

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 £22,216,000 (2015: £180,000) and unrecognised capital losses of £2,257,000 (2015: £2,257,000).

11. Taxation continued

f) Change in corporation tax rate

UK legislation was substantively enacted in July 2013 to reduce the main rate of corporation tax from 21% to 20% from 1 April 2015, resulting in an effective rate for the year ended 31 March 2016 of 20%. As legislated in Finance (No 2) Act 2015, which was substantively enacted on 26 October 2015, the UK corporation tax rate will reduce further to 19% from 1 April 2017 and to 18% from 1 April 2020. The reductions in rate from 20% to 19% and then to 18% have been used in the calculation of the UK's deferred tax assets and liabilities as at 31 March 2016.

12. Dividends Paid and Proposed

	2016 £'000	2015 £'000
Declared and paid during the year		
Final dividend for 2015: 1.85p (2014: 1.65p)	**2,277**	1,955
Proposed for approval at AGM (not recognised as a liability at 31 March)		
Final dividend for 2016: 2.08p (2015: 1.85p)	**2,577**	2,234

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.

	2016		2015	
	Pence per share	£'000	Pence per share	£'000
Profit attributable to equity holders of the Company	**7.4**	**9,140**	4.0	4,801

Diluted

Diluted earnings per share amounts are calculated by dividing the profit for the year attributable to equity holders of the Company 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.

	2016 No.	2015 No.
Basic weighted average number of shares in issue	**122,744,412**	119,144,442
Dilutive effect of share options	**3,770,597**	5,395,880
Diluted weighted average number of shares in issue	**126,515,009**	124,540,322

	2016		2015	
	Pence per share	£'000	Pence per share	£'000
Profit attributable to equity holders of the Company	**7.2**	**9,140**	3.9	4,801

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. In prior periods the Group reported adjusted earnings per share on a pre-tax basis and the comparative numbers below have been restated to take into account the change to a post-tax basis.

	2016			2015		
	Basic pence per share	Diluted pence per share	£'000	Basic pence per share	Diluted pence per share	£'000
Adjusted operating profit	**10.9**	**10.6**	**13,428**	9.1	8.6	10,790
Less net finance costs	**(0.2)**	**(0.2)**	**(270)**	(0.3)	(0.2)	(266)
Less tax	**(0.1)**	**(0.1)**	**(178)**	(0.9)	(0.9)	(1,127)
Adjusted earnings	**10.6**	**10.3**	**12,980**	7.9	7.5	9,397

Notes to the Accounts continued

14. Plant and Equipment

Group	Plant and equipment £'000
Cost	
At 1 April 2014	5,270
Acquired on acquisition	295
Additions	1,961
Disposals	(577)
Foreign currency adjustment	(18)
At 31 March 2015	6,931
Acquired on acquisition	72
Additions	712
Reclassification	(1,953)
Foreign currency adjustment	23
At 31 March 2016	5,785
Depreciation and impairment	
At 1 April 2014	3,751
Disposals	(509)
Provided during the year	873
Foreign currency adjustment	(13)
At 31 March 2015	4,102
Provided during the year	1,071
Reclassification	(1,636)
Foreign currency adjustment	14
At 31 March 2016	3,551
Net book value	
At 31 March 2016	2,234
At 31 March 2015	2,829
At 1 April 2014	1,519

The net book value in respect of assets held under finance leases and hire purchase agreements is £nil (2015: £114,000).

14. Plant and Equipment continued

Company	Plant and equipment £'000
Cost	
At 1 April 2014	**5,113**
Acquired on acquisition*	**1**
Additions	**1,909**
Disposals	**(577)**
At 31 March 2015	**6,446**
Acquired on acquisition**	**137**
Additions	**624**
Reclassification	**(1,953)**
At 31 March 2016	**5,254**
Depreciation and impairment	
At 1 April 2014	**3,596**
Disposals	**(509)**
Provided during the year	**771**
At 31 March 2015	**3,858**
Provided during the year	**1,020**
Reclassification	**(1,636)**
At 31 March 2016	**3,242**
Net book value	
At 31 March 2016	**2,012**
At 31 March 2015	**2,588**
At 1 April 2014	**1,517**

During the period £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 (2015: £nil).

