26 September 2019

GRC International Group plc

Final results for the year ended 31 March 2019

GRC International Group plc ("GRC International" or the "Group"), a leading supplier of cyber security, risk management and compliance products and services, is pleased to report its audited results for the 12 months ended 31 March 2019.

The full Annual Report and Accounts together with a notice of the Company's annual general meeting (the "AGM") will be distributed to shareholders on 27 September 2019 and will shortly be made available on the Company's website at www.grci.group/. The AGM will be held at 11.00 at Citigate Dewe Rogerson, 8th Floor, Holborn Gate, 26 Southampton Buildings, London, WC2A 1AN on 29 October 2019.

Financial Highlights

- Revenue growth of 1% year-on-year to £15.8 million (2018: £15.7 million), reflecting significant GDPR-related client spend in Q1 unwinding over the remaining three quarters, offset by good progress in core cyber security offering

£'000s	FY 2019	FY 2018	Change
Billings[1]	£15,833	£16,260	(3)%
Revenue	£15,849	£15,688	+1%
Training	£5,771	£8,366	(31)%
Consultancy	£7,228	£5,274	+37%
Software	£1,513	£399	+279%
Publishing and distribution	£1,337	£1,649	(19)%

- Gross profit down 10% year-on-year to £8.6 million (2018: £9.5 million) primarily due to a fall in sales of some very high margin products and services that benefited from the peak leading up to the GDPR legislation being implemented
- Underlying EBITDA[2] declined to a £4.3 million loss (2018: £1.7 million profit), reflecting significant investment in new business lines, infrastructure, geographies and people to build a platform for future growth
- Loss before tax was £5.4 million (2018: £0.4 million profit before tax)
- Loss per share of 9.30p (2018: 0.40p earnings per share)
- Net cash at period end of £0.1 million (FY 2018: £5.6 million), reflecting significant investment in the business following the Group's admission to AIM in March 2018

Operational Highlights

- Good progress made with the strategic development of the Group, strengthening and broadening GRC International's core offering

- In H1 2019, GRC International acquired the domain, web platform, customer list and goodwill of www.gdpr.co.uk. The Group has enhanced the platform by offering e-Learning and Data Protection Officer services

- In March 2019, GRC International acquired DQM Group Holdings Ltd ("DQM"), a provider of data consulting and technology solutions, extending the Group's existing offerings to include high margin data governance services, adding market share through the introduction of additional household name clients, and providing cross-selling and upselling opportunities

- Operations established in Europe (Drogheda, Eire) and the United States (New York)
- Significant investment in new and existing businesses, most notably Cyber Essentials, Vigilant Software, GRC e-Learning and GRCI Law
- Successful launch of new products and services, including broadening the range of eLearning staff awareness courses, an anti-phishing training course and distance learning courses. 20 of GRC International's books were also published as audiobooks to further improve accessibility
- Further to the announcement on 22 July 2019, the Group continues to hold constructive discussions regarding the deferred consideration due to the vendors (and existing management team) of DQM. The Board is considering a range of options to fund the cash element of the deferred consideration. Further details in relation to this material uncertainty are set out in the Financial Review section of this announcement and reference to this is made in the Independent Auditor's report on the audited financial statements

[1] Billings equate to the total value of invoices raised and cash sales through the Group's websites. This figure does not take account of accrued or deferred income adjustments that are required to comply with accounting standards or revenue recognition.
[2] Underlying EBITDA is defined in the Financial Review contained within this announcement.

Commenting on the results, Alan Calder, Chief Executive Officer, said:

"FY19 was a year of strategic development and significant change for GRC International, as we worked hard to adapt and broaden our business, strengthening our core cyber security offering and our infrastructure platform to support future growth.

"Pre-IPO, we had built a core business that was very effective at monetising fast-growing demand for GDPR compliance services. Following a ramp-up in GDPR-related client activity in Q1, as clients brought forward spend in order to make themselves compliant with the new legislation ahead of deadline, we anticipated that, following a 'pause for breath', widespread regulatory enforcement action across Europe would drive a second wave of compliance spending. In the event, enforcement action was - and continues to be - limited and GDPR demand has waned.

"Our headline loss for the year reflects the fact that GDPR demand dropped off faster than we could scale back costs and for the benefits from the significant investments we made over the year, establishing regional operations in the EU and US, setting up our Law and e-Learning businesses and strengthening our core business infrastructure, to come through.

"We have worked to adapt ourselves to the new landscape. We are building our core competence in cyber security management services into a machine to monetise growing demand for cyber security and related privacy services. We have created a new divisional structure to better focus our response to the changing market and have been re-orientating our various businesses to operate in this 'post-GDPR boom' environment. Without doubt, FY19 was a challenging year, but we believe that, through our diligence and hard work, we have built GRC International into a stronger, broader and more focused business, increasingly well-positioned to service our clients' ever-evolving cyber security needs."

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This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

About GRC International Group plc

GRC International Group plc was admitted to trading on the London Stock Exchange's AIM market in March 2018.

GRC International provides a comprehensive suite of products and services to address the cyber security, risk management and compliance requirements of organisations seeking to address a wide range of data protection and cyber security regulation. The Group provides a range of services and products spanning training, consultancy, publishing and distribution, and software offerings.

The Group has a diversified and international customer base which is expected to grow as GRC International expands its geographical footprint. Since listing, the Group has expanded internationally with operations now established in Ireland, the US and mainland Europe.

Chairman's Statement

Overview

GRC International is a "one-stop shop" for cyber security and data compliance products and services, based in the UK but servicing clients across the globe. The Group's strategic ambition is to become an international "one-stop shop", expanding into other forms of compliance and new jurisdictions, with non-UK revenue ultimately exceeding domestic revenue. I am pleased with the strategic progress we made in FY19, as we used the proceeds from our admission on AIM to invest in strengthening our core business and broaden our offering.

We also made two strategic acquisitions during the year, of www.GDPR.co.uk and of DQM, and expanded our geographic footprint through the opening of offices in Europe and the US.

Performance

It has been a challenging year for the Group. The first part of the year was characterised by a notable build-up to GDPR implementation in May 2018, with its attendant boost to revenues as companies brought forward spend to make themselves compliant. As expected, this unwound dramatically from Q2 onwards, a period where we also faced tough GDPR-driven comparators from the prior year.

Whilst we expected to see a slow-down in GDPR-related client spend following initial implementation of the regulation, we were surprised to see UK-based management teams, especially those of companies that had not made themselves compliant by the deadline, be so complacent when it was clear that fines for non-compliance were on their way.

There was a sense that GDPR was akin to the "Millennium Bug", something that a big fuss was being made of, but that would soon fade away not to be talked of again. However, GDPR is very much here to stay; in time it will be viewed more like health and safety, something that will become increasingly intertwined with core business practices that management teams will have to address in order to be successful and maintain a favourable reputation.

We had expected initial GDPR-related fines to emerge during the financial year and for this to spur something of a "second wave" of companies looking to make themselves compliant. This did not materialise during FY19, but we are encouraged to see two significant fines levied by the Information Commissioner's Office against global businesses in recent weeks. This has put GDPR back in the news and back on businesses radars.

In this context, we are pleased to have delivered a solid revenue performance for the year as a whole, with Group revenues up 1% to £15.8 million, and with double-digit revenue growth being recorded in two of our four key revenue streams.

The Group ended the period with net cash of £0.1 million, reflecting the considerable investment we made during the year into building the infrastructure and management structures of the core business to facilitate future growth.

As the Group continues to develop, the Board has decided to conserve cash for current working capital requirements, further expansion and potential acquisitions. Therefore, no dividend is declared in respect of the 2018/19 results.

Further to the announcement on 22 July 2019, the Group continues to hold constructive discussions regarding the deferred consideration due to the vendors (and existing management team) of DQM. The Board is considering a range of options to fund the cash element of the deferred consideration. Further details in relation to this material uncertainty are set out in the Financial Review section of this announcement and reference to this is made in the Independent Auditor's report on the audited financial statements.

Market opportunity

There is no doubt that the delay in the levying of fines noted above has slowed down the Group's delivery of its strategy. Nevertheless, I firmly believe that, aside from e-commerce, cyber security and GDPR are two of the fastest growing business sectors. Hacking is becoming more and more sophisticated and therefore suitably compliant defences will become an increasingly hot topic. Regulatory compliance is a powerful driver of new business.

While we continue to address the demand for cyber security in the UK market, there are also undoubtedly excellent opportunities in both the US and Europe which the Group has already begun to tap into and I believe these markets hold good potential for the Group.

People

The early part of FY19 saw us scale up headcount in order to service the GDPR-related revenue surge. We scaled down resources, particularly in our GDPR training and toolkit businesses, as the GDPR-related surge subsided faster than expected. We ended the year with 184 full-time employees and a cost structure that more accurately reflects the current level of demand.

Without doubt, GRC International would not be able to deliver the quality and service we offer our clients without the dedication, passion and skill of our entire staff. On behalf of the Board, I would like to thank them for their hard work over the past year.

Outlook

When GRC International was admitted to trading on AIM in March 2018, its strategy was clear: to grow organically in a highly fragmented, global market and to accelerate its growth through selective acquisitions. That strategy remains unchanged.

As already noted, GDPR-related work slowed down more markedly than anticipated in the second half of FY19 and GDPR-related fines, that would precipitate a second wave of companies seeking to make themselves compliant, took longer than expected to appear. However, we have now seen the first major fines emerge and, like health and safety, we expect to see renewed focus from UK companies.

We begin the new financial year with optimism. FY19 has been a tough year for the Group, but we are confident that we operate in the right markets, markets that are global and are set to continue to grow significantly over the medium- and long-term, and have invested to strengthen and broaden the GRC International offering. We look forward to advancing our strategy and delivering a return to profitable growth in the current financial year.

Andrew Brode

Chairman

Chief Executive Officer's Review

The year to 31 March 2019 ("FY19") has been a year of investment, strategic development and significant change for GRC International. We have had to scale back a very successful GDPR business to reflect falling demand, while working intensely to strengthen our core cyber security business and our infrastructure platform to support future growth. Our ambition to become a leading "one-stop shop" global supplier of IT governance, risk and compliance products and services is undimmed.

In spite of a backdrop of ongoing political and economic uncertainty, it is clear that our admission to trading on AIM in March 2018 has enabled us to grasp significant growth opportunities in the areas of software, e-learning and GRCI law in a fast-growing global market.

The overall performance of the Group in FY19 was mixed. As we noted in our Interim Results in December 2018, Q1 was characterised by a surge in billings associated with the implementation of the EU General Data Protection Regulation ("GDPR"), as companies brought forward spend in order to be compliant ahead of the 25 May 2018 deadline. This GDPR-related spend declined significantly in Q2, faster than expected, as we moved past the implementation deadline. We had expected to see the advent of GDPR-related fines and regulatory action from the Information Commissioner's Office ("ICO") in H2, and for this to spur a second bout of GDPR-related client spend. These did not materialise in FY19 and, as a result, the decline in GDPR-related spend continued throughout the second half of the financial year. It is not yet clear whether or not the recent large fines levied by the Information Commissioner's office have halted this decline.

Cyber security-focused products and services, which remain at the core of our business, continued to grow strongly throughout the year. While this is, in part, due to the data security aspects of GDPR, government legislation and a growing pressure for clients to demonstrate their cyber resilience also underpinned the strong growth observed in this area.

The resulting loss for the year is partly attributable to the fall-off in GDPR demand and partly to the significant levels of investment in new offerings, geographies, people and infrastructure we made during the year. Our year-end net cash position of £0.1 million was ahead of the Board's expectations.

We have worked hard over the past 12 months to build a more focused, structured and broader platform to service clients and, in line with our strategy communicated at the time of our admission to trading on AIM, we have successfully accelerated the launch of new product and service offerings, expanded existing services into new jurisdictions, and made two highly complementary and value-accretive acquisitions.

This is testament to GRC International's inherent nimbleness in developing new products and solutions swiftly to service all clients' cyber security and data protection needs. Utilising the skill and deep industry knowledge of our management team to identify emerging trends in the market and consequent client needs, it is one of our key competitive advantages. Furthermore, we continue to be the only organisation in the market that can deploy a full suite of services to help clients respond to proliferating cyber security threats.

Product and service development remains at the heart of what we do and is fundamental to our business model. The market we operate in changes very quickly and we are agile in launching new products and services on a regular basis. We successfully launched many new products and services in FY19, including broadening our range of e-Learning training courses, and launching an anti-phishing training course as well as distance learning courses on topical subjects (e.g. GDPR). We have also published 20 of our books as audiobooks to improve their accessibility further, making us the only GRC publisher to provide such audio books.

We have invested significantly in new and existing businesses, most notably Cyber Essentials, Vigilant Software, GRC e-Learning and GRCI Law. Through GRCI Law, we provide a suite of GDPR - related services, including privacy-as-a-service, and that business is growing quickly. Cyber Essentials, GRC e-Learning and Vigilant Software are coming together into a Software-as-a-Service division that generates high-margin recurring revenue to a growing range of clients across a broad range of sectors and geographies.

We also expanded our geographic reach during the year, launching offices in Europe and the US. These businesses are still in their early stages and we are pleased with the number of opportunities presented in these jurisdictions. Combined with our strengthened geographical footprint, this "on-the-ground" delivery capability has enabled us to win significant international contracts for blue-chip clients such as Kubota.

Just prior to the year end, in March 2019, we acquired DQM, a provider of data consulting and technology solutions.

