7 September 2021

GRC International Group plc
("GRC" or the "Group")

Preliminary results for the year ended 31 March 2021

Strong Covid-19 recovery with momentum building through H2

EBITDA[2] positive Q4 signals an optimistic outlook

GRC International Group plc, a leading supplier of cyber security, risk management and compliance products and services, is pleased to report its unaudited results for the 12 months ended 31 March 2021.

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 29 September 2021 and will also be made available on the Company's website at www.grci.group.
The AGM will be held at 11.00 on Tuesday 21 October 2021 at GRC International Group plc, Unit 3, Clive Court, Bartholomew's Walk, Ely, Cambridgeshire, CB7 4EA.

Financial highlights

- Revenue down 16% to £11.8m (FY20: £14.1m) due to the pandemic.
- H2 revenue up 19% on H1 (H2: £6.4m vs H1: £5.4m).
- Calendar year H1 2021 billings up 26% on calendar year H2 2020 (H1 2021: £7.3m vs H2 2020: £5.8m).
- Substantial 21% reduction in overhead expenses to £8.9m (FY20: £11.2m) as a result of restructuring work in FY20 and management's close attention to cost control through FY21.
- EBITDA[2] loss reduced by 42% to £1.1m (FY20: £1.9m loss) notwithstanding the pandemic related reduction in revenue.
- Return to EBITDA positive trading in Q4 and for the quarter as a whole.
- Substantial 22% reduction in loss before tax of £2.8m (FY20; £3.7m).
- Basic loss per share reduced by 45% to 2.58p (FY20: Basic loss per share: 4.67p)
- Net cash at period end of £0.2m (FY20: £0.2m). Borrowings (excluding both bank overdraft and lease obligations) at period end were £1.3m (FY20 £1.8m).
- Net current liabilities have increased by £2.5m to £5.2m (FY20 £2.7m). The Group's full financial position including cash, borrowings, unused facilities and deferred payments to HMRC is disclosed in the Going Concern section of the Financial Review.
- Recurring revenue services generated 54% (FY20: 29%) of the monthly billings[1] in the financial year.
- H2 Recuring revenue billings[1] up 20% on H1 (H2: £3.6m vs H1: £3.0m).
- H2 Cyber security billings[1] up 25% on H1 (£H2: £4.5m vs H1: £3.6m).

Operational Highlights

- The Group's subsidiary IT Governance Ltd's pipeline increased by 3% in value from £3.1m at the end of FY20 to £3.2m at the end of FY21.
- Customers continue to turn to our website for advice throughout the pandemic. Website visits up by 3% to 3.7m (FY20: 3.6m).
- Successful switch to remote and online delivery model for all Group products and services.
- Permanent relocation of many staff to home working allowing savings on property costs from H2 FY21 and beyond.
- Increase in productivity and efficiency, with revenue per employee improving through the year.

[1] Billings equate to the total value (net of VAT) 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 UK-adopted International Financial Reporting Standards ("IFRS") but is considered to provide useful information to the users of the Group's financial information. Billings is considered by the Board to be a key metric for managing the business due to its direct relationship with cashflow. Cash receipts are driven by billings achieved each month rather than by revenue recognised in accordance with IFRS.
[2] EBITDA is defined in the Financial Review contained within this announcement.

Outlook

- Q1 FY22 continued the positive momentum and performance improvements seen through Q4 FY21.
- EBITDA[2] for Q1 FY22 was positive in each of the 3 months.
- Management is confident about the outlook for H2 FY22 and beyond.

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

Although we pivoted in March 2020 to delivering 98% of our services online, the pandemic meant that our billings and revenues dipped significantly in April 2020 before starting to recover in May and June. Encouragingly, from the end of November 2020 the Group has seen steady month-on-month increases in billings and a return to EBITDA-positive monthly trading in Q4. The March 2021 total monthly billings figure was the strongest achieved by the Group in the two years since March 2019. 45% of transactions in Q4 were from new customers, with the balance from returning existing customers.