* On 1 October 2014, the trade, assets and liabilities of Advanced Checking Services Limited were transferred to the Company.
** 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**
Cost							
At 1 April 2014	7,237	1,311	**8,548**	16,542	–	1,041	**26,131**
Foreign currency adjustment	(273)	(107)	**(380)**	(921)	–	–	**(1,301)**
Additions – business combinations	7,875	2,582	**10,457**	14,884	–	–	**25,341**
Additions – product development	–	–	**–**	–	–	63	**63**
At 31 March 2015	14,839	3,786	**18,625**	30,505	–	1,104	**50,234**
Foreign currency adjustment	230	93	**323**	758	–	1	**1,082**
Additions – business combinations	1,912	819	**2,731**	6,502	–	18	**9,251**
Additions – product development	–	–	**–**	–	–	624	**624**
Additions – purchased software	–	–	**–**	–	426	–	**426**
Reclassification	–	–	**–**	–	1,953	–	**1,953**
At 31 March 2016	16,981	4,698	**21,679**	37,765	2,379	1,747	**63,570**
Amortisation and impairment							
At 1 April 2014	1,514	843	**2,357**	–	–	445	**2,802**
Foreign currency adjustment	(17)	(14)	**(31)**	–	–	–	**(31)**
Amortisation during the year	1,257	729	**1,986**	–	–	181	**2,167**
At 31 March 2015	2,754	1,558	**4,312**	–	–	626	**4,938**
Foreign currency adjustment	56	49	**105**	–	–	–	**105**
Amortisation during the year	1,639	862	**2,501**	–	64	213	**2,778**
Reclassification	–	–	**–**	–	1,636	–	**1,636**
At 31 March 2016	4,449	2,469	**6,918**	–	1,700	839	**9,457**
Net book value							
At 31 March 2016	12,532	2,229	**14,761**	37,765	679	908	**54,113**
At 31 March 2015	12,085	2,228	**14,313**	30,505	–	478	**45,296**
At 1 April 2014	5,723	468	**6,191**	16,542	–	596	**23,329**

The customer relationships intangible asset acquired through the acquisition of Capscan Parent Limited has a carrying value of £2,632,000 and a remaining amortisation period of 5.6 years. The customer relationships intangible asset acquired through the acquisition of TMG.tv Limited has a carrying value of £703,000 and a remaining amortisation period of 6.6 years. The customer relationships intangible asset acquired through the acquisition of CRD (UK) Limited has a carrying value of £637,000 and a remaining amortisation period of 7.25 years. The customer relationships intangible asset acquired through the acquisition of DecTech Solutions Pty Ltd has a carrying value of £3,352,000 and a remaining amortisation period of 8.1 years. The customer relationships intangible asset acquired through the acquisition of CDMS Limited has a carrying value of £3,101,000 and a remaining amortisation period of 8.6 years. The customer relationships intangible asset acquired through the acquisition of Loqate Inc. has a carrying value of £1,802,000 and a remaining amortisation period of 9.1 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 annually tested for impairment (note 16).

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

15. Intangible Assets continued

Company	Purchased software £'000	Development costs £'000	Total £'000
Cost			
At 1 April 2014	–	997	**997**
Acquired on acquisition*	–	32	**32**
Additions – product development	–	63	**63**
At 31 March 2015	–	1,092	**1,092**
Acquired on acquisition**	23	–	**23**
Additions – product development	–	624	**624**
Additions – purchased software	426	–	**426**
Reclassification	1,953	–	**1,953**
At 31 March 2016	2,402	1,716	**4,118**
Amortisation and impairment			
At 1 April 2014	–	439	**439**
Amortisation during the year	–	175	**175**
At 31 March 2015	–	614	**614**
Reclassification	1,636	–	**1,636**
Amortisation during the year	64	209	**273**
At 31 March 2016	1,700	823	**2,523**
Net book value			
At 31 March 2016	702	893	**1,595**
At 31 March 2015	–	478	**478**
At 1 April 2014	–	558	**558**

* On 1 October 2014, the trade, assets and liabilities of Advanced Checking Services Limited were transferred to the Company.
** On 1 April 2015, the trade, assets and liabilities of CDMS Limited were transferred to the Company.