In August 2018, we also acquired the domain, web platform, customer list and goodwill of www.gdpr.co.uk. This asset purchase has enabled us to provide a combination of legal, training and GDPR products to the UK's education sector and is performing in line with the Board's expectations.

It has been a challenging year for the Group. The exceptional performance of FY18 was driven primarily by the implementation of GDPR, where our ability to rapidly develop and launch offerings to service customer requirements saw us profitably grasp the opportunities presented. As mentioned earlier, while we continued to feel the benefits of this into early FY19, the surge in demand then moderated in Q2 and dropped further in the second half of the financial year, resulting in a drop-off in revenues, including in comparison to the strong levels of revenue recorded in the second half of the prior year.

Over the period, to capitalise on the surge in GDPR demand, we scaled up resources and increased headcount as fast as we could. Following implementation in May 2018, as demand subsided at a faster rate than our estimates, we scaled down our GDPR training, toolkit and consultancy businesses in line with demand. It is worth noting, however, that as we continue to grow, we expect to increase headcount incrementally in this part of the business.

The IT governance, risk and compliance market continues to be driven by a mounting pressure on companies to have in place data protection, privacy and cyber security systems and procedures. It is this fundamental trend – one that we see globally – that is driving the performance of our cyber security related products and services.

Given the prevailing economic and political uncertainty in the wider economy, we are closely monitoring macroeconomic developments for any events that could impact the IT governance, risk and compliance market. While we, like many others, would welcome greater political and economic certainty, we believe that we are well-positioned to respond to events and capitalise on changes in our markets.

The first quarter of FY20 continued to reflect the ongoing political and economic turbulence and our GDPR business continued to be affected by the absence of systematic enforcement action The Company did not return to profitability in the first quarter of FY20, as it had hoped. The growth in cyber security demand means that trading in the second quarter has been more encouraging.

We remain optimistic about the year ahead and believe we are well-placed to serve the growing, and global, cyber security market. In FY20, we intend to evolve our business model further to better service clients and enable us to grow margin accretive, recurring revenues. The new structure will see the Group deliver offerings through three core divisions: Software-as-a-Service, Professional Services and e-Commerce. The fundamentals of our strategy remain unchanged, with investment in our product and service offerings, across both new and existing jurisdictions, coupled with continued growth in cyber security demand, driving profitable growth for our shareholders. There are encouraging signs of sustainable future growth stemming from new products and services, the signing of annual and multi-year contracts of a recurring revenue nature, and strategic progress being made overseas.

We are confident that, since admission to AIM in March 2018, we have built GRC International into a stronger, broader and more focused business, increasingly well-positioned to service our clients' ever-evolving cyber security needs. FY19 was a challenging year for us, but also one of development and evolution; we look to FY20 and beyond with confidence.

Alan Calder

Chief Executive Officer

Market Overview

A global market driven by the growing volume and scale of cyber security threats

The market for cyber security solutions and services is driven predominantly by the rising number of cyber-attacks, globally, which are becoming increasingly sophisticated, coupled with increased demand for data security and privacy and increased demand for data processing transparency.

'The Cost of Cybercrime Study 2019', developed jointly by Accenture and The Ponemon Institute, reported that the average number of security breaches per organisation increased by 11% in 2018 to 145 breaches (up from 130 in the previous year) and an increase of 65% over the past five years.

Increased technology-enablement and digitalisation are driving companies to rely heavily on digitally-stored information, which is shared in vast quantities both internally and externally. This is increasing the opportunity for data to fall victim to a cyber-attack, resulting in potentially devastating impacts to an organisation's bottom line and reputation. The Accenture-Ponemon Institute's "Cost of Cybercrime Study 2019" also reports the average cost of cybercrime to be up 12% year-on-year to USD $13.0 million, an increase of 72% over the past five years.

Companies around the world are, however, now recognising the criticality of taking action and, in the UK alone, 59% of companies sought information or guidance on cyber security from outside their organisation in the past year (UK Government Cyber Security Breaches Survey 2019). Furthermore, the Ernst & Young 2018-19 Global Information Security Survey ("GISS") – which analyses findings from 1,400 C-suite leaders and information security and IT executives/managers around the world – reported:

- 53% have seen an increase in their budget this year.
- 51% are spending more on cyber analytics.
- 65% foresee an increase in their budget next year.
- Many organisations are currently outsourcing cyber security functions, including functions of their security operations centres.

End-to-end compliance across the supply chain with legal and regulatory obligations further increasing demand for our products and services

Organisations have legal and regulatory obligations to have in place data protection and cyber security systems and procedures. These laws and regulations (for example, GDPR) often have international reach outside of the countries in which they are enacted.

The Board continues to believe that the most prominent legal, regulatory and commercial standards relating to these areas will continue to be adopted more widely across the globe. Organisations will need to implement procedures and practices that will enable them to demonstrate their compliance with the standards. In order to achieve this, organisations will require a supplier that is able to successfully meet all their IT governance needs and GRC International believes there are significant opportunities for upselling and cross-selling services to its existing customers.

In addition to laws and regulations, companies are increasingly required to provide assurance to their customers, regulators and stakeholders that their data protection and cyber security systems are adequate for the current risk environment.

Businesses, therefore, require evidence of adequate security from all the entities in their supply chains. For example, the payment card brands, through their acquiring banks, require businesses (and their suppliers) that process payment cards to meet the Payment Card Industry Data Security Standard ("PCI DSS") and the UK Government already requires that organisations supplying it directly or indirectly should comply with Cyber Essentials (its own standard).

We operate in a growing and global market

Due to the "one stop shop" nature of GRC International's business, it is difficult to confirm the exact size of the global market for the Group's products and services. However, there are a number of research reports that indicate the size and growth rate of this market:

- The global cyber security market is predicted to be worth USD 282.3 billion by 2024, equating to a CAGR of 11.1% between 2018 and 2024 (according to VynZ Research).

- Cyber security Ventures predicts cybercrime will continue rising and cost businesses globally more than $6 trillion annually by 2021.
- Average number of security breaches in 2018: 145, up 11% year-on-year (Accenture-Ponemon Institute Cost of Cybercrime Study 2019).
- Average cost of cybercrime in 2018: USD $13.0 million, up 12% year-on-year (Accenture-Ponemon Institute Cost of Cybercrime Study 2019).

GRC International offers a unique proposition to the market

In response to market trends in cyber security, there is a rising number of consultancies, including the six major accountancy firms, who now offer cyber security services. However, the Board maintains that there are no other companies offering the wide range of products and services that GRC International provides, either in the UK or elsewhere.

Furthermore, the Board believes that no other company is able to offer a bespoke solution for clients seeking to address their IT governance, risk management and compliance requirements.

Financial Review

I am pleased to report a set of results for the year ended 31 March 2019 that demonstrates solid performance in revenue generation compared to a prior year that included a significant one-off flurry of customer activity in the lead up to GDPR implementation.

We see promising signs of sustainable future growth such as revenues being generated from new products and services, the signing of annual and multi-year contracts of a recurring revenue nature, and strategic progress being made overseas, albeit delivering a net loss for the period. This Group loss is largely attributable to a number of significant investments made into new business lines and investment in people and infrastructure.

The beginning of the financial year included the tail end of the GDPR peak, which had been a significant driver of much of the prior year growth. As referenced in our interim results statement in December 2018, the Board had always anticipated a decline in demand for GDPR-related products and services in the period immediately following the deadline date for compliance (being 25 May 2018) and we invested heavily to broaden our existing cyber security offering and overseas delivery capabilities. The immediate drop-off in GDPR-related revenue, which happened faster than expected and in parallel to the significant investment in our cyber security offering and overseas delivery capabilities, resulted in a net loss for the financial year overall, which consisted of a very profitable April and May, followed by several months of significant investment and restructuring, before a return to profitability within the final quarter of the financial year.

Revenue

Revenue for the year ended 31 March 2019 was up 1% to £15.8 million (2018: £15.7 million).

The Group has four key revenue streams:
- Consultancy
- Publishing and Distribution
- Software
- Training

Double-digit revenue growth was recorded in two of our four key revenue streams; revenue from Consultancy was up 37% year-on-year to £7.2 million, from Publishing and Distribution down 19% to £1.3 million and from Training down 31% to £5.8 million. Revenue from Software sales was up 279% year-on-year to £1.5 million, which indicates the strategic direction of travel for the Group. We hope to see further significant growth in this division as we move towards recurring revenue and SaaS ("Software-as-a-Service") type products and services.

Significant revenue growth in the year ended 31 March 2018 was largely driven by GDPR-related products and services, as our customers endeavoured to make themselves compliant ahead of the legislation coming into effect on 25 May 2018. Following its implementation, revenues in Q2 2019 declined on a year-on-year basis as the effect of our customers bringing forward their GDPR-related spending unwound and as we lapped tough comparators from the GDPR build-up which had begun in Q2 2018. If the one-off effect on revenues caused by GDPR implementation is stripped out, we are encouraged to see the underlying performance in our core cyber security business continue on a steady growth trajectory. Our 2019 revenues are significantly ahead of 2017 – which in many ways is a more comparable year, and in line with 2018, even without much of the one-off GDPR peak.

As demonstrated by the tables below, the Group's overall revenue has grown strongly over a three-year period.

£	Consultancy	Publishing and Distribution	Software	Training	Total
2017	2,897,684	1,041,843	410,696	2,483,080	6,833,303
2018	5,273,742	1,649,060	399,212	8,366,202	15,688,216
2019	7,227,588	1,337,205	1,513,212	5,770,561	15,848,566

Period-on-period %	Consultancy	Publishing and Distribution	Software	Training	Total
2018 vs 2017	82%	58%	(3)%	237%	130%
2019 vs 2018	37%	(19)%	279%	(31)%	1%

£	UK	Non-UK	Non-UK %
2017	5,525,068	1,308,235	19%
2018	12,666,042	3,022,174	19%
2019	12,886,471	2,962,095	19%

Gross profit

Gross profit was down 10% to £8.6 million (2018: £9.5 million).

Gross profit as a percentage of sales reduced to 54% (2018: 61%). The reduction in the year-on-year percentage reflects a fall in sales from some very high margin products and services that benefited from the peak leading up to the GDPR legislation being implemented. The post-25 May 2018 trading environment also resulted in lower levels of utilisation within the GDPR consultancy team. During the second half of the year, the Group scaled back the size of this team and restructured the staffing model to better reflect the rapidly changing environment and to focus more strongly on the growth areas of the business, namely our cyber security offering. Gross margin in the fourth quarter was significantly up on the year as a whole and in the final month of the year was back in line with the levels experienced in 2017 and 2018.

Operating expenses

Other operating expenses (excluding share-based payment expenses and exceptional costs) increased by £5.3 million to £13.7 million, up 63% (2018: £8.4 million).

In our interim results statement, we referenced the heavy investment in setting up and supporting a number of new businesses and business lines and the considerable investment made into building the infrastructure and management structures of the core business that will act as a platform for future growth, with the expectation of developing a sustainably profitable Group for the future. This investment period continued into the second half of the year but, as expected, tailed off as the period progressed due to projects reaching a natural end and headcount restructuring programmes taking effect. Operating expenses in the second half of the year reduced by £0.7 million to £6.5 million, compared to £7.2 million in the first six months.

Underlying EBITDA

Underlying EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) excludes share-based payment expenses and exceptional costs. Although underlying EBITDA is not a statutory measure, it is considered by the Board to be an important Key Performance Indicator that is helpful to investors. The Board considers this to be an important measure of underlying business performance as it removes the impact of non-cash accounting adjustments as well as non-operating charges and credits.

Underlying EBITDA for the year ended 31 March 2019 was a loss of £4.3 million, (27.2)% of revenue (2018: profit of £1.7 million, 10.6% of revenue).

£'000	FY 2019	FY 2018
Operating (loss)/profit	(5,357)	365
Depreciation	183	109
Amortisation	611	392
Exceptional costs	164	714
Share-based payments	63	83
Underlying EBITDA	(4,336)	1,663

Finance expense

The net finance expense of £7,000 (2018: £9,000) relates almost entirely to interest on historic term loans and finance leases taken out in the Group's early stages of growth to support working capital. The Group is repaying the balances in line with the repayment schedule. The total value of borrowings and finance leases at the balance sheet date was £34,000 (2018: £95,000).

(Loss)/Profit before tax

Loss before tax was £5.4 million (2018: £0.4 million profit before tax). Normalised loss before tax (defined as loss before tax excluding share-based payment expenses and exceptional costs) was £5.1

million (2018: £1.2 million profit).

Taxation

A tax charge of £29,000 (2018: £153,000) is recognised despite the accounting loss. The effective tax rate is driven up by disallowable expenditure in relation to the acquisition.

Earnings per share

Loss per share was (9.30) pence (2018: Earnings 0.40 pence).

Statement of financial position

Net current liabilities at period end were £5.5 million, down from net current assets of £3.3 million at 31 March 2018. Net assets were £7.4 million, up from £5.9 million at 31 March 2018.

Included within the current liabilities balance of £9.1 million (31 March 2018: £5.0 million) is a deferred income balance of £1.0 million (31 March 2018: £1.4 million), relating to training and consultancy projects due to be delivered after the statement of financial position date. The reduction from prior year is a result of presentational differences brought about by the Group's adoption of IFRS 15, resulting in a deferred income balance of £0.5 million being offset against trade receivables (31 March 2018: £nil).