This improving trend has continued strongly through Q1 of the new financial year.

Cost and cash management remained key areas for the management team throughout the year, during which we reduced Group overhead by £2.3 million (21%) from £11.2 million in FY20 to £8.9 million in FY21. £1.8 million (78%) of this saving was in staff costs and, although we drew to a limited extent on the UK Government furlough scheme (with a peak of less than 10% of our staff on furlough in May 2020) we finished the year with 148 staff (on a Full Time Equivalent basis), which is where we started FY20.

In a year of Brexit, COVID-19 and macro-economic uncertainty, the Group's focus on delivering value for its clients saw a 8% increase in cyber security as a percentage of total revenue, increasing from FY20 65% to FY21 73%; ongoing investment in product development, automation and software supported by a steady improvement in gross margin. 15 months after launching the first Group subscription service, there were a cumulative 3,600 subscribers to recurring revenue lines of business in Vigilant Software, GRC e-Learning, IASME Cyber Essentials, ITGP Toolkits, and GRCI Law, with a combined rolling annual churn rate of only 2.2%.

Our expertise, and how we deliver peace of mind to our customers, is made possible by our people and our commitment to retaining our experienced core staff throughout the pandemic, and to continue investing in automation and customer-facing software solutions, were two key factors that enabled us to handle the trading upturn in H2.

Our continued progress through FY21 is testament to GRCI's inherent nimbleness in developing new products and solutions swiftly to service our customers' 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, the Board believes that GRCI continues to be the only organisation in the market that can deploy a full suite of services to help clients respond to proliferating cyber security and privacy threats.

For all these reasons, the Board and I look forward to FY22 with enthusiasm.

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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

I am delighted to contribute to GRC International's Annual Report for the year ended 31 March 2021, the Group's fourth Annual Report since admission to the London Stock Exchange's AIM market in March 2018.

GRC International strives to provide a "one-stop shop" for cyber security and data compliance products and services delivered via a variety of channels. Whilst the Group is UK-Headquartered, its clients are global, and its strategic ambition is to become an international "one-stop shop", expanding its geographic footprint with overseas revenues exceeding domestic sales.

Developments over the last year have reinforced the Group's belief that cyber security, business continuity and privacy compliance issues are critical for the sustainability of ongoing business operations.

Your Board is confident that the Group is well positioned to deliver the products and services its clients will require to address these issues.

Performance

FY20 was a challenging year for the Group following the marked decline in GDPR activity, and the implementation of the necessary reductions in staff. FY21 was of course even more challenging, given the global impact of COVID-19. Management reacted swiftly to the restrictions posed by COVID-19, and driven by the need to protect our employees, was able to establish a working-from-home model in short order. Importantly, the Group put in place a pandemic response plan embracing the mitigating actions to respond to a significant drop in revenues and cash receipts, utilising government help and implementing exceptionally tight cost controls.

As a result, although revenues declined by 16% to £11.8 million, the loss for the year was reduced from £3.2 million to £2.6 million due to the annualised effect of FY20 cost reductions and restructuring and due to management's close attention to cost control in FY21. Within these numbers, I am pleased to note that the H2 performance was excellent with positive EBITDA in Q4 following a small EBITDA loss in Q3. The improvement in results began in November 2020 and has continued to the end of Q1 and into Q2 FY22.

People

In February 2021 Neil Acworth, the Group Chief Information Officer, left the Board. Since the year end, in May 2021 Steve Watkins, an Executive Director, also left the Board. Steve will continue thereafter as a special Board advisor, providing ongoing insight into developments in international standards.

The Board thanks Neil and Steve for all their hard work and considerable contribution over many years.

Their responsibilities have been assumed by our experienced management team.

The extraordinary impact of the pandemic on the global economy has placed significant pressures upon our staff, who have performed exceptionally well in largely unfamiliar circumstances. GRC is essentially a people business and depends upon the skills, passion and commitment of the entire workforce to provide the quality of service our clients demand. On behalf of the Board, I would like to place on record our thanks for rising to all the challenges they encountered.

