



Embargoed until 7.00 a.m

30 June 2020

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

**Annual Results for the Year Ended 31 March 2020**

***Successful year of growth and delivery against strategic objectives***

GB Group plc (AIM: GBG), the global identity data intelligence specialist, announces its annual results for the year ended 31 March 2020.

**Financial highlights**

	<b>2020</b>	<b>2019</b>	<b>% change</b>
Revenue	£199.1m	£143.5m	38.7%
Adjusted operating profit <sup>1</sup>	£47.9m	£32.0m	49.7%
Adjusted basic earnings per share <sup>1</sup>	21.8p	18.2p	19.8%
Profit before tax	£20.6m	£14.7m	40.0%
Deferred income balance	£38.4m	£36.6m	4.9%
Net assets	£344.9m	£321.5m	7.3%
Net (debt)/cash <sup>1</sup>	£(35.0)m	£(66.3)m	-
Dividend per share	-	2.99p	-

	<b>2020</b>	<b>2019</b>	<b>Total Growth</b>	<b>2020 Organic Revenue</b>	<b>2019 Revenue (CCY)<sup>1</sup></b>	<b>Organic Revenue Growth (CCY)<sup>1</sup></b>
Total revenue	£199.1m	£143.5m	38.7%	£158.3m	£143.0m	10.7%
Adjusted operating profit <sup>1</sup>	£47.9m	£32.0m	49.7%	-	-	-

**Strategic and operational highlights**

Strong revenue and profit performance:

- Good growth from all geographies and GBG's three core solutions (Location, Identity and Fraud)
- International revenues now 56% of the business
- IDology is performing well and delivering on acquisition objectives

Continued investment in data, products and technology:

- Increasing breadth and depth of data in chosen markets
- Enhancement of product portfolio through internal development and partnerships
- Enhanced our capabilities in artificial intelligence, multi-modal authentication and validation methods
- Significant progress in the shift to a globally capable, cloud-based operational model

Covid-19: early and decisive action:

- Focused on protecting team members, supporting our customers and positioning for the future
- Prompt actions taken early to maintain our organisational capacity whilst reducing discretionary spending
- Assisted by a strong balance sheet with available bank draw down facilities, good liquidity and a high proportion of annual recurring licence revenue

Current trading:

- We are witnessing varying levels of impact depending on customer vertical, product solution and geography with positive and negative effects
- To date customer churn, solvency and bad debt are at normal levels
- Continuing to win new business though some sales cycles are lengthening

Outlook:

- It is not yet possible to understand the ongoing impact of Covid-19 on the business
- Dividend and guidance currently suspended
- Long-term market drivers remain favourable and should be enhanced by accelerated digitalisation of customers' businesses
- Our strong balance sheet, leading technology and diversified customer base leaves GBG well-positioned for long-term success

**Chris Clark, CEO, commented:**

*"I am extremely proud of our performance in the last 12 months, which saw profit and revenues exceed market expectations. This was driven by GBG's international expansion and innovative product offerings. Although it is hard to predict the full impact of Covid-19, we remain well-positioned to support our customers through the current environment and in the longer term.*

*None of this would be possible without the incredible hardworking team at GBG. I want to pay tribute to the dedication of my colleagues through this challenging period. I am confident GBG is approaching the future from a position of strength."*

Notes:

<sup>1</sup> These measures are defined within note 37 to the Annual Report.

Ends -

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## **Presentation and webcast**

Chris Clark, Chief Executive, and David Wilson, Chief Financial Officer & Chief Operating Officer will be hosting an analyst webcast presentation at 9.00 a.m. on 30 June 2020.

Shortly following the presentation, an archived webcast will be available on the Investors page of GBG's website.

## **About GBG**

GBG offers a range of solutions that help organisations quickly validate and verify the identity and location of their customers.

Our market-leading technology, data and expertise help our customers improve digital access, deliver a seamless experience and establish trust so that they can transact quickly, safely and securely with their customers online.

Headquartered in the UK and with over 1,000 team members across 16 countries, we work with 20,000 customers in over 70 countries. Some of the world's best-known businesses rely on GBG to provide digital services and keep the economy moving, from US e-commerce giants to Asia's biggest banks and European household brands.

To find out more about how we help our customers establish trust with their customers, visit [www.gbtplc.com](http://www.gbtplc.com) and follow us on LinkedIn and Twitter @gbtplc.

## **Chairman's Statement**

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The past year has been a strong one for GBG. We have delivered on our strategic objectives, achieved record levels of revenue and profit and earned our best-ever levels of engagement for both team members and customers. The impact of Covid-19 means, however, that we have little time to celebrate our past success. Instead, we are focussing all our attention and skills on supporting our team members and customers during this demanding and uncertain time. We are taking actions to make sure our business remains strong throughout this period and we are confident that we will emerge from this crisis in a position to deliver against our long-term growth strategy.

### **Covid-19 Pandemic**

On behalf of the Board, I want to say how grateful I am to our team members across the world for their commitment and dedication during the Covid-19 pandemic. While working remotely, they have maintained high levels of service to our customers as well as supporting the well-being of their families and colleagues. It is a credit to them and the senior management team that we have been able to operate so effectively in light of these challenging conditions, putting us in a strong position to maintain the prospects of the Group. I am justly proud of all their efforts.

The Chief Executive's report covers in more detail the steps and actions that GBG has taken to carry out its business continuity plans, ensuring the safety and well-being of our team members and supporting our customers. The Board has been holding virtual meetings on a weekly basis, where we have received updates from the Executive Directors on a range of matters relating to Covid-19. This is a very effective forum to make sure that we can continue to meet our obligations to all of our stakeholders. It has also given us the opportunity to identify and consider any potential challenges and opportunities at an early stage.

We are keenly aware of the challenges posed by the impact of Covid-19 on the global markets we operate in, as well as society at large. While it is still too early to assess the full impact of the pandemic, I am pleased with the pace of actions we have taken to mitigate the effects of the pandemic on our team members, customers and the business.

### **Financial performance**

GBG's financial performance in the year was again ahead of market expectations. Revenues increased by 38.7 % to £199.1 million (2019: £143.5 million), with organic revenue growth at constant currency<sup>1</sup> of 10.7%. Adjusted operating profit<sup>1</sup> increased by 49.7% to £47.9 million (2019: £32.0 million) and adjusted earnings per share<sup>1</sup> rose 19.8%% to 21.8 pence (2019: 18.2 pence).

We generated good levels of cash in the year which contributed to a significant improvement in our net debt position, down to £35.0 million from £66.3m in FY19. We enter FY21 in a robust financial position with a strong balance sheet, a cash generative business model and access to liquidity.

### **Achievements and strategic outlook**

During the year we remained focused on the continued strategic development of our three core solutions: Location, Identity and Fraud. We have been effective in engaging with existing and potential customers, as well as responding to market trends and developments, while maintaining our long-standing commitment to innovation.

GBG is committed to building market-leading products that meet the evolving needs and requirements of our customers, helping them to operate securely and compliantly, at the same time as providing a high quality and seamless customer experience.

We have also continued to embrace new concepts, combining the best ideas from the markets we serve. This includes enhancing our capabilities in artificial intelligence, multi-modal authentication and validation methods including biometrics, voice and images. The increasing breadth, depth and scope of data in our products means we can offer our customers unique access to the most accurate information, enabling them to make more intelligent, commercial and risk-based decisions. In turn, this helps them to increase their revenues and improve operational efficiency.

Following its acquisition in 2019, IDology has integrated well into the Group, contributing significantly to our strategy to enhance our product capability and to expand geographically. It also further

demonstrates our ability to identify, acquire and integrate businesses that are complementary to our growth strategy and that will increase GBG's value.

We also welcomed Natalie Gammon to the Board in November 2019. She brings a wealth of relevant experience and we look forward to the input and insights she will bring.

At the half year, I indicated that The Information Commissioner's Office, the data industry regulator in the UK, had announced in November 2018 that it was conducting audits on a number of companies to understand the use of data in their services. We were included in this review and we are continuing to work with the Commissioner to continue to improve privacy compliance. We will keep the market informed of any material developments.

### **AGM and Dividend**

In light of current and anticipated Covid-19 public health guidelines, GBG is asking shareholders to comply with certain unprecedented but urgent measures for this year's AGM. These measures, which follow current best practice, are being taken to safeguard the safety and well-being of shareholders and other participants and to make the AGM as safe as possible.

As the UK Government has imposed measures restricting public gatherings, anyone seeking to attend the meeting in person (beyond the two persons designated by the Board as being necessary to form a quorum) will be refused entry to the AGM. Shareholders wishing to vote on any of the matters of business at the AGM are strongly encouraged to submit their votes in advance by proxy. Further details and instructions will be detailed in the AGM notice issued to shareholders.

As indicated in our April 2020 trading and Covid-19 update, the Board does not intend to declare a final dividend in respect of financial year 2020. We have already taken steps to reduce costs and preserve liquidity, including a Group-wide pay freeze, halting all-but-essential recruitment and deferring Executive Directors' bonuses. This extra prudent step will help to both preserve short-term liquidity and provide GBG with additional financial flexibility to support and invest as we come out of the pandemic.

### **The year overall and outlook**

FY2020 has been another successful year in terms of delivering on our strategic priorities and further growth of the Group. Whilst we are pleased at how GBG has responded to the immediate challenges presented by Covid-19, it still remains unclear how it will affect GBG in the coming months as each customer, sector and geography are impacted in different ways. However, consumers are carrying out more transactions online and organisations are responding to this by accelerating their plans to offer seamless, quick and secure digital services. These are healthy indications that we could see an increasing demand for our services in the medium-term. We look forward to playing our part in supporting businesses as economies recover from the effects of the pandemic.

We remain confident in the longer-term prospects of the Group, thanks to a combination of a well-established growth strategy, a strong balance sheet, significant market opportunity, diversified sectors and customer base and world-class products.

On behalf of the Board, I would like to thank Chris Clark, his Executive Team and all of our team members for their hard work in achieving the result for 2020. I am very grateful for their commitment and dedication during this difficult time. I would also like thank our shareholders and customers for their continued support.

David Rasche  
**Chairman**

<sup>1</sup> These measures are defined within note 37 to the Annual Report

## Chief Executive's Review

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As you might imagine, our current focus and attention is on Covid-19. That said, I think it is important to acknowledge how strongly GBG performed in the year ending March 2020. We delivered record revenue and profit, ahead of market expectations, while also making strong progress against our key strategic objectives. This has strengthened GBG and gives us the confidence to face the challenges and embrace the opportunities ahead. Before addressing aspects of our performance, achievements and strategic progress in 2020, I will cover the actions we have taken in response to the Covid-19 pandemic.

### **Covid-19**

The Covid-19 crisis had a limited financial impact on FY20, as it escalated towards the end of our financial year. As we said in our Covid-19 update in April 2020, our priorities have been to protect our team members and to support their health and well-being; to look after our customers; and to make our business secure, both financially and operationally. We took a number of swift actions, including:

- Achieving a smooth transition to full remote working for all of our global teams within a few days of local lockdowns being announced. Although our team members are already used to working from outside of the office, we have taken extra steps to enhance the way we engage with them and support them through the challenges of a sustained time in isolation.
- We took prudent and decisive action early in the process to preserve liquidity and reduce discretionary costs. This included an immediate Group-wide pay freeze, as well as pausing all non-essential recruitment. We are carefully assessing project spend and are restricting it to those areas critical to the long-term success of GBG. We have also deferred the payment of the accrued bonus for GBG's Executive Directors and we will not declare a final dividend in respect of the 2020 financial year.
- We formed a Covid Team in mid-March, drawn from the Group's senior management. The team met daily to assess the range of issues impacting GBG. They scoped and rapidly put in place a plan of action, assigning activities and responsibilities. The team continues to meet regularly each week to monitor progress and to consider whether to adapt and/or flex the plan of action in light of ongoing developments.
- Within the first week of being established, the Covid Team received daily statistics on usage volumes of all of our services together with updates on network service availability. This data has been provided throughout the period to identify trends and to support our activities.
- We have held a virtual Board meeting each week. The Board's regular agenda covers: team members; customers; financial health; operations; governance; and opportunities.

Although the impact of Covid-19 on GBG has not been as marked as with many other organisations, the full effect on the business is still unfolding. We are seeing different levels of impact depending on the customer vertical, product solution and geography.

In addition to the steps we have taken to reduce discretionary costs, we have been mindful also of our wider obligations to do the right thing to support our team members, customers and other stakeholders. We want to make sure that we are all well-placed to deal with whatever lies ahead as the world adapts to the impact of Covid-19. With that in mind, we will continue to invest in areas that support this longer-term objective.

### **Overview**

The strong financial performance in 2020 means GBG continues to have the capability and resources to make important investments across the Group to support further growth. We are committed to developing and launching additional world-class products, improving how we take these products to market and recruiting and developing the very best people.

## **Market drivers**

With over 30 years' market experience, as well as a suite of products that are truly innovative and global, we help our customers to benefit and succeed in the digital economy by interacting safely and securely with their consumers.

Our growth has been achieved by delivering innovative digital solutions to businesses around the world, helping them provide a frictionless customer experience, reduce online fraud and meet increasingly stringent compliance regulations. This is driven by:

- Continuing growth in e-commerce, particularly in mobile
- Increasing levels of fraud and data breaches
- A continued rise in the cost and complexity of local compliance requirements for a number of sectors we serve globally
- Consumers expecting simple, fast and safe online journeys

While it is too early to draw definitive conclusions on the impact of Covid-19, initial observations indicate that many of these drivers might well accelerate. For example, before Covid-19, many organisations had not yet fully digitalised their systems. Now, we are seeing customers speeding up the digitalisation of their offerings. We are helping them to address the opportunities and threats posed by the pandemic to make things easier, faster and more convenient for their customers and to protect and/or reinvent their business models. We are an essential partner on this journey, helping our customers establish trust in their digital operations.

## **Strategic focus areas**

Our strategic focus is on expanding internationally through three complementary but, in most cases today, distinct solutions that underpin all our propositions: Location, Identity and Fraud. Each solution contributed to the strong performance in the period. We are pleased to see that revenues from our international operations continue to form a major part of our growth – up from 45% to 56% of our total business.

In the current rapidly changing environment, our sector, product and geographical diversification lets us align our developments and resources with evolving customer demand and market trends. We continue to invest and strengthen the capabilities and skills of our teams to meet the growing needs of our customers around the world, especially as their own consumers are speeding up the pace at which they access services using mobile and online technologies. We are committed to supporting our customers as they develop their solutions to meet the demands being made of them, while also making sure that these developments are safe and secure, protecting their consumers from fraud and meeting regulatory requirements.

## **Corporate transactions**

IDology has performed strongly. It has now met a key objective of the acquisition – to help us to secure our goal of providing leading identity data intelligence solutions globally by increasing the scope and coverage of one of our core propositions in North America, a key geography.

We are also making significant progress in our strategic objective to have a business of scale for all of our solution areas of Location, Identity and Fraud in our key regions.

Our financial position at the year-end, together with the steps we have taken to conserve our cash resources and protect access to debt financing, means that we continue to have the means and ability to consider acquisitions and investments when they arise. This gives us the option to increase the pace of our go to market initiatives and/or broaden our geographic reach and product capabilities.

## **Scale through technology**

This year, under the stewardship of a new global technology leadership team, we have significantly advanced the technology and cyber defences underpinning our customer propositions and operations. We made it a strategic priority to shift to a globally capable, cloud-based operational model. We have begun to realise key platform capabilities that will deliver the scale, agility and compliance requirements demanded by our international customer base.

## **Growth: new business and international expansion**

We have seen a good performance across all of our solution areas and geographies in terms of: winning new logos; additional business from existing customers; and customer retention. This includes:

- *Location solution:* Loqate secured a number of new customers in the year across Europe and USA. This included Adidas and Wish, together with John Lewis Partnership and GNC, which we secured in the first half of FY20. In addition, it secured a five-year contract with IBM towards year-end that both extended and expanded our existing relationship, worth a minimum of \$13.5million.
- *Identity solution:* new business wins supported double-digit growth across all our main geographies. This included a deal with Rank Group in the UK to install our technology across their UK casino estate. Other new business wins in the year include PayPal, Adyen and Sky in addition to William Hill Group, announced at the half year.
- *Fraud solution:* in addition to building on our successes in the Asia Pacific region, we also saw encouraging growth in the year in EMEA. This was supported by new agreements in the second half of the year with First Abu Dhabi Bank and Volkswagen Payments S.A., along with an extension of our relationship with Arval, a subsidiary of BNP Paribas Fortis, to provide our Fraud solutions across another three European countries.
- *Upsell and Cross-sell:* we continue to see growth from existing customers increasing their use and number of services they take from GBG. Examples include Flexi Group in Australia now taking all our Identity and Fraud services in Australia and Domestic and General taking our Location and Identity services in the UK.

## **Team Members**

Our global team now has over 1,000 people working in 16 countries. I want to thank each of them for their dedication and professionalism over the last 12 months and through the very recent period in particular. They have delivered against the key priorities we set and we have entered our new financial year in good shape as a result.

I was also very pleased that our employee engagement survey, completed in March 2020, recorded its best result. We saw an improvement on last year's high score and an even higher response rate. We continue to have more than 90% of the global team who would recommend GBG as a great place to work.

## **Current trading, guidance and outlook**

Our operational performance in FY20, along with the recent actions we have taken to conserve cash, have helped place us in as optimal a position as we could hope, to withstand the impacts of the pandemic.

Given the global impact of Covid-19, we have been encouraged by some countercyclical opportunities. These have, to a certain extent, helped soften the impact of reduced underlying activity in some parts of our business in the first quarter of FY21 trading. Although it is still early in the pandemic, customer churn and levels of insolvency are at normal levels although we have started to see some customers taking more time to settle their invoices. There has been little impact on our suppliers. We have continued to win new business, although sales cycles are, understandably, lengthening.

It is not possible to predict how long the effects of the disruption caused by the pandemic will last. While the Group has a high level of annual recurring licence revenue, which provides good visibility, the full impact on volume-based sales are harder to predict. This means we do not yet have sufficient visibility to provide guidance for the year ending 31 March 2021.



Despite what is happening to global economies, our drivers for growth remain the same and in some cases are more important as businesses have needed to adapt to new norms. We have confidence that the Group is well-positioned to face what might be ahead of us, thanks to a combination of our market-leading solutions, a diversified customer base and revenues not being reliant on a single customer or sector. Fundamentally, I believe that our long-term prospects in a post-Covid-19 environment remain as attractive as before.

**Chris Clark**  
Chief Executive Officer

## Finance Review

### Principal Activities and Business Review

The principal activity of GB Group plc ('GBG') and its subsidiaries (together 'the Group') is the provision of identity data intelligence services. GBG helps organisations simply, safely and securely transact with their customers. Through the application of our proprietary technology, our vision is to be the leader in identity data intelligence, informing business decisions between people and organisations globally.