The overall shift from net current assets to net current liabilities is due to the reduction in cash as set out in the "cash flow and cash" section below. Current liabilities also include a £3.7 million deferred consideration payment relating to the acquisition of DQM (31 March 2018: £nil).

Intangible assets

The Group's accounting policy is that only directly attributable staff costs of the technical teams developing the assets are capitalised.

Additions of £2.3 million (excluding assets acquired as a result of the purchase of DQM) largely relate to software development (£1.4 million) and development of the Group's e-commerce website (£0.7 million).

In March 2019, the Group acquired the entire share capital of DQM. In accordance with IFRS 3, the cost of the acquisition has been allocated to DQM's identifiable assets and liabilities, with the difference between the fair value of these and the purchase consideration recognised as Goodwill.

Cash flow, cash and facilities

The Group's closing cash position net of a bank overdraft was £0.1 million (31 March 2018: £5.6 million). In March 2018, the Group raised £5.0 million (£4.0 million net of costs) as a result of its successful admission to AIM, with the intention of investing into new businesses in the UK and overseas and also into the core business to create a strong platform for future growth. The funds raised account for much of the cash on the balance sheet at 31 March 2018.

During the year ended 31 March 2019, the Group invested £2.3 million into the purchase of intangible fixed assets (2018: £0.9 million), settled the initial cash consideration due on the acquisition of DQM in the amount of £3.5 million (£2.5 million of which was allocated to intangible assets acquired) and invested £0.2 million (2018: £0.4 million) into the purchase of tangible fixed assets. To fund the business acquisitions, in March 2019 the Group raised £5.0 million (£4.8 million net of costs) by way of a placing.

The net cash outflow from operating activities of £4.7 million is from supporting the working capital cycle of new start-up businesses in the Group alongside a restructuring of the core business to focus on delivering a broader cyber security offering and provide a solid platform for sustainable future growth.

The Group has banking facilities to provide adequate headroom for unforeseen working capital requirements by way of a short term bank overdraft facility and an invoice discounting facility that was inherited as part of the acquisition of DQM. In addition, the unsecured loan facility provided to the Company by Andrew Brode for the amount of £700,000 at an interest rate of 5% above the Bank of England base rate to provide additional working capital has been extended by one year and will be available to the Company until at least 31 December 2020 and shall automatically renew for a further 12 months unless terminated by either party. As Mr Brode is a Director of the Company, the loan is deemed to be a related party transaction pursuant to rule 13 of the AIM Rules for Companies. The

Board of GRC International, excluding Mr Brode, having consulted with Grant Thornton as the Company's Nominated Advisor, considers the terms of this transaction to be fair and reasonable so far as the Company's shareholders are concerned.

Going concern

The Group's forecasts assume revenue growth into 2020 and beyond, and the cost base of the Group is based on this assumption. However, there is an inherent level of uncertainty associated with timing and quantum of revenue forecasting due to the rapidly changing environment, which may impact the Group's ability to generate sufficient positive cash flow if revenue falls below the Board's expectations and if it were not possible to reduce costs in line with this. However, the Group's cost base is flexible and can be scaled to reflect market demand.

The Group has certain non-operating cash requirements. The most significant of these is the deferred consideration due to the vendors (and existing management team) of DQM that was acquired by the Group at the end of the financial year, as announced on 11 February 2019. Under the sale and purchase agreement (the 'Agreement"), further consideration ('Deferred Consideration") is due to the vendors of DQM based on the financial statements for the financial year ended 28 February 2019 ('Earn-out Accounts").

DQM's financial performance was better than originally expected and the final amount of Deferred Consideration is consequently expected to be in the region of £3.7 million, slightly ahead of the top range of the £2.5 – £3.5 million announced on 11 February 2019.

Under the Agreement, the Deferred Consideration is intended to be satisfied through cash expected to be in the region of £2.2 million (as to 60% of the Deferred Consideration) and the issue of Ordinary Shares (as to 40% of the Deferred Consideration and based on an issue price per Ordinary Share of 116.5 pence) within five business days of completion of the audit of DQM's Earn-out Accounts.

In advance of the Deferred Consideration falling due, the Group is presently holding constructive discussions with the vendors of DQM, who are mainly Group employees, about the settlement of that balance.

In order to settle the Deferred Consideration, the Group is considering a range of options which includes, but is not limited to, adjusting the balance of consideration between cash and shares and exploring the feasibility of a payment schedule in order to enable the Group to satisfy the cash element of the Deferred Consideration that will fall due within 12 months of the balance sheet date. The Group is also considering different potential funding options, including but not limited to debt and equity, from existing and other potential investors, along with the possible sale of DQM. If this cannot be concluded in a satisfactory manner, the Parent Company would need to raise additional funding, with no guarantee that such funding would be secured.

Although no agreement has yet been reached, the Board believes that it is in the interests of all parties to agree a deal that maintains the strength of the Group balance sheet and the Group's ability to trade. However, the Directors' ability to renegotiate the Deferred Consideration on terms satisfactory to the Group, or otherwise fund the liability for the Deferred Consideration, cannot be predicted with certainty.

In light of the above, the Directors have identified a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern for the foreseeable future and reference to this material uncertainty is made in the Auditor's report to the audited financial statements on page 38 of the Annual Report and Accounts 2019.

The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Capital structure

The issued share capital at 31 March 2019 was 64,484,172 ordinary shares of £0.001 each. During the year, GRC International Group plc issued 5,000,000 placing shares and 2,021,232 consideration shares in connection with the acquisition of DQM Group. There were no share options granted in the year to 31 March 2019, and the total number of unexercised share options at 31 March 2019 was 2,460,680 (31 March 2018: 2,348,920).

Risks and uncertainties

The Board continuously assesses and monitors the key risks of the business. The key risks that could affect the Group’s performance, and the factors which mitigate these risks, are set on pages 18 to 19 of the Annual Report and Accounts 2019. The one exception being an additional point regarding liquidity risk and the Group’s recognition of the need to regularly review and monitor the Group’s financing. Further information is provided above under “Cash flow, cash and facilities”.

Chris Hartshorne
Finance Director

Consolidated Income Statement

For the year ended 31 March

	Notes	2019 £	2018 £
Revenue	**2**	**15,848,566**	15,688,216
Cost of sales		**(7,295,039)**	(6,163,690)
Gross profit		**8,553,527**	9,524,526
Administrative expenses:			
– Other administrative expenses		**(13,715,750)**	(8,384,858)
– Share-based payment charge		**(63,285)**	(82,560)
– Exceptional administrative expenses	**3**	**(164,149)**	(714,251)
Total administrative expenses		**(13,943,184)**	(9,181,669)
Other operating income		**32,425**	21,875
Operating (loss)/profit	**4**	**(5,357,232)**	364,732
Net finance costs	**6**	**(7,470)**	(9,386)
Share of post-tax loss of equity accounted joint ventures	**13**	**(746)**	—
(Loss)/profit before taxation		**(5,365,448)**	355,346
Taxation	**7**	**(29,157)**	(153,495)
(Loss)/profit for the financial year		**(5,394,605)**	201,851
(Loss)/profit for the financial year attributable to:			
Equity shareholders of the parent		**(5,394,605)**	201,851
Basic (loss)/earnings per share (pence)	**8**	**(9.30)**	0.40
Diluted (loss)/earnings per share (pence)	**8**	**(9.30)**	0.39

Consolidated Statement of Comprehensive Income

For the year ended 31 March

	2019 £	2018 £
(Loss)/profit for the year	**(5,394,605)**	201,851
Other comprehensive (loss)/income – items that may subsequently be reclassified to profit/loss:		
Exchange differences on translation of foreign operations	**(7,618)**	1,699
Other comprehensive (loss)/income for the financial year, net of tax	**(7,618)**	1,699
Total comprehensive (loss)/income for the financial year	**(5,402,223)**	203,550
Total comprehensive (loss)/income to equity shareholders of the parent	**(5,402,223)**	203,550

Consolidated Balance Sheet as at 31 March

	Notes	**2019** £	2018 £
Assets			
Non-current assets			
Goodwill	**10**	**6,693,234**	—
Intangible assets	**11**	**5,760,273**	1,596,894
Property, plant and equipment	**12**	**488,678**	424,019
Investments in equity-accounted joint ventures	**13**	**10,041**	—
Deferred tax asset	**7**	**143,893**	641,165
		13,096,119	2,662,078
Current assets			
Inventories	**14**	**64,242**	76,171
Trade and other receivables	**15**	**2,903,953**	2,637,309
Cash at bank	**16**	**639,202**	5,557,576
		3,607,397	8,271,056
Current liabilities			
Trade and other payables	**17**	**(4,367,219)**	(4,636,265)
Borrowings	**18**	**(520,554)**	(51,366)
Deferred consideration	**19**	**(3,747,025)**	—
Finance lease payables	**22**	**(5,667)**	(9,516)
Current tax	**7**	**(433,677)**	(301,831)
		(9,074,142)	(4,998,978)
Net current (liabilities)/assets		**(5,466,745)**	3,272,078
Non-current liabilities			
Borrowings	**18**	**—**	(28,143)
Finance lease payables	**22**	**—**	(5,667)
Deferred tax liability	**7**	**(273,301)**	—
		(273,301)	(33,810)
Net assets		**7,356,073**	5,900,346
Equity			
Share capital	**24**	**64,484**	57,463
Share premium		**9,587,828**	4,792,828
Merger reserve		**2,352,714**	—
Share-based payment reserve		**440,139**	628,150
Capital redemption reserve		**5**	5
Translation reserve		**(6,939)**	679
(Accumulated deficit)/retained earnings		**(5,082,158)**	421,221
Total equity		**7,356,073**	5,900,346

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Share capital £	Share premium £	Merger reserve £	Share-based payment reserve £	(Accumulated deficit)/ retained earnings £	Translation reserve £	Capital redemption reserve £	Total £
Balance at 1 April 2018	**57,463**	**4,792,828**	**—**	**628,150**	**421,221**	**679**	**5**	**5,900,346**
Adjustment on initial application of IFRS 15	**—**	**—**	**—**	**—**	**(108,774)**	**—**	**—**	**(108,774)**
Adjusted Balance at 1 April 2018	**57,463**	**4,792,828**	**—**	**628,150**	**312,447**	**679**	**5**	**5,791,572**
Loss for the year	**—**	**—**	**—**	**—**	**(5,394,605)**	**—**	**—**	**(5,394,605)**
Foreign exchange difference on consolidation	**—**	**—**	**—**	**—**	**—**	**(7,618)**	**—**	**(7,618)**
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**(5,394,605)**	**(7,618)**	**—**	**(5,402,223)**
Share-based payment expense	**—**	**—**	**—**	**63,285**	**—**	**—**	**—**	**63,285**
Deferred tax on share-based payments	**—**	**—**	**—**	**(251,296)**	**—**	**—**	**—**	**(251,296)**
Shares issued	**7,021**	**4,995,000**	**2,352,714**	**—**	**—**	**—**	**—**	**7,354,735**
Cost of share issue	**—**	**(200,000)**	**—**	**—**	**—**	**—**	**—**	**(200,000)**
Transactions with owners	**7,021**	**4,795,000**	**2,352,714**	**(188,011)**	**—**	**—**	**—**	**6,966,724**
At 31 March 2019	**64,484**	**9,587,828**	**2,352,714**	**440,139**	**(5,082,158)**	**(6,939)**	**5**	**7,356,073**

For the year ended 31 March 2018

	Share capital £	Share premium £	Share-based payment reserve £	Retained earnings £	Translation reserve £	Capital redemption reserve £	Total £
Balance at 1 April 2017	1,798	1,137,098	—	94,043	(1,020)	1	1,231,920
Profit for the year		—	—	201,851	—	—	201,851
Foreign exchange difference on consolidation	—	—	—	—	1,699	—	1,699
Total comprehensive income for the year	—	—	—	201,851	1,699	—	203,550
Capital reduction	—	(1,137,098)	—	1,137,098	—	—	—
Dividends	—	—	—	(951,320)	—	—	(951,320)
Purchase of own shares	(4)	—	—	(11,994)	—	4	(11,994)
Bonus issue	48,457	—	—	(48,457)	—	—	—
Share-based payment expense	—	—	82,560	—	—	—	82,560
Deferred tax on share-based payments	—	—	545,590	—	—	—	545,590
Shares issued on exercise of share options	12	5,028	—	—	—	—	5,040
Shares issued	7,200	5,032,800	—	—	—	—	5,040,000
Cost of share issue	—	(245,000)	—	—	—	—	(245,000)
Transaction with owners	55,665	3,655,730	628,150	125,327	—	4	4,464,876
At 31 March 2018	57,463	4,792,828	628,150	421,221	679	5	5,900,346

Consolidated Statement of Cash Flows For the year ended 31 March

		2019 **£**	2018 £
Cash flows from operating activities			
(Loss)/profit before tax		**(5,365,448)**	355,346
Depreciation		**183,351**	108,944
Amortisation		**611,220**	391,550
Share-based payment expense		**63,285**	82,560
Foreign exchange (gains)/losses		**(5,329)**	41,851
Share of post-tax profits of equity accounted joint ventures		**746**	—
Finance income		**(2,137)**	(516)
Finance costs		**9,607**	9,902
Operating cash flows before changes in working capital		**(4,504,705)**	989,637
Decrease/(increase) in inventories		**11,930**	(37,545)
Decrease/(increase) in trade and other receivables		**498,266**	(1,529,039)
(Decrease)/increase in trade and other payables		**(660,067)**	2,807,653
Net cash (outflow)/inflow from operating activities		**(4,654,576)**	2,230,706
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**(2,512,937)**	—
Purchase of intangible assets		**(2,288,768)**	(945,268)
Purchase of plant and equipment		**(234,229)**	(398,406)
Sale of plant and equipment		**7,522**	—
Acquisition of joint venture investment		**(10,995)**	—
Interest received		**2,137**	516
Net cash outflow from investing activities		**(5,037,270)**	(1,343,158)
Net cash flows from financing activities			
Purchase of own shares		**—**	(11,994)
Proceeds from issue of shares		**5,000,000**	5,045,040
Costs of share issue		**(200,000)**	(245,000)
Repayment of acquired consideration liability		**(450,000)**	—
Dividends paid		**—**	(386,500)
Repayment of loans		**(51,366)**	(80,127)
Interest paid		**(9,385)**	(12,511)
Interest on finance leases		**(222)**	(202)
Capital element of finance lease payments		**(7,555)**	(11,929)
Net cash inflow from financing activities		**4,281,472**	4,296,777
Net (decrease)/increase in cash and cash equivalents		**(5,410,374)**	5,184,325
Cash and cash equivalents at beginning of financial year		**5,557,576**	413,552
Effects of exchange rate changes on cash and cash equivalents		**(411)**	(40,301)
Cash and cash equivalents at end of financial year		**146,791**	5,557,576
Comprising			
Cash at bank	**16**	**639,202**	5,557,576
Bank overdraft	**18**	**(492,411)**	—
Cash at bank		**146,791**	5,557,576

Nature of Operations and General Information

GRC International Group plc (GRC International Group or 'the Company') is a public limited company limited by shares, incorporated and domiciled in England and Wales. The registered company number is 11036180 and the registered office is Unit 3 Clive Court, Bartholemew's Walk, Cambridgeshire Business Park, Ely, Cambridgeshire, CB7 4EA.