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

16. Impairment Testing of Goodwill

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

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

Carrying amount of goodwill allocated to CGUs

	2016 £'000	2015 £'000
Identity Solutions Unit	**11,672**	11,170
Identity Proofing Unit	**5,293**	5,293
e-Ware Interactive Unit	**79**	79
DecTech Unit	**13,993**	13,461
Loqate Unit	**6,728**	–
CDMS Unit	**–**	502
	37,765	30,505

Notes to the Accounts continued

16. Impairment Testing of Goodwill continued

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.

	2016		2015	
	Pre-tax WACC %	Growth rate (in perpetuity) %	Pre-tax WACC %	Growth rate (in perpetuity) %
Identity Solutions Unit	**8.2%**	**2.3%**	6.8%	2.3%
Identity Proofing Unit	**8.2%**	**2.3%**	6.8%	2.3%
e-Ware Interactive Unit	**8.2%**	**–**	6.8%	–
DecTech Unit	**15.6%**	**2.7%**	12.3%	2.9%
Loqate Unit	**12.7%**	**2.3%**	–	–
CDMS Unit	**–**	**–**	6.8%	2.3%

In the case of the e-Ware Interactive CGU, the annual impairment review as at 31 March 2016 indicated that the recoverable amount exceeded the carrying value by £50,000 (2015: £66,000) 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 a small number of customers. Any decline in estimated value-in-use in excess of that amount would be liable to result in an impairment. The sensitivity, which would result in the recoverable amount equalling the carrying value, is an absolute increase of 22.5% to the attrition assumption from 20% to 42.5%. The decrease in both the discount rate and profit margin that would be required to result in an impairment are not considered to be reasonably possible.

In the case of the DecTech CGU, the annual impairment review as at 31 March 2016 indicated that the recoverable amount exceeded the carrying value of goodwill by £14,900,000 (2015: £14,200,000) 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 12.9% in the pre-tax weighted average cost of capital from 12.6% to 28.5%; or
- a reduction of 52% in the forecast profit margins.

In the case of the Loqate CGU, the annual impairment review as at 31 March 2016 indicated that the recoverable amount exceeded the carrying value of goodwill by £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 9.7% in the pre-tax weighted average cost of capital from 12.7% to 22.4%; or
- a reduction of 52.4% 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
Cost	
At 1 April 2015	48,321
Acquisition of subsidiary undertakings	12,107
At 31 March 2016	60,428
Amounts written off	
At 1 April 2015 and 31 March 2016	–
Net book value	
At 31 March 2016	60,428
At 31 March 2015	48,321

17. Investments continued

Details of the investments in which the Company holds greater than 20% of the nominal value of any class of share capital are as follows:

Name of company	Description of holding	Proportion of voting rights and shares held	Nature of business
Capscan Parent Limited	Ordinary Shares	100%	Dormant company
Capscan Limited*	Ordinary Shares	100%	Dormant company
Advanced Checking Services Limited	Ordinary Shares	100%	Dormant company
Data Discoveries Holdings Limited	Ordinary Shares	100%	Dormant company
Data Discoveries Limited*	Ordinary Shares	100%	Dormant company
Managed Analytics Limited*	Ordinary Shares	100%	Dormant company
Fastrac Limited*	Ordinary Shares	100%	Dormant company
e-Ware Interactive Limited	Ordinary Shares	100%	Dormant company
GB Information Management Limited	Ordinary Shares	100%	Dormant company
GB Datacare Limited	Ordinary Shares	100%	Dormant company
GB Mailing Systems Limited	Ordinary Shares	100%	Dormant company
Citizensafe Limited	Ordinary Shares	100%	Dormant company
TelMe Global Traveller Limited	Ordinary Shares	100%	Dormant company
TelMe.com Limited	Ordinary Shares	100%	Dormant company
Ebetsafe Limited	Ordinary Shares	100%	Dormant company
Farebase Limited	Ordinary Shares	100%	Dormant company
TMG.tv Limited	Ordinary Shares	100%	Dormant company
CRD (UK) Limited	Ordinary Shares	100%	Dormant company
DecTech Solutions Holdings Pty Ltd	Ordinary Shares	100%	ID Risk Management
DecTech Solutions Pty Ltd*	Ordinary Shares	100%	ID Risk Management
DecTech Solutions Sdn Bhd	Ordinary Shares	100%	ID Risk Management
Loqate Inc.	Ordinary Shares	100%	ID Registration
CDMS Limited	Ordinary Shares	100%	Dormant company
Transactis Limited*	Ordinary Shares	100%	Dormant company
Inkfish Limited*	Ordinary Shares	100%	Dormant company