The performance of the Group is reported by segment, reflecting how we run the business and the economic characteristics of each segment. In order to reflect how the Group is presenting its lines of business to its stakeholders going forward, the naming and structure of the operating segments were amended with effect from 1 April 2019. Going forward 'Fraud, Risk & Compliance' has been separated into two new segments – 'Identity' and 'Fraud'. The 'Location & Customer Intelligence' segment has been renamed as 'Location'.

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

### Covid-19

Management has taken decisive action to reduce discretionary costs and preserve liquidity during the uncertainty during this period. These actions included an immediate Group-wide pay freeze and a pausing of all non-essential recruitment. Project spend is being carefully assessed and restricted to those areas critical to the long-term success of GBG. Executive Directors' bonus payments accrued for the year to 31 March 2020 have been deferred and as stated below, there will be no final dividend for 2020. An optional £10.0 million loan repayment that was planned for March 2020 was not made until May 2020 to ensure that the directors had been able to better assess the impact Covid-19 was likely to have on future cashflows.

### Review of the Business

The Group uses adjusted figures as key performance indicators in addition to those reported under IFRS, as adopted by the European Union and IFRIC. Adjusted figures exclude certain non-operational or exceptional items, which is consistent with prior year treatments. Adjusted measures are marked as such when used and are explained in note 37.

	<b>2020</b>	2019	Change	Change
	<b>£'000</b>	£'000	£'000	%
Revenue	<b>199,101</b>	143,504	55,597	38.7
Adjusted operating profit	<b>47,945</b>	32,031	15,914	49.7
Adjusted operating profit/revenue	<b>24.1%</b>	22.3%	1.8%	7.9
Share-based payments charge	<b>(4,541)</b>	(2,287)	(2,254)	98.6
Amortisation of acquired intangibles	<b>(19,008)</b>	(10,316)	(8,692)	84.3
Operating profit before exceptional items	<b>24,396</b>	19,428	4,968	25.6
Exceptional items	<b>(1,552)</b>	(4,003)	2,451	61.2
Operating profit	<b>22,844</b>	15,425	7,419	48.1
Net finance costs	<b>(2,218)</b>	(689)	(1,529)	221.9
Profit before tax	<b>20,626</b>	14,736	5,890	40.0
Total tax charge	<b>(3,562)</b>	(2,583)	(979)	37.9
Profit for the year	<b>17,064</b>	12,153	4,911	40.4
Dividend per share	<b>Nil</b>	2.99	n/a	n/a
Adjusted earnings	<b>42,165</b>	28,759	13,406	46.6

Basic weighted average number of shares ('000)	<b>193,631</b>	158,052	35,579	22.5
Basic earnings per share (pence)	<b>8.8</b>	7.7	1.1	14.3
Adjusted basic earnings per share (pence)	<b>21.8</b>	18.2	3.6	19.8

Following the significant acquisitions over the past couple of years, the focus during the current year was to ensure these acquisitions were successfully integrated into the Group, as well as continued investment in the existing businesses to drive sustainable organic growth. Both the newly acquired businesses delivered profitable growth during the year.

This period of integration has been successful and meant that when the Covid-19 outbreak occurred, the business as a whole was able to adapt quickly to minimise the impact on operations. The profitable growth and continued high cash generation during the year means that the Group's balance sheet and financing ability remain strong, underpinning the Group's ability to navigate successfully through the uncertainty caused by Covid-19.

Adjusted operating profit for the year increased by 49.7 per cent to £47.9 million, reflecting:

- Revenue growth of 38.7 per cent to £199.1 million. This increase included organic growth of 10.7 per cent on a constant currency basis (10.3 per cent on a reported basis).
- The adjusted operating profit margin increased from 22.3 per cent to 24.1 per cent, notwithstanding significant continued investment for growth made over the course of the year.

### **Adjusted EBITDA**

Adjusted EBITDA was £51.7 million (2019: £34.1 million), consisting of adjusted operating profit of £47.9 million (2019: £32.0 million), depreciation (including right-of-use assets) of £3.6 million (2019: £1.5 million) and amortisation of purchased software and internally developed software of £0.2 million (2019: £0.5 million). Adjusted EBITDA has increased by £2.1 million due to the adoption of IFRS 16 as rent expenses previously within operating costs are now split between depreciation and interest and therefore not part of the EBITDA calculation.

### **Amortisation of Acquired Intangibles**

The charge for the year of £19.0 million (2019: £10.3 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 full year impact of the acquisitions of VIX Verify and IDology in the prior year. As IDology, which is the largest acquisition the Group has made, completed towards the end of the prior year, this accounted for £9.0 million of the current year increase.

### **Exceptional Items**

Exceptional costs of £1.6 million (2019: £4.0 million) were incurred by the Group in the year and have been detailed in note 7 to the accounts. The principal reason for the decrease compared to prior year is that £3.7 million was incurred on acquisition related costs last year, compared to less than £0.1 million in the current year. £0.9 million of the charge relates to an increase in contingent consideration in relation to IDology, as detailed in the tax section below.

### **Net Finance Costs**

The Group has incurred net finance costs for the year of £2.2 million (2019: £0.7 million), the increase being interest on the new long-term loan which was taken out in February 2019. Also included within net finance costs is £0.2 million for interest on lease liabilities following the adoption of IFRS 16 in the year.

### **Taxation**

The total tax charge of £3.6 million (2019: £2.6 million) includes £4.8 million of current tax payable on the Group's profits in the year (2019: £4.6 million). Included within the total tax charge is a credit of £0.8 million related to the increase in the deferred tax asset for pre-acquisition losses within IDology. The benefit of this asset is payable to the former shareholders of IDology and so there is a corresponding cost within exceptional items to reflect the increase in the contingent consideration liability.

## **Dividend**

As communicated in the Pre-Close Trading Update on 22 April 2020, following the Covid-19 outbreak, the directors do not intend to declare a final dividend in respect of the 2020 financial year. This prudent step helps both preserve short term liquidity and also provides additional financial flexibility to support and invest in the business as we come out of the Covid-19 pandemic.

## **Earnings per Share**

The earnings per share analysis in note 13 cover four measures:

- basic earnings per share (profit attributable to equity holders);
- diluted earnings per share (adjusting for the dilutive effect of share options);
- adjusted basic earnings per share (adjusted operating profit less net finance costs and tax); and
- 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 increased by 14.3 per cent from 7.7 pence to 8.8 pence reflecting the higher operating profit although offset by higher number of shares in issue. Adjusted earnings (adjusted operating profit less net finance costs and tax) was £42.2 million (2019: £28.8 million) resulting in a 19.8 per cent increase in adjusted basic earnings per share from 18.2 pence to 21.8 pence.

The basic weighted average number of shares at 31 March 2020 increased to 193.6 million (2019: 158.1 million), primarily due to the placing of 39.0 million shares to part fund the IDology acquisition in February 2019.

## **Cash Flows**

Group operating activities before tax payments and exceptional items generated £49.3 million of cash and cash equivalents (2019: £31.6 million) representing Adjusted EBITDA to cash conversion ratio of 95.2 per cent (2019: 92.7 per cent). Operating cash flows continued to be strong and the Group continually monitors its measures of cash generation and collection, especially during the Covid-19 outbreak to assess the recoverability of receivables.

The cash generated from operations enabled debt repayments of £24.9 million to be made during the year, with leverage reducing to 0.68 from 1.94 in 2019. Further detailed analysis of this movement is included in the Consolidated Cash Flow Statement.

Post year-end a further loan repayment of £10.0 million has been made.

## **Acquisitions**

As detailed in note 36, contingent consideration of £5.2 million in respect of the deferred tax losses in IDology was recognised as a measurement period adjustment. During the current year the liability increased by £0.8 million due to the CARES Act permitting the losses to be carried back to periods when the tax rate was higher. A further increase of £0.1 million to the liability was recognised due to movements in exchange rates.

A payment due in relation to the IDology acquisition, completed in February 2019, was made during the current financial year. This payment of £86,000 based on the final working capital position was included within the contingent consideration liability at 31 March 2019 at a value of £79,000. The variance was due to exchange rate fluctuations between the acquisition date and the final payment date.

## **Deferred Income**

Deferred income at the end of the year increased by 4.9 per cent to £38.4 million (2019: £36.6 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 timing of invoicing for multi-year contracts within the Asia Pacific business meant that their deferred revenue balance decreased by 48%. Excluding Asia Pacific in both periods the deferred balance increased by 8.5 per cent.

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 determined by several factors, including seasonality,

the compounding effects of renewals, invoice duration, invoice timing and new business linearity within a reporting period.

### **Treasury Policy and Financial Risk**

The Group's treasury operation is managed within formally defined policies and reviewed by the Board. The Treasury Policy was updated during the year and this review also led to the establishment of a Treasury Committee. The Treasury Committee meets on a regular basis to review cash flow forecasts, covenant compliance, exposure to interest rate and foreign currency movements and make recommendations to the Board based on these reviews.

The Group finances its activities principally with cash, short-term deposits and borrowings but has the ability to draw down up to £47.5 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 27 to the accounts.

Approved by the Board on 30 June 2020.

**Dave Wilson**  
CFO & COO

## Key Performance Indicators

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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 ('KPIs') 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. Non-Statutory measures are defined within note 37.

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

### *Financial*

- **Revenue and Organic Revenue Growth at Constant Currency**  
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. Organic growth is measured on a constant currency basis to remove the impact of changes in exchange rates.
- **Adjusted Operating Profit**  
This is used for internal performance analysis and to assess the execution of our strategies. Management believe that this adjusted measure is a more appropriate metric to understand the underlying performance of the Group.
- **Adjusted EBITDA**  
This is used for internal performance analysis to assess the execution of our strategies. Management believe that this adjusted measure is a more appropriate metric to understand the underlying performance of the Group.
- **Earnings per Share**  
Earnings per share is calculated as basic earnings per share from continuing operations on both an adjusted and unadjusted basis.
- **Earnings per Share growth**  
This is calculated as the growth in year on year earnings per share on both an adjusted and unadjusted basis.
- **Net Debt/Cash**  
This is calculated as cash and cash equivalent balances less outstanding external loans. Unamortised loan arrangement fees are netted against the loan balance in the financial statements but are excluded from the calculation of net cash/debt.
- **Cash Conversion**  
This is calculated as cash generated from operations in the Consolidated Cash Flow Statement, adjusted to exclude cash payments for exceptional items, as a percentage of Adjusted EBITDA.
- **Deferred Income**  
Deferred income, which is included in our Consolidated Balance Sheet within Trade and Other Payables, is the amount of invoiced business in excess of the amount recognised as revenue. This is an important internal measure for the business and represents the amount that we will record as revenue in our Consolidated Statement of Comprehensive Income in future periods. Trends may vary as business conditions change.
- **International Revenue as a Percentage of Total Revenue**  
This is an important internal measure for the Group to assess progress towards expanding our international operations.

### *Non-Financial*

- **Employee Engagement**  
Employee engagement is a key focus area for the business in order to retain and grow what we believe is some of the best talent in our industry. This is measured twice a year through a group-wide employee survey conducted through an external provider

### Performance against KPIs

A summary of the Group's progress in achieving its objectives, as measured against KPIs, is set out below. Non-Statutory measures are defined within note 37.

	Year ended 31 March	
	2020	2019
Revenue Growth	<b>38.7%</b>	19.9%
Organic Revenue Growth at Constant Currency	<b>10.7%</b>	9.3%
Organic Revenue Growth	<b>10.3%</b>	8.7%
Fraud Organic Growth at Constant Currency	<b>24.3%</b>	15.8%
Identity Organic Growth at Constant Currency	<b>11.5%</b>	5.4%
Location Organic Growth at Constant Currency	<b>6.8%</b>	13.6%
Adjusted Operating Profit (£'000)	<b>47,945</b>	32,031
Adjusted Operating Profit %	<b>24.1%</b>	22.3%
Adjusted EBITDA (£'000)	<b>51,739</b>	34,080
Adjusted EBITDA %	<b>26.0%</b>	23.7%
Earnings per Share – Basic	<b>8.8p</b>	7.7p
Earnings per Share – Adjusted Basic	<b>21.8p</b>	18.2p
Earnings per Share Growth - Basic	<b>14.3%</b>	8.5%
Earnings per Share Growth – Adjusted basic	<b>19.8%</b>	18.9%
Net (Debt)/Cash (£'000)	<b>(35,001)</b>	(66,252)
Cash Conversion %	<b>95.2%</b>	92.7%
Deferred Income (£'000)	<b>38,414</b>	36,637
International Revenue as a Percentage of Total Revenue	<b>55.9%</b>	44.7%
Employee Engagement	<b>&gt; 90%</b>	> 90%

# Consolidated Statement of Comprehensive Income

Year ended 31 March 2020

	Note	2020 £'000	2019 £'000
<b>Revenue</b>	3	199,101	143,504
Cost of sales		(54,914)	(36,060)
<b>Gross profit</b>		144,187	107,444
Operating expenses before amortisation of acquired intangibles, equity-settled share-based payments and exceptional items		(96,242)	(75,413)
<b>Operating profit before amortisation of acquired intangibles, equity-settled share-based payments and exceptional items (adjusted operating profit)</b>		47,945	32,031
Amortisation of acquired intangibles	16	(19,008)	(10,316)
Equity-settled share-based payments charge	29	(4,541)	(2,287)
Exceptional items	7	(1,552)	(4,003)
<b>Group operating profit</b>		22,844	15,425
Finance revenue	3, 9	143	31
Finance costs	10	(2,361)	(720)
<b>Profit before tax</b>		20,626	14,736
Income tax charge	11	(3,562)	(2,583)
<b>Profit for the year attributable to equity holders of the parent</b>		17,064	12,153
<b>Other comprehensive income:</b>			
Exchange differences on retranslation of foreign operations (net of tax) <sup>1</sup>		6,756	(3,702)
<b>Total comprehensive income for the year attributable to equity holders of the parent</b>		23,820	8,451
<b>Earnings per share</b>	13		
- basic earnings per share for the year		8.8p	7.7p
- diluted earnings per share for the year		8.7p	7.6p
- adjusted basic earnings per share for the year		21.8p	18.2p
- adjusted diluted earnings per share for the year		21.4p	17.9p

<sup>1</sup> Upon disposal of a foreign operation, the element associated to the disposed foreign operation will be recycled to the Income Statement



# Consolidated Statement of Changes in Equity

Year ended 31 March 2020

	Note	Equity share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 April 2018</b>		<b>3,817</b>	<b>104,814</b>	<b>6,575</b>	<b>3</b>	<b>891</b>	<b>40,594</b>	<b>156,694</b>
Profit for the period		-	-	-	-	-	12,153	12,153
Other comprehensive income		-	-	-	-	(3,702)	-	(3,702)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,702)</b>	<b>12,153</b>	<b>8,451</b>
Issue of share capital	21	1,004	159,609	-	-	-	-	160,613
Share issue costs	21	-	(3,274)	-	-	-	-	(3,274)
Share-based payments charge	29	-	-	-	-	-	2,287	2,287
Tax on share options		-	-	-	-	-	738	738
Equity dividend	12	-	-	-	-	-	(4,049)	(4,049)
<b>Balance at 31 March 2019 (as reported)</b>		<b>4,821</b>	<b>261,149</b>	<b>6,575</b>	<b>3</b>	<b>(2,811)</b>	<b>51,723</b>	<b>321,460</b>
Impact of measurement period adjustments	2.3	-	-	-	-	8	-	8
<b>Balance at 31 March 2019 (as restated prior to IFRS 16 adoption)</b>		<b>4,821</b>	<b>261,149</b>	<b>6,575</b>	<b>3</b>	<b>(2,803)</b>	<b>51,723</b>	<b>321,468</b>
IFRS 16 transition adjustment	2.4	-	-	-	-	-	(446)	(446)
<b>Balance at 31 March 2019 (after IFRS 16 adoption)</b>		<b>4,821</b>	<b>261,149</b>	<b>6,575</b>	<b>3</b>	<b>(2,803)</b>	<b>51,277</b>	<b>321,022</b>
Profit for the period		-	-	-	-	-	17,064	17,064
Other comprehensive income		-	-	-	-	6,756	-	6,756
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,756</b>	<b>17,064</b>	<b>23,820</b>
Issue of share capital	21	34	499	-	-	-	-	533
Share-based payments charge	29	-	-	-	-	-	4,541	4,541
Tax on share options		-	-	-	-	-	779	779
Equity dividend	12	-	-	-	-	-	(5,761)	(5,761)
<b>Balance at 31 March 2020</b>		<b>4,855</b>	<b>261,648</b>	<b>6,575</b>	<b>3</b>	<b>3,953</b>	<b>67,900</b>	<b>344,934</b>

# Company Statement of Changes in Equity

Year ended 31 March 2020

	Note	Equity share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 April 2018</b>		<b>3,817</b>	<b>104,814</b>	<b>6,575</b>	<b>3</b>	<b>4,543</b>	<b>38,737</b>	<b>158,489</b>
Profit for the period		-	-	-	-	-	7,275	7,275
<b>Total comprehensive income for the period</b>		-	-	-	-	-	<b>7,275</b>	<b>7,275</b>
Issue of share capital	21	1,004	159,609	-	-	-	-	160,613
Share issue costs	21	-	(3,274)	-	-	-	-	(3,274)
Share-based payments charge	29	-	-	-	-	-	2,287	2,287
Tax on share options		-	-	-	-	-	738	738
Equity dividend	12	-	-	-	-	-	(4,049)	(4,049)
<b>Balance at 31 March 2019 (as reported)</b>		<b>4,821</b>	<b>261,149</b>	<b>6,575</b>	<b>3</b>	<b>4,543</b>	<b>44,988</b>	<b>322,079</b>
IFRS 16 transition adjustment	2.4	-	-	-	-	-	(253)	(253)
<b>Balance at 31 March 2019 (after IFRS 16 adoption)</b>		<b>4,821</b>	<b>261,149</b>	<b>6,575</b>	<b>3</b>	<b>4,543</b>	<b>44,735</b>	<b>321,826</b>
Profit for the period		-	-	-	-	-	23,271	23,271
<b>Total comprehensive income for the period</b>		-	-	-	-	-	<b>23,271</b>	<b>23,271</b>
Issue of share capital	21	34	499	-	-	-	-	533
Hive-up adjustment	16	-	-	-	-	(54)	-	(54)
Share-based payments charge	29	-	-	-	-	-	4,541	4,541
Tax on share options		-	-	-	-	-	779	779
Equity dividend	12	-	-	-	-	-	(5,761)	(5,761)
<b>Balance at 31 March 2020</b>		<b>4,855</b>	<b>261,648</b>	<b>6,575</b>	<b>3</b>	<b>4,489</b>	<b>67,565</b>	<b>345,135</b>