The principal activities of GRC International Group plc and its subsidiary companies (together, the "Group") are those of a one-stop shop for IT Governance including books, tools, learning and consultancy services.

The financial information for the year ended 31 March 2019 and the year ended 31 March 2018 does not constitute the company's statutory accounts for those years.

Statutory accounts for the year ended 31 March 2018 have been delivered to the Registrar of Companies. The statutory accounts for the year ended 31 March 2019 will be delivered to the Registrar of Companies in due course.

The auditors' reports on the accounts for 31 March 2019 and 31 March 2018 were unqualified but the auditor's report on the accounts for 31 March 2019 did draw attention to a material uncertainty related to going concern. This material uncertainty is described in the section below entitled "Going concern".

The auditor's report on the accounts for 31 March 2018 did not draw attention to any matters by way of emphasis.

The auditor's report and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Principal Accounting Policies

Basis of preparation and consolidation

The consolidated financial statements of GRC International Group plc and entities controlled by the Company (its subsidiaries) for the years presented has been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the EU, and IFRIC interpretations.

The results for the year ended 31 March 2019 and 31 March 2018 include the results of GRC International Group plc and its subsidiaries. A subsidiary is a company controlled directly by the Group. Control is achieved where the Group has the power over the investee, rights to variable returns and the ability to use the power to affect the investee's returns.

GRC International Group plc was incorporated on 27 October 2017. The Company's first statutory accounting period is the period up to 31 March 2019, the Company only financial statements included in this Annual Report are for the period from incorporation to 31 March 2019. During the period to 31 March 2018 the Company was inserted as the new holding company for the pre-existing IT Governance Group. The consolidated financial results included in this Annual Report for 31 March 2018 have been prepared on a look-through basis, as if the Group always existed in its current form. This was consistent with the approach taken for the historical financial information ("HFI") in the AIM admission document.

Income and expenses of subsidiaries acquired during the year are included in the Consolidated Income Statement from the effective date of control. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Parent Company.

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

All accounting policies disclosed below apply to the Group for the years presented, unless otherwise explicitly stated.

IFRS is subject to amendment and interpretation by the IASB and the IFRS Interpretations Committee, and there is an on-going process of review and endorsement by the European Commission. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 March 2019.

The consolidated financial statements have been prepared on a historical cost basis, except for the measurement of the deferred consideration which is carried as its fair value.

The principal accounting policies adopted are set out below.

Financial Information is presented in British pounds sterling (£).

The Directors of GRC International Group are responsible for the financial information and contents of the consolidated financial statements.

Going concern

The Group's capital management policy is to generate positive cash flows from operating activities to finance the Group's business operations, and where necessary to raise sufficient funding to finance the Group's future investments and capital projects.

The Group has recorded a loss for the year of £5,394,605 (2018: profit of £201,851) and at 31 March 2019, its current liabilities exceeded its current assets by £4,495,723 (2018: excess of current assets over current liabilities of £4,667,024) (excluding deferred revenues). Notwithstanding this and the material uncertainty described below, the directors consider it appropriate to prepare the financial statements on a going concern basis. The key considerations relating to this judgement are described below.

The Group has banking facilities to provide adequate headroom for unforeseen working capital requirements by way of a short term bank overdraft facility and an invoice discounting facility that was inherited as part of the acquisition of DQM. In addition, Andrew Brode has provided to the Company an unsecured loan facility for the amount of £700,000 at an interest rate of 5 per cent. above the Bank of England Base rate to provide additional working capital. The facility will be available to the Company until at least 31 December 2020 and shall automatically renew for a further 12 months unless terminated by either party.

The Group's forecasts assume revenue growth into 2020 and beyond, and the cost base of the Group is based on this assumption. However, there is an inherent level of uncertainty associated with timing and quantum of revenue forecasting due to the rapidly changing environment, which may impact the Group's ability to generate sufficient positive cashflow if revenue falls below the Board's expectations and it is not possible to reduce costs in line with this. However, the Group's cost base is flexible and can be scaled to reflect market demand.

The Group has certain non-operating cash requirements. The most significant of these is the deferred consideration due to the vendors (and existing management team) of DQM Holdings Limited ("DQM") that was acquired by the Group at the end of the financial year, as announced on 11 February 2019.

Under the sale and purchase agreement (the "Agreement"), further consideration ("Deferred Consideration") is due to the vendors of DQM based on the financial statements for the financial year ended 28 February 2019 ("Earn-out Accounts"). DQM's financial performance was better than originally expected and the final amount of Deferred Consideration is consequently expected to be in the region of £3.7 million, slightly ahead of the top range of the £2.5 - £3.5 million announced on 11 February 2019.

Under the Agreement, the Deferred Consideration is intended to be satisfied through cash (as to 60 per cent. of the Deferred Consideration) and the issue of Ordinary Shares (as to 40 per cent. of the Deferred Consideration and based on an issue price per Ordinary Share of 116.5 pence) within five business days of completion of the audit of DQM's Earn Out Accounts.

In advance of the Deferred Consideration falling due, the Group is presently holding constructive discussions with the vendors of DQM, who are mainly Group employees, about the settlement of that balance.

In order to settle the Deferred Consideration the Group is considering a range of options which includes, but is not limited to, adjusting the balance of consideration between cash and shares and exploring the feasibility of a payment schedule in order to enable the Group to satisfy the cash element of the Deferred Consideration that will fall due within 12 months of the balance sheet date. The Group is also considering different potential funding options, including but not limited to debt and equity, from existing and other potential investors, along with the possible sale of DQM. If this cannot be concluded in a satisfactory manner, the Parent Company would need to raise additional funding, with no guarantee such funding would be secured.

Although no agreement has yet been reached, the Board believes that it is in the interests of all parties to agree a deal that maintains the strength of the Group balance sheet and the Group's ability to trade. However, the Directors' ability to renegotiate the Deferred Consideration on terms satisfactory to the Group, or otherwise fund the liability for the Deferred Consideration, cannot be predicted with certainty.

In light of the above, the directors have identified a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern for the foreseeable future.

The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Revenue

The Group often enters into transactions involving a range of the Group's products and services, for example for the delivery of consultancy, training, software and related after-sales service. In all cases, the total transaction price for a contract is allocated net of discounts amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when the Group satisfies performance obligations by transferring the promised goods or services to its customer. The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as deferred income in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due. In practice, contract assets rarely arise due to the timing of invoices raised under the terms of the Group's contracts.

All material contracts which span a financial reporting period will be reviewed on an individual basis with the 5-step application of IFRS 15 applied based upon the type of product sold.

The type of products and range of services sold across the Group fall within the following four revenue streams:

- Consultancy
- Publishing/Distribution
- Learning
- Software

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The following chart summarises how the 5-step process is applied for each of the four revenue streams:

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Consultancy – On-site and remote support consulting services, helping organisations to design and implement data protection and cyber security policies and procedures.	The Group recognises revenue over time as the services in the contract are performed, generally based on the consultants estimate of the progress of the work. Revenue from consultancy services which are either a performance obligation within a larger arrangement or are sold on a stand-alone basis is generally recognised over time where the Group agrees to provide labour hours/days. Contracts state a broad list of activities that the services may include. The contracts state daily/hourly rates and estimated amounts to be billed. Contracts state that IT Governance will not exceed the total amount without prior written approval. In cases where contracts are structured on a time basis, the variable amount of the consideration due will be estimated. Where the performance obligations within an agreement are considered to

	represent services that are substantially the same, these will form a single performance obligation with labour days/hours representing the progress measure. Several contracts define the only obligation as support for customer led projects, and again in these cases it will be considered that there is one performance obligation with labour hours being the progress measure. Revenue shall be recognised over a time, when the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right for performance completed to date. This is true for all services provided on a time basis. The Group also has an enforceable right for payment for work completed to date.
Publishing/Distribution – The Group sells books, documentation templates and software via its websites, both that it publishes or writes itself, and also supplied by third parties. The Group also creates and sells sets of documentation templates that are used by customers to assist them to document IT systems and procedures.	The Group recognises revenue at the point in time when control of the asset is transferred to the customer. The product becomes under the control of the customer when the book/software/toolkit is delivered to them. This is when the customer has legal title to the asset or has physical possession of the asset. For the sale of physical softcopy books and CD-ROMs, revenue is recognised when the goods are delivered. Where a product with a subscription or licence is sold on behalf of a third party the revenue is recognised straight away as the obligation to fulfil the contract lies with the third party and not the Group. The full cost of the product sold by the Group in respect of a third-party sale is charged to the Income Statement when the revenue is recognised.
Learning – The Group sells "in person" classroom-based training courses related to data protection, cyber security, ISO 27001 certification and related topics. The courses range from one to five days in length and are held at hired premises. The Group also provides courses at customers' premises for organisations that require training for a number of their employees. The courses are	Revenue is recognised on 'Classroom Based Training Courses' and 'Online Training Courses' when the customer obtains control. The product becomes under the control of the customer when they attend the first day of the Training Course. Revenue is recognised on 'Distance Learning Based Training Courses when the Customer gains control. The product becomes under the control of the customer at the date the online course is made available to them. Once the course is made available the Group has fulfilled its contractual obligation to deliver. The date the user accesses and uses the course is not considered relevant. Revenue is recognised on 'e-Learning Courses' dependent on the type of service provided. 'e-Learning' is split into four types. ● eLearning Hosting Services – An additional annual fee for LMS (Learning Management System) hosting of the eLearning courses. Customers are not obliged to but can buy our standard 'off-the-shelf' 'Hosting' area. All hosted cl courses will be hosted on our LMS. Each client will be given their own space, which can be branded with their logo and company colours. The eLearning course files hosted on our LMS will be the same for all clients, and each clien will have a space in the course layout to add any extra information they need such as documents, links and contact details. Revenue is recognised on 'eLearning Hosting Services' over time as the customer has access to the hosting area. Revenue is then pro-rated equally over the period (normally 12 months) to which the service relates. ● Revenue is recognised on 'eLearning courses' when the customer obtains control. The course becomes under the control of the customer when the onli course is made available to access.

aimed at various different areas of IT governance and at different skill levels.	● eLearning Set Up Costs – Organisations/customers can contract the Group to 'Customise' the eLearning courses to their organisation's specifications (i.e. Company Logo/Branding etc.). Revenue is recognised on 'eLearning Set Up Costs' when the customer obtains control of the course material. The product becomes under the control of the customer when the online courses are made available to access. ● eLearning Training – Organisations/customers can contract the Group to provide training for the eLearning courses. This is a one-off fee and the Training is a pre-agreed number of hours or days as requested by the customer. Revenue is recognised on 'eLearning Training' when the customer gains control. The product comes under the control of the customer on the first day of the Training Course.
Software – The Group creates and sells software solutions. Maintenance and support (M&S) arrangements are usually sold on a standalone basis as a renewal of an existing arrangement with arrangement usually running over a 12-month period. Generally, the first time M&S is sold is when the customer initially buys the software. There are no material rights to consider in connection with renewal options.	Revenue from the sale of software for a fixed fee is recognised when or as the Group gives access to the customer to download the software. Software revenue recognition. Performance obligations are satisfied at a point in time when the Group has a right to payment for the software, the customer has legal right to use the software under the terms of the software licence agreement, and the Group has physically transferred the software to the customer. These criteria are all met at the point in time that the Group transfer the software which takes place. The Group does not undertake activities which significantly affect the intellectual property post-delivery of the software which would prevent revenue being recognised at a point in time. The Group does not provide free Maintenance and Support type services as part of the licencing arrangements. Revenue from the sale of Maintenance and Support arrangements are always sold on a standalone basis or as a renewal of an existing arrangement usually running over a 12 month period. The technical support and software updates are distinct. This is because the customer can benefit from the licence with or without the Maintenance and Support contract. Technical support: the customer benefits from the technical support as that support is provided. The contracted support period is generally 12 months, so the customer obtains the benefit over the 12-month period. Accordingly, it is appropriate to recognise revenue over a 12-month period. Software updates: all software updates are unspecified within Maintenance and support arrangements with updates being made as and when available. The customer will continue to receive updates during the Maintenance and support period and accordingly will benefit from the updates as they are provided. Accordingly, it is appropriate to recognise revenue over a 12-month period.