* Held indirectly.

DecTech Solutions Holdings Pty Ltd and DecTech Solutions Pty Ltd are incorporated in Australia. DecTech Solutions Sdn Bhd is incorporated in Malaysia. Loqate Inc. is incorporated in the United States of America. All other subsidiaries are incorporated in the United Kingdom. The Company accounts for its investments in subsidiaries using the cost model.

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.

The following table illustrates summarised financial information of the Group's investment in Loqate Inc.:

	2016 £'000	2015 £'000
At 1 April	–	10
Share of loss for the period	–	(10)
At 31 March	–	–

The Group's share of the results of its associate, which is unlisted, and its aggregate assets and liabilities, are as follows:

	2016 £'000	2015 £'000
Share of balance sheet:		
Total assets	–	531
Total liabilities	–	(669)
	–	(138)
Share of results:		
Revenue	–	985
Loss after tax	–	(31)
Share of associate investment result	–	(10)

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.

Notes to the Accounts continued

19. Trade and Other Receivables

Trade receivables are non-interest bearing and are generally on 14 to 60 day terms. At 31 March 2016 the value of trade receivables outstanding in excess of the standard expected credit term but not impaired was £6,661,000 (2015: £6,308,000).

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	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Trade receivables	**19,768**	15,592	**15,519**	12,429
Prepayments and accrued income	**4,006**	1,816	**3,317**	1,148
	23,774	17,408	**18,836**	13,577

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

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Balance at 1 April	**659**	239	**561**	233
Acquired on acquisition	**67**	72	**70**	6
Additional provisions	**226**	441	**139**	410
Write-offs	**(97)**	(93)	**(97)**	(88)
Balance at 31 March	**855**	659	**673**	561

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	Past due but not impaired 30 – 60 days £'000	Past due but not impaired > 60 days £'000
2016	**19,768**	**13,107**	**2,720**	**504**	**3,437**
2015	15,592	9,284	2,754	773	2,781

20. Cash

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Cash at bank and in hand	**12,415**	15,778	**9,663**	13,845
	12,415	15,778	**9,663**	13,845

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

21. Equity Share Capital

	2016 £'000	2015 £'000
Authorised		
147,663,704 (2015: 147,663,704) ordinary shares of 2.5p each	**3,692**	3,692
Issued		
Allotted, called up and fully paid	**3,097**	3,018
Share premium	**24,111**	23,400
	27,208	26,418

	2016 No.	2015 No.
Number of shares in issue at 1 April	**120,735,364**	110,149,466
Issued on placing	–	8,343,284
Issued on exercise of share options	**3,151,026**	2,242,614
Number of shares in issue at 31 March	**123,886,390**	120,735,364

During the year 3,151,026 (2015: 10,585,898) ordinary shares with a nominal value of 2.5p were issued for an aggregate cash consideration of £790,000 (2015: £11,284,000). In addition to this, in 2015 the Company issued shares with a fair value of £500,000 as part of the consideration for the acquisition of CDMS Limited. The cost associated with the issue of shares in the year was £nil (2015: £330,000).