Outlook

Whilst the Group continues to be unable to provide financial guidance for FY22, the results for Q1 of FY22 are encouraging and in line with management's expectations. We are managing our cash position within agreed parameters and look forward to a post pandemic business environment confident that our global markets will grow significantly over the medium to long term.

Andrew Brode

Chairman

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 regulatory pressure for data security and privacy and a growing demand for data processing transparency.

Although data protection complaints received by the Information Commissioner's Office in the UK decreased marginally from 38,514 in 2019/20 to 36,607 in 2020/21, the FBI's IC3 2020 Internet Crime Report shows 791,790 suspected internet crime reports (an increase of 300,000, around 60%, on the prior year) costing, globally, more than US$4.2 billion.

The COVID-19 pandemic accelerated corporate technology-enablement and digitalisation as organisations were forced to rely heavily on digitally-stored information, shared in vast quantities both internally and externally. This increases the opportunity for data to fall victim to a cyber-attack, resulting in potentially devastating impacts to an organisation's bottom line and reputation.

Although businesses around the world are recognising the criticality of taking action, the pandemic created conflicting priorities in which cyber security activity sometimes took a back seat. 81% of executives said that the pandemic forced them to bypass cybersecurity processes (Ernst & Young 2018-19 Global Information Security Survey ("GISS")) . Cyber security, nevertheless, is still a 'high priority' for 77% of company senior managements (UK Government Cyber Security Breaches Survey 2021). Many organisations are currently outsourcing cyber security functions, including functions of their security operations centres.

Ernst & Young also reported that 77% of organisations had seen a clear increase in cyberattacks in comparison with the previous year, while threat actors have hit a new level of maturity and went on to say: "Attackers are targeting a growing surface area and their tactics are increasingly unpredictable. Just one in three respondents is confident in their ability to make the supply chain suitably robust or water-tight".

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, EU GDPR and, since Brexit, UK GDPR as well as a patchwork of state-level laws in the USA) 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 cyber security 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 US$243.6 billion by 2025, equating to a CAGR of 11.7% between 2020 and 2025 (VynZ Research).
- Cyber security Ventures predicted cybercrime will continue rising and would cost businesses globally more than US$5.2 trillion over the next five years.
- Average total to identify and contain a breach in 2019: 280 days (Accenture-Ponemon Institute Cost of Cybercrime Study 2020).
- Average total cost of a cyber breach in 2019: US$3.86 million (Accenture-Ponemon Institute Cost of Cybercrime Study 2020).
- Where cyber security skills were concerned, 82% of employers report a shortage of cyber security skills and 61% of companies thought their cyber security applicants were not adequately qualified.

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.

Chief Executive Officer's Review

A year of two halves

After the Coronavirus-induced economic uncertainty and commercial retraction that heavily impacted H1 FY21, the Group saw significant improvements in performance across all areas of its business in H2, culminating with strong Q4 revenue that generated positive EBITDA and positive cash flow for the quarter.

The performance improvement started at the end of November 2020, continued through Q4 and into the new financial year and is reflected in all our key performance indicators:

	H1 FY21	H2 FY21	Change
Total billings	£5.6m	£6.7m	+20%
Total billings per FTE	£39k	£46k	+18%
Cyber security billings	£3.6m	£4.5m	+25%
Recurring & contracted billings	£3.0m	£3.6m	+20%
Website billings	£1.5m	£2.5m	+67%
Website visits	1.7m	1.9m	+12%

Note: The 'Cyber security', 'Recuring and contracted' and 'Website' categories in the table above are non-exclusive. An invoice or web sale can feature in more than one category.