Finance income and costs

Interest income and expense is recognised using the effective interest method which calculates the amortised cost of a financial asset or liability and allocates the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount of the financial asset or liability.

Goodwill

Goodwill arising on business combinations is reviewed and tested on an annual basis or more frequently if there is indication that goodwill might be impaired.

Goodwill is allocated to CGU's, which are determined as the lowest level of detail available for the assets to generate cash inflows relating to goodwill.

Goodwill represents the future economic benefits arising from business combinations which are not individually identified and separately recognised.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Goodwill is carried at cost less any accumulated impairment losses until disposal or termination of the previous acquired business when the profit or loss on disposal or termination will be calculated after charging the gross amount at current exchange rates of any such goodwill through the income statement.

Intangible assets

Acquired intangible assets

An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably.

Internally developed intangible assets

Expenditure on research activities is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably;
- the project is technically and commercially feasible;
- the Group intends to and has sufficient resources to complete the project;
- the Group has the ability to use or sell the software; and
- the software will probably generate future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include an apportionment of employee costs incurred on internal development assets.

Internal development assets include software, website costs, courseware, marketing tools, consultancy products and publishing products.

Subsequent measurement

The useful lives of all intangible assets are assessed as finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method prospectively.

The amortisation expense on intangible assets with finite lives is recognised in the income statement as administrative expenses.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Amortisation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Trademarks	10 years
Software	5 years
Website costs	5 – 10 years
Marketing tools	3 years
Courseware	10 years

Publishing products	4 years
Consultancy products	10 years
Customer relationships	12 years

Customer relationships

Acquired customer relationships comprise principally of existing customer relationships which may give rise to future orders (customer relationships). Acquired customer relationships are recognised at fair value at the acquisition date and have a finite useful life of 12 years. Customer relationships are amortised in line with the expected cashflows. Acquired customer relationships are stated at cost less accumulated amortisation and impairment.

Any capitalised internally developed intangible asset that is not yet complete is not amortised but is subject to impairment testing. Subsequent expenditures on the maintenance of computer software are expensed as incurred.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation less any recognised impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of these items. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the costs can be measured reliably. All other costs, including repairs and maintenance costs, are charged to the Income Statement in the period in which they are incurred.

Depreciation is provided on all property, plant and equipment and is calculated as follows:

Leasehold improvements	10 years straight line basis
Computer equipment	25 – 33% reducing balance basis
Office equipment	25% reducing balance basis

Depreciation is provided on cost less residual value. The residual value, depreciation methods and useful lives are annually reassessed.

Each asset's estimated useful life has been assessed with regard to its own physical life limitations and to possible future variations in those assessments. Estimates of remaining useful lives are made on a regular basis for all machinery and equipment, with annual reassessments for major items. Changes in estimates are accounted for prospectively.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

The gain or loss arising on disposal or scrapping of an asset is determined as the difference between the sales proceeds, net of selling costs, and the carrying amount of the asset and is recognised in the Income Statement.

Impairment of non-financial assets

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination. Each unit to which goodwill is allocated represents the lowest level within the Group that independent cash flows are monitored. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired.

At each balance sheet date, the Directors review the carrying amounts of the Group's non-current assets, other than goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Directors estimated the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimated future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

An impairment loss is recognised as an expense immediately.

An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where an impairment loss on non-financial assets subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior periods. A reversal of an impairment loss is recognised in the Income Statement immediately.

Inventory

Inventory is stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis.

At the balance sheet date, inventories are assessed for impairment. If inventories are impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Cash at bank

Cash at bank comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less from inception.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. Financial assets and financial liabilities are measured subsequently as described below.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories: *amortised cost*

- fair value through profit or loss (FVTPL).
- fair value through other comprehensive income (FVOCI).

In the periods presented the Group does not have any financial assets categorised as either FVTPL or FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset.
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other administrative expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows.
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of these requirements included loans and other debt-type financial assets measured at amortised cost, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis and as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to Note 15 for further details.

Classification and measurement of financial liabilities

The Group's financial liabilities include trade and other payables, borrowings and deferred consideration.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Borrowings

Borrowings, including bank overdrafts, are classified as current liabilities unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date.

Deferred Consideration

Deferred consideration is recognised at fair value at the acquisition date and subsequently at FVTPL. Changes in deferred consideration arising from additional information, obtained within one year of the acquisition date, about facts or circumstances that existed at the acquisition date, are recognised as an adjustment to goodwill.

Foreign currency

The presentation currency for the Group's consolidated financial statements is Sterling. Foreign currency transactions by Group companies are recorded in their functional currencies at the exchange rate at the date of the transaction. Monetary assets and liabilities have been translated at rates in effect at the balance sheet date, with any resulting exchange adjustments being charged or credited to the Income Statement, within administrative expenses.

On consolidation the assets and liabilities of the subsidiaries with a functional currency other than Sterling are translated into the Group's presentational currency at the exchange rate at the balance sheet date and the Income Statement items are translated at the average rate for the period. The exchange difference arising on the translation from functional currency to presentational currency of subsidiaries is classified as other comprehensive income and is accumulated within equity as a translation reserve.

The balance of the foreign currency translation reserve relating to a subsidiary that is disposed of, or partially disposed of, is recognised in the Income Statement at the time of disposal.

Current taxation

Current taxation for each taxable entity in the Group is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the balance sheet date and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred taxation

Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. No deferred tax is recognised on initial recognition of goodwill or on investment in subsidiaries. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are provided in full, and are not discounted.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Income Statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employment benefits

Provision is made in the financial statements for all employee benefits. Liabilities for wages and salaries, including non-monetary benefits and annual leave obliged to be settled within 12 months of the balance sheet date, are recognised in accruals.

Contributions to defined contribution pension plans are charged to the Income Statement in the period to which the contributions relate.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. The interest element of finance lease payments is charged to profit or loss as finance costs over the period of the lease. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares issued.
- "Share premium" represents amounts subscribed for share capital, net of issue costs, in excess of nominal value.
- "Merger Reserve" represents the excess of the fair value of the consideration received for the issue of shares over the nominal value of shares issued in circumstances where the merger relief provisions of the Companies Act 2006 apply.
- "Share-based payment reserve" represents the accumulated value of share-based payments.
- "Retained earnings" represents the accumulated profits and losses attributable to equity shareholders.
- "Capital redemption reserve" represents the nominal value of shares repurchased by the Parent Company.
- "Translation reserve" represents the exchange differences arising from the translation of the financial statements of subsidiaries into the Group's presentational currency.

Share-based payments

Equity-settled share-based payments to employees and Directors are measured at the fair value of the equity instrument. The fair value of the equity-settled transactions with employees and Directors is recognised as an expense over the vesting period. The fair value of the equity instruments is determined at the date of grant, taking into account vesting conditions. The fair value of goods and services received are measured by reference to the fair value of options.

The fair values of share options are measured using the Black Scholes model. The expected life used in the model is adjusted, based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations.

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 Income Statement 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 condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised 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 is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Where an equity-settled award is forfeited, the cumulative charge expensed up to the date of forfeiture is credited to the Income Statement.

Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Chief Operating Decision Maker has been identified as the Board of Executive Directors, at which level strategic decisions are made.

Details of the Group's reporting segments are provided in note 1.

New and amended International Financial Reporting Standards adopted by the Group

A number of new standards, amendments to standards and interpretations, including IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning after 1 January 2018) have been adopted in the current year.

IFRS 15 Revenue from Contracts with Customers (effective for the year beginning 1 January 2018), and subsequent amendments 'Clarifications to IFRS 15' set out the requirements for recognising revenue and costs from contracts with customers. IFRS 15 provides a single source of accounting requirements for all contracts with customers, thereby replacing all current accounting pronouncements on revenue. Under IFRS 15, revenue is recognised in a manner that depicts the completion of performance obligations to customers in an amount that reflects the consideration to which the provider of the goods or services expects to be entitled.

The Group has applied IFRS 15 using the cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at 1 April 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18.

Details of the identified adjustments from previous IFRS are below:

Software maintenance and support

The Group previously recognised revenue for all software products when the customer took delivery of the products and formally accepted them.

Under IFRS 15, where the Group sells a support contract as part of the software package, the revenue associated with the support contract is recognised over the period of the support contract associated with the software (normally 12 months). In comparison to previous IFRS, this method reduces revenue on a pro-rata basis and records the amounts not yet earned as deferred income.

Hosting Fees

The Group previously recognised revenue for all Hosting fees when the customer took delivery of the products and formally accepted them. Under IFRS 15, the Group recognise revenue over the period of the hosting contract (normally 12 months) and records it as deferred income.

The following table summarises the impact, of transition to IFRS 15 on retained earnings as 1 April 2018.

Retained earnings

	Impact of adopting IFRS 15 at 1 April 2018 £
Software maintenance and support contracts recognised over time	99,432
Hosting fees recognised over time	9,342
Impact at 1 April 2018	108,774
Total comprehensive income	108,774

IFRS 9 – 'Financial instruments' (effective for years beginning on or after 1 January 2018) replaces IAS 39 'Financial instruments– Recognition and measurement' and addresses the classification and measurement of financial instruments, introduces new principles for hedge accounting and a new forward-looking impairment model for financial assets. The primary impact of IFRS 9 on the Group relates to provisioning for potential future credit losses on financial assets.

The adoption of IFRS 9 did not result in any changes in the measurement or classification of financial instruments as at 1 April 2018. All classes of financial assets and financial liabilities at 1 April 2018 had the same carrying values under IFRS 9 as they had under IAS 39.

There is no material impact on the Financial Statements of adopting IFRS 9.

International Financial Reporting Standards in issue but not yet effective

At the date of authorisation of the consolidated financial statements, the IASB and IFRS Interpretations Committee have issued standards, interpretations and amendments which are applicable to the Group.

Whilst these standards and interpretations are not effective for, and have not been applied in the preparation of, these consolidated financial statements, the following could have a material impact on the Group's financial statements going forward:

New/revised IFRSs		Effective date: annual periods beginning on or after	EU adopted
IFRS 16*	Leases	1 January 2019	Yes
	Annual Improvements to IFRSs 2015 – 2017 Cycle	1 January 2019	Yes
IAS 1 & IAS 8	Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020	No
IFRS 3	Amendments to IFRS 3 Business Combinations	1 January 2020	No

* IFRS 16 – 'Leases' is effective for accounting periods beginning on or after 1 January 2019 and will be adopted by the Group on 1 April 2019. The Directors are assessing the likely impact on the reported results and financial position of the Group. The existing obligations under operating lease agreements at 31 March 2019 are £880,718, which primarily relate to buildings. We are using the modified retrospective approach for transition on 1 April 2019 and we are taking advantage of the exemption relating to low value assets, and considering other expedients available.

We have not yet concluded on the value of the expected adjustment to the balance sheet for leases capitalised and the corresponding lease liability.

New/revised International Financial Reporting Standards which are not considered likely to have an impact on the Group's financial statements going forwards have been excluded from the above.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not listed below are not expected to have a material impact on the Group's financial statements.

Significant management judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Assumptions and accounting estimates are subject to regular review. Any revisions required to accounting estimates are recognised in the period in which the revisions are made including all future periods affected.

Significant management judgements

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Capitalisation of internally developed intangible assets

Determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. Management considers the criteria set out in IAS 38 in advance of capitalising any projects. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired. Should a different judgement be taken, the amounts capitalised may differ from those presented in note 11.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and timing differences on capital allowances can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Judgement is also applied in the recognition of deferred tax assets in respect of losses, based on management's view of the availability of future profits to offset such losses.

Identification of assets acquired in business consideration

Business combinations require management to exercise judgement in measuring the fair value of the assets acquired, equity instruments issued, and liabilities, and contingent consideration incurred or assumed. In particular, a high degree of judgement is applied in determining the fair value of the separate intangible assets acquired, their useful economic lives and which assets and liabilities are included in a business combination.

In certain acquisitions, the Group may include contingent consideration which is subject to the acquired company achieving certain performance targets.

At each reporting period, GRC International plc estimates the future earnings of acquired companies, which are subject to contingent consideration in order to assess the probability that the acquired company will achieve their performance targets and thus earn their contingent consideration. Any changes in their fair value of the contingent consideration between reporting periods are included in the determination of net income. Changes in fair value arise as a result of changes in the estimated probability of the acquired business achieving its earning targets and the consequential impact of amounts payable under these arrangements.

Identification of performance obligations in customer contracts

The identification of performance obligations in customer contracts requires management to exercise judgement to determine both the nature of the performance obligations and when those obligations are delivered in order to recognise revenue appropriately.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and assumptions

- Income taxes – provisions for income taxes in various jurisdictions (note 7)
- Level of expected credit loss provision to hold or not hold (note 15)
- Useful lives of intangible assets acquired or internally generated (note 11)
- Impairment of goodwill – Estimate of future cash flows and determination of the discount rate (note 10)

Notes to the Financial Statements

1. Segmental reporting

Operating segments

For the purposes of segmental reporting, the Group's Chief Operating Decision Maker (CODM) is considered to be the Executive Board of Directors. The Board identifies its operating segments based on the group's service lines, which represent the main product and services provided by the Group. In the opinion of the Board, the Group operates as a single operating segment.