# Consolidated Balance Sheet

As at 31 March 2020

	Note	2020 £'000	Restated <sup>1</sup> 2019 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	4,653	4,815
Right-of-use assets	15	4,767	-
Intangible assets	16	414,505	425,646
Deferred tax asset	11	6,294	8,222
		<u>430,219</u>	<u>438,683</u>
<b>Current assets</b>			
Inventories		128	341
Trade and other receivables	19	66,554	54,992
Current tax		1,803	-
Cash and short-term deposits	20	27,499	21,189
		<u>95,984</u>	<u>76,522</u>
<b>Total assets</b>		<u>526,203</u>	<u>515,205</u>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Equity share capital	21	4,855	4,821
Share premium	21	261,648	261,149
Merger reserve	31	6,575	6,575
Capital redemption reserve	31	3	3
Foreign currency translation reserve	31	3,953	(2,803)
Retained earnings	31	67,900	51,723
<b>Total equity attributable to equity holders of the parent</b>		<u>344,934</u>	<u>321,468</u>
<b>Non-current liabilities</b>			
Loans	22	62,139	85,447
Lease liabilities	23	3,713	-
Provisions	25	1,016	528
Deferred revenue		787	1,184
Deferred tax liability	11	27,155	29,548
		<u>94,810</u>	<u>116,707</u>
<b>Current liabilities</b>			
Loans	22	-	1,441
Lease liabilities	23	2,012	-
Trade and other payables	24	40,641	33,508
Deferred revenue		37,627	35,453
Contingent consideration	36	6,179	5,287
Current tax		-	1,341
		<u>86,459</u>	<u>77,030</u>
<b>Total liabilities</b>		<u>181,269</u>	<u>193,737</u>
<b>Total equity and liabilities</b>		<u>526,203</u>	<u>515,205</u>

Approved by the Board on 30 June 2020

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

Registered in England number 2415211

<sup>1</sup>Refer to note 2.3

# Company Balance Sheet

As at 31 March 2020

	Note	2020 £'000	Restated <sup>1</sup> 2019 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	3,447	3,803
Right-of-use assets	15	2,098	-
Intangible assets	16	133,289	139,139
Investments	18	303,483	303,476
Deferred tax asset	11	3,867	3,094
		<u>446,184</u>	<u>449,512</u>
<b>Current assets</b>			
Inventories		124	338
Trade and other receivables	19	41,290	35,899
Current tax		1,212	-
Cash and short-term deposits	20	15,031	7,791
		<u>57,657</u>	<u>44,028</u>
<b>Total assets</b>		<u>503,841</u>	<u>493,540</u>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Equity share capital	21	4,855	4,821
Share premium	21	261,648	261,149
Merger reserve	31	6,575	6,575
Capital redemption reserve	31	3	3
Other reserves	31	4,489	4,543
Retained earnings	31	67,565	44,988
		<u>345,135</u>	<u>322,079</u>
<b>Total equity attributable to equity holders of the parent</b>		<u>345,135</u>	<u>322,079</u>
<b>Non-current liabilities</b>			
External loans	22	62,139	85,447
Intercompany loans	22	4,156	-
Lease liabilities	23	1,978	-
Deferred revenue		467	863
Provisions	25	843	395
Deferred tax	11	4,474	5,020
		<u>74,057</u>	<u>91,725</u>
<b>Current liabilities</b>			
Trade and other payables	24	47,747	46,464
Deferred revenue		30,019	27,193
Lease liabilities	23	704	-
Contingent consideration	36	6,179	5,287
Current tax		-	792
		<u>84,649</u>	<u>79,736</u>
<b>Total liabilities</b>		<u>158,706</u>	<u>171,461</u>
<b>Total equity and liabilities</b>		<u>503,841</u>	<u>493,540</u>

During the year the Company made a profit of £23,271,000 (2019: £7,275,000).

Approved by the Board on 30 June 2020

**C G Clark** - Director

**D J Wilson** - Director

Registered in England number 2415211

<sup>1</sup> Refer to note 2.3

# Consolidated Cash Flow Statement

Year ended 31 March 2020

	Note	2020 £'000	2019 £'000
<b>Group profit before tax</b>		20,626	14,736
<b>Adjustments to reconcile Group profit before tax to net cash flows</b>			
Finance revenue	9	(143)	(31)
Finance costs	10	2,361	720
Depreciation of plant and equipment	14	1,760	1,544
Depreciation of right-of-use assets	15	1,850	-
Amortisation of intangible assets	16	19,192	10,821
Loss on disposal of plant and equipment and intangible assets		260	46
Fair value adjustment on contingent consideration	36	971	-
Share-based payments	29	4,541	2,287
Increase/(decrease) in provisions	25	-	(25)
Decrease in inventories		213	58
Increase in trade and other receivables		(5,725)	(9,904)
Increase in trade and other payables		2,592	7,527
		<u>48,498</u>	<u>27,779</u>
Cash generated from operations		48,498	27,779
Income tax paid		(6,386)	(2,930)
		<u>42,112</u>	<u>24,849</u>
<b>Net cash generated from operating activities</b>			
<b>Cash flows from/(used in) investing activities</b>			
Acquisition of subsidiaries, net of cash acquired	36	(86)	(255,107)
Purchase of plant and equipment	14	(1,199)	(1,453)
Purchase of software	16	(140)	(172)
Proceeds from disposal of property, plant and equipment		5	6
Interest received	9	143	31
		<u>(1,277)</u>	<u>(256,695)</u>
<b>Net cash flows used in investing activities</b>			
<b>Cash flows (used in)/from financing activities</b>			
Finance costs paid	10	(1,911)	(720)
Proceeds from issue of shares	21	490	160,613
Share issue costs	21	-	(3,274)
Proceeds from new borrowings	22	-	110,447
Repayment of borrowings	22	(24,914)	(32,807)
Repayment of lease liabilities	23	(2,043)	-
Dividends paid to equity shareholders	12	(5,761)	(4,049)
		<u>(34,139)</u>	<u>230,210</u>
<b>Net cash flows (used in)/from financing activities</b>			
Net increase/(decrease) in cash and cash equivalents		6,696	(1,636)
Effect of exchange rates on cash and cash equivalents		(386)	72
Cash and cash equivalents at the beginning of the period		21,189	22,753
		<u>27,499</u>	<u>21,189</u>
<b>Cash and cash equivalents at the end of the period</b>	20	27,499	21,189

# Company Cash Flow Statement

Year ended 31 March 2020

	Note	2020 £'000	2019 £'000
<b>Company profit before tax</b>		24,659	9,078
<b>Adjustments to reconcile Company profit before tax to net cash flows</b>			
Finance costs		2,200	642
Depreciation of plant and equipment	14	1,214	1,125
Depreciation of right-of-use assets	15	675	-
Amortisation of intangible assets	16	5,720	6,116
Loss on disposal of plant and equipment		256	47
Fair value adjustment on contingent consideration	36	971	-
Dividends received recognised within income statement		(16,604)	-
Share-based payments	29	4,271	2,287
Decrease in inventories		214	61
Decrease in provisions	25	-	(25)
Increase in trade and other receivables		(4,325)	(4,548)
Increase in trade and other payables		3,069	4,074
		<u>22,320</u>	<u>18,857</u>
Cash generated from operations		22,320	18,857
Income tax paid		(3,678)	(1,674)
		<u>18,642</u>	<u>17,183</u>
<b>Net cash generated from operating activities</b>		<u>18,642</u>	<u>17,183</u>
<b>Cash flows used in investing activities</b>			
Acquisition of subsidiary undertakings	36	(86)	(256,348)
Dividends received		16,604	2,464
Purchase of plant and equipment	14	(452)	(1,214)
Purchase of software	16	(140)	(167)
Proceeds from disposal of plant and equipment		3	-
		<u>15,929</u>	<u>(255,265)</u>
<b>Net cash flows from/(used in) investing activities</b>		<u>15,929</u>	<u>(255,265)</u>
<b>Cash flows (used in)/from financing activities</b>			
Finance costs paid		(1,884)	(642)
Proceeds from issue of shares	21	490	160,613
Share issue costs	21	-	(3,274)
Proceeds from new borrowings	22	4,156	110,447
Repayment of borrowings	22	(23,500)	(32,000)
Repayment of lease liabilities	23	(832)	-
Dividends paid to equity shareholders	12	(5,761)	(4,049)
		<u>(27,331)</u>	<u>231,095</u>
<b>Net cash flows (used in)/from financing activities</b>		<u>(27,331)</u>	<u>231,095</u>
Net increase/(decrease) in cash and cash equivalents		7,240	(6,987)
Cash and cash equivalents at the beginning of the period		7,791	14,778
		<u>15,031</u>	<u>7,791</u>
<b>Cash and cash equivalents at the end of the period</b>	20	<u>15,031</u>	<u>7,791</u>

# Notes to the Accounts

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## 1. Corporate Information

GB Group plc ('the Company') and its subsidiaries (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 Business Model.

The Company is a public company limited by shares incorporated in the United Kingdom and is listed on the London Stock Exchange with its ordinary shares traded on the Alternative Investment Market. The company registration number is 2415211. The address of its registered office is The Foundation, Herons Way, Chester Business Park, Chester, CH4 9GB. A list of the investments in subsidiaries, including the name, country of incorporation, registered office address and proportion of ownership interest is given in note 18.

These consolidated financial statements have been approved for issue by the Board of Directors on 30 June 2020.

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.

The financial information set out herein does not constitute the Company's statutory accounts for the years ended 31 March 2020 or 2019 but is derived from those accounts. The financial information has been prepared using accounting policies consistent with those set out in the annual report and accounts for the year ended 31 March 2020. Statutory accounts for 2019 have been delivered to the Registrar of Companies, and those for 2020 will be delivered in due course. The auditors have reported on those accounts; their report was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and did not contain any statements under Section 498(2) or (3) of the Companies Act 2006.

## 2. Accounting Policies

### 2.1 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 2020 and the Group and Company have applied the same policies throughout the year.

### 2.2 Going Concern

The assessment of going concern relies heavily on the ability to forecast future cashflows over the going concern assessment period which covered through to 30 September 2021. Although GBG has a robust budgeting and forecasting process, the current economic uncertainty caused by the Covid-19 pandemic means that additional sensitivities and analysis have been applied to test the going concern assumption under a range of downside and stress test scenarios. The following steps have been undertaken to allow the Directors to conclude on the appropriateness of the going concern assumption:

- a) Understand what could cause GBG not to be a going concern
- b) Consider the current customer and sector position, liquidity status and availability of additional funding if required
- c) Board review and challenge the base case forecast produced by management including comparison against external data sources available and potential downside scenarios
- d) Perform reverse stress tests to assess under what circumstances going concern would become a risk – and assess the likelihood of whether they could occur
- e) Examine what mitigating actions would be taken in the event of these stress test scenarios
- f) Conclude upon the going concern assumption

#### a) Understand what could cause GBG not to be a going concern

The potential scenarios which could lead to GBG not being a going concern are considered to be:

- Not having sufficient cash to meet our liabilities as they fall due and therefore not being able to provide services to our customers, pay our employees or meet financing obligations.
- A non-remedied breach of the financial covenants within the Group Revolving Credit Facility (RCF) agreement (detailed in note 22). Under the terms of the agreement this would lead to the outstanding balance becoming due for immediate repayment. These covenants are:
  - Leverage – consolidated net borrowings (outstanding loans less current cash balance) as a multiple of adjusted consolidated EBITDA for the last 12 months, assessed quarterly in arrears, must not exceed 3.00:1.00
  - Interest cover - adjusted consolidated EBITDA as a multiple of consolidated net finance charges, for the last 12 months, assessed quarterly in arrears, must not fall below 4.00:1.00

#### b) Consider the current customer and sector position, liquidity status and availability of additional funding if required

In assessing the impact of Covid-19 it is important to consider the rate of growth prior to the pandemic so that the percentage impact can be put in context. Organic growth at constant currency in the current year to 31 March 2020 was 10.7%, and was 11.5% in the year to 31 March 2019. Analyst consensus prior to Covid-19 showed expected organic growth in the year to 31 March 2021 of 10.9%.

GBG does not have a high customer concentration risk with no individual customer generating more than 2% of Group revenue. The Group's customers operate in a range of different sectors which reduces the risk of a downturn in any particular sector. The financial services sector accounts for the largest percentage of customers, particularly within the Fraud and Identity segments, and there has not been a downturn in demand for these services since the pandemic began.

## 2. Accounting Policies continued

GBG does have exposure to customers in sectors that have had a more direct impact from Covid-19 such as Travel & Leisure, Employment Agencies & Training and Sporting Activities. However these sectors in total account for less than 6% of Group revenue and as noted above there are no single customers across the Group that are a material credit risk on their own.

As a global company GBG operates in different countries and therefore is less exposed if particular countries recover from Covid-19 at different rates or suffer second waves of the pandemic. The breakdown of our revenue by country is shown in note 4.

There are also macro dynamics supporting the increased use of GBG products and services, both in general and within the context of the Covid-19 pandemic, such as:

- continued compliance requirements globally
- the ongoing existence of fraud globally, with Covid-19 giving fraudsters new opportunities, leading to increased cyber security risks and therefore demand for GBG anti-fraud solutions
- continued digitisation and rise of online versus physical transactions in both consumer and business to business settings;
- speed and quality of customer onboarding being a key differentiator, which is enhanced through the use of GBG's software

GBG is not reliant upon any one supplier to provide critical services either to support the services we provide to our customers or to our internal infrastructure. For these critical services, such as the provision of data, contingency plans exist in the event of supplier failure to be able to move to an alternative supplier with minimal disruption to customers or the wider business.

### Liquidity

	31 March 2020 £'000	31 March 2019 £'000	Variance £'000
Operating cashflow before tax and exceptional items (note 37)	49,279	31,582	17,697
Adjusted EBITDA (note 37)	51,739	34,080	17,659
Cash conversion %	95.2%	92.7%	2.5%
Cash	27,499	21,189	6,310
Loans (excluding unamortised loan fees)	(62,500)	(87,441)	24,941
Net Debt	(35,001)	(66,252)	31,251
Leverage	0.68	1.94	1.26

At 31 March 2020 the net debt position of the Group was £35.0 million, a decrease of £31.3 million since 31 March 2019. On 26 May 2020 the Company repaid £10.0m of the outstanding revolving credit facility liability. At 31 May 2020 the net debt position had improved to £20.5m.

During the year to 31 March 2020, GBG remained highly cash generative with an EBITDA to operating cash ratio of 95.2%.

The RCF has a maximum level of £110 million and therefore there is committed available headroom of £47.5 million which could be drawn down for working capital purposes if required. There are no mandatory debt repayments on the RCF required to be made until February 2022 when the agreement expires and the full outstanding balance is due.

### **c) Board review and challenge the base case forecast produced by management including comparison against external data sources available and potential downside scenarios**

Uncertainty around the scale, timing and impact of the coronavirus pandemic means it is impossible to give meaningful guidance for profits in the year ahead. Management have used the internal and external information available in addition to their industry knowledge to produce the base case forecast. This base case forecast focuses on the impact of a potential decline in revenue against the year to 31 March 2020, as this is the component of the income statement that management has the least control over. The decline in revenue would result in a decrease in cost of sales and therefore in order to keep generating cash the remaining gross margin needs to be sufficient to cover the overhead base.

Management notes that analyst forecasts published after the Covid-19 outbreak estimate a decline in GBG revenue of between 7.6% and 12.8% in the year to 31 March 2021 compared to the prior year, with the consensus position being a decline of 10.3% which would be £175 million on a constant currency basis. While this is what we assumed, this is not a forecast, just an assumption for going concern.

The overhead base is the component of the income statement management has most control over with the majority of being people related costs. The base case forecast takes account of the cash preservation measures already taken which include cancellation of the dividend, recruitment frozen for all but essential hires, group-wide pay freeze, deferral of Executive Director bonuses for the year to 31 March 2020 and savings in travel. These measures will save cash of approximately £22m in the year to 31 March 2021, with £15m of these being operating cost savings (all excluding the dividend). No further reductions in operating expenditure are factored into this base case forecast.

Although a number of external economic forecasts suggest a return to overall GDP growth by Spring 2021 across each of the key territories GBG operates in, for prudence it has been assumed that the revenue position in the base case forecast at 31 March 2021 will remain throughout the year to 31 March 2022 (i.e. that year will see flat revenue). This provides robustness in the forecast in the event of a significant second wave of the pandemic.

This base case forecast showed continued significant headroom in the covenant compliance tests and sufficient liquidity to maintain operations. The base case forecast model was then adjusted to reflect a range of possible downside scenarios across different sectors and geographies, and under each of these the covenant compliance and liquidity position did not result in any risk to going concern.

Relative to the base case forecast produced by management there have not been any adverse variances in the overall trading performance since the year-end.



## 2. Accounting Policies continued

### d) Perform reverse stress tests to assess under what circumstances going concern would become a risk – and assess the likelihood of whether they could occur

The base case forecast model was then further adjusted to establish at what point a covenant breach would occur without further mitigating actions. A covenant breach would occur before the available cash resources of the Group are fully exhausted and therefore the focus of the reverse stress test was on covenant compliance. In making this assessment it was assumed that management had reduced operating expenses by 20% which is the level that is considered possible without causing significant disruption to business operations. These savings would primarily be linked to people costs, net of any related redundancy costs.

With a 20% operating expenses saving introduced in Q3 of FY21 it would take a revenue decline of 42% for a covenant breach to occur (33% without any operating expenses savings). This breach would be as at 30 June 2021 although even at this point it would only take a net debt improvement of £400,000 or EBITDA increase of £130,000 to remedy this breach. With the assumption of revenue being flat during the year to 31 March 2022 the breach would be remedied by 30 September 2021.

Based on the current trading performance and through reference to external market data a decline of anywhere near 42% is considered by the Directors to be highly unlikely. If this became even a remote possibility then deeper cost cutting measures would be implemented well in advance of a covenant breach as well as consideration of a range of other mitigation actions detailed in the next section.

### e) Look at what mitigating actions could be taken in the event of these reverse stress test scenarios

In the very unlikely event of the reverse stress test case scenario above a breach of covenants would occur on 30 June 2021 unless further mitigation steps were taken. Detailed below are the principal steps that would be taken (prior to the breach taking place) to avoid such a breach occurring:

- Make deeper cuts to overheads, primarily within the sales function if the market opportunities had declined to this extent. It would only take a reduction of 0.1% of overheads (based on the 31 March 2020 level) to increase EBITDA to remedy a covenant breach of £130,000.
- Request a delay to UK Corporation Tax, Employment Tax or Sales Tax payments under the HMRC 'Time to Pay' scheme. This would be in addition to the deferral of VAT payments announced by the UK Government on 20 March 2020. This announcement has meant that VAT which would have been due by the Group between 20 March 2020 and 30 June 2020 is not due until 31 March 2021. In the year to 31 March 2020 Corporation Tax payments averaged £900,000 per quarter, Employment Tax payments (including employee taxes) were approximately £1.2 million per month and Sales Tax payments were £2.5 million per quarter.
- Draw down on the £30 million Accordion facility within the Group's banking agreement. This facility is subject to credit approval from the syndicate banks.
- Request a covenant waiver or covenant reset from our bank syndicate. Even under this stress test scenario the forecast is that the Group would only be in breach for one quarter (quarter ending 30 June 2021) before returning to covenant compliance the following quarter. The business would still be EBITDA positive at this point and the directors have a reasonable expectation of achieving a temporary covenant waiver from the banks if needed.
- Raise cash through an equity placing. Under its Articles of Association GBG has the right to raise cash through an equity placing up to 10% of its market valuation at the date of the placing. Even factoring in a discount being applied to the share price, on the basis that the level of extra cash needed to remedy a breach at 30 June 2021 would be £400,000, the Directors are confident that funding well in excess of this level could be raised.
- Disposal of part of the business.