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

	Group	
	2016 £'000	2015 £'000
Opening bank loan	**4,389**	–
New borrowings	**–**	5,487
Repayment of borrowings	**(752)**	(781)
Foreign currency translation adjustment	**105**	(317)
Closing bank loan	**3,742**	4,389
Analysed as:		
Amounts falling due within 12 months	**582**	746
Amounts falling due after one year	**3,160**	3,643
	3,742	4,389

23. Trade and Other Payables

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Trade payables	**5,572**	2,538	**5,051**	2,273
Amounts owed to subsidiary undertakings	**–**	–	**10,276**	7,443
Other taxes and social security costs	**3,019**	2,086	**2,824**	1,717
Accruals	**8,200**	9,454	**6,957**	7,439
Deferred income	**13,752**	9,906	**10,395**	9,203
	30,543	23,984	**35,503**	28,075

24. Provisions

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Opening balance	**48**	315	**48**	315
Provided for dilapidation obligations in less than 1 year	**–**	138	**–**	–
Utilised	**(17)**	(405)	**(17)**	(267)
Closing balance	**31**	48	**31**	48

Provisions associated with the costs of dilapidation obligations on certain leasehold properties within the group are £25,000 (2015: £25,000). The cash flows associated with these provisions are expected to occur in less than one year. Costs of £6,000 are provided in relation to an onerous lease for a small property that is vacant following the transfer of trade, assets and liabilities of CRD (UK) Limited to the Company during a prior year.

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.

Notes to the Accounts continued

25. Financial Instruments and Risk Management continued

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 £155,000. 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 £189,000.

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 £38,000. The effect on equity of a 10% decrease in the US Dollar and Sterling exchange rate would be a decrease of £46,000.

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 £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 2016 and 2015.

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 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
Provisions	–	31	–	31
Trade and other payables	5,572	11,219	–	16,791
	5,572	**12,318**	**3,895**	**21,785**

25. Financial Instruments and Risk Management continued

Year ended 31 March 2015	On demand £'000	Less than 12 months £'000	1 to 5 years £'000	Total £'000
Loans	–	–	4,721	4,721
Contingent consideration	–	5,879	1,027	6,906
Provisions	–	48	–	48
Trade and other payables	2,538	11,540	–	14,078
	2,538	**17,467**	**5,748**	**25,753**

The 2015 comparatives have been restated to include contractual interest payments, affecting only the 1 to 5 years analysis of loans.

Use of financial instruments

A summary of the Group's use of financial instruments is set out in the Finance Review on pages 24 to 26.

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

	2016		2015	
	Loans and receivables £'000	**Fair value profit or loss £'000**	Loans and receivables £'000	Fair value profit or loss £'000
Financial assets:				
Trade and other receivables	**19,768**	**–**	15,592	–
Total current	**19,768**	**–**	15,592	–
Total	**19,768**	**–**	15,592	–
Financial liabilities:				
Loans	**3,160**	**–**	3,643	–
Contingent consideration	**–**	**–**	–	895
Total non-current	**3,160**	**–**	3,643	895
Trade and other payables	**16,791**	**–**	14,078	–
Loans	**582**	**–**	746	–
Contingent consideration	**–**	**1,050**	–	5,733
Total current	**17,373**	**1,050**	14,824	5,733
Total	**20,533**	**1,050**	18,467	6,628

All financial assets and liabilities have a carrying value that approximates to fair value. For trade and other receivables, allowances are made within the book value for credit risk.

The Group does not have any derivative financial instruments.

Contingent consideration

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

	31 March 2016 £'000	31 March 2015 £'000
Fair value within current liabilities:		
Contingent consideration	**1,050**	5,733
Fair value within non-current liabilities:		
Contingent consideration	**–**	895

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.

Notes to the Accounts continued

25. Financial Instruments and Risk Management continued

Financial liabilities

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

The Group has an undrawn 3 year revolving credit facility agreement expiring in November 2020 which is subject to a limit of £50,000,000. The facility bears an initial interest rate of LIBOR +1.50%.

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

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

- Leverage
- Interest cover

At 31 March 2016 and 31 March 2015 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.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Group		Company	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Not later than one year	**1,066**	593	**749**	546
After one year but not more than five years	**1,585**	1,352	**1,232**	1,341
After five years	**–**	–	**–**	–
	2,651	1,945	**1,981**	1,887

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.