- The March 2021 total monthly billings figure was the strongest achieved by the Group in the two years since March 2019.
- 45% of transactions in Q4 were from new customers, with the balance from returning existing customers.
- 15 months after launching the first Group subscription service, there were a cumulative 3,600 subscribers to recurring revenue lines of Business in Vigilant Software, GRC e-Learning, IASME Cyber Essentials, ITGP Toolkits, and GRCI Law, with a combined rolling annual churn rate of only 2.2%.

Cost management across the year

Although we pivoted in March 2020 to delivering 98% of our services online, the COVD -19 induced recession meant that our billings and revenues dipped significantly in April 2020 before turning up again in May and June.

Cost and cash management therefore remained key areas for the management team throughout the year, during which we reduced Group overhead by £2.3 million (21%) from £11.2 million in FY20 to £8.9 million in FY21. £1.4 million (61%) of this saving was in staff costs and, although we drew to a limited extent on the UK Government furlough scheme, receiving a total of £0.1 million in payments, (with a peak of less than 10% of our staff on furlough in May 2021) we finished the year with 148 FTEs (Full Time Equivalents), which is where we started FY20. Cash management was aided by the deferral of certain HMRC liabilities, as is fully explained in the Financial Review.

Our expertise, and how we deliver peace of mind to our customers, is made possible by our people and our commitment to retaining our experienced core staff throughout the pandemic, and to continue investing in automation and customer-facing software solutions, were two key factors in enabling us to manage the trading upturn in H2.

Divisional overview

The Group has three operating divisions: e-Commerce, Software as a Service (SaaS) and Professional Services.

e-Commerce division (21% of Group billings – (35)% YoY change)

The Group operates multiple business-to-business (B2B) e-commerce websites, which provide market-leading information across the broad range of cyber security and privacy issues that concern today's organisations, and which also provide a route to market for the majority of products and services. The IT Governance-branded One Stop Shop is, for a growing number of organisations, their single source for information, products and services that help them survive today's cyber threats, comply with a growing range of privacy regulations and building thriving, successful businesses.

The key products sold through our IT Governance e-commerce websites are:

- Instructor-led Professional training and qualifications *(58% of Division billings)*
- Self-paced (distance) learning courses and qualifications *(13% of Division billings)*
- e-Books, audio books and international standards *(29% of Division billings)*

SaaS division (19% of Group billings – (12)% YoY change)

The SaaS division contains our high volume, high margin software-enabled or software as a service platforms. While the gross margin achieved on our IASME Cyber Essentials certification service is relatively low, the gross margin on the other lines of business is in excess of 90%.

The SaaS division consists of:

- Vigilant Software's CyberComply Risk and Compliance management platform *(14% of Division billings)*

- The IASME Cyber Essentials certification service *(43% of Division billings)*
- The GRC e-Learning Staff Awareness platform *(43% of Division billings)*

Professional Services division (60% of Group billings – (1)% YoY change)

Our professional services division delivers high value consultancy services that help clients tackle their cybersecurity and privacy governance and compliance challenges.

The professional services division consists of:

- **IT Governance** consulting services for *(48% of Division billings)*
    - ISO27001 and information security management systems
    - Cyber security consultancy
    - Penetration testing
    - PCI DSS consultancy
- **DQM GRC** consulting services for *(33% of Division billings)*
    - Privacy and GDPR
    - Data quality management
    - Data compliance and licence management
- **GRCI Law's** *(13% of Division billings)*
    - Privacy as a Service
    - Legal and contract services
    - EU and UK Rep services
    - Data breach response services

Repeat and contracted billings, across the Group, totalled £6.6 million, 54% of total billings; this is an increase of 4% on FY20 and reflects our ongoing investment in improving the visibility and resilience of our revenues.

Our businesses in the EU and the USA both made steady progress through the year. Whilst both are still small businesses and do not yet offer the full range of products and services that are available through our UK websites, encouragingly they both won new clients, and both made positive EBITDA contributions to the Group.