Revenue by geographic destination

Revenue across all operating segments is generated from the UK but includes overseas sales:

	2019 **£**	2018 £
UK	**12,886,471**	12,666,042
Non-UK	**2,962,095**	3,022,174
	15,848,566	15,688,216

2019 Non-UK Revenue includes Rest of Europe (£1,334,738), United States of America (£823,860), Australia (£149,967) and Rest of the World (£653,530).

2019 Non-UK non-current assets includes Ireland (£58,372), Germany (£10,041). In 2018 all non-current assets were held in the UK.

Information about major customers

No customers contributed 10% or more to the Group's revenue in any period presented.

2. Revenue

Revenue is all derived from continuing operations.

The Group has disaggregated revenue into various categories in the following tables which is intended to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic date:

	2019 **£**	2018 £
Consultancy	**7,227,588**	5,273,742
Publishing and distribution	**1,337,205**	1,649,060
Software	**1,513,212**	399,212
Training	**5,770,561**	8,366,202
Total revenue	**15,848,566**	15,688,216

The Group's revenue is analysed by timing of delivery of goods or services as:

	2019 **£**	2018 £
Point in time delivery	**7,557,470**	5,564,953
Over time	**8,291,096**	10,123,263
Total revenue	**15,848,566**	15,688,216

The revenue is analysed as follows for each revenue category:

	2019 **£**	2018 £
Sale of goods	**1,332,933**	1,646,650
Provision of services	**14,515,633**	14,041,566
	15,848,566	15,688,216

Other income	**32,425**	21,875
Interest on cash deposits	**2,137**	516
Total revenue	**15,883,128**	15,710,607

Contract balances: deferred income

	Deferred income	
	2019	2018
At 1 April	**1,394,946**	802,922
On acquisition of DQM	**18,765**	—
Amounts included in deferred income that were recognised as revenue in the period from the opening balance	**(1,394,946)**	(802,922)
Amounts invoiced in the period and not recognised as revenue in the period	**925,255**	1,394,946
At 31 March	**971,020**	1,394,946

Contract assets and contract liabilities are included within "trade and other receivables" and "trade and other payables" respectively on the face of the consolidated balance sheet. They arise from the Group's contracts that cover multiple reporting periods as payments received from customers at each balance sheet date do not necessarily equal the amount of revenue recognised on the contracts. No material contract asset balances arise in the ordinary course of business.

The Group recognised deferred income within "trade and other payables". This balance equates to the value of the remaining performance obligations for revenue recognised over time, given the nature of the Group's invoicing arrangements with customers.

3. Exceptional administrative costs

	2019 **£**	2018 £
Expenses relating to the Group's AIM admission	**—**	714,251
Expenses relating to the acquisition of DQM	**164,149**	—
	164,149	714,251

4. Operating profit

	2019 **£**	2018 £
Operating profit is stated after charging:		
Cost of sales		
Wages and salaries	**4,870,571**	2,128,389
Other direct costs including consultancy and training costs, books and manuals	**2,424,468**	4,035,301
	7,295,039	6,163,690
Other administration costs		
Wages and salaries	**9,023,705**	6,005,590
Sales and marketing costs	**1,204,769**	818,654
Depreciation of property, plant and equipment	**183,351**	108,944
Amortisation of intangible fixed assets	**611,220**	391,550
Auditor's remuneration:		
–Fees payable for the audit of the annual accounts	**120,000**	110,000
Foreign exchanges (credits)/charges	**(5,329)**	41,851
Operating lease costs		
–Building	**148,714**	111,410
–Other	**10,216**	10,170
Other costs including office administration, legal and professional, IT and website costs.	**2,419,104**	786,689
	13,715,750	8,384,858

2018 audit fees were in respect of work performed by Deloitte LLP. 2019 fees are in respect of BDO LLP.

No non-audit fees were payable to the auditor in respect of services rendered in the year.

5. Employees

The aggregate payroll costs of the employees were as follows:

	2019 **£**	2018 £
Staff costs		
Wages and salaries	**12,490,461**	7,275,850
Social security costs	**1,244,250**	822,837
Share-based payment charge	**63,285**	82,560
Pension costs	**159,565**	35,292

	13,957,561	8,216,539

The average monthly number of persons employed by the Group during the year was as follows:

	2019 **£**	2018 £
By activity		
Administration	**130**	83
Sales and distribution	**140**	94
	270	177

Remuneration of Directors is disclosed in the Remuneration Committee Report.

Details of key management personnel and their remuneration are disclosed within note 26.

6. Net finance costs

	2019 **£**	2018 £
Interest received on cash deposits	**(2,137)**	(516)
Interest on overdrafts	**92**	—
Interest on loans	**9,281**	9,700
Interest on finance leases	**234**	202
	7,470	9,386

7. Taxation

Analysis of charge in the year:

	2019 **£**	2018 £
Corporation tax – current year	**72,124**	153,146
Corporation tax – prior year	**(139,231)**	—
Foreign tax – current year	**(118,634)**	1,890
Deferred tax – current year movement	**51,095**	(1,541)
Deferred tax – prior year movement	**163,803**	—
Total tax charge	**29,157**	153,495

	2019 **£**	2018 £
(Loss)/Profit before taxation	**(5,365,448)**	355,346
Profit by rate of tax (2019: 19%; 2018: 19%)	**(1,019,435)**	67,516
Fixed asset timing differences	**4,522**	1,560
Expenses not deductible for tax purposes	**82,949**	145,930
Deferred tax not recognised	**776,849**	—
Adjustments to deferred tax in respect of prior periods	**24,572**	—
Effects of change in tax rate	**113,340**	192
Other movements	**—**	(439)
Prior year restatement	**—**	(73,183)
Losses carried back	**37,582**	—
Group relief surrendered	**6,988**	—
Effects of different tax rates of subsidiaries operating in other jurisdictions	**1,790**	11,919
Total tax	**29,157**	153,495

Deferred tax in equity

	2019 **£**	2018 £
Change in estimated excess tax deductions related to share-based payments	**251,296**	545,590
Total income tax recognised directly in equity	**251,296**	545,590

The Finance Act (No. 2) 2015 included a reduction in the rate of corporation tax from 20% to 19% from 1 April 2017 and the Finance Act 2016 included a reduction in the main rate of corporation tax from 19% to 17% from 1 April 2020. These tax law changes received Royal Assent before the balance sheet date and therefore are reflected in the deferred tax position.

At the balance sheet date, the Group has the following unused tax losses as the Group expects the deferred tax to unwind at a rate of 17%:

	2019	2018
	£	£
Trading losses (UK)	**4,318,593**	—
Trading losses (Ireland)	**1,124,175**	183,149
Non-trading loan relationship deficits	**2,330**	2,330

At the balance sheet date, a deferred tax asset has not been recognised for excess unrelieved foreign tax of £19,848 (2018: £19,848) on the basis that it is not considered probable that there will be future taxable profits available to utilise the double tax relief credit.

Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so.

	Fixed asset timing differences	Retirement benefit obligations	Share-based payments	Short term timing differences	Tax losses (Ireland)	Tax losses (UK)	Intangibles	Total
	£	£	£	£	£	£	£	£
At 1 April 2017	135,591	(750)	—	(141,205)	—	(82,080)	—	(88,444)
Charge/(credit) to profit or loss	(51,659)	(1,068)	(14,702)	—	(22,894)	88,590	—	(1,733)
Credit direct to equity	—	—	(582,903)	—	—	—	—	(582,903)
Prior year adjustment	—	—	—	(29,635)	—	—	—	(29,635)
Effect of change in tax rate:								
– Income Statement	5,438	112	1,548	—	—	(6,906)	—	192
– equity	—	—	61,358	—	—	—	—	61,358
Deferred tax (asset)/liability at 31 March 2018	89,370	(1,706)	(534,699)	(170,840)	(22,894)	(396)	—	(641,165)
Business acquired	2,058	—	—	—	—	—	420,955	423,013
Charge/(credit) to profit or loss	19,932	1,706	21,548	29,205	(118,634)	(21,296)	—	(67,539)
Credit direct to equity	—	—	251,296	—	—	—	—	251,296
Prior year adjustment	2,380	—	891	141,205	(2,365)	21,692	—	163,803
Deferred tax at 31 March 2019								
Asset (Non-UK)	**—**	**—**	**—**	**—**	**(143,893)**	**—**	**—**	**(143,893)**
Liability (UK)	**113,740**	**—**	**(260,964)**	**(430)**	**—**	**—**	**420,955**	**273,301**

8. Earnings per share

Basic earnings per share is based on the (loss)/profit after tax for the year and the weighted average number of shares in issue during each year.

	2019	2018
(Loss)/profit attributable to equity holders of the Group (£)	**(5,394,605)**	201,851
Weighted average number of shares in issue	**57,982,319**	50,785,329
Basic (loss)/earnings per share (pence)	**(9.30)**	0.40

Diluted earnings per share is calculated by adjusting the average number of shares in issue during the year to assume conversion of all dilutive potential ordinary shares.

Taking the Group's share options into consideration in respect of the Group's weighted average number of ordinary shares for the purposes of diluted earnings per share, is as follows:

	2019	2018
Number of shares	**57,982,319**	50,785,329
Dilutive (potential dilutive) effect of share options	**—**	378,786
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**57,982,319**	51,164,115
Diluted (loss)/earnings per share (pence)	**(9.30)**	0.39

Due to the losses incurred during the year, a diluted loss per share has not been calculated as this would serve to reduce the basic loss per share. There were 2,360,680 (2018: 2,360,680) share incentives outstanding at the end of the year that could potentially dilute basic earnings per share in the future.

9. Subsidiaries

Details of the Group's subsidiaries are as follows:

Name of subsidiary and registered office address	Principal activity	Place of incorporation and operation	% ownership held by the Group 2019	2018
IT Governance Limited*	Information technology governance services	England & Wales	**100%**	100%
Vigilant Software Limited*	Information technology Software development	England & Wales	**100%**	100%
IT Governance Europe Limited 6th Floor, South Bank House, Barrow Street, Dublin 4	Information technology governance services	Ireland	**100%**	100%
IT Governance USA Inc 420 Lexington Avenue, Suite 300, New York, NY 10170, USA	Information technology governance services	USA	**100%**	100%
IT Governance Publishing Limited*	Information technology governance publications	England & Wales	**100%**	100%
GRCI Law Limited*	Information technology governance legal services	England & Wales	**100%**	100%
GRC Elearning Limited*	Information technology governance internet-based training	England & Wales	**100%**	100%
IT Governance Europe Limited*	Dormant company***	England & Wales	**100%**	100%
IT Governance Consulting Limited*	Dormant company***	England & Wales	**100%**	100%
IT Governance Franchising Limited*	Dormant company***	England & Wales	**100%**	100%
IT Governance Sales Limited*	Dormant company***	England & Wales	**100%**	100%
IT Governance Software Limited*	Dormant company***	England & Wales	**100%**	100%
IT Governance Training Limited*	Dormant company***	England & Wales	**100%**	100%
ITG Certifications Limited*	Dormant company***	England & Wales	**100%**	100%
ITG Qualifications Limited*	Dormant company***	England & Wales	**100%**	100%
ITG Security Testing Limited*	Dormant company***	England & Wales	**100%**	100%
ITG Encryption Limited*	Dormant company***	England & Wales	**100%**	100%
Data Quality Management Limited**	Dormant company***	England & Wales	**100%**	—
Data Quality Management Group Limited**	Information technology governance services	England & Wales	**100%**	—
Data2 Limited**	Dormant company***	England & Wales	**100%**	—
DQM Group Holdings Limited**	Holding Company***	England & Wales	**100%**	—

* Registered Office: Unit 3, Clive Court, Bartholomew's Walk, Cambridge Business Park, Ely, Cambridgeshire CB7 4EA

** Registered Office: Dqm House, Baker Street, High Wycombe, Buckinghamshire, England, HP11 2RX

*** Dormant subsidiaries which have taken advantage of the s394A exemption from preparing individual accounts.

10. Goodwill

	Total £
Cost	
At 1 April 2017 & 31 March 2018	—
Additions	6,693,234
At 31 March 2019	**6,693,234**

The Directors have assessed the carrying value of the goodwill arising on the acquisition of DQM on the basis of consideration of both fair value less costs to sell and value in use in conjunction with the valuation of the business acquired in March 2019. Key assumptions included the discount rate of 15.6%, revenue growth rates consistent with market growth rates over a 5 year forecast period and a terminal growth rate of 2%. In view of the disclosures provided in notes 19 and 29 on the cost of the acquisition of DQM, the Directors do not consider that the disclosure of any further details concerning the carrying value of DQM is necessary. It is not considered that any reasonably possible changes in key assumptions as at 31 March 2019 would give rise to an impairment.