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 3 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.

27. Share-based Payments continued

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 3 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 £1,245,000 (2015: £971,000).

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

	2016 No.	2016 WAEP	2015 No.	2015 WAEP
Outstanding as at 1 April	**6,724,777**	**26.93p**	8,128,123	24.91p
Granted during the year	**1,561,245**	**87.73p**	907,489	11.12p
Forfeited during the year	**(13,298)**	**114.73p**	(47,732)	59.23p
Cancelled during the year	**(15,674)**	**127.43p**	(890)	76.80p
Exercised during the year	**(3,151,026)**	**25.07p**[1]	(2,242,613)	12.66p[2]
Expired during the year	**(88,000)**	**35.68p**	(19,600)	19.47p
Outstanding at 31 March	**5,018,024**	**46.28p**	6,724,777	26.93p
Exercisable at 31 March	**1,318,453**	**38.96p**	2,722,038	29.64p

1 The weighted average share price at the date of exercise for the options exercised is 217.51p
2 The weighted average share price at the date of exercise for the options exercised is 156.57p

For the shares outstanding as at 31 March 2016, the weighted average remaining contractual life is 5.9 years (2015: 6.1 years).

The weighted average fair value of options granted during the year was 133.46p (2015: 143.32p). The range of exercise prices for options outstanding at the end of the year was 2.50p – 272.25p (2015: 2.50p – 159.00p).

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 2016 and 31 March 2015.

	2016	2015
Dividend yield (%)	**0.7–0.9**	1.0
Expected share price volatility (%)	**20–25**	30
Risk-free interest rate (%)	**0.9–1.3**	1.2–1.9
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)	**3.0–5.0**	3.0
Exercise price (p)	**2.50–272.25**	2.50–159.00
Weighted average share price (p)	**217.51**	156.17

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.

Notes to the Accounts continued

28. Profit Attributable to Members of the Parent Company

The profit dealt with in the financial statements of the Parent Company is £8,317,000 (2015: £5,676,000). 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.

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
Associates:			
2016	–	–	–
2015	–	150	–
Directors (see below):			
2016	–	1	–
2015	–	33	8
Other related parties (see below):			
2016	33	–	(5)
2015	55	–	(5)

Company	Sales to related parties £'000	Purchases from related parties £'000	Net amounts owed to/(by) related parties £'000
Subsidiaries:			
2016	915	714	10,276
2015	709	128	7,443
Associates:			
2016	–	–	–
2015	–	150	–
Directors (see below):			
2016	–	1	–
2015	–	33	8
Other related parties (see below):			
2016	33	–	(5)
2015	55	–	(5)

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

The Chief Executive of the Company is a director of Zuto Limited which is a client of the Group. Transactions with them have been reported under the heading of 'other related parties' in the table above.

A Non-Executive Director of the Company is a director of Avanti Communications Group Plc which is a client of the Group. Transactions with them have been reported under the heading of 'other related parties' in the table above.

30. Related Party Transactions continued

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 2016, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2015: £nil).

Compensation of key management personnel (including directors)

	Group and Company	
	2016 £'000	2015 £'000
Short-term employee benefits	**1,520**	1,412
Post-employment benefits	**24**	22
Fair value of share options awarded	**929**	769
	2,473	2,203

31. Business Combinations

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.

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

	Fair value recognised on acquisition £'000
Assets	
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)
Total identifiable net assets at fair value	**1,106**
Goodwill arising on acquisition	6,502
Total purchase consideration transferred	**7,608**
Purchase consideration:	
Cash	8,641
Value of original equity stake	247
Contingent consideration adjustment	(1,280)
Total purchase consideration	**7,608**
Analysis of cash flows on acquisition:	
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)
Net cash outflow	**(8,082)**

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.

Notes to the Accounts continued

31. Business Combinations continued

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.