Carbon footprint

Our pivot, shifting the majority of our staff to permanent home working contracts, and delivering the majority of our services online, has enabled us to complete the shift to a virtually paper-free operation, as well as almost eliminating the more substantial areas in our carbon footprint. Our offices, and travel for work, were both important carbon contributors and we have largely eliminated travel for work while also reducing our ongoing office space by approximately 40%.

These three changes – paperless office, travel reduction and office space reduction take us as an organisation to having a very low carbon footprint.

Summary

Our continued progress through FY21 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 and privacy 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.

The cyber security 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 across all three of our divisions.

The trajectory of the recovery from the pandemic remains unclear; we nevertheless believe we are well-placed to serve the growing, and global, cyber security market. In FY22, we intend to scale up our business to better service clients and enable us to grow margin-accretive, recurring revenues. 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.

Alan Calder

Chief Executive Office

Financial Review

Following a year of restructuring and rebuilding in FY20 the Board were looking forward to a year of profitable growth in FY21 and were encouraged by the EBITDA positive Group performance in Q4 of FY20. Unfortunately, the onset of the global COVID-19 pandemic in the first quarter of calendar 2020 and its unprecedented impact on daily life and the economy meant that plans and expectations needed to be substantially revised. Never-the-less, I am delighted to report that the Group has not only navigated the pandemic but has built strong momentum in FY21 H2, returning to EBITDA positive performance in Q4.

The Group's H1 performance very much followed the mood of the nation. The national lockdown imposed at the end of March 2020 closed significant parts of the economy, and those businesses that were operational focused on short term survival. This led to an immediate reduction in monthly billings as customers delayed projects and cut back on spend not deemed to be immediately business critical. The Group initially saw a strong V-shaped recovery followed by a summer of mixed results as the economy struggled to keep up with regularly changing restrictions and government guidance, along with the realisation that the pandemic was set to last longer than most had initially expected.

However, from the end of November the Group evidenced that customers had begun to have improved confidence in the roadmap back to economic recovery and/or had simply accepted that they had to get on with doing business in an uncertain environment, recognising that dealing with their cyber risks was a key part of that. The Group built strong positive momentum through the remainder of the year, delivering consistently EBITDA positive results through the final months of FY21 and continuing into FY22.

Revenue

Overall revenue in FY21 was down 16% to £11.8 million (FY20: £14.1 million).

Revenue was significantly impacted by the pandemic in H1, with revenue down 24% compared to H1 FY20 at £5.4 million (H1 FY19: £7.1 million).

H2 revenue of £6.4 million (FY20 H2: £7.0 million) showed somewhat of a return towards normalised trading. Significantly, revenue of £3.5 million in Q4 (up 21%) compared to £2.9 million in Q3 demonstrates the momentum as the year ended. Additionally, February and March 2021 saw a significantly higher value of invoices raised for future delivered work than had typically been seen in the year. Although these invoices did not aid the FY21 revenue result, as work is completed for customers they will be released as revenue in H1 FY22, a further sign of business and economic recovery.

The Group has four key revenue streams:

- Consultancy and similar services
- Publishing and Distribution
- Software
- Training

As shown in the tables below, whilst all revenue streams were impacted by the pandemic, it was the training revenue that declined most significantly, being the typical type of non-contracted, short term 'discretional' spend that customers delayed. The continually improving levels of recuring revenue and longer term contract revenue in other revenue streams ensured that the overall decline was not as severe as it otherwise could have been. The training business has seen solid improvement through H2 and into FY22.