### f) Conclude upon the going concern assumption

Following consideration of the base case forecast and reverse stress test scenario, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements.

## 2.3 Prior Year Measurement Period Adjustment

Under IFRS 3 *Business Combinations* there is a measurement period of no longer than twelve months in which to finalise the valuation of the acquired assets and liabilities. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the acquirer shall also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date.

In the year to 31 March 2019 GBG completed two acquisitions, the measurement periods for which ended during the year to 31 March 2020.

No further adjustments were identified to the provisional fair values in respect of the acquisition of VIX Verify Pty Limited.

In respect of the acquisition of IDology Inc. adjustments to the provisional fair values were made during the measurement period, as set out in note 35.

## 2. Accounting Policies continued

The impact of the measurement period adjustments have been applied retrospectively, meaning that the results and financial position for the year to 31 March 2019 have been restated as follows:

### Impact on the statement of financial position of the Group as at 1 April 2019:

	As previously reported £'000	Impact of measurement period adjustments £'000	Including measurement period adjustments £'000
<b>Assets</b>			
Property, plant and equipment	4,815	-	4,815
Intangible assets	420,137	5,509	425,646
Investments	411	(411)	-
Deferred tax assets	8,222	-	8,222
Current assets	76,404	118	76,522
<b>Total assets</b>	<b>509,989</b>	<b>5,216</b>	<b>515,205</b>
<b>Equity</b>			
Share capital and share premium	265,970	-	265,970
Other reserves	6,578	-	6,578
Foreign currency translation reserve	(2,811)	8	(2,803)
Retained earnings	51,723	-	51,723
<b>Total equity</b>	<b>321,460</b>	<b>8</b>	<b>321,468</b>
<b>Liabilities</b>			
Interest-bearing loans and borrowings	86,888	-	86,888
Trade payables and other liabilities	70,145	-	70,145
Contingent consideration	79	5,208	5,287
Provisions	528	-	528
Current tax	1,341	-	1,341
Deferred tax	29,548	-	29,548
<b>Total liabilities</b>	<b>188,529</b>	<b>5,208</b>	<b>193,737</b>

### Impact on the statement of financial position of the Company as at 1 April 2019:

	As previously reported £'000	Impact of measurement period adjustments £'000	Including measurement period adjustments £'000
<b>Assets</b>			
Property, plant and equipment	3,803	-	3,803
Intangible assets	139,139	-	139,139
Investments	298,268	5,208	303,476
Deferred tax assets	3,094	-	3,094
Current assets	44,028	-	44,028
<b>Total assets</b>	<b>488,332</b>	<b>5,208</b>	<b>493,540</b>
<b>Equity</b>			
Share capital and share premium	265,970	-	265,970
Other reserves	11,121	-	11,121
Retained earnings	44,988	-	44,988
<b>Total equity</b>	<b>322,079</b>	<b>-</b>	<b>322,079</b>
<b>Liabilities</b>			
Interest-bearing loans and borrowings	85,447	-	85,447
Trade payables and other liabilities	74,520	-	74,520
Contingent consideration	79	5,208	5,287
Provisions	395	-	395
Current tax	792	-	792
Deferred tax	5,020	-	5,020
<b>Total liabilities</b>	<b>166,253</b>	<b>5,208</b>	<b>171,461</b>

## 2. Accounting Policies continued

### 2.4 Changes to accounting policies

The following new IFRS standards relevant to the Group and Company have been adopting in these financial statements:

- (i) **IFRS 16 Leases:** The Group and Company has adopted IFRS 16 'Leases' with a date of initial application of 1 April 2019. IFRS 16 'Leases' replaces IAS 17 'Leases', IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases- Incentives* and SIC-27 *Evaluating the substance of transactions involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosures of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group and Company has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised in retained earnings at the date of initial application. Comparatives are not restated under this method of adoption. The lease liability is calculated at the present value of remaining future payments using the related incremental borrowing rates at 1 April 2019. The right-of-use asset is calculated from the lease commencement date, as if IFRS 16 had always been applied using the incremental borrowing rates at 1 April 2019. The Group and Company also elected to use transition expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group and Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which underlying asset is of low value ('low value assets').

The effect of adoption of IFRS 16 on the Group and Company is as follows:

#### Impact on the statement of financial position of the Group as at 1 April 2019:

	As previously reported £'000	Impact of adoption of IFRS 16 £'000	Including adoption of IFRS 16 £'000
<b>Assets</b>			
Property, plant and equipment	4,815	-	4,815
Right-of-use assets	-	5,166	5,166
Intangible assets	420,137	-	420,137
Investments	411	-	411
Deferred tax assets	8,222	326	8,548
Current assets	76,404	-	76,404
<b>Total assets</b>	<b>509,989</b>	<b>5,492</b>	<b>515,481</b>
<b>Equity</b>			
Share capital and share premium	265,970	-	265,970
Other reserves	3,767	-	3,767
Retained earnings	51,723	(446)	51,277
<b>Total equity</b>	<b>321,460</b>	<b>(446)</b>	<b>321,014</b>
<b>Liabilities</b>			
Interest-bearing loans and borrowings	86,888	-	86,888
Lease liabilities	-	6,076	6,076
Trade payables and other liabilities	70,224	(327)	69,897
Provisions	528	-	528
Current tax	1,341	-	1,341
Deferred tax	29,548	189	29,737
<b>Total liabilities</b>	<b>188,529</b>	<b>5,938</b>	<b>194,467</b>

The impact of IFRS 16 on adoption has changed since reported at September 2019 to incorporate a revised valuation of lease assets and liabilities due to an updated assessment on the valuation of lease incentives and dilapidations.

## 2. Accounting Policies continued

### Impact on the statement of financial position of the Company as at 1 April 2019:

	As previously reported £'000	Impact of adoption of IFRS 16 £'000	Including adoption of IFRS 16 £'000
<b>Assets</b>			
Property, plant and equipment	3,803	-	3,803
Right-of-use assets	-	2,773	2,773
Intangible assets	139,139	-	139,139
Investments	298,268	-	298,268
Deferred tax assets	3,094	60	3,154
Current assets	44,028	-	44,028
<b>Total assets</b>	<b>488,332</b>	<b>2,833</b>	<b>491,165</b>
<b>Equity</b>			
Share capital and share premium	265,970	-	265,970
Other reserves	11,121	-	11,121
Retained earnings	44,988	(253)	44,735
<b>Total equity</b>	<b>322,079</b>	<b>(253)</b>	<b>321,826</b>
<b>Liabilities</b>			
Interest-bearing loans and borrowings	85,447	-	85,447
Lease liabilities	-	3,406	3,406
Trade payables and other liabilities	74,599	(320)	74,279
Provisions	395	-	395
Current tax	792	-	792
Deferred tax	5,020	-	5,020
<b>Total liabilities</b>	<b>166,253</b>	<b>3,086</b>	<b>169,339</b>

### Summary of new accounting policies

Set out below are the new accounting policies of the Group, which are consistent with the Company, upon adoption of IFRS 16:

#### *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made on or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

#### *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

#### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e. below £5,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

#### *Significant judgement in determining the lease term of contracts with renewal options*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

## 2. Accounting Policies continued

### Amounts recognised in the statement of financial position and in the consolidated statement of comprehensive income

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year:

	Right-of-use assets			Lease liabilities
	Property £'000	Other equipment £'000	Total £'000	Total £'000
As at 1 April 2019	5,150	16	5,166	6,076
Additions	1,837	-	1,837	1,878
Disposals	(115)	-	(115)	(299)
Depreciation expense	(1,840)	(10)	(1,850)	-
Interest expense	-	-	-	245
Payments	-	-	-	(2,043)
Foreign currency adjustment	(272)	1	(271)	(132)
<b>As at 31 March 2020</b>	<b>4,760</b>	<b>7</b>	<b>4,767</b>	<b>5,725</b>

The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitments as of 31 March 2019 as follows:

	Group £'000	Company £'000
<b>Operating lease commitments as at 31 March 2019</b>	<b>5,307</b>	<b>2,450</b>
Less: discounting of future lease commitments	(361)	(149)
<b>Discounted operating lease commitments at 1 April 2019</b>	<b>4,946</b>	<b>2,301</b>
Less: Commitments relating to leases of low value assets	(6)	(1)
Add: Payments in optional extension periods not recognised as at 31 March 2019	1,136	1,106
<b>Lease liabilities as at 1 April 2019</b>	<b>6,076</b>	<b>3,406</b>
Weighted average incremental borrowing rate as at 1 April 2019	4.01%	3.47%

- (ii) **IFRIC 23 'Uncertainty over Income Tax Treatments'**: the IASB issued *IFRIC 23 'Uncertainty over Income Tax Treatments'* which is effective for financial years beginning on or after 1 January 2019 and is intended to clarify when and how to apply the recognition and measurement requirements of *IAS 12 'Income Taxes'* when there is uncertainty over income tax treatments.
- (iii) **Amendment to IFRS 9 'Prepayment Features with Negative Compensation'**: the amendments are intended to clarify how IFRS 9 'Financial Instruments' classifies particular prepayable financial assets. In addition, the amendment intended to clarify an aspect of accounting for modification of financial liabilities. The amendments are to be applied retrospectively for fiscal years beginning on or after 1 January 2019.
- (iv) **Amendment to IAS 19 'Plan Amendment, Curtailment or Settlement'**: the amendments are intended to clarify the accounting treatment around plans in order to provide more relevant information for decision making. An entity applies the amendments to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019.

Apart from IFRS 16, none of these pronouncements has had any impact for amounts recognised in these financial statements.

### 2.5 Significant accounting policies

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

## 2. Accounting Policies continued

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.

### **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 is recognised at fair value at the acquisition date. Contingent consideration classified as a financial liability within the scope of IFRS 9 '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 a 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.

### **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.

### **Foreign Currencies**

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

### **Transactions and Balances**

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

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

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

### **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.

## 2. Accounting Policies continued

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.

### **Investment in Subsidiaries**

Investments in subsidiaries are held at cost, less provision for impairment.

### **Property, Plant and Equipment**

Property, 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
Freehold buildings	- over 50 years

Freehold land is not depreciated.

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

Residual values and estimated remaining lives are reviewed annually.

### **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:

Software technology assets	- over 2 to 5 years
Brands and trademarks	- over 2 to 3 years
Non-compete agreements	- over 3 to 5 years
Customer relationships	- over 10 years

## 2. Accounting Policies continued

### **Acquired Computer Software Licences**

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

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

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

### **Inventories**

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

### **Financial Assets**

#### *Initial recognition and measurement*

Financial assets are classified at initial recognition and subsequently as measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

#### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at fair value through profit or loss

The Group only has financial assets falling into the first two categories above and as such has only included the policy for these two below.

#### *Financial assets at amortised cost (debt instruments)*

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables.

#### *Financial assets designated at fair value through OCI (equity instruments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 'Financial Instruments: Presentation' and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.



## 2. Accounting Policies continued

### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

### *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL. ECL are a probability-weighted estimate of credit losses. An assessment of ECL is calculated using a provision matrix model to estimate the loss rates to be applied to each trade receivable category. ECL are discounted at the effective interest rate of the financial asset. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

In the current year an additional management overlay to the ECL calculation has been applied as detailed in note 27.

### **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 fair value and subsequently recorded at amortised cost using the EIR 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.

## 2. Accounting Policies continued

### ***Dilapidation provisions***

A dilapidation provision is recognised when there is an obligation to restore property to its original state at the end of the leasehold period. The provision is estimated as the cost of restoration at the balance sheet date, with the corresponding entry recognised in property plant and equipment. Depreciation is charged in line with the remaining leasehold period.

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

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

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

#### *a) Software licences*

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

##### *Web-service hosted software solutions*

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

##### *On-premise installation or data disk - Location segment*

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

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

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

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

##### *Data disk – Fraud segment*

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

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

#### *b) Transactional*

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

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

## 2. Accounting Policies continued

### c) *Rendering of services*

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

### d) *Contract assets and contract liabilities*

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

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

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

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

### e) *Principal versus agent*

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

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

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

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

### f) *Contract modifications*

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

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

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

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

### g) *Interest income*

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

### h) *Presentation and disclosure requirements*

The Group has disaggregated revenue recognised from contracts into contract type (Licences, Transaction and Services) as management believe this best depicts how the nature, amount, timing and uncertainty of the Group's revenue and cash flows are affected by economic factors. The Group has also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to note 4 for the disclosure on disaggregated revenue.

### **Operating Profit**

Operating profit is profits after amortisation of acquired intangibles, equity-settled share-based payments and exceptional items but before finance revenue, finance costs and tax.

## 2. Accounting Policies continued

### **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).

### **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.

Finance costs also include the amortisation of bank loan arrangement fees, interest on long-service award liabilities and interest on lease liabilities.

### **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

#### **New Accounting Standards and Interpretations not applied**

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

<b>International Accounting Standards (IAS/IFRS)</b>	<b>Effective date</b>	
IFRS 3	Definition of a business – Amendments to IFRS 3	1 January 2020
IFRS 9 & 7 IAS 39	Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020
IAS 1, IAS 8	Definition of Material – Amendments to IAS 1, IAS 8	1 January 2020

## 2. Accounting Policies continued

### **2.6 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, which have the most significant effect on the amounts recognised in the financial statements:

#### **Estimates**

##### ***Impairment of Goodwill***

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated earlier in note 2.5. 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. In making these estimates management have reflected the uncertainty due to Covid-19 by assessing the sensitivity of the assets to a wider range of changes in the key inputs to consider if an impairment would arise within these ranges.

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 17.

##### ***Impairment of Investments in Subsidiary Undertakings***

The Group tests for impairment of investments where there are indicators that the carrying value exceeds the recoverable value.

In order to perform this assessment, management are required to make estimates regarding the timing and amount of future cash flows applicable to the subsidiary, 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.

##### ***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 29.

##### ***Provisions***

The Group provides for the costs of restoring property to its original state at the end of the leasehold period on right-of-use assets. Management are required to estimate these costs using market information regarding the costs to restore at the balance sheet date.

##### ***Allowance for Impairment Losses on Credit Exposures***

The Group apply the IFRS 9 simplified lifetime expected credit loss approach in calculating expected credit losses (ECL). Under this method ECL provisions are determined using a combination of historical experience and forward-looking information based on management judgement. The Covid-19 pandemic has introduced unprecedented economic uncertainty which increases the likelihood of a higher level of ECL, but there is no historical comparative evidence to draw upon to build the impact of this pandemic into the normal ECL model used.

The Group has responded by calculating an additional level of provision to overlay the normal ECL calculation. This overlay has been based on management estimates taking into account an analysis of trade receivables broken down into customer sectors, using internal and external forecasts to assess the sectors which are likely to see the biggest impact of the pandemic, and comparing cash receipts received post year-end for customers in these sectors against historical averages. The impact of the overlay is detailed in note 27.

#### **Judgements**

##### ***Revenue Recognition***

For contracts with multiple components to be delivered, management may have to apply judgement to consider whether those promised goods and services are (i) distinct - to be accounted for as separate performance obligations; (ii) not distinct - to be combined with other promised goods or services until a bundle is identified that is distinct or (iii) part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

At contract inception the total transaction price is determined, and the Group allocates this to the identified performance obligations in proportion to their relative stand-alone selling prices and recognises revenue when (or as) those performance obligations are satisfied. Because of the bespoke nature of some solutions, judgement is sometimes required to determine and estimate an appropriate standalone selling price.

## 2. Accounting Policies continued

### Deferred Tax Assets

The amount of the deferred tax asset included in the balance sheet of the Group is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. A deferred tax asset is recognised when it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Recognition, therefore, involves management judgement regarding the prudent forecasting of future taxable profits of the business including considering appropriate levels of risk. At the balance sheet date, management has forecast that the Group would generate future taxable profits against which certain decelerated tax losses, tax losses and other temporary differences could be relieved. Within that forecast, management considered the total amount of tax losses available across the Group and the relative restrictions in place for loss streaming and made a judgement not to recognise deferred tax assets on losses of £15,084,000 (2019: £16,367,000). The total amount of deferred tax assets that management had forecast as available at the year-end based on these forecasts and estimates was lower than the previous year due to the element related to IDology transferring to a current tax asset. The carrying value of the recognised deferred tax asset at 31 March 2020 was £6,294,000 (2019: £8,222,000) and the unrecognised deferred tax asset at 31 March 2020 was £5,123,000 (2019: £3,166,000). Further details are contained in note 11.

### 3. Revenue

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

	2020 £'000	2019 £'000
Licence	71,543	75,002
Transactional	112,079	56,191
Services	15,479	12,311
<b>Revenue</b>	<b>199,101</b>	<b>143,504</b>
Finance revenue	143	31
<b>Total revenue</b>	<b>199,244</b>	<b>143,535</b>

### Significant changes in contract balances

Contract assets predominantly relate to software licence services, where revenue recognition for on premise arrangements occurs as the solution is transferred to the customer, whereas the invoicing pattern is often annually over the contract period. Contract assets recognised during the year totalled £6.0m (2019: £3.1 m). The contract asset balance for work completed but not invoiced on satisfaction of a performance obligation, unwinds over the contract term. Contract assets are transferred to receivables when the right to consideration becomes unconditional, or conditional over the passage of time.

Revenue recognised in the year of £35.4m (2019: £28.3m) was included in the opening contract liability. Cash received in advance not recognised as revenue in the year was £30.4m (2019: £33.4m).

#### 4. Segmental Information

In order to reflect how the Group is presenting its lines of business to its stakeholders going forward, the naming and structure of the operating segments were amended with effect from 1 April 2019. Going forward 'Fraud, Risk & Compliance' has been separated into two new segments – 'Identity' and 'Fraud'. The 'Location & Customer Intelligence' segment has been renamed as 'Location'. Accordingly, the comparative segmental reporting has been represented.

The Group's operating segments are internally reported to the Group's Chief Executive Officer as three operating segments: Location, Identity and Fraud. Included within 'Unallocated' is the revenue and profit of the marketing services business (previously within Location & Customer Intelligence), as well as group operating costs such as compliance, finance, legal, people team, information security, directors' remuneration and PLC costs.