11. Intangible assets

	Marketing tools £	Publishing products £	Consultancy products and Courseware £	Software and Website costs £	Trademarks £	Customer relationships £	Total £
Cost							
At 1 April 2017	46,887	207,284	462,711	1,251,407	7,011	—	1,975,300
Additions	15,996	8,217	70,981	848,824	1,250	—	945,268
At 31 March 2018	62,883	215,501	533,692	2,100,231	8,261	—	2,920,568
Additions	—	71,778	164,601	2,052,389	—	—	2,288,768
Business acquired	—	—	—	187,698	455,889	1,843,201	2,486,788
Foreign exchange movement	—	—	(1,161)	—	—	—	(1,161)
At 31 March 2019	**62,883**	**287,279**	**697,132**	**4,340,318**	**464,150**	**1,843,201**	**7,694,963**
Accumulated depreciation							
At 1 April 2017	42,274	139,734	148,109	599,833	2,180	—	932,130
Charge for year	5,189	32,124	49,146	304,089	1,002	—	391,550
Foreign exchange movement	—	—	(6)	—	—	—	(6)
At 31 March 2018	47,463	171,858	197,249	903,922	3,182	—	1,323,674
Charge for year	7,357	31,310	55,555	515,973	1,025	—	611,220
Foreign exchange movement	—	—	(204)	—	—	—	(204)
At 31 March 2019	**54,820**	**203,168**	**252,600**	**1,419,895**	**4,207**	**—**	**1,934,690**
Net book value							
At 31 March 2019	**8,063**	**84,111**	**444,532**	**2,920,423**	**459,943**	**1,843,201**	**5,760,273**
At 31 March 2018	15,420	43,643	336,443	1,196,309	5,079	—	1,596,894
At 1 April 2017	4,613	67,550	314,602	651,574	4,831	—	1,043,170

Amortisation is included within administrative expenses.

All intangible assets have been developed internally with the exception of those arising on the business acquisition in the year (note 29).

The recoverable amounts of the CGU’s for the purpose of monitoring impairment are determined from value-in-use calculations.

A review of the carrying amounts of the Group’s non-current assets to determine whether there is an indication that these assets have suffered an impairment loss was carried out at the year-end. Due to the timing of the acquisition of DQM and the substantial amount of development in the year of new and enhanced products the Directors deemed it too early to establish the need for any impairment.

12. Property, plant and equipment

	Leasehold improvements £	Computer equipment £	Office equipment £	Total £
Cost				
At 1 April 2017	34,869	262,387	20,050	317,306
Additions	53,500	322,127	24,539	400,166
Foreign exchange movement	—	129	10	139
At 31 March 2018	88,369	584,643	44,599	717,611
Additions	50,162	162,362	21,705	234,229
Businesses acquired	768	—	20,893	21,661
Disposals	—	(12,990)	(1,848)	(14,838)
Foreign exchange movement	(203)	(133)	(117)	(453)
At 31 March 2019	**139,096**	**733,882**	**85,232**	**958,210**
Accumulated depreciation				
At 1 April 2017	15,755	154,185	14,712	184,652
Charge for year	7,985	95,566	5,393	108,944
Foreign exchange movement	—	(3)	(1)	(4)
At 31 March 2018	23,740	249,748	20,104	293,592
Charge for year	12,688	158,459	12,204	183,351
Disposals	—	(7,312)	—	(7,312)
Foreign exchange movement	(13)	(57)	(29)	(99)
At 31 March 2019	**36,415**	**400,838**	**32,279**	**469,532**
Net book value				
At 31 March 2019	**102,681**	**333,044**	**52,953**	**488,678**

At 31 March 2018	64,629	334,895	24,495	424,019
At 31 March 2017	19,114	108,202	5,338	132,654

Depreciation is included within administrative expenses.

Included within the computer equipment net book values above is £6,784 (2018: 18,509, 2017: £30,012) relating to assets held under finance leases.

13. Investments in equity-accounted joint ventures

The Group has a 50% interest in a joint venture, IBITGQ GmbH, a separate structured vehicle incorporated and operating in Germany. It was set up as a partnership together with GASQ Service GmbH dedicated to the provision of training and the continued professional development of information security, business resilience and IT governance professionals.

The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligations for liabilities of the joint arrangement resting primarily with IBITGQ GmbH. Under IFRS 11 the joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

The principal place of business of the joint operation is in Germany.

	2019 **£**
Additions	**10,995**
Loss for the period	**(746)**
Foreign exchange movement	**(208)**
	10,041

14. Inventories

	2019 **£**	2018 £
Finished goods for resale	**64,242**	76,171

	2019 **£**	2018 £
Amounts of inventories recognised as an expense during the period as cost of sales	**196,286**	40,532

	2019 **£**	2018 £
Amounts of inventories (written back)/impaired during the period	**9,773**	(5,011)

15. Trade and other receivables

	2019 **£**	2018 £
Trade receivables	**1,986,220**	2,228,899
Less: provision for impairment of trade receivables	**—**	—
Net trade receivables	**1,986,220**	2,228,899
Other receivables	**217,440**	66,427
Prepayments	**700,293**	341,983
	2,903,953	2,637,309

None of the Company’s trade and other receivables are secured by collateral or credit enhancements.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses on a collective basis. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on a similar credit risk and aging.

The Group’s policy for default risk over receivables is based on the on-going evaluation of the collectability and ageing analysis of trade and other receivables. Considerable judgement is required in assessing the ultimate realisation of these receivables, including reviewing the potential likelihood of default, the past collection history of each customer and the current economic conditions.

The Group uses a third party credit scoring system to assess the creditworthiness of potential new customers before accepting them. Credit limits are defined by customer based on this information. All customer accounts are subject to review on a regular basis by senior management and actions are taken to address debt ageing issues. The Directors believe that there is no requirement for a provision.

All of the Group's trade and other receivables have been reviewed for indicators of impairment.

The Directors consider that the carrying amount of trade and other receivables approximates to the fair value. Included in the Group's trade receivable balance as at the year end were customer balances with a carrying amount of £1,349,933 (2018: £641,885) which are past due at the reporting date for which the Group has not recorded a provision as the Directors believe the amounts to be recoverable in full, with an immaterial remaining exposure for amounts remaining uncollected at the date the financial statements were approved and authorised for issue.

The expected loss rates are based on the Group's historical credit losses experienced over a two year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomics factors affecting the Group's customers. The Group has identified gross domestic product growth rates, employment rates and inflation rates as the key macroeconomics factors in the countries in which the Group operates. The calculated expected credit loss allowance for the current and prior reporting periods has not been included as an impairment provision as the directors consider it to be immaterial.

The maturity profile of trade and other receivables is set out in the table below:

	2019	2018
	£	£
In one year or less, or on demand	**2,903,953**	2,637,309

The analysis of trade and other receivables by foreign currency is set out in the table below:

	2019	2018
	£	£
UK pound	**2,712,859**	2,637,309
US dollars	**8,572**	—
Euro	**182,522**	
	2,903,953	2,637,309

The Group's foreign currency receivables are denominated in the functional currency of the subsidiaries in which they arise. There is no impact on the loss for the year from foreign exchange rate movements on such financial instruments.

16. Cash and cash equivalents

	2019	2018
	£	£
Cash at bank (GBP)	**609,493**	5,447,646
Cash at bank (EUR)	**16,096**	17,378
Cash at bank (USD)	**6,850**	90,653
Cash at bank (AUD)	**6,902**	960
Cash at bank (other currencies)	**(139)**	939
	639,202	5,557,576

All significant cash and cash equivalents were deposited with major clearing banks with at least 'A' rating. Details of bank overdrafts are given in note 18.

17. Trade and other payables

Amounts falling due within one year:

	2019	2018
	£	£
Trade payables	**1,999,981**	1,516,315
Other taxation and social security	**868,644**	1,019,555

Other payables	**169,965**	141,046
Deferred income	**971,020**	1,394,946
Accruals	**357,609**	564,403
	4,367,219	4,636,265

18. Borrowings

	2019 **£**	2018 £
Secured – at amortised cost		
– Bank overdrafts	**492,411**	—
– Bank loans	**—**	2,297
– Other loans	**28,143**	77,212
	520,554	79,509
Current	**520,554**	51,366
Non-current:		
– 1-2 years	**—**	28,143
	520,554	79,509

Summary of borrowing arrangements

The Group has an overdraft facility which comprised £500,000 at the end of 2019 (2018: £nil). The facility is uncommitted and secured with fixed and floating charges over the assets of the Group.

The Group has a number of loans in the periods presented. These are secured with fixed and floating charges over the assets of the Group and are summarised as follows:

1.	Funding circle loan 3 – £140,640 in October 2014 over five years at 14.69% APR interest.
2.	Directors' Pension scheme loan – £70,000 in October 2014 over five years at 9.5% APR interest.
3.	Invoicing discounting facility acquired within the DQM acquisition.
4.	Unsecured loan facility provided by Andrew Brode at an interest rate of 5% above the Bank of England Base rate to provide additional working capital. The facility will be available to the Group until at least 31 December 2020 and will automatically renew for a further 12 months unless terminated by either party.

19. Financial instruments – Risk Management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Foreign exchange risk
- Other market price risk, and
- Liquidity risk.

In common with all other businesses, the Group is also exposed to risks that arise directly from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

I. Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Bank overdrafts
- Floating-rate bank loans
- Fixed rate bank loans
- Other loans

II. Financial instruments by category

Financial assets

	Fair value through profit or loss		Amortised cost	
	2019	2018	**2019**	2018
	£	£	**£**	£
Cash and cash equivalents	**—**	—	**639,202**	5,557,576
Trade and other receivables	**—**	—	**1,986,220**	2,228,899
Total financial assets	**—**	—	**2,625,422**	7,786,475

All of the above financial assets' carrying values are approximate to their fair values, as at each reporting date disclosed.

Financial liabilities

	Fair value through profit or loss		Amortised cost	
	2019	2018	**2019**	2018
	£	£	**£**	£
Trade and other payables	**—**	—	**2,357,590**	2,228,899
Borrowings	**—**	—	**520,554**	79,509
Finance lease payables	**—**	—	**5,667**	15,183
Deferred consideration	**3,747,025**	—	—	**—**
Total financial liabilities	**3,747,025**	—	**2,883,811**	2,323,591

All of the above financial liabilities' carrying values are considered by management to be approximate to their fair values, as at each reporting date disclosed.

III. Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables approximate their fair value.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables and borrowings approximates their fair value.

IV. Financial instruments measured at fair value

Classification of financial instruments

The fair value hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities.

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).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The Group did not hold any level 1 or 2 financial instruments in any of the periods presented.

31 March 2019

The reconciliation of the opening and closing fair value balance of level 3 financial instruments which comprises the Group's deferred consideration liability is provided below:

	Deferred consideration
	£
At 1 April 2018	**—**
Arising on acquisition (note 29)	**3,747,025**
At 31 March 2019	**3,747,025**

There have not been any changes to the amount recorded between initial recognition of the liability on 5 March 2019 and 31 March 2019. There is limited estimation uncertainty, and expected to be no material change in the value, as the measurement period for determining the amount payable has already concluded.

Any deferred consideration payable is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the deferred consideration are recognised in profit or loss.

The fair value of deferred consideration is calculated using the income approach based on the expected amounts and their associated probabilities (i.e. probability – weighted).

31 March 2018

At 31 March 2018 the Group did not hold any level 3 financial instruments.

20. Financial instrument risk exposure and management

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure that effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports from the Group Finance Director through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Group's internal auditors also review the risk management policies and processes and report their findings to the Audit Committee.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

The Group's credit risk is primarily attributable to its trade receivables, which are presented in note 15.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty, its counterparties have similar characteristics being small to medium sized UK businesses with a number of blue-chip organisations now being serviced by the Group following the DQM acquisition. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk on liquid funds is limited because the third parties are large international banks with a credit rating of at least A.

The Group's total credit risk amounts to the total of the sum of the receivables and cash and cash equivalents. At the 2019 year end, this amounts to £2,625,422 (2018: £7,786,425; 2017: £1,296,287).

Interest rate risk

The Group has secured debt consisting of bank overdrafts, bank loans and other loans.

The interest on most of the loans (with the exception HSBC bank loan) is fixed. A variable rate interest applies to the overdraft which is a short-term liability, and therefore interest rate risk is considered to be limited.

The Group's only other exposure to interest rate risk is the interest received on the cash held on deposit, which is immaterial.

Foreign exchange risk

Most of the Group's transactions are carried out in GBP. Exposures to foreign currency exchange rates arise from the Group's overseas sales and purchases, which are denominated in a number of currencies, primarily USD, EUR and AUD. Cash balances held in these currencies are relatively immaterial (see note 16) and transactional risk is considered manageable due to the values involved.

The Group does not hold material non-GBP balances and currently does not consider it necessary to take any action to mitigate foreign exchange risk due to the immateriality of that risk.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances to ensure the Group can meet liabilities as they fall due, and ensuring adequate working capital using invoice financing arrangements.

In managing liquidity risk, the main objective of the Group is, therefore, to ensure that it has the ability to pay all of its liabilities as they fall due. The Group monitors its levels of working capital to ensure that it can meet its debt repayments as they fall due.