£'000	Consultancy and similar services	Publishing and Distribution	Software	Training	Total
FY17	2,898	1,042	410	2,483	6,833
FY18	5,274	1,649	399	8,366	15,688
FY19	7,228	1,337	1,513	5,771	15,849
FY20	8,635	977	1,356	3,178	14,146
FY21	8,106	750	1,147	1,757	11,760

Year on Year %	Consultancy and similar services	Publishing and Distribution	Software	Training	Total
FY18	82%	58%	(3)%	237%	130%
FY19	37%	(19)%	279%	(31)%	1%
FY20	19%	(27)%	(10)%	(45)%	(11)%
FY21	(6)%	(23)%	(15)%	(45)%	(16)%

£'000	UK	Non-UK	Non-UK %
FY17	5,525	1,308	19%
FY18	12,666	3,022	19%
FY19	12,886	2,962	19%
FY20	11,680	2,466	17%
FY21	9,667	2,093	18%

Gross profit

Gross profit was down 25% to £6.1 million (FY20: £8.1 million) compared with the prior year. Gross profit as a percentage of sales was down 500 basis points on the prior year at 52% (FY20: 57%). The majority of the Group's direct cost base relates to headcount costs for consultants and client delivery staff. The sudden and dramatic revenue drop in the early part of the year meant that sales revenue was temporarily out of alignment with the Group's costs. Where possible, the Group took advantage of government furlough schemes to reduce of impact of reduced staff underutilisation to a manageable level, whist also retaining and supporting the staff resource it needed as the extraordinary trading circumstances experienced through H1 began to normalise and revenue returned towards pre COVID-19 levels. The Group received a total of £0.1 million in government furlough scheme payments during the period.

Whilst gross margin for the year as a whole was lower than usual, the margins achieved in Q4 were much more in line with management expectations at above 60% and improving month on month through the quarter.

Operating expenses

Other operating expenses (excluding share-based payment expenses and exceptional costs) decreased by £2.3 million to £8.9 million, down 21% (FY20: £11.2 million).

The Group worked hard in FY20 to restructure and reduce overhead spend. The cost reduction in H1 FY21 was the result of action taken in FY20 combined with management retaining a strong focus on cost reduction into FY21. Whilst management held back on discretional spend through the pandemic, the significant reduction in costs in the main is not a reaction to the COVID-19 trading environment but is much more a pre-planned part of the FY21 finance strategy.

By the end of FY21 overheads were running at an annualised run rate a further £0.5 million lower than the full year FY21 figure.

EBITDA

Although EBITDA (Earnings before interest, tax, depreciation and amortisation) is not a statutory measure, it is considered by the Board to be an important Key Performance Indicator that is helpful to investors. This is considered to be a more accurate measure of underlying business performance as it removes the impact of non-cash accounting adjustments.

Notwithstanding the COVID-19 pandemic related 16% reduction in revenue, EBITDA loss reduced by 42% to £1.1 million (FY20: £1.9 million loss).

Notably the EBITDA loss for the period was significantly smaller than the reduction in revenue. Since the reduction in revenue was caused by unusual trading circumstances and much of the Group's costs are fixed, the Board believes that a positive EBITDA would have been expected for the year on a normalised level of revenue. This belief is supported by the Q4 performance where the Group delivered EBITDA positive results for February and March and was EBITDA positive for the quarter as a whole.

£'000	Unaudited HY1 FY21	Unaudited HY2 FY21	FY21	FY20
Operating loss	(1,427)	(1,161)	(2,588)	(3,425)
Depreciation	157	193	350	386
Amortisation	502	605	1,107	1,180
EBITDA	(768)	(363)	(1,131)	(1,859)

Finance expense

The net finance expense of £247k (FY20: £222k) relates mainly to interest on the Group's borrowings (£187k) and IFRS 16 treatment of leases (£60k).

Loss before tax

Loss before tax was £2.8 million (FY20: £3.7 million).

Normalised loss before tax (defined as loss before tax excluding share-based payment expenses and exceptional costs) was £2.8 million (FY20: £3.3 million).

Taxation

A tax credit of £264k has been recognised in the period (FY20: £445k credit). The tax credit recognised relates primarily to the unwinding of deferred tax on the acquisition of DQM and a Research and Development tax credit. The Group has derecognised a deferred tax asset of £138k in IT Governance Europe Ltd to bring the accounting treatment in line with the rest of the Group. The Group has £1.3 million of deferred tax assets that are not recognised due to lack of certainty over the timing of future profits. As clarity on the timing of future profits crystallises the Group will look to recognise those assets and will utilise them as part of its overall tax planning approach.