The fair values reported in the Interim Report were provisional due to the complexity of the determination of the fair value of certain assets and subsequent completion accounts adjustments to the purchase consideration. As a consequence, the identifiable net assets has reduced by £217,000 compared to that previously reported along with a reduction in the cash consideration of £338,000 and an overall corresponding reduction of £121,000 in the amount of goodwill.

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
Assets	
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)
Total net assets at fair value	**2,822**

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.

31. Business Combinations continued

Acquisitions in the year ended 31 March 2015

Group

Acquisition of DecTech Solutions Pty Ltd

On 9 May 2014, the Group acquired 100% of the voting shares of DecTech Solutions Pty Ltd ('DecTech'), an unlisted company based in Australia providing fraud detection, credit risk management and customer management solutions. The Group acquired DecTech to enhance its ability to serve its clients globally by augmenting and broadening its product suite with highly complementary technology that is in demand in both established and developing markets. The Consolidated Statement of Comprehensive Income includes the results of DecTech for the eleven month period from the acquisition date.

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

	Fair value recognised on acquisition £'000
Assets	
Technology intellectual property	1,592
Customer relationships	4,262
Non-compete agreements	101
Plant and equipment	68
Deferred tax assets	181
Trade and other receivables	957
Cash	628
Trade and other payables	(1,219)
Deferred tax liabilities	(1,279)
Total identifiable net assets at fair value	**5,291**
Goodwill arising on acquisition	14,382
Total purchase consideration transferred	**19,673**

Purchase consideration:	
Cash	14,212
Contingent consideration	5,461
Total purchase consideration	**19,673**

Analysis of cash flows on acquisition:	
Transaction costs of the acquisition (included in cash flows from operating activities)	(73)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	628
Cash paid	(14,212)
Net cash outflow	**(13,657)**

The fair value of the acquired receivables amounts to £957,000. The gross amount of receivables is £977,000. None of the 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 DecTech 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 £73,000 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, DecTech has contributed £6,000,000 of revenue and adjusted operating profits of £1,500,000 to the Group. If the combination had taken place at the beginning of the year, the Group revenue and adjusted operating profits would have been £57,500,000 and £10,600,000 respectively.

The fair values reported in the Interim Report were provisional due to the complexity of the determination of the fair value and tax basis of certain intangible assets. As a consequence of the finalisation of these values, the identifiable net assets at fair value has reduced by £198,000 compared to that previously reported with a corresponding increase in the amount of goodwill.

Notes to the Accounts continued

31. Business Combinations continued

Contingent consideration

As part of the share sale and purchase agreement, a contingent cash consideration of up to a maximum of AUS$11,500,000 has been agreed. These payments are subject to certain future revenue and profit targets being met. At the acquisition date the discounted fair value of the contingent consideration was estimated at AUS$10,000,000 having been determined from management's estimates of the ranges of profit forecasts and their respective likelihoods. At 31 March 2015, the value of the contingent consideration after partial unwinding of the discounting was AUS$11,100,000. 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). During the year ended 31 March 2016, final settlement of AUS$9,500,000 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.

Acquisition of CDMS Limited

On 1 November 2014, the Company acquired 100% of the voting shares of CDMS Limited ('CDMS'), an unlisted company based in the UK that aggregates customer transactional data and delivers anti-fraud and marketing related services to both the private and public sectors in the UK. The Company acquired CDMS to strengthen GBG's identity data intelligence offerings with a unique data asset, add a technology portfolio that complements GBG's existing solutions and bring with it recurring revenues with blue chip customers. The Consolidated Statement of Comprehensive Income includes the results of CDMS for the five month period from the acquisition date.