The table below shows the undiscounted cash flows on the Group's financial liabilities as at 31 March 2019 and 2018, on the basis of their earliest possible contractual maturity

At 31 March 2019

	Total	**On Demand**	**Within 2 months**	**Within 2-6 months**	**6-12 months**	**1-2 years**	**Greater than 2 years**
	£	**£**	**£**	**£**	**£**	**£**	**£**
Trade payables	**1,999,981**	**—**	**1,999,981**	**—**	**—**	**—**	**—**
Accruals	**357,609**	**—**	**—**	**357,609**	**—**	**—**	**—**
Finance lease payables	**5,667**	**—**	**1,889**	**1,889**	**1,889**	**—**	**—**
Bank overdrafts	**492,411**	**492,411**	**—**	**—**	**—**	**—**	**—**
Other loans	**32,236**	**—**	**9,210**	**18,421**	**4,605**	**—**	**—**
Contingent consideration	**3,747,025**	**—**	**—**	**3,547,025**	**200,000**	**—**	**—**
	6,634,929	**492,411**	**2,011,080**	**3,924,944**	**206,494**	**—**	**—**

At 31 March 2018

	Total	On Demand	Within 2 months	Within 2-6 months	6-12 months	1-2 years	Greater than 2 years
	£	£	£	£	£	£	£
Trade payables	1,516,315	—	1,516,315	—	—	—	—
Accruals	564,403	—	—	564,403	—	—	—
Finance lease payables	15,183	—	1,888	3,814	3,814	5,667	—
Bank loans	62,771	—	4,829	9,657	14,485	28,971	4,829
Other loans	235,256	—	17,221	34,441	35,563	63,667	84,364
	2,393,928	—	1,540,253	612,315	53,862	98,305	89,193

21. Capital management

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide long-term returns to shareholders.

The Group defines and monitors capital on the basis of the carrying amount of equity plus its outstanding loan notes, less cash and cash equivalents as presented on the face of the balance sheet as follows:

	2019	2018
	£	£
Equity	**7,356,073**	5,900,346
Borrowings (note 18)	**28,143**	79,509
Less: cash and cash equivalents (note 16)	**(146,791)**	(5,557,576)
	7,237,425	422,279

The Board of Directors monitors the level of capital as compared to the Group's commitments and adjusts the level of capital as is determined to be necessary by issuing new shares or adjusting the level of debt. The Group is not subject to any externally imposed capital requirements.

22. Dividends

	2019	2018
	£	£
Ordinary shares		

Interim dividend for the year ended 31 March 2018	—	731,320
Final dividend for the year ended 31 March 2018	—	220,000
Total dividends provided for or paid	—	951,320
Dividends paid in cash or satisfied by offset against directors' loan receivable.		
Paid in cash	—	386,500
Satisfied by offset against directors' loan receivable.	—	564,820
	—	951,320

Dividends of £731,320 were declared to Alan Calder by IT Governance Limited in December 2017. An additional £220,000 was subsequently declared as a final dividend payment from IT Governance Limited to Alan Calder on 31 December 2017. Of the Dividends declared and paid £386,500 was settled in cash and the remainder was offset against Alan Calder's directors loan receivable.

23. Leasing arrangements

Operating leases

Operating leases primarily relates to land and buildings, and photocopiers.

The Group does not have an option to purchase any of the operating leased assets at the expiry of the lease periods.

Payments recognised as an expense are disclosed in note 4.

Aggregate future minimum lease payments under non-cancellable operating lease commitments.

	2019 **£**	2018 £
Land and buildings		
Not later than one year	**198,460**	124,107
After one year and not later than five years	**588,913**	450,136
After five years	**237,345**	318,721
	1,024,718	892,964

Finance leases

The Group leased certain items of its equipment under finance leases.

The Group's obligation under finance leases are secured by the lessors' title to the leased assets.

Finance lease liabilities minimum lease payments:

	2019 **£**	2018 £
Not later than one year	**5,667**	9,516
After one year and not later than five years	**—**	6,021
After five years	**—**	(354)
	5,667	15,183

Finance lease liabilities are included in liabilities:

	2019 **£**	2018 £
Current	**5,667**	9,516
Non-current	**—**	5,667
	5,667	15,183

24. Retirement benefit plans

Benefits from the contributory pension schemes to which the Group contributes are related to the cash value of the funds at retirement dates. The Group is under no obligation to provide any minimum level of benefits.

The assets of the schemes are administered by trustees in funds independent of the Group.

During the year £33,000 was recognised in the Income Statement in relation to pension contributions (2018: £33,400). As at 31 March 2019, £nil is payable to pension schemes (2018: £nil).

25. Share capital

The total allotted share capital of the Company is:

	2019 Number	**£**	2018 Number	£
Ordinary shares of £0.001 each	**64,484,172**	**64,484**	57,462,940	57,463

Issue of shares by GRC International Group

During the year ended 31 March 2019, shares were issued by GRC International Group as follows:

	Number	**Share capital £**	**Share premium £**	**Total proceeds £**
Ordinary shares of £0.001 each				
Allotments:				
1 April 2018	**57,462,940**	**57,463**	**4,792,828**	**4,850,291**
1 March 2019	**5,000,000**	**5,000**	**4,995,000**	**5,000,000**
Cost of share issue	**—**	**—**	**(200,000)**	**(200,000)**
5 March 2019	**2,021,232**	**2,021**	**—**	**2,021**
	64,484,172	**64,484**	**9,587,828**	**9,652,312**

During the year ended 31 March 2018, further to the restructuring of the Group to add GRC International Group as the holding company of the Group, shares were issued by GRC International Group as follows:

	Number	Share capital £	Share premium £	Total proceeds £
Ordinary shares of £0.001 each				
Allotments:				
1 February 2018 – share-for-share issue to add GRC International Group as Parent Company of the Group	10,050,236	50,251	—	50,251
12 February 2018	2,352	12	5,028	5,040
Share split	40,210,352	—	—	—
5 March 2018	7,200,000	7,200	5,032,800	5,040,000
Cost of share issue	—	—	(245,000)	(245,000)
	57,462,940	57,463	4,792,828	4,850,291

Rights and obligations

GRC Group International has one class of ordinary share. All shares rank pari passu in all respects, and the holders of all shares shall have the right (in particular) to receive notice of, and to attend and vote at, general meetings of the Company.

26. Share-based payments

The Group operates a share option scheme to which the employees of the Group may be invited to participate by the Remuneration Committee.

If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

As at 31 March 2017, 12,000 options in IT Governance Limited were exercisable at £0.44 per share, 1,668 options were exercisable at £19.00 per share. The options were to be settled in equity once exercised. All of the options had vested prior to the date of transition to IFRS. IT Governance adopted the exemption from applying IFRS 2 to options granted after 7 November 2002 and vested before the IFRS transition date.

These options have been cancelled during the prior year following the restructuring of the Group.

GRC International Group issued options during the prior year, including the holders of the former options in IT Governance described above as replacement for the cancellation of those options.

Details of the number of share options and the weighted average exercise price ("WAEP") outstanding during the year are as follows:

2019

	Number of options	**WAEP £**
Outstanding at the beginning of the year	**2,360,680**	**0.08**
Outstanding at the year end	**2,460,680**	**0.08**
Number vested and exercisable at 31 March 2018	**2,203,180**	**0.06**

2018

	Number of options	WAEP £
Outstanding at the beginning of the year (IT Governance)	13,668	2.71
Cancelled	(13,668)	(2.71)
Replacement options issued by GRC International Group	406,784	0.12
New options issued in GRC International Group	65,352	2.14
Options numbers and exercise price adjusted following share split	1,888,544	(0.32)
Outstanding at the year end	2,360,680	0.08
Number vested and exercisable at 31 March 2018	2,203,180	0.06

The fair values of share options issued or extended in the current financial year were calculated using the Black-Scholes model as follows:

Date of grant	12 Feb 18	12 Feb 18	12 Feb 18
Number granted	31,500	31,500	2,352
Share price at date of grant	£3.50	£3.50	£3.50
Exercise price	£2.14	£2.14	£2.114
Expected volatility	59.93%	59.93%	59.93%
Expected life from date of grant (years)	5.00	5.50	5.00
Risk free rate	1.14%	1.14%	1.14%
Expected dividend yield	0%	0%	0%
Fair value/incremental fair value at date of grant	£69,463	£71,196	£5,187
Earliest vesting date	12 Feb 18	31 Mar 19	12 Feb 18
Expiry date	12 Feb 28	12 Feb 28	12 Feb 28

Expected volatility was determined based on the average historic volatility of a pool of comparable companies' shares. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behaviour considerations.

The Group recognised total expenses of £63,285 in relation to share options accounted for as equity-settled share-based payment transactions (2018: £82,560) in relation to options issued to Directors– these were recognised as expenses in the Income Statement.

27. Related party transactions

Key management personnel are identified as the Directors, including non-statutory directors, and their remuneration is disclosed as follows:

	2019 £	2018 £
Remuneration of key management		
Remuneration	**550,356**	628,250
Social security costs	**69,575**	82,166
Share-based payment charge	**63,285**	82,560
Pension contributions to defined contributions scheme	**35,419**	34,479
	718,635	827,455

Year ended 31 March 2019

The Group held no balance for the Director Loan Accounts as at 31 March 2019.

Year ended 31 March 2018

The Group held no balance for the Director Loan Accounts as at 31 March 2018.

Please refer to note 22 for details of dividends paid to Alan Calder.

Other related party borrowings transactions are as follows

	Directors' pension scheme		
	£66,000 loan	£70,000 loan	Total
Principal			
At 1 April 2017	11,119	40,272	51,391
Loans repaid	(11,119)	(14,433)	(25,552)
At 31 March 2018	—	25,839	25,839
Loans repaid	—	(15,866)	(15,866)
At 31 March 2019	**—**	**9,973**	**9,973**
Interest			
At 1 April 2017	—	—	—
Interest accrued	97	1,775	1,872
Interest paid	(97)	(1,775)	(1,872)
At 31 March 2018	—	—	—
Interest accrued	—	4,419	4,419
Interest paid	—	(4,419)	(4,419)
At 31 March 2019	**—**	**—**	**—**

Alan Calder and his wife are the trustees of the IT Governance Pension Fund.

All loan notes terms' are described in note 18. Interest is accounted for on an effective interest basis and included within borrowings on the balance sheet.

Other related party transactions are as follows

Xanthos Limited is considered a related party entity as Alan Calder is a co-owner of that company with his spouse (who runs the business).

Xanthos sub-lets office space from the Group, which comprises the other income received by the Group. Transactions were carried out on an arm's length basis. Outstanding amounts due from Xanthos at 31 March 2019 totalling £nil (2018: £2,100).

The Group also makes purchases from Xanthos. During the year to 31 March 2019, the Group made purchases totalling £661,690 from Xanthos (2018: £464,052). Outstanding amounts payable to Xanthos at 31 March 2019 totalled £99,491 (2018: £27,709).

28. Ultimate controlling party

In the opinion of the Directors, there is no one individual who exercises control over the Group.

29. Business combinations during the period

On 5 March 2019 the Group acquired 100% of the voting equity instruments of DQM Group Holdings Limited, and its subsidiaries (see Note 9), a company whose principal activity is a provider of data consulting and technology solutions.

Details of the provisional fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value £	Adjustment £	Fair value £
Goodwill	—	6,693,234	6,693,234
Intangible assets:			
– Non-contractual customer lists and relationships	—	1,843,201	1,843,201
– Software	10,585	177,113	187,698
– Trade Name and Trademarks	—	455,889	455,889
Property, plant and equipment	21,662	—	21,662
Receivables	762,244	—	762,244
Cash	1,019,197	—	1,019,197
Payables	(926,218)	—	(926,218)
Deferred tax liability	(2,058)	(420,955)	(423,013)
Total net assets	885,412	8,748,482	9,633,894

Fair value of consideration paid

	Fair value £

Cash	3,532,134
Issued ordinary shares	2,354,735
Contingent cash consideration	2,248,215
Contingently issuable ordinary shares	1,498,810
Total consideration	9,633,894

The initial accounting for the business consideration is presently incomplete as permitted by IFRS 3, due to the recent timing of the acquisition.

The primary reasons for acquiring the business, aside from DQM being a profitable and cash generative business in in its own right, were as set out below:

- To extend the Group's existing offering to include high margin, data governance services
- To add market share to the Group, by introducing additional household name clients with on-going contracts
- To provide cross-selling and upselling opportunities through the companies' complementary offerings
- To broaden and strengthen the Group's second tier management team, through the retention of existing DQM management
- To add customer account management capability
- To provide strategic opportunities, such as enabling the Group to gain Data Privacy Seal accreditation
- To provide sector crossover, such as an increased financial sector exposure

In terms of methods of valuing contingent consideration, the cash is measured in line with the financial instruments note and the contingent shares will be issued at a price of 116.5p per share, as set out in the sale and purchase agreement.

Deferred consideration becomes payable within 5 days of the sign off of the "Earn-out Accounts", which are based on the statutory accounts for the DQM financial year ended 28 February 2019, calculated based on an agreed multiple of EBITDA of DQM, as defined in the sale and purchase agreement.

The goodwill arising on the DQM Group Holdings acquisition is not deductible for tax purposes.

Acquisition costs of £164,149 arose as a result of the transaction. These have been recognised as an exceptional expense included as part of administrative expenses in the statement of comprehensive income.

The main factors leading to the recognition of goodwill are the presence of certain intangibles assets, such as the assembled workforce of the acquired entity, which do not qualify for separate recognition.

Since the acquisition date, DQM has contributed £255,139 to Group revenues and £82,120 to Group profit. If the acquisition had occurred on 1 April 2018, Group revenue would have been £19,736,488 and Group loss for the period would have been £(4,323,183).

In relation to the element of the consideration which is settled by the issuance of shares, the Parent Company has recorded an amount equating to the difference between the fair value of the shares issued and their nominal value in a merger reserve, in accordance with the provisions of the Companies Act 2006 relating to merger relief.