Earnings per share

Loss per share was 2.58 pence (FY20: loss per share 4.67 pence).

Statement of financial position

Net assets were £6.9 million (31 March 2020: £9.4 million).

Net current liabilities at year end were up by £2.5 million from the prior year to £5.2 million (31 March 2020: £2.7 million).

The main factors in the overall increase in net current liabilities are the reduction in trade and other receivables of £0.6 million and the increase in trade and other payables of £2.6 million. The other payables increase arose mainly from the deferral of HMRC liabilities through the pandemic, as explained in the Going Concern section below.

Included within current liabilities balance of £7.2 million (31 March 2020: £5.4 million) is a deferred income balance of £1.1 million (31 March 2020: £0.9 million), relating to training and consultancy projects due to be delivered after the statement of financial position date.

The Board continues to pay close attention to the working capital management of debtors and creditors.

Intangible assets

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

No management time is capitalised, and neither is any proportion of overheads.

Additions of £1.2 million largely relate to software development of £0.9 million and consultancy and courseware products £0.2 million.

Cash flow and cash/debt

The Group's closing cash position was £0.2 million (FY20: £0.2 million).

The significant reduction in operating cash outflows before changes in working capital (FY21: £1.1 million, FY20: £1.9 million) is a reflection of the improvement in trading result during the period. The increase in trade and other payables during the year of £2.6 million largely relates to loans and payment deferrals associated with government support through the COVID-19 pandemic.

The Group has banking facilities to provide adequate headroom for unforeseen working capital requirements by way of 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 £700k at an interest rate of 5% above the Bank of England base rate to provide additional working capital is available to the Company until at least 31 December 2022 and shall automatically renew for a further 12 months unless terminated by either party. At the year end the loan facility was 50% drawn (31 March 2020: 100% drawn).

Borrowings (excluding both bank overdraft and lease obligations) at period end were £1.4 million (31 March 2020: £1.8 million) a decrease on the previous period as loans to support the working capital requirements during the restructuring in FY20 are paid down. A full schedule of Borrowings and terms are disclosed in note 9.

Going concern

The Group has recorded a loss for the year of £2.6 million (2020: £3.2 million) and at 31 March 2021 its current liabilities exceeded its current assets by £5.2 million (2020: £2.7 million). Notwithstanding this, 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.

As set out above, the Group went through a transitional year of restructuring in FY20 and was looking forward to a strong FY21, continuing its H2 FY20 momentum and anticipating profitable results for the year. However, the global COVID-19 pandemic led to an immediate reduction in monthly billings as customers delayed projects, reduced spend seen as not immediately critical to day-to-day operations and focussed on establishing new business processes and procedures to survive the short term. This unprecedented trading environment resulted in a reduction in revenues for April and May 2021, followed initially by a strong V-shaped recovery, but then a period of mixed results through the summer as the economy stuttered in an environment of ever-changing regulations and guidance. From late in Q3 the Group saw genuine performance improvements with momentum building through the rest of the year, and performance back to consistently positive monthly EBITDA before the year end and into the new financial year.

In response to the pandemic the Board revisited its FY21 and FY22 forecasts, increased the regularity of its short and medium term cash flow planning, implemented a number of key cost reduction measures and took advantage of government initiatives that have been introduced in the geographies that the Group operates in order to preserve liquidity, supplemented by deferring the payment of certain liabilities to HMRC which amounted to approximately £1.6 million. Additionally, in March 2021 certain subsidiaries of the group joined the HMRC VAT deferral scheme to defer repayment of VAT liabilities totalling £0.4m falling due in FY21 until FY22.