The measure of performance of those segments that is reported to the Group's Chief Executive Officer is adjusted operating profit, being profits before amortisation of acquired intangibles, equity-settled share-based payments, exceptional items, net finance costs and tax, as shown below.

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

Year ended 31 March 2020	Fraud £'000	Identity £'000	Location £'000	Unallocated £'000	Total £'000
Licence	33,563	7,135	30,845	-	71,543
Transactional	-	95,489	16,590	-	112,079
Services	1,943	2,784	2,356	8,396	15,479
Total revenue	35,506	105,408	49,791	8,396	199,101
<b>Adjusted operating profit</b>	<b>13,444</b>	<b>33,626</b>	<b>14,552</b>	<b>(13,677)</b>	<b>47,945</b>
Amortisation of acquired intangibles	(477)	(14,171)	(3,999)	(361)	(19,008)
Share-based payments charge	-	-	-	(4,541)	(4,541)
Exceptional items	-	-	-	(1,552)	(1,552)
Operating profit	12,967	19,455	10,553	(20,131)	22,844
Finance revenue				143	143
Finance costs				(2,361)	(2,361)
Income tax expense				(3,562)	(3,562)
Profit for the year					17,064

Year ended 31 March 2019	(Represented) Fraud £'000	(Represented) Identity £'000	(Represented) Location £'000	(Represented) Unallocated £'000	(Represented) Total £'000
Licence	27,644	12,137	35,221	-	75,002
Transactional	-	45,459	10,732	-	56,191
Services	1,490	633	320	9,868	12,311
Total revenue	29,134	58,229	46,273	9,868	143,504
<b>Adjusted operating profit</b>	<b>9,029</b>	<b>15,219</b>	<b>16,683</b>	<b>(8,900)</b>	<b>32,031</b>
Amortisation of acquired intangibles	(792)	(4,372)	(4,662)	(490)	(10,316)
Share-based payments charge	-	-	-	(2,287)	(2,287)
Exceptional items	-	-	-	(4,003)	(4,003)
Operating profit	8,237	10,847	12,021	(15,680)	15,425
Finance revenue				31	31
Finance costs				(720)	(720)
Income tax expense				(2,583)	(2,583)
Profit for the period					12,153

#### Geographical information

	Revenues from external customers		Non-current assets	
	2020 £'000	2019 £'000	2020 £'000	Restated <sup>1</sup> 2019 £'000
United Kingdom	87,814	79,368	126,945	138,157
United States of America	52,386	20,525	259,558	252,461
Australia	19,063	10,241	37,374	39,789
Others	39,838	33,370	48	54
	199,101	143,504	423,925	430,461

<sup>1</sup> Refer to note 2.3

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 and excludes the deferred tax asset.

## 5. Operating Profit

This is stated after charging/(crediting):	2020 £'000	2019 £'000
Research and development costs recognised as an operating expense	16,821	10,370
Other Technology related costs recognised as an operating expense	13,043	13,284
<b>Total Technology related costs recognised as an operating expense</b>	<b>29,864</b>	<b>23,654</b>
Depreciation of property, plant and equipment (note 14)	1,760	1,544
Depreciation of right-of-use assets (note 15)	1,850	-
Expense relating to short term leases	447	-
Expense relating to low value leases	5	-
Expected credit losses of trade receivables (note 27)	2,532	852
Amortisation of intangible assets (note 16)	19,192	10,821
Foreign exchange loss/(gain)	69	(35)

## 6. Auditor's Remuneration

	2020 £'000	2019 £'000
Audit of the financial statements <sup>1</sup>	262	266
Other fees to auditor - other assurance services	72	25
- tax compliance services	-	2
- tax advisory services	10	21
	<b>344</b>	<b>314</b>

<sup>1</sup> £159,000 (2019: £136,000) of this relates to the Company.

## 7. Exceptional Items

	2020 £'000	2019 £'000
Acquisition related costs	26	3,747
Costs associated with team member reorganisations	555	256
Fair value adjustments to contingent consideration (note 36)	829	-
Foreign exchange movement on contingent consideration (note 36)	142	-
	<b>1,552</b>	<b>4,003</b>

Acquisition related costs of £26,000 (2019: £3,747,000) include legal and professional advisor costs directly attributable to the transactions and exclude operating or integration costs relating to an acquired business. In the current year these costs related to final costs in relation to the acquisition of IDology Inc. in the prior year in addition to costs relating to potential acquisitions that were either aborted or are not complete at the date of these financial statements. Due to the size and nature of these costs, management consider that they would distort the Group's underlying business performance. In the prior year these costs included £449,000 in relation to VIX Verify and £2,391,000 in relation to IDology Inc.

Costs associated with team member reorganisations relate to exit costs of personnel leaving the business on an involuntary basis, either as a result of integrating acquisitions or due to reorganisations within our operating divisions. Due to the nature of these costs, management deem them to be exceptional in order to better reflect our underlying performance. Exit costs outside of these circumstances are treated as an operating expense.

As detailed in note 36, under the terms of the IDology Inc acquisition the sellers are entitled to the benefit of the tax losses of the business at the date of the acquisition as and when GBG utilises them to reduce cash tax payments. On acquisition GBG recognised a Deferred Tax Asset (DTA) in relation to these losses which were expected to be utilised in future years and so the valuation of the DTA was based on the prevailing federal tax rate of 21%. An equivalent contingent consideration liability reflects that the benefit of this DTA is due to the sellers.

On 27 March 2020 the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and signed into law by President Trump. This Act includes the entitlement for tax losses to now be carried back for up to five years. As the tax rate in the United States in the period 2014-2018 was 35% the value of these losses has increased. GBG has recorded an increase in the value of the DTA related to this new law with the benefit recognised within the income tax charge in the income statement (the DTA was then reclassified to a current tax asset as a cash refund is now available). The increase in the liability to the sellers has been recognised as an exceptional item as it arose outside of the 12 month hindsight period permitted for adjustments to the acquisition accounting.

The contingent liability related to these tax losses is based on the US Dollar value of the losses. As a result the liability was retranslated at the balance sheet date with a loss of £142,000 being treated as an exceptional item.

The tax impact of the exceptional costs was £969,000 (2019: £77,000). The largest element of this is the increase in the deferred tax asset of £829,000 related to the IDology tax losses.



## 8. Staff Costs and Directors' Emoluments

a) Staff Costs	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Wages and salaries	55,320	45,935	33,000	31,392
Social security costs	6,590	5,318	4,469	4,352
Other pension costs	2,473	2,007	1,668	1,486
	<u>64,383</u>	<u>53,260</u>	<u>39,137</u>	<u>37,230</u>

Included in wages and salaries is a total charge of share-based payments of £4,541,000 (2019: £2,287,000) which arises from transactions accounted for as equity-settled share-based payment transactions.

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

	Group		Company	
	2020 No.	2019 No.	2020 No.	2019 No.
Technology	395	356	226	227
General and administration	120	108	97	42
Sales and marketing	507	420	364	388
	<u>1,022</u>	<u>884</u>	<u>687</u>	<u>657</u>

b) Directors' Emoluments	2020 £'000	2019 £'000
Wages and salaries	1,513	1,438
Pension	74	72
Bonuses	1,449	1,318
	<u>3,036</u>	<u>2,828</u>
Aggregate gains made by Directors on the exercise of options	<u>5,936</u>	<u>2,467</u>

The remuneration for the highest paid Director was as follows:

	2020 £'000	2019 £'000
Wages and salaries	607	589
Bonus	723	608
	<u>1,330</u>	<u>1,197</u>

The highest paid Director has reached the maximum level permitted for a personal pension plan and receives a direct payment in lieu of his pension entitlement, which was £90,353 (2019: £84,000). The number of share options granted during the year for the highest paid Director was 206,136 (2019: 128,853) and the number of share options exercised during the year was 200,000 (2019: 200,000).

## 9. Finance Revenue

	2020 £'000	2019 £'000
Bank interest receivable	143	31
	<u>143</u>	<u>31</u>

## 10. Finance Costs

	2020 £'000	2019 £'000
Bank interest payable	1,911	613
Interest on long service award	13	9
Amortisation of bank loan fees	192	98
Lease liability interest	245	-
	<u>2,361</u>	<u>720</u>

## 11. Taxation

### a) Tax on Profit

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

	2020 £'000	2019 £'000
<b>Current income tax</b>		
UK corporation tax on profit for the year	2,760	2,765
Amounts underprovided/(overprovided) in previous years	120	(292)
Foreign tax	1,903	2,158
	<u>4,783</u>	<u>4,631</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(2,625)	(1,868)
Amounts underprovided in previous years	876	26
Impact of change in tax rates	528	(206)
	<u>(1,221)</u>	<u>(2,048)</u>
Tax charge in the Statement of Comprehensive Income	<u>3,562</u>	<u>2,583</u>

### b) Reconciliation of the Total Tax Charge

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

	2020 £'000	2019 £'000
Consolidated profit before tax	<u>20,626</u>	<u>14,736</u>
Consolidated profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	3,919	2,800
Effect of:		
Permanent differences	347	1,094
Non-taxable income	(489)	(11)
Rate changes	(1,283)	(120)
Utilisation of losses	(14)	-
Prior year items	996	(266)
Research and development tax relief	(880)	(492)
Patent Box relief	(545)	(460)
Share option relief	9	(67)
Recognition of unrecognised deferred tax assets	-	(698)
Effect of higher taxes on overseas earnings	1,502	803
Total tax charge reported in the Statement of Comprehensive Income	<u>3,562</u>	<u>2,583</u>

The Group is entitled to current year tax relief of £811,398 (2019: £1,023,000), calculated at a tax rate of 19% (2019: 19%), in relation to the statutory deduction available on share options exercised in the year.

## 11. Taxation (continued)

### c) Deferred Tax – Group *Deferred Tax Asset*

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

	Recognised		Unrecognised	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Decelerated capital allowances	1,259	1,283	-	-
Share options	1,848	1,627	-	-
Long service award	233	234	-	-
Accrued bonuses	522	728	-	-
Provision for bad debt	368	205	-	-
Other temporary differences	1,420	497	-	-
Leases	429	-	-	-
Capital losses	-	-	429	384
Trading losses	215	3,648	2,866	2,782
	<b>6,294</b>	<b>8,222</b>	<b>3,295</b>	<b>3,166</b>

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

	2020 £'000	2019 £'000
Opening balance – as reported	8,222	4,453
IFRS 16 transition adjustment	326	-
Opening balance – restated	<b>8,548</b>	4,453
Acquired on acquisition	-	3,955
Foreign currency adjustments	11	(73)
Origination and reversal of temporary differences	(2,265)	24
Impact of change in tax rates	-	(137)
	<b>6,294</b>	<b>8,222</b>

The deferred tax asset has been recognised to the extent it is anticipated to be recoverable out of future taxable profits based on profit forecasts for the foreseeable future. The utilisation of the unrecognised deferred tax asset in future periods will reduce the future tax rate below the standard rate. The Group has unrecognised deductible temporary differences of £15,084,000 (2019: £16,367,000) and unrecognised capital losses of £2,257,000 (2019: £2,257,000).

### *Deferred Tax Liability*

The deferred tax liability of the Group is as follows:

	2020 £'000	2019 £'000
Intangible assets	26,553	29,378
Land and buildings	186	108
Leases	277	-
Accelerated capital allowances	139	62
	<b>27,155</b>	<b>29,548</b>

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

	2020 £'000	2019 £'000
Opening balance	29,548	8,260
IFRS 16 transition adjustment	189	-
Opening balance – restated	<b>29,737</b>	8,260
Acquisition of intangibles in subsidiaries	-	23,913
Foreign currency adjustments	713	(359)
Origination and reversal of temporary differences	(3,823)	(1,923)
Impact of change in tax rates	528	(343)
	<b>27,155</b>	<b>29,548</b>

## 11. Taxation (continued)

### d) Deferred Tax – Company *Deferred Tax Asset*

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

	Recognised		Unrecognised	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Decelerated capital allowances	1,259	1,283	-	-
Share options	1,839	1,627	-	-
Long service award	105	100	-	-
Provision for bad debt	308	84	-	-
Other temporary differences	310	-	-	-
Leases	46	-	-	-
Capital losses	-	-	429	384
Trading losses	-	-	2,866	2,782
	<b>3,867</b>	<b>3,094</b>	<b>3,295</b>	<b>3,166</b>

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

	2020 £'000	2019 £'000
Opening balance – as reported	3,094	3,404
IFRS 16 transition adjustment	59	-
Opening balance – restated	<b>3,153</b>	<b>3,404</b>
Origination and reversal of temporary differences	<b>714</b>	<b>(310)</b>
	<b>3,867</b>	<b>3,094</b>

The deferred tax asset has been recognised to the extent it is anticipated to be recoverable out of future taxable profits based on profit forecasts for the foreseeable future. The utilisation of the unrecognised deferred tax asset in future periods will reduce the future tax rate below the standard rate. The Company has unrecognised deductible temporary differences of £15,084,000 (2019: £16,367,000) and unrecognised capital losses of £2,257,000 (2019: £2,257,000).

### *Deferred Tax Liability*

The deferred tax liability of the Company is as follows:

	2020 £'000	2019 £'000
Intangible assets	4,362	4,912
Land and buildings	112	108
	<b>4,474</b>	<b>5,020</b>

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

	2020 £'000	2019 £'000
Opening balance	5,020	6,319
Origination and reversal of temporary differences	(1,014)	(1,179)
Impact of change in tax rates	468	(120)
	<b>4,474</b>	<b>5,020</b>

### e) Tax Losses

The Group has carried forward trading losses at 31 March 2020 of £15,591,000 (2019: £30,561,000). 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 2020 of £2,257,000 (2019: £2,257,000), which should be available for offset against future capital gains of the Group to the extent that they arise.

### f) Change in corporation tax rate

A reduction in the UK corporation tax rate to 17% (from 19%) with effect from 1 April 2020 was enacted in the Finance Act 2016. The deferred tax assets and liabilities as at 31 March 2019 were based on this rate.

In the UK Budget on 11 March 2020 it was announced that the rate would remain at 19%, with this change substantively enacted on 17 March 2020. The deferred tax assets and liabilities at 31 March 2020 are therefore based on the 19% rate.

## 12. Dividends Paid and Proposed

	2020 £'000	2019 £'000
<i>Declared and paid during the year</i>		
Final dividend for 2019 (paid in 2020): 2.99p (2018 (paid in 2019): 2.65p)	<u>5,782</u>	<u>4,049</u>
<i>Proposed for approval at AGM (not recognised as a liability at 31 March)</i>		
Final dividend for 2020: 0p (2019: 2.99p)	<u>-</u>	<u>5,766</u>

£21,000 was received during the year relating to a refund for dividends not claimed from previous years. The total net cash impact of dividends during the year was therefore £5,761,000.

## 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.

	2020 pence per share	2020 £'000	2019 pence per share	2019 £'000
Profit attributable to equity holders of the Company	<u>8.8</u>	<u>17,064</u>	<u>7.7</u>	<u>12,153</u>

### Diluted

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

	2020 No.	2019 No.
Basic weighted average number of shares in issue	193,630,621	158,051,687
Dilutive effect of share options	<u>3,144,641</u>	<u>2,754,605</u>
Diluted weighted average number of shares in issue	<u>196,775,262</u>	<u>160,806,292</u>

  

	2020 pence per share	2020 £'000	2019 pence per share	2019 £'000
Profit attributable to equity holders of the Company	<u>8.7</u>	<u>17,064</u>	<u>7.6</u>	<u>12,153</u>

### Adjusted

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

	2020 £'000	Basic 2020 pence per share	Diluted 2020 pence per share	2019 £'000	Basic 2019 pence per share	Diluted 2019 pence per share
Adjusted operating profit	47,945	24.8	24.4	32,031	20.3	19.9
Less net finance costs	(2,218)	(1.1)	(1.1)	(689)	(0.4)	(0.4)
Less tax	(3,562)	(1.9)	(1.9)	(2,583)	(1.7)	(1.6)
Adjusted earnings	<u>42,165</u>	<u>21.8</u>	<u>21.4</u>	<u>28,759</u>	<u>18.2</u>	<u>17.9</u>

#### 14. Property, Plant and Equipment

##### Group

	Land and buildings £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>			
At 1 April 2018	1,251	6,943	8,194
Acquired on acquisition	-	231	231
Additions	-	1,453	1,453
Disposals	-	(51)	(51)
Foreign currency adjustment	-	(35)	(35)
At 31 March 2019	<u>1,251</u>	<u>8,541</u>	<u>9,792</u>
Additions	-	1,653	1,653
Disposals	-	(881)	(881)
Foreign currency adjustment	-	(94)	(94)
At 31 March 2020	<u>1,251</u>	<u>9,219</u>	<u>10,470</u>
<b>Depreciation and impairment</b>			
At 1 April 2018	20	3,474	3,494
Provided during the year	22	1,522	1,544
Disposals	-	(46)	(46)
Foreign currency adjustment	-	(15)	(15)
At 31 March 2019	<u>42</u>	<u>4,935</u>	<u>4,977</u>
Provided during the year	19	1,741	1,760
Disposals	-	(875)	(875)
Foreign currency adjustment	-	(45)	(45)
At 31 March 2020	<u>61</u>	<u>5,756</u>	<u>5,817</u>
<b>Net book value</b>			
At 31 March 2020	1,190	3,463	4,653
At 31 March 2019	1,209	3,606	4,815
At 1 April 2018	<u>1,231</u>	<u>3,469</u>	<u>4,700</u>

##### Company

	Land and buildings £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>			
At 1 April 2018	1,233	4,927	6,160
Additions	-	1,214	1,214
Disposals	-	(2)	(2)
At 31 March 2019	<u>1,233</u>	<u>6,139</u>	<u>7,372</u>
Additions	-	858	858
Disposals	-	(872)	(872)
At 31 March 2020	<u>1,233</u>	<u>6,125</u>	<u>7,358</u>
<b>Depreciation and impairment</b>			
At 1 April 2018	2	2,444	2,446
Provided during the year	22	1,103	1,125
Disposals	-	(2)	(2)
At 31 March 2019	<u>24</u>	<u>3,545</u>	<u>3,569</u>
Provided during the year	19	1,195	1,214
Disposals	-	(872)	(872)
At 31 March 2020	<u>43</u>	<u>3,868</u>	<u>3,911</u>
<b>Net book value</b>			
At 31 March 2020	1,190	2,257	3,447
At 31 March 2019	1,209	2,594	3,803
At 1 April 2018	<u>1,231</u>	<u>2,483</u>	<u>3,714</u>

## 15. Right-of-use assets

### Group

	Right of use assets £'000	Total £'000
<b>Cost</b>		
At 31 March 2019	-	-
Adoption of IFRS 16 (see note 2.4)	8,840	8,840
Additions	1,837	1,837
Disposals	(295)	(295)
Foreign currency adjustment	(265)	(265)
At 31 March 2020	<u>10,117</u>	<u>10,117</u>
<b>Depreciation and impairment</b>		
At 31 March 2019	-	-
Adoption of IFRS 16 (see note 2.4)	3,674	3,674
Provided during the year	1,850	1,850
Disposals	(180)	(180)
Foreign currency adjustment	6	6
At 31 March 2020	<u>5,350</u>	<u>5,350</u>
<b>Net book value</b>		
At 31 March 2020	<u>4,767</u>	<u>4,767</u>
At 31 March 2019	-	-
At 1 April 2018	-	-

### Company

	Right of use assets £'000	Total £'000
<b>Cost</b>		
At 31 March 2019	-	-
Adoption of IFRS 16 (see note 2.4)	4,691	4,691
Additions	-	-
Disposals	-	-
At 31 March 2020	<u>4,691</u>	<u>4,691</u>
<b>Depreciation and impairment</b>		
At 31 March 2019	-	-
Adoption of IFRS 16 (see note 2.4)	1,918	1,918
Provided during the year	675	675
At 31 March 2020	<u>2,593</u>	<u>2,593</u>
<b>Net book value</b>		
At 31 March 2020	<u>2,098</u>	<u>2,098</u>
At 31 March 2019	-	-
At 1 April 2018	-	-

Further detail regarding the impact of the transition to IFRS 16 has been given in note 2.4 of the financial statements.