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

	Fair value recognised on acquisition £'000
Assets	
Technology intellectual property	890
Customer relationships	3,613
Plant and equipment	227
Deferred tax assets	1,093
Trade and other receivables	1,704
Cash	767
Trade and other payables	(1,146)
Deferred tax liabilities	(904)
Total identifiable net assets at fair value	**6,244**
Goodwill arising on acquisition	502
Total purchase consideration transferred	**6,746**

Purchase consideration:	
Cash	5,356
Fair value of shares issued (343,284 shares at £1.4565)	500
Contingent consideration	890
Total purchase consideration	**6,746**

Analysis of cash flows on acquisition:	
Transaction costs of the acquisition (included in cash flows from operating activities)	(258)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	767
Cash paid	(5,356)
Net cash outflow	**(4,847)**

The fair value of the acquired receivables amounts to £1,704,000. The gross amount of receivables is £1,756,000. None of the 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 CDMS 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 £258,000 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, CDMS has contributed £3,100,000 of revenue and adjusted operating profits of £400,000 to the Group. The business had been loss-making prior to acquisition and if the combination had taken place at the beginning of the year, the Group revenue and adjusted operating profits would have been £59,400,000 and £9,800,000 respectively.

31. Business Combinations continued

Contingent consideration

As part of the share sale and purchase agreement, a contingent consideration amount of up to a maximum of £1,000,000 has been agreed. This payment, which will be settled by way of an issue of shares, is subject to certain future contract and revenue targets being met by the anniversary of the acquisition date. The number of shares to be issued to satisfy the payment will be calculated by reference to the five business day volume-weighted average price of GBG shares prior to the date of issue. The obligation has been classified as a liability in accordance with the provisions of IAS 32.

At the acquisition date the discounted fair value of the contingent consideration was estimated at £890,000 having been determined from management's estimates of the ranges of outcomes and their respective likelihoods. At 31 March 2015, the value of the contingent consideration after partial unwinding of the discounting was £934,000. 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

During the year ended 31 March 2015, final settlement of £500,000 was made relating to the contingent consideration on the acquisition of TMG.tv Limited resulting in a reduction in the contingent consideration liability on the balance sheet. At 31 March 2014 this liability was included within non-current liabilities. A downwards fair value adjustment of £250,000 was made to this contingent consideration during the year reversing it to the Consolidated Statement of Comprehensive Income under IFRS 3 (Revised) Business Combinations (note 7).

Company

Acquisition of Advanced Checking Services Limited

On 1 October 2014, the Company acquired the trade, assets and liabilities of Advanced Checking Services Limited at book value. Details of the assets and liabilities that were transferred to the Company were as follows:

	Fair value £'000
Assets	
Plant and equipment	1
Intangible assets	32
Trade and other receivables	174
Cash	17
Trade and other payables	(147)
Total net assets at fair value	**77**

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 £174,000. The gross amount of receivables is £180,000. 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

Group and Company	2016 £'000	2015 £'000
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

Group	2016 £'000	2015 £'000
At 1 April	6,628	750
Recognition on the acquisition of subsidiary undertakings	–	6,351
Reversal of contingent consideration to the Income Statement	–	(250)
Settlement of consideration	(5,745)	(500)
Unwinding of discount	255	653
Exchange differences on retranslation	(88)	(376)
At 31 March	1,050	6,628
Analysed as:		
Amounts falling due within 12 months	1,050	5,733
Amounts falling due after one year	–	895
At 31 March	1,050	6,628

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.

Company	2016 £'000	2015 £'000
At 1 April	934	750
Recognition on the acquisition of subsidiary undertakings	–	890
Reversal of contingent consideration to the Income Statement	–	(250)
Settlement of consideration	(1,000)	(500)
Unwinding of discount	66	44
At 31 March	–	934
Analysed as:		
Amounts falling due within 12 months	–	934
Amounts falling due after one year	–	–
At 31 March	–	934

The closing balance at 31 March 2015 relates to provisions for contingent consideration for CDMS.

Useful Information

Shareholder Information
The Investors section of the Company's website, 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 5 August 2016 to join the plan for the final dividend for the year ended 31 March 2016.

Share Price Information
The closing middle market price of a share of GB Group plc on 31 March 2016 was £2.68. During the year, the share price fluctuated between £1.69 and £2.83. The Company's share price is available on the website, 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.

Financial Calendar

Ex-dividend date for 2016 final dividend	Thursday 21 July 2016
Record date for 2016 final dividend	Friday 22 July 2016
Annual General Meeting	Tuesday 26 July 2016
2016 final dividend payment date	Friday 26 August 2016
Announcement of 2016 half year results	December 2016

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.

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