The underlying class of assets and their net book values are leasehold property (Group £4,760,000, Company £2,093,000) and equipment (Group £7,000, Company £5,000).

## 16. Intangible Assets

Group	Customer relationships £'000	Software technology £'000	Non-complete clauses £'000	Total acquired intangibles £'000	Goodwill £'000	Purchased software £'000	Internally developed software £'000	Total £'000
<b>Cost</b>								
At 1 April 2018	45,926	15,673	1,066	<b>62,665</b>	116,497	2,118	1,771	<b>183,051</b>
Foreign currency adjustment	(1,078)	(249)	(79)	<b>(1,406)</b>	(2,625)	30	-	<b>(4,001)</b>
Additions – business combinations	73,212	17,224	4,391	<b>94,827</b>	178,651	-	-	<b>273,478</b>
Additions – purchased software	-	-	-	-	-	172	-	<b>172</b>
Disposals	-	-	-	-	-	(67)	-	<b>(67)</b>
At 31 March 2019 – as reported	<u>118,060</u>	<u>32,648</u>	<u>5,378</u>	<u><b>156,086</b></u>	<u>292,523</u>	<u>2,253</u>	<u>1,771</u>	<u><b>452,633</b></u>
Additions – measurement period <sup>1</sup>	-	-	-	-	5,509	-	-	<b>5,509</b>
At 31 March 2019 – as restated	<u>118,060</u>	<u>32,648</u>	<u>5,378</u>	<u><b>156,086</b></u>	<u>298,032</u>	<u>2,253</u>	<u>1,771</u>	<u><b>458,142</b></u>
Foreign currency adjustment	2,075	527	194	<b>2,796</b>	5,230	1	-	<b>8,027</b>
Additions – purchased software	-	-	-	-	-	183	-	<b>183</b>
Disposals	-	-	(695)	<b>(695)</b>	-	(259)	(559)	<b>(1,513)</b>
<b>At 31 March 2020</b>	<u><b>120,135</b></u>	<u><b>33,175</b></u>	<u><b>4,877</b></u>	<u><b>158,187</b></u>	<u><b>303,262</b></u>	<u><b>2,178</b></u>	<u><b>1,212</b></u>	<u><b>464,839</b></u>
<b>Amortisation and impairment</b>								
At 1 April 2018	10,869	7,257	614	<b>18,740</b>	-	1,195	1,712	<b>21,647</b>
Foreign currency adjustment	22	29	2	<b>53</b>	-	(5)	-	<b>48</b>
Amortisation during the year	5,779	4,105	432	<b>10,316</b>	-	468	37	<b>10,821</b>
Disposals	-	-	-	-	-	(20)	-	<b>(20)</b>
At 31 March 2019	<u>16,670</u>	<u>11,391</u>	<u>1,048</u>	<u><b>29,109</b></u>	<u>-</u>	<u>1,638</u>	<u>1,749</u>	<u><b>32,496</b></u>
Foreign currency adjustment	(77)	(43)	18	<b>(102)</b>	-	2	-	<b>(100)</b>
Amortisation during the year	12,231	5,723	1,054	<b>19,008</b>	-	162	22	<b>19,192</b>
Disposals	-	-	(695)	<b>(695)</b>	-	-	(559)	<b>(1,254)</b>
<b>At 31 March 2020</b>	<u><b>28,824</b></u>	<u><b>17,071</b></u>	<u><b>1,425</b></u>	<u><b>47,320</b></u>	<u><b>-</b></u>	<u><b>1,802</b></u>	<u><b>1,212</b></u>	<u><b>50,334</b></u>
<b>Net book value</b>								
At 31 March 2020	<u>91,311</u>	<u>16,104</u>	<u>3,452</u>	<u><b>110,867</b></u>	<u>303,262</u>	<u>376</u>	<u>-</u>	<u><b>414,505</b></u>
At 31 March 2019 – restated <sup>1</sup>	<u>101,390</u>	<u>21,257</u>	<u>4,330</u>	<u><b>126,977</b></u>	<u>298,032</u>	<u>615</u>	<u>22</u>	<u><b>425,646</b></u>
At 31 March 2019 – as reported	<u>101,390</u>	<u>21,257</u>	<u>4,330</u>	<u><b>126,977</b></u>	<u>292,523</u>	<u>615</u>	<u>22</u>	<u><b>420,137</b></u>
At 1 April 2018	<u>35,057</u>	<u>8,416</u>	<u>452</u>	<u><b>43,925</b></u>	<u>116,497</u>	<u>923</u>	<u>59</u>	<u><b>161,404</b></u>

<sup>1</sup> See note 2.3



**16. Intangible Assets** continued

<b>Acquisition</b>	<b>Carrying Value of Customer Relationship £'000</b>	<b>Remaining Amortisation Period Years</b>
Data Discoveries Holdings Limited	47	1.25
Advanced Checking Services	26	1.33
Capscan Parent Limited	746	1.58
TMG.tv Limited	276	2.58
CRD (UK) Limited	286	3.58
DecTech Solutions Pty Ltd	1,564	4.08
CDMS Limited	1,656	4.58
Loqate Inc	1,165	5.08
ID Scan Biometrics Limited	2,448	6.25
Postcode Anywhere (Holdings) Limited	17,613	7.08
VIX Verify Global Pty Limited	5,620	8.50
IDology Inc	<u>59,864</u>	8.83
	<b>91,311</b>	

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, Loqate Inc., ID Scan Biometrics Limited, Postcode Anywhere (Holdings) Limited, VIX Verify Global Pty Limited and IDology Inc. Under IFRS, goodwill is not amortised and is tested annually for impairment (note 16).

## 16. Intangible Assets continued

Company	Customer relationships £'000	Software technology £'000	Non-complete clauses £'000	Total acquired intangibles £'000	Goodwill £'000	Purchased software £'000	Internally developed software £'000	Total £'000
<b>Cost</b>								
At 1 April 2018	26,078	7,818	461	<b>34,357</b>	78,154	2,098	2,353	<b>116,962</b>
Additions – purchased software	-	-	-	-	-	167	-	<b>167</b>
Transfer from investments <sup>1</sup>	-	-	-	-	31,961	-	-	<b>31,961</b>
Disposals	-	-	-	-	-	(67)	-	<b>(67)</b>
At 31 March 2019	26,078	7,818	461	<b>34,357</b>	110,115	2,198	2,353	<b>149,023</b>
Additions – product development	-	-	-	-	-	183	-	<b>183</b>
Hive-up adjustment <sup>2</sup>	(54)	-	-	<b>(54)</b>	-	-	-	<b>(54)</b>
Disposals	-	-	(194)	<b>(194)</b>	-	(259)	(559)	<b>(1,012)</b>
At 31 March 2020	26,024	7,818	267	<b>34,109</b>	110,115	2,122	1,794	<b>148,140</b>
<b>Amortisation and impairment</b>								
At 1 April 2018	207	96	10	<b>313</b>	-	1,170	2,305	<b>3,788</b>
Amortisation during the year	2,776	2,599	279	<b>5,654</b>	-	425	37	<b>6,116</b>
Disposals	-	-	-	-	-	(20)	-	<b>(20)</b>
At 31 March 2019	2,983	2,695	289	<b>5,967</b>	-	1,575	2,342	<b>9,884</b>
Reclassification	102	(102)	-	-	-	-	-	-
Amortisation during the year	2,878	2,498	162	<b>5,538</b>	-	171	11	<b>5,720</b>
Disposals	-	-	(194)	<b>(194)</b>	-	-	(559)	<b>(753)</b>
At 31 March 2020	5,963	5,091	257	<b>11,311</b>	-	1,746	1,794	<b>14,851</b>
<b>Net book value</b>								
At 31 March 2020	20,061	2,727	10	<b>22,798</b>	110,115	376	-	<b>133,289</b>
At 31 March 2019	23,095	5,123	172	<b>28,390</b>	110,115	623	11	<b>139,139</b>
At 1 April 2018	25,871	7,722	451	<b>34,044</b>	78,154	928	48	<b>113,174</b>

<sup>1</sup> A transfer between investments and goodwill has been made as the directors consider that this better reflects the nature of the non-current assets following hive-ups that occurred in previous years.

<sup>2</sup> This is a correction to the opening acquired cost in respect of the hive-up of IDScan Biometrics Limited in the year to 31 March 2018. The other side to this entry is within 'Other Reserves' within equity.

Acquisition	Carrying Value of Customer Relationship £'000	Remaining Amortisation Period Years
ID Scan Biometrics Limited	2,448	6.25
Postcode Anywhere (Holdings) Limited	17,613	7.08
	<b>20,061</b>	

Goodwill arose on the acquisition of ID Scan Biometrics Limited and Postcode Anywhere (Holdings) Limited. Under IFRS, goodwill is not amortised and is tested annually for impairment (note 17).

## 17. Impairment Testing of Goodwill

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

- Fraud Unit (represented by the Fraud operating segment excluding the CAFs Unit)
- Identity Unit (represented by the Identity operating segment excluding the IDology Unit and the VIX Verify Unit)
- Location Unit (represented by the Location operating segment excluding the Loqate Unit)
- CAFs Unit (part of the Fraud operating segment)
- Loqate Unit (part of the Location operating segment)
- VIX Verify Unit (part of the Identity operating segment)
- IDology Unit (part of the Identity operating segment)
- e-Ware Interactive Unit (included in Other operating segment)
- Transactis Unit (included in Other operating segment)

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

<i>Carrying Amount of Goodwill Allocated to CGUs</i>	<b>2020</b>	2019
	<b>£'000</b>	£'000
Fraud Unit	<b>3,040</b>	3,040
Identity Unit	<b>37,586</b>	37,586
Location Unit	<b>53,992</b>	53,992
CAFS Unit	<b>12,922</b>	14,261
Loqate Unit	<b>7,731</b>	7,393
VIX Verify Unit	<b>14,171</b>	15,639
IDology Unit	<b>173,239</b>	160,031
e-Ware Interactive Unit	<b>79</b>	79
Transactis Unit	<b>502</b>	502
	<b>303,262</b>	292,523

### *Key Assumptions Used in Value in Use Calculations*

The Group prepares cash flow forecasts using budgets and forecasts approved by the Directors covering a five-year period and an appropriate extrapolation of cash flows beyond this using a long-term average growth rate. The long-term average growth rate is not greater than the average long-term retail growth rate in the territory where the CGU is based (UK – 1.8%; USA – 1.8%; Australia – 2.5%).

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.

	2020		2019	
	Pre-tax WACC %	Growth rate (in perpetuity) %	Pre-tax WACC %	Growth rate (in perpetuity) %
Fraud Unit	<b>10.7%</b>	<b>1.8%</b>	10.4%	1.8%
Identity Unit	<b>10.7%</b>	<b>1.8%</b>	10.4%	1.8%
Location Unit	<b>10.7%</b>	<b>1.8%</b>	10.4%	1.8%
CAFS Unit	<b>14.3%</b>	<b>2.5%</b>	15.1%	2.8%
Loqate Unit	<b>12.8%</b>	<b>1.8%</b>	11.3%	1.8%
VIX Verify Unit	<b>14.3%</b>	<b>2.5%</b>	-	-
IDology Unit	<b>12.8%</b>	<b>1.8%</b>	-	-
e-Ware Interactive Unit	<b>10.7%</b>	-	10.4%	-
Transactis Unit	<b>10.7%</b>	-	10.4%	-

In the case of the Fraud CGU, the annual impairment review as at 31 March 2020 indicated that the recoverable amount exceeded the carrying value of the CGU by £67,869,000. The sensitivities which result in the recoverable amount equalling the carrying value can be summarised as follows:

- a reduction of 96% in the forecast profit margins; and
- any absolute increase in the pre-tax weighted average cost of capital would have £nil impact on headroom.

In the case of the Identity CGU, the annual impairment review as at 31 March 2020 indicated that the recoverable amount exceeded the carrying value of the CGU by £90,251,000. The sensitivities, which result in the recoverable amount equalling the carrying value, can be summarised as follows:

- an absolute increase of 23.2% in the pre-tax weighted average cost of capital from 10.7% to 33.9%; or
- a reduction of 71% in the forecast profit margins.

In the case of the Location CGU, the annual impairment review as at 31 March 2020 indicated that the recoverable amount exceeded the carrying value of the CGU by £138,799,000. The sensitivities which result in the recoverable amount equalling the carrying value can be summarised as follows:

- an absolute increase of 28.4% in the pre-tax weighted average cost of capital from 10.7% to 39.1%; or
- a reduction of 72% in the forecast profit margins.

## 17. Impairment Testing of Goodwill continued

In the case of CAFs CGU, the annual impairment review as at 31 March 2020 indicated that the recoverable amount exceeded the carrying value of the CGU by £23,013,000. The sensitivities which result in the recoverable amount equalling the carrying value can be summarised as follows:

- an absolute increase of 19.0% in the pre-tax weighted average cost of capital from 14.3% to 33.3%; or
- a reduction of 64% in the forecast profit margins.

In the case of Loqate CGU, the annual impairment review as at 31 March 2020 indicated that the recoverable amount exceeded the carrying value of the CGU by £26,379,000. The sensitivities which result in the recoverable amount equalling the carrying value can be summarised as follows:

- an absolute increase of 65.4% in the pre-tax weighted average cost of capital from 12.8% to 78.2%; or
- a reduction of 77% in the forecast profit margins.

In the case of the VIX Verify CGU, the annual impairment review as at 31 March 2020 indicated that the recoverable amount exceeded the carrying value of the CGU by £7,498,000. The sensitivities which result in the recoverable amount equalling the carrying value can be summarised as follows:

- an absolute increase of 6.9% in the pre-tax weighted average cost of capital from 14.3% to 21.2%; or
- a reduction of 35% in the forecast profit margins.

In the case of the IDology CGU, the annual impairment review as at 31 March 2020 indicated that the recoverable amount exceeded the carrying value of the CGU by £81,374,000. The sensitivities, which result in the recoverable amount equalling the carrying value, can be summarised as follows:

- an absolute increase of 5.2% in the pre-tax weighted average cost of capital from 12.8% to 18.0%; or
- a reduction of 32% in the forecast profit margins.

In the case of the e-Ware Interactive CGU, the annual impairment review as at 31 March 2020 indicated that the recoverable amount exceeded the carrying value by £20,000 (2018: £165,000). In assessing the future recoverable amounts, forecast cash flows are assumed for the current contract value only on the basis that the recoverable amount is associated with only a single remaining customer attributable to that acquisition. Since the value in use of the e-Ware Interactive CGU is based on a single client, its loss or a significant reduction in its cash flow would cause the carrying value of the unit to exceed its recoverable amount.

- a reduction of 20% in the forecast profit margins, and
- any absolute increase in the pre-tax weighted average cost of capital would have £nil impact on headroom.

In the case of the Transactis CGU, the annual impairment review as at 31 March 2020 indicated that the recoverable amount exceeded the carrying value of the CGU by £1,792,000. The sensitivities, which result in the recoverable amount equalling the carrying value, can be summarised as follows:

- an absolute increase of 52.6% in the pre-tax weighted average cost of capital from 10.7% to 63.3%; or
- a reduction of 45% in the forecast profit margins.

Based on the impairment reviews performed no impairment has been identified.

## 18. Investments

Company	2020 £'000	2019 £'000
<b>Cost</b>		
At 1 April	305,940	76,310
Acquisition of subsidiary undertakings	7	235,744
Capital investment in subsidiary undertaking	-	20,639
Transfer to goodwill and intangibles <sup>1</sup>	-	(31,961)
At 31 March – as reported	<u>          </u>	<u>300,732</u>
Acquisition of subsidiary undertakings (measurement period adjustment) <sup>2</sup>	-	5,208
At 31 March – as restated	<u>305,947</u>	<u>305,940</u>
<b>Provision for impairment</b>		
At 1 April	2,464	-
Charge for the year <sup>3</sup>	-	2,464
At 31 March	<u>2,464</u>	<u>2,464</u>
<b>Net book value</b>		
At 31 March	<u>303,483</u>	<u>303,476</u>

<sup>1</sup> A transfer between investments and goodwill has been made as the directors consider that this better reflects the nature of the non-current assets following hive-ups that occurred in previous years.

<sup>2</sup> Refer to note 2.3

<sup>3</sup> The impairment charge for the year of £2,464,000 was following a dividend from Loqate Inc. which was recognised in the Company income statement.

Refer to note 2.3 for details of the measurement period adjustment impacting the Group.

## 18. Investments continued

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

Name of company	Proportion of voting rights and shares held	Country of incorporation	Registered office address
Capscan Parent Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
Capscan Limited <sup>1</sup>	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
Data Discoveries Holdings Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
Data Discoveries Limited <sup>1</sup>	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
Managed Analytics Limited <sup>1</sup>	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
Fastrac Limited <sup>1</sup>	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
e-Ware Interactive Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
GB Information Management Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
GB Datacare Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
GB Mailing Systems Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
Citizensafe Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
TelMe.com Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
Farebase Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
TMG.tv Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
CRD (UK) Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
Postcode Anywhere (Holdings) Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
Postcode Anywhere (Europe) Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
Postcode Anywhere (North America) Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
PCA Predict Inc.	100%	United States	National Registered Agents Inc., 106 Greentree Drive, Suite 101, Dover DE 19904
GBG (Australia) Holding Pty Ltd	100%	Australia	Co Sec Consulting Pty Ltd, 59 Gipps Street, Collingwood, VIC 3066
GBG (Australia) Pty Ltd <sup>1</sup>	100%	Australia	Co Sec Consulting Pty Ltd, 59 Gipps Street, Collingwood, VIC 3066
VIX Verify Global Pty Ltd <sup>1</sup>	100%	Australia	Level 3, 20 Bond Street, Sydney NSW 2000
GBG (Malaysia) Sdn Bhd <sup>1</sup>	100%	Malaysia	Level 7 Menara Millenium, Jalan Damanlela Pusat Bandar, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan
GBG DecTech Solutions S.L <sup>1</sup>	100%	Spain	08002-Barcelona, Edifici The Triangle, 4th Floor, Placa de Catalunya, Barcelona, Spain
迪安科 <sup>1</sup>	100%	China	Room 1714, Building 4, China Investment Center, No.9 Guangan Road, Fengtai District, Beijing, China
Loqate Inc.	100%	United States	805 Veterans Blvd Ste 305, Redwood City CA 94063
Loqate Limited <sup>1</sup>	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
IDology Inc.	100%	United States	2018 Powers Ferry Rd, Atlanta, GA 30339, USA
ID Scan Biometrics Limited	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
IDscan Research Bilisim Teknolojileri Sanayi Ve Ticaret Limited Sirketi	100%	Turkey	Mersin Universitesi Çiftlikköy Kampüsü, Teknopark İdari Bina No: 106 Yenişehir – Mersin
UAB IDscan Biometrics R&D	100%	Lithuania	Kauno m. Kauno m. I. Kanto g. 18-4B Lithuania
Safer Clubbing At Night Network (Scan Net) Ltd	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
Transactis Limited <sup>1</sup>	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
Inkfish Limited <sup>1</sup>	100%	United Kingdom	The Foundation, Herons Way, Chester Business Park, Chester CH4 9GB
VIX Verify Pty Ltd <sup>1</sup>	100%	Australia	Co Sec Consulting Pty Ltd, 58 Gipps Street, Collingwood, Victoria 3066, Australia
GreenID Limited <sup>1</sup>	100%	New Zealand	Moore Stephens Markhams Wellington Limited, Level 11 Sovereign House, 34-42 Manners Street, Wellington 6011, New Zealand
Mastersoft Group Pty Ltd <sup>1</sup>	100%	Australia	Co Sec Consulting Pty Ltd, 58 Gipps Street, Collingwood, Victoria 3066, Australia
Mastersoft (New Zealand) Ltd <sup>1</sup>	100%	New Zealand	Moore Stephens Markhams Wellington Limited, Level 11 Sovereign House, 34-42 Manners Street, Wellington 6011, New Zealand
DataSan Pty Ltd <sup>1</sup>	100%	Australia	Co Sec Consulting Pty Ltd, 58 Gipps Street, Collingwood, Victoria 3066, Australia
VIX Verify International Pty Ltd <sup>1</sup>	100%	Australia	Co Sec Consulting Pty Ltd, 58 Gipps Street, Collingwood, Victoria 3066, Australia
VIX Verify Singapore Pte Ltd <sup>1</sup>	100%	Singapore	C/O S.S. Corporate Management Pte. Ltd, 138 Cecil Street, #12-01A Cecil Court, 069538 Singapore
VIX Verify SA (Pty) Ltd <sup>1</sup>	100%	South Africa	C/O Eversheds Sutherland, 3rd Floor, 54, Melrose Boulevard, Melrose Arch, Melrose North, 2196, Johannesburg, South Africa
PT Fraud Solutions Indonesia <sup>1</sup>	100%	Indonesia	Satrio Tower, Lt .16, Jl.Prof.Dr. Satrio, Blok C4 No 5 RT. 7/RW.2 Kel. Kunnigan Timur, Kec. Setiabudi Jakarta Selatan- 12950

The Company accounts for its non-listed equity investments as financial assets designated at fair value through OCI. The Company holds the following non-listed equity investment:

Name of company	Proportion of voting rights and shares held	Country of incorporation	Registered office address
Payfone Inc. <sup>1, 2</sup>	0.32%	United States	215 Park Avenue South New York, NY 10003 United States

<sup>1</sup> held indirectly.

<sup>2</sup> held at zero value following measurement period adjustment detailed in note 2.3.

## 19. Trade and Other Receivables

	Group		Company	
	2020	Restated <sup>1</sup> 2019	2020	2019
	£'000	£'000	£'000	£'000
Trade receivables	52,496	46,114	36,993	31,586
Prepayments	7,855	5,731	3,847	3,788
Accrued income	6,203	3,147	450	525
	<u>66,554</u>	<u>54,992</u>	<u>41,290</u>	<u>35,899</u>

<sup>1</sup> See note 2.3

## 20. Cash

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Cash at bank and in hand	<u>27,499</u>	<u>21,189</u>	<u>15,031</u>	<u>7,791</u>

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

## 21. Equity Share Capital

	2020	2019
	£'000	£'000
<b>Authorised</b>		
194,193,861 (2019: 192,850,117) ordinary shares of 2.5p each	<u>4,855</u>	<u>4,821</u>
<b>Issued</b>		
Allotted, called up and fully paid	4,855	4,821
Share premium	<u>261,648</u>	<u>261,149</u>
	<u>266,503</u>	<u>265,970</u>
	2020	2019
	No.	No.
Number of shares in issue at 1 April	192,850,117	152,668,698
Issued on placing	-	39,024,390
Issued in relation to intangible asset acquisition	7,352	-
Issued on exercise of share options	<u>1,336,392</u>	<u>1,157,029</u>
Number of shares in issue at 31 March	<u>194,193,861</u>	<u>192,850,117</u>

	2020			2019		
	Share Capital	Share Premium	Total	Share Capital	Share Premium	Total
	£'000	£'000	£'000	£'000	£'000	£'000
1 April	4,821	261,149	265,970	3,817	104,814	108,631
Consideration received on share placing	-	-	-	976	159,367	160,343
Share issue costs	-	-	-	-	(3,274)	(3,274)
Fair value of assets received on acquisition of intangible asset	-	43	43	-	-	-
Consideration received on exercise of share options	34	456	490	28	242	270
Number of shares in issue at 31 March	<u>4,855</u>	<u>261,648</u>	<u>266,503</u>	<u>4,821</u>	<u>261,149</u>	<u>265,970</u>

During the year to 31 March 2020, 7,352 shares were issued as final consideration in relation to the purchase of an intangible asset. The fair value of the asset was £43,000.

## 22. Loans

### Bank loans

In April 2014, the Group secured an Australian Dollar three-year term loan of AUS\$10,000,000. The debt bears an interest rate of +1.90% above the Australian Dollar bank bill interest swap rate ('BBSW'). This term loan was extended during the prior year from its original maturity of April 2017 to November 2019. This loan was repaid in full during the current financial year.

In October 2018, the Group drew down £10,000,000 from its existing revolving credit facility agreement in order to part fund the acquisition of VIX Verify. This drawdown took the borrowing on that facility to £17,000,000 at that date.

In February 2019, the Group refinanced its existing revolving facility and the total facility was increased to £110,000,000, with a further £30,000,000 accordion option. The facility now expires in February 2022. The existing liability of £17,000,000 was repaid at the point of the refinancing with a simultaneous drawdown of £101,000,000 (net increase of £84,000,000), which was used to part fund the IDology acquisition. A further repayment of £15,000,000 was made in March 2019.

During the current financial year there have been no further drawdowns on this facility. Repayments totalling £23,500,000 have been made during the year.

The debt bears an initial interest rate of LIBOR + 1.50%. This interest rate is subject to an increase of 0.25% should the business exceed certain leverage conditions.

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Opening bank loan	86,888	9,248	85,447	7,000
New borrowings (net of arrangement fee)	-	110,447	-	110,447
Repayment of borrowings	(24,914)	(32,804)	(23,500)	(32,000)
Amortisation of loan fees	192	-	192	-
Foreign currency translation adjustment	(27)	(3)	-	-
Closing bank loan	<u>62,139</u>	<u>86,888</u>	<u>62,139</u>	<u>85,447</u>
<b>Analysed as:</b>				
Amounts falling due within 12 months	-	1,441	-	-
Amounts falling due after one year	62,139	85,447	62,139	85,447
	<u>62,139</u>	<u>86,888</u>	<u>62,139</u>	<u>85,447</u>
<b>Analysed as:</b>				
Bank loans	62,500	87,441	62,500	86,000
Unamortised loan fees	(361)	(553)	(361)	(553)
	<u>62,139</u>	<u>86,888</u>	<u>62,139</u>	<u>85,447</u>

### Intercompany loans

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Opening intercompany loan	-	-	-	-
New borrowings	-	-	4,156	-
Repayment of borrowings	-	-	-	-
Foreign currency translation adjustment	-	-	-	-
Closing intercompany loan	<u>-</u>	<u>-</u>	<u>4,156</u>	<u>-</u>
<b>Analysed as:</b>				
Amounts falling due within 12 months	-	-	-	-
Amounts falling due after one year	-	-	4,156	-
	<u>-</u>	<u>-</u>	<u>4,156</u>	<u>-</u>

Interest is charged on intercompany loans at a rate of 3.5% per annum. The loans are unsecured, and repayable within 2 years.

### 23. Lease liabilities

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
At 1 April	-	-	-	-
On transition to IFRS 16	6,076	-	3,407	-
Additions	1,878	-	-	-
Disposals	(299)	-	-	-
Accretion of interest	245	-	107	-
Payments	(2,043)	-	(832)	-
Foreign currency adjustment	(132)	-	-	-
At 31 March	<u>5,725</u>	<u>-</u>	<u>2,682</u>	<u>-</u>
<b>Analysed as:</b>				
Amounts falling due within 12 months	2,012	-	704	-
Amounts falling due after one year	3,713	-	1,978	-
	<u>5,725</u>	<u>-</u>	<u>2,682</u>	<u>-</u>

Amounts recognised in the Balance Sheet and in the Statement of Changes in Equity have been disclosed within note 2.4.

### 24. Trade and Other Payables

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade payables	10,403	8,687	6,670	3,842
Amounts owed to subsidiary undertakings	-	-	20,622	23,952
Other taxes and social security costs	5,299	3,375	4,751	2,888
Accruals	24,939	21,446	15,704	15,782
	<u>40,641</u>	<u>33,508</u>	<u>47,747</u>	<u>46,464</u>

### 25. Provisions

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Provisions can be analysed as follows:				
Dilapidation provision (see below)	465	-	421	-
Long service award (see note 26)	551	528	422	395
	<u>1,016</u>	<u>528</u>	<u>843</u>	<u>395</u>
<b>Dilapidation provision</b>				
At 1 April	-	25	-	25
Utilised during the year	-	(25)	-	(25)
Provided in year	465	-	421	-
Closing balance	<u>465</u>	<u>-</u>	<u>421</u>	<u>-</u>

This provision relates to the estimated cost of restoration work required upon termination of leasehold property agreements. The estimated level of provision required was reassessed during the year which has led to the recognition of additional provisions being recognised.



## 26. Long Service Award

The Group provides long service awards, providing employees with a benefit after they attain a set period of service with the Group, for example 10 or 20 years. For these benefits, IAS 19 requires a liability to be held on the Group's balance sheet.

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
At 1 April	528	-	395	-
Past service cost	-	349	-	261
Service cost	100	102	74	76
Benefits taken	(21)	-	(21)	-
Actuarial (gain)/loss during the year	(69)	68	(36)	51
Net interest charge	13	9	10	7
At 31 March	<u>551</u>	<u>528</u>	<u>422</u>	<u>395</u>

The following table lists the inputs to the valuation of the long service award for the years ended 31 March 2020 and 31 March 2019.

	2020	2019
Discount rate (%)	2.2	2.4
Salary increases (%)	3.0	3.5
Employee turnover (% probability of leaving depending on age)	2 - 20%	2 - 20%

## 27. 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.

### Covid-19 Assessment

The single largest impact on the Group's credit risk profile is the emergence of the Covid-19 pandemic. The implications of the Covid-19 pandemic are wide spread and the duration and impact of the pandemic is unknown. Given the uncertainty and evolving nature of the pandemic, it is has not been possible to fully reflect the anticipated economic impacts in the underlying assumptions in a mechanistic approach. The Group has responded by calculating an additional level of provision to overlay the normal ECL calculation. This overlay has been based on management judgement taking into account an analysis of trade receivables broken down into customer sectors, using internal and external forecasts to assess the sectors which are likely to see the biggest impact of the pandemic, and comparing cash receipts received post year-end for customers in these sectors against historical averages.

The maximum exposure to credit risk at the reporting dates is the carrying value of each class of financial assets as disclosed below:

Year ended 31 March 2020	Group		Company	
	2020 £'000	Restated <sup>1</sup> 2019 £'000	2020 £'000	2019 £'000
Trade receivables	56,561	48,241	40,712	33,319
Allowance for unrecoverable amounts	(4,065)	(2,127)	(3,719)	(1,733)
	<u>52,496</u>	<u>46,114</u>	<u>36,993</u>	<u>31,586</u>

<sup>1</sup> See note 2.3

## 27. Financial instruments and risk management (continued)

### Expected credit loss allowance for trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due. The provision rates are based on days past due, historical information relating to counterparty default rates and external credit ratings where available. The following table provides an analysis of the Group's credit risk exposure on trade receivables using a provision matrix to measure expected credit losses.

	Trade receivables					Total £'000
	Days past due					
	Current £'000	< 30 days £'000	31 - 60 days £'000	61 - 90 days £'000	> 90 days £'000	
Gross carrying amount	31,638	11,073	4,151	2,610	7,089	56,561
Expected credit loss	921	286	221	239	2,398	4,065

	Trade receivables					Total £'000
	Days past due					
	Current £'000	< 30 days £'000	31 - 60 days £'000	61 - 90 days £'000	> 90 days £'000	
Gross carrying amount	21,283	8,690	3,323	1,774	5,642	40,712
Expected credit loss	875	265	192	188	2,199	3,719

	Trade receivables					Total £'000
	Days past due					
	Current £'000	< 30 days £'000	31 - 60 days £'000	61 - 90 days £'000	> 90 days <sup>1</sup> £'000	
Gross carrying amount	28,724	9,336	4,171	1,597	4,413	48,241
Expected credit loss (restated <sup>1</sup> )	658	115	277	13	1,064	2,127

	Trade receivables					Total £'000
	Days past due					
	Current £'000	< 30 days £'000	31 - 60 days £'000	61 - 90 days £'000	> 90 days £'000	
Gross carrying amount	20,240	6,796	1,600	1,435	3,248	33,319
Expected credit loss	574	35	167	7	950	1,733

Set out below is the movement in the allowance for expected credit losses of trade receivables:

Year ended 31 March 2020	Group		Company	
	2020 £'000	Restated <sup>1</sup> 2019 £'000	2020 £'000	2019 £'000
Balance at 1 April	2,127	1,344	1,733	1,165
Acquired on acquisition <sup>2</sup>	-	78	-	-
Increase in provision	2,208	852	2,158	704
Covid-19 provision	731	-	608	-
Write-offs	(600)	(151)	(525)	(136)
Release	(407)	-	(255)	-
Foreign exchange	6	4	-	-
	<b>4,065</b>	<b>2,127</b>	<b>3,719</b>	<b>1,733</b>

<sup>1</sup> See note 2.3

The amount disclosed in note 5, relates to the increase in provision, Covid-19 provision and the amount released in the year.

## 27. 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 £5,324,000 (2019: £3,555,000 increase). The effect on equity of a 10% decrease in the Australian Dollar and Sterling exchange rate net of the effect of the net commercial investment hedge in the foreign operation would be a decrease of £4,356,000 (2019: £2,908,000 decrease).

The Group has currency exposure on its investment in a foreign operations 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 £1,084,000 (2019: £1,109,000 increase). The effect on equity of a 10% decrease in the US Dollar and Sterling exchange rate would be a decrease of £887,000 (2019: £907,000 decrease).

The exposure to transactional foreign exchange risk within each company is monitored and managed at both an entity and a Group level. The following table demonstrates the sensitivity of the Group's foreign currency exposure on the net monetary position at 31 March 2019:

Foreign Currency Exposure	USD Rate	EUR Rate	AUD Rate	MYR Rate
<b>Change in rate</b>	+10%	+10%	+10%	+10%
<b>Effect on profit before tax (£000s)</b>	£(519)	£(12)	£(439)	£(125)
<b>Change in rate</b>	-10%	-10%	-10%	-10%
<b>Effect on profit before tax (£000s)</b>	£655	£37	£538	152

The Group's exposure to foreign currency changes for all other currencies is not material.

### 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 £110,000 (2019: £110,000).

### 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 loans are disclosed in note 22.

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 2020	On demand £'000	Less than 12 months £'000	1 to 5 years £'000	Total £'000
Loans (note 22)	-	-	62,139	62,139
Contingent consideration (note 36)	-	6,179	-	6,179
Lease liabilities (note 23)	-	2,012	3,713	5,725
Trade and other payables (note 24)	10,403	30,238	-	40,641
	<b>10,403</b>	<b>38,429</b>	<b>65,852</b>	<b>114,684</b>
Year ended 31 March 2019	On demand £'000	Less than 12 months £'000	1 to 5 Years £'000	Total £'000
Loans (note 22)	-	1,441	85,447	86,888
Contingent consideration (note 36) - restated <sup>1</sup>	-	5,208	-	5,208
Trade and other payables (note 24)	8,687	24,503	-	33,190
	<b>8,687</b>	<b>31,152</b>	<b>85,447</b>	<b>125,286</b>

<sup>1</sup> See note 2.3

## 27. Financial instruments and risk management (continued)

### 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 2020 and 31 March 2019.

### Financial instruments: Classification and Measurement

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

	2020		Restated <sup>1</sup> 2019	
	Loans and receivables £'000	Fair value profit or loss £'000	Loans and receivables £'000	Fair value profit or loss £'000
<b>Financial assets:</b>				
Trade and other receivables	52,496	-	46,114	-
<b>Total current</b>	<b>52,496</b>	<b>-</b>	<b>46,114</b>	<b>-</b>
<b>Total</b>	<b>52,496</b>	<b>-</b>	<b>46,114</b>	<b>-</b>
<b>Financial liabilities:</b>				
Lease liabilities	3,713	-	-	-
Loans	62,139	-	85,447	-
<b>Total non-current</b>	<b>65,852</b>	<b>-</b>	<b>85,447</b>	<b>-</b>
Trade and other payables	40,641	-	33,508	-
Lease liabilities	2,012	-	-	-
Loans	-	-	1,441	-
Contingent consideration - <i>restated</i> <sup>1</sup>	-	6,179	-	5,287
<b>Total current</b>	<b>42,653</b>	<b>6,179</b>	<b>34,949</b>	<b>5,287</b>
<b>Total</b>	<b>108,505</b>	<b>6,179</b>	<b>120,396</b>	<b>5,287</b>

<sup>1</sup> Refer to note 2.3

All financial assets and liabilities have a carrying value that approximates to fair value. The Group does not have any derivative financial instruments.

### Financial Assets

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

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Trade receivables are non-interest bearing and are generally on 14 to 60 day terms.

### Financial Liabilities

The Group has a three year revolving credit facility agreement expiring in February 2022 which is subject to a limit of £110,000,000. 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 2020 and 31 March 2019, the Group was not in breach of any bank covenants.

## 27. Financial instruments and risk management (continued)

### Financial liabilities: interest bearing loans and borrowings

	Interest rate %	Maturity	2020 £'000	2019 £'000
Financial liabilities				
<b>Current interest bearing loans and borrowings</b>				
AUD\$10,000,000 secured bank loan	BBSW+1.9	Nov 2019	-	1,441
Total current interest-bearing loans and borrowings			-	1,441
<b>Non-current interest bearing loans and borrowings</b>				
£110,000,000 revolving credit facility	LIBOR + 1.5	Feb 2022	62,139	85,447
Total non-current interest bearing loans and borrowings			-	85,447
<b>Total interest bearing loans and borrowing</b>			<b>62,139</b>	<b>86,888</b>

### Fair values of financial assets and liabilities

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.

At 31 March 2020	Valuation Technique	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial liability at fair value through profit and loss</b>					
Contingent consideration (note 36)	Present value of expected future cash flow	-	-	6,179	6,179
<b>At 31 March 2019 (restated)</b>					
At 31 March 2019 (restated)	Valuation Technique	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Contingent consideration restated (note 2.3)	Present value of expected future cash flow	-	-	5,287	5,287

## 28. Changes in liabilities arising from financing activities

	1 April 2019 (as reported) £'000	Transition to IFRS 16 £'000	Cash flows £'000	Foreign exchange movement £'000	Other movement £'000	New leases £'000	31 March 2020 £'000
<b>Current liabilities</b>							
Interest bearing loans	1,441	-	(1,414)	(27)	-	-	-
Lease liabilities	-	352	(2,043)	26	2,841	836	2,012
<b>Non-current liabilities</b>							
Interest bearing loans	85,447	-	(23,500)	-	192	-	62,139
Lease liabilities	-	5,724	-	(158)	(2,895)	1,042	3,713
<b>Total liabilities arising from financing activities</b>	<b>86,888</b>	<b>6,076</b>	<b>(26,957)</b>	<b>(159)</b>	<b>138</b>	<b>1,878</b>	<b>67,864</b>

Other movement in interest bearing loans represents amortisation on loan fees.

Other movement in lease liabilities includes interest and the reclassification of non-current lease liabilities to current lease liabilities.

	1 April 2018 £'000	Cash flows £'000	Foreign exchange movement £'000	Other movement £'000	New leases £'000	31 March 2019 £'000
<b>Current liabilities</b>						
Interest bearing loans	797	-	3	641	-	1,441
<b>Non-current liabilities</b>						
Interest bearing loans	8,451	77,637	-	(641)	-	85,447
<b>Total liabilities arising from financing activities</b>	<b>9,248</b>	<b>77,637</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>86,888</b>

Other movement represents the reclassification of non-current interest bearing loans to current interest bearing loans.

## 29. 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 on the third anniversary of the grant subject to the Company's earnings per share ('EPS') growth being greater than the growth of the Retail Prices Index ('RPI') over a three-year period prior to the vesting 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.

## 29. 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 three years. Share Matching Plan options will only become exercisable to the extent they have vested in accordance with the Adjusted EPS target.

### Compensatory Options

In the year ended 31 March 2018, the Remuneration Committee granted Compensatory Options to the Chief Executive of the Company, as compensation for lost earnings and shares from his previous employer. The Compensatory Options vest in equal tranches over a period of 12 and 24 months, on each anniversary of the date of grant, provided he still holds the position of CEO of GBG on the respective dates. The Compensatory Options are valid for a period of 12 months from the vesting date.

### 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.

### Performance Share Plan (PSP)

The Group operates a PSP for all employees, but it is intended that awards are made to senior management staff below the executive director level. The plan was approved at the 2018 AGM. Awards are subject to a three-year EPS performance condition. Employees can be granted awards of nil cost options with an aggregate value on date of grant of up to 100% of base salary. The awards are subject to malus and clawback.

The charge recognised from equity-settled share-based payments in respect of employee services received during the year is £4,541,000 (2019: £2,287,000). Of this amount £4,271,000 (2019: £2,287,000) related to the Company.

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

	2020 No.	2020 WAEP	2019 No.	2019 WAEP
Outstanding as at 1 April	4,626,400	147.84p	4,997,800	148.39p
Granted during the year	1,807,066	150.95p	1,069,965	227.43p
Forfeited during the year	(78,046)	301.55p	(270,320)	201.84p
Cancelled during the year	(13,541)	333.57p	(11,461)	272.00p
Exercised during the year	(1,336,392)	36.56p <sup>1</sup>	(1,157,029)	52.94p <sup>2</sup>
Expired during the year	-	-	(2,555)	163.00p
Outstanding at 31 March	<u>5,005,487</u>	<u>175.77p</u>	<u>4,626,400</u>	<u>147.84p</u>
Exercisable at 31 March	<u>10,000</u>	<u>275.00p</u>	<u>2,601,043</u>	<u>76.15p</u>

<sup>1</sup> The weighted average share price at the date of exercise for the options exercised was 598.45p

<sup>2</sup> The weighted average share price at the date of exercise for the options exercised was 518.97p

For the shares outstanding as at 31 March 2020, the weighted average remaining contractual life is 5.4 years (2019: 4.7 years).

The weighted average fair value of options granted during the year was 417.31p (2019: 440.40p). The range of exercise prices for options outstanding at the end of the year was 2.5p - 544.0p (2019: 2.8p - 481.0p).

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 2020 and 31 March 2019.

	2020	2019
Dividend yield (%)	0.5 – 0.8	0.5 – 0.6
Expected share price volatility (%)	30 – 35	35
Risk-free interest rate (%)	0.2 – 1.1	0.7 – 1.1
Lapse rate (%)	5.0 – 10.0	5.0
Expected exercise behaviour	See below	See below
Expected life of option (years)	2.3 – 5.2	2.3 – 6.5
Exercise price (p)	2.5 – 544.0	2.50 – 462.0
Weighted average share price (p)	598.45	518.97

Other than the Matching Scheme, LTIP and SAYE 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 10% per annum each year they remain at or above the 20% "in-the-money".

## 29. Share-based Payments continued

For the Matching Scheme, LTIP and SAYE options, it is assumed these are exercised at the earliest opportunity in full (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.

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

The parent company's profit for the financial year ended 31 March 2020 was £23,271,000 (2019: £7,275,000). As permitted by Section 408 of CA 2006, the profit and loss account of the parent company is not presented.

## 31. Description of Reserves

### **Equity Share Capital**

The balance classified as share capital includes the nominal value on issue of the Company's equity share capital, comprising 2.5p ordinary shares.

### **Share Premium**

The balance classified as share premium includes the excess proceeds over the nominal amount received on the issue of the Company's equity share capital. Costs associated with the issue of new share capital have been offset against this balance.

### **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.

### **Other Reserve**

The balance represents the profit from the date of acquisition to the date of hive-up into the Company of ID Scan Biometrics Limited and Postcode Anywhere (Holdings) Limited, offset by amortisation of the identified intangibles and unwinding of the associated deferred tax liabilities.

## 32. Related Party Transactions

Transactions entered into and trading balances outstanding at 31 March are as follows:

### **Group**

There were no transactions entered into, or outstanding at 31 March 2020 or 31 March 2019.

### **Company**

	Invoices to related parties £'000	Invoices from related parties £'000	Net amounts owed to/(by) related parties £'000
Subsidiaries:			
2020	19,418	8,435	23,347
2019	2,360	3,130	21,983

### **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 2020, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2019: £nil).

### **Compensation of Key Management Personnel (including Directors)**

	Group and Company	
	2020 £'000	2019 £'000
Short-term employee benefits	2,962	3,290
Post-employment benefits	74	72
Fair value of share options awarded	2,416	1,826
	<u>5,452</u>	<u>5,188</u>



### 33. Contingent liability

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

### 34. Subsequent events

On 26 May 2020 the Company repaid £10.0m of the outstanding revolving credit facility liability.

### 35. Business Combinations

There were no new business combinations within the year ended 31 March 2020.

Under IFRS 3 'Business Combinations' there is a measurement period of no longer than twelve months in which to finalise the valuation of the acquired assets and liabilities. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the acquirer shall also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date.

In the year to 31 March 2019 GBG completed two acquisitions, the measurement periods for which ended during the year to 31 March 2020.

No further adjustments were identified to the provisional fair values in respect of the acquisition of VIX Verify Pty Limited.

In respect of the acquisition of IDology Inc. adjustments to the provisional fair values were made during the measurement period, as set out in the table below:

	Provisional fair value recognised on acquisition £'000	Adjustments during measurement period £'000	Final fair value recognised on acquisition £'000
<b>Assets</b>			
Technology intellectual property	16,076	-	16,076
Customer relationships	65,976	-	65,976
Non-compete agreements	4,360	-	4,360
Investments <sup>1</sup>	419	(419)	-
Plant and equipment	152	-	152
Deferred tax asset	3,955	-	3,955
Trade and other receivables <sup>2</sup>	4,436	118	4,554
Cash	1,033	-	1,033
Trade and other payables	(1,993)	-	(1,993)
Corporation tax liability	(81)	-	(81)
Deferred tax liabilities	(21,733)	-	(21,733)
<b>Total identifiable net assets at fair value</b>	<b>72,600</b>	<b>(301)</b>	<b>72,299</b>
Goodwill arising on acquisition	163,143	5,509	168,652
<b>Total purchase consideration transferred</b>	<b>235,743</b>	<b>5,208</b>	<b>240,951</b>
<i>Purchase consideration:</i>			
Cash	235,664	-	235,664
Deferred consideration <sup>3</sup>	79	5,208	5,287
<b>Total purchase consideration</b>	<b>235,743</b>	<b>5,208</b>	<b>240,951</b>

<sup>1</sup> The adjustment to the investment balance relates to a non-listed equity investment where there is uncertainty over the recoverability of the investment balance.

<sup>2</sup> The adjustment to trade and other receivables is an increase in the carrying value following cash receipts against receivables that had been impaired in the provisional fair values.

<sup>3</sup> Under the terms of the acquisition agreement the sellers are entitled to the benefit of the tax losses of the business at the date of the acquisition as and when GBG utilises them to reduce cash tax payments. Following assessment of the period over which these losses are expected to be utilised, the liability to the sellers has been recognised as contingent consideration.

The impact of the measurement period adjustments have been applied retrospectively, meaning that the results and financial position for the year to 31 March 2019 have been restated as detailed in note 2.3.

### 35. Business Combinations continued

#### Acquisitions in the Year Ended 31 March 2019

##### Group

###### Acquisition of IDology Inc.

On 13 February 2019, the Group acquired 100% of the voting shares of IDology Inc. ('IDology'), a US-based provider of identity verification and fraud prevention services, for a total consideration of £240,951,000. The acquisition of IDology provides a strong foothold for Identity Verification and Fraud Prevention in North America, a key growth region for the Group. The Consolidated Statement of Comprehensive Income includes the results of IDology for the two month period from the acquisition date.

The provisional and final fair values are detailed at the start of this note.

###### Analysis of cash flows on acquisition:

Transaction costs of the acquisition (included in cash flows from operating activities)	(2,391)
Net cash acquired with the subsidiary	1,033
Cash paid	(235,664)
Acquisition of subsidiaries, net of cash acquired (included in cash flows from investing activities)	(234,631)
<b>Net cash outflow</b>	<b>(237,022)</b>

The fair value of the acquired trade receivables amounts to £2,772,000. The gross amount of trade receivables is £2,928,000 with a provision of £156,000 (adjusted to £38,000 during the measurement window).

The goodwill recognised above is attributed to intangible assets that cannot be individually separated and reliably measured from IDology due to their nature. These items include the capability for synergies from bringing the businesses together, combining propositions and capabilities that will help the business achieve accelerated consolidated growth from both cross-sell and up-sell. None of the goodwill is expected to be deductible for income tax purposes.

The transaction costs of £2,391,000 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, IDology has contributed £4,284,000 of revenue and operating profits of £1,890,000 to the Group. If the combination had taken place at the beginning of the period, the Group revenue and operating profits would have been £173,212,000 and £28,529,000, respectively.

###### Acquisition of VIX Verify Pty Limited

On 23 October 2018, the Group acquired 100% of the voting shares of VIX Verify Pty Limited ('VIX Verify'), an Australian provider of identity verification and location intelligence software, for a total consideration of £20,639,000. The acquisition of VIX Verify brings additional scale to the Group's identity verification and location intelligence solutions in Australia and New Zealand, two markets where the Group currently provides fraud detection solutions to customers. The Consolidated Statement of Comprehensive Income includes the results of VIX Verify for the six month period from the acquisition date.

The provisional fair value of the identifiable assets and liabilities of VIX Verify as at the date of acquisition was:

	Provisional fair value recognised on acquisition £'000
<b>Assets</b>	
Technology intellectual property	1,148
Customer relationships	7,236
Non-compete agreements	31
Plant and equipment	79
Trade and other receivables	2,565
Cash	208
Trade and other payables	(3,956)
Deferred tax liabilities	(2,180)
<b>Total identifiable net assets at fair value</b>	<b>5,131</b>
Goodwill arising on acquisition	15,508
<b>Total purchase consideration transferred</b>	<b>20,639</b>
<i>Purchase consideration:</i>	
Cash	20,639
<b>Total purchase consideration</b>	<b>20,639</b>

### 35. Business Combinations continued

*Analysis of cash flows on acquisition:*

Transaction costs of the acquisition (included in cash flows from operating activities)	(449)
Net cash acquired with the subsidiary	208
Cash paid	<u>(20,639)</u>
Acquisition of subsidiaries, net of cash acquired (included in cash flows from investing activities)	<u>(20,431)</u>
<b>Net cash outflow</b>	<b><u>(20,880)</u></b>

The fair value of the acquired trade receivables amounts to £965,000. The gross amount of trade receivables is £1,004,000 with a provision of £39,000.

The goodwill recognised above is attributed to intangible assets that cannot be individually separated and reliably measured from VIX Verify due to their nature. These items include the capability for synergies from bringing the businesses together, combining propositions and capabilities that will help the business achieve accelerated consolidated growth from both cross-sell and up-sell. None of the goodwill is expected to be deductible for income tax purposes.

The transaction costs of £449,000 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, VIX Verify has contributed £7,672,000 of revenue and operating profits of £1,333,000 to the Group. If the combination had taken place at the beginning of the period, the Group revenue and operating profits would have been £153,555,000 and £17,171,000, respectively.

### 36. Contingent Consideration

<b>Group and Company</b>	<i>Restated<sup>1</sup></i>	
	<b>2020</b>	2019
	<b>£'000</b>	£'000
At 1 April	<b>5,287</b>	45
Recognition on the acquisition of subsidiary undertakings <sup>2</sup>	<b>829</b>	79
Recognition on the acquisition of subsidiary undertakings – measurement period adjustment	-	5,208
Foreign exchange - realised	<b>7</b>	-
Foreign exchange - unrealised <sup>2</sup>	<b>142</b>	-
Settlement of consideration	<b>(86)</b>	(45)
At 31 March	<b><u>6,179</u></b>	<u>5,287</u>
<b>Analysed as:</b>		
Amounts falling due within 12 months	<b>6,179</b>	5,287
Amounts falling due after one year	<b>-</b>	-
At 31 March	<b><u>6,179</u></b>	<u>5,287</u>

<sup>1</sup> See note 2.3

<sup>2</sup> Included in Consolidated Cash Flow Statement within fair value adjustment on contingent consideration line totalling £971,000.

The amount recognised on acquisition of subsidiary undertakings in the year to 31 March 2020 is in respect of IDology as detailed within note 7.

The contingent consideration at 31 March 2020 is in respect to the pre-acquisition tax losses within IDology Inc. As and when GBG receives a cash benefit from these losses, either through a reduction in tax payments or through a tax refund, an amount equal to this cash benefit is due to the sellers.

### 37. Alternative Performance Measures

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

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

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

#### Organic Growth

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

#### Constant Currency

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

	2020 £'000	2019 £'000	Growth %
Group revenue	199,101	143,504	38.6%
Revenue from acquisitions up to their first anniversary	(40,807)	-	(28.3%)
<b>Organic revenue</b>	<b>158,294</b>	<b>143,504</b>	<b>10.3%</b>
Constant currency adjustment	-	(500)	0.4%
<b>Organic revenue at constant currency</b>	<b>158,294</b>	<b>143,004</b>	<b>10.7%</b>

#### Adjusted Operating Profit

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

	2020 £'000	2019 £'000
Operating profit	22,844	15,425
Amortisation of acquired intangibles	19,008	10,316
Share-based payment charges	4,541	2,287
Exceptional items	1,552	4,003
<b>Adjusted Operating Profit</b>	<b>47,945</b>	<b>32,031</b>

#### Adjusted EBITDA

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

	2020 £'000	2019 £'000
Adjusted Operating Profit	47,945	32,031
Depreciation of property, plant and equipment	1,760	1,544
Depreciation of right-of-use assets	1,850	-
Amortisation of non-acquired intangibles	184	505
<b>Adjusted EBITDA</b>	<b>51,739</b>	<b>34,080</b>

#### Adjusted Earnings

Adjusted earnings represents Adjusted Operating Profit less net finance costs and income tax charges. Refer to note 13 for calculation.

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

Adjusted EPS represents adjusted earnings divided by a weighted average number of shares in issue, and is disclosed to indicate the underlying profitability of the Group. Refer to note 13 for calculation.

### 37. Alternative Performance Measures (continued)

#### Earnings per Share growth

This is calculated as the growth in year on year earnings per share on both an adjusted and unadjusted basis.

#### Net Debt/Cash

This is calculated as cash and cash equivalent balances less outstanding external loans. Unamortised loan arrangement fees are netted against the loan balance in the financial statements but are excluded from the calculation of net cash/debt.

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Cash and cash equivalents	27,499	21,189
Loans on balance sheet	62,139	86,888
Unamortised loan arrangement fees	361	553
<b>External Loans</b>	<b>62,500</b>	<b>87,441</b>
<b>Net (Debt)/Cash</b>	<b>(35,001)</b>	<b>(66,252)</b>

#### Cash Conversion %

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

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Cash generated from operations before tax payments (from Consolidated Cash Flow Statement)	48,498	27,779
Total exceptional items	1,552	4,003
Non-cash exceptional items	(771)	(200)
<b>Cash generated from operations before tax payments and exceptional items paid</b>	<b>49,279</b>	<b>31,582</b>
Adjusted EBITDA	51,739	34,080
<b>Cash Conversion %</b>	<b>95.2%</b>	<b>92.7%</b>