Notwithstanding some easing of trading conditions and subsequent improvement in performance since the outbreak of the global pandemic reached the United Kingdom (which represents around 82% of the Group's revenue in FY21), the Directors acknowledge that trading conditions will remain uncertain for the foreseeable future. Those uncertainties include:

- The possibility of further local or national restrictions.
- The lack of visibility over future levels of revenue in the context of weakened demand for the Group's products and services.
- Should the Group need to further reduce its scalable cost base, its ability to make those adjustments and realise the benefits from doing that on a timely basis.
- The continued availability of existing financing, including HMRC arrangements (see below), existing borrowings and flexibility allowed by suppliers.
- The ability to access new financing, including further government support in its various forms, sufficient to fund any further cash requirement over the foreseeable future.

To assess going concern the Directors prepared an integrated profit and loss, balance sheet and cash flow forecast by month to 31 March 2023. The Group's base case forecast identifies that through the going concern review period the Group is able to meet its liabilities as they fall due and make settlement of the outstanding HMRC liabilities through FY22 in equal monthly instalments. The majority of the deferred payroll tax liabilities owed are now covered by formal 'time to pay' repayment plans agreed with HMRC. The repayment plans differ across the trading entities within the Group, but all split the deferred balance into equal monthly instalments, with the full balance being repaid by September 2022, and the balance owing as at the date of this report being £1.0 million. The directors are in discussions with HMRC to agree the repayment plan for the remainder of the balance not yet covered by formal 'time to pay' arrangements and expect this to be formalised imminently.

Additionally, the Directors prepared a sensitised forecast to the base case forecast where the COVID-19 pandemic was more prolonged than envisaged by the Directors at the time (the 'worst case forecast'). This worst-case forecast assumes that revenues between August 2021 and March 2023 are 40% below the base case (marginally below those actually achieved in FY21) and that cost reduction measures, to reflect the reduced level of billings, have been effected. The worst-case forecast does not identify a potential cash flow shortfall in any month and includes the same assumptions for settlement of the outstanding HMRC liabilities as in the base case forecast.

The Directors are monitoring actual business performance and cash flow against the base case forecast and the worst-case forecast. Encouragingly, the Group has traded ahead of the revenue, EBITDA and cashflow expectations set out in the base case and the worst-case forecast. Furthermore, in the view of the Directors any temporary cash flow shortfall can be mitigated through the deferment or removal of selected planned marketing, capital expenditure and other scheduled cash outflows.

Based on the forecasts and the medium and longer term planning in place, the Directors have identified that they have a reasonable expectation of being able to reduce costs sufficiently in the required timeframe should revenue levels cause this to be necessary, and that the Group will remain within its currently available facility levels, none of which has any financial covenant compliance requirements. Central to those facilities is the £700,000 unsecured loan facility provided by Andrew Brode which is at present 50% utilised, and which remains in place until at least 31 December 2022, although the Group does also have access to additional liquidity through its invoice discounting facility, which is not currently utilised.

The Directors have reviewed the Group's forecasts and projections to 31 March 2023 which, taking account of reasonably possible changes in trading performance, show that the Group is able to generate sufficient liquidity to continue in operational existence for the foreseeable future. On this basis, the Directors believe that the Group will be able to generate sufficient cash through its normal business trading to enable it to continue its operations, and continue to meet, as and when they fall due, its planned and committed liabilities for at least the next twelve months from the date of this report. For this reason, the Directors continue to adopt the going concern basis in the preparation of its financial statements.

However, should the Group not be able to generate cash inflows sufficient to meet its current operational obligations and legacy deferred obligations as they fall due, it would need to secure additional funding with no guarantee such funding would be secured. These circumstances indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

As in FY20 statutory accounts, the Board expects that the Independent Auditor's Report will contain a material uncertainty related to going concern.

The financial statements do not include the adjustments that would be required should the going concern basis of preparation no longer be appropriate.

Capital structure

The issued share capital at 31 March 2021 was 99,931,509 ordinary shares of £0.001 each (31 March 2020: 99,577,589). There were no share options granted in the period to 31 March 2021, and the total number of unexercised share options at 31 March 2021 was 426,760 (31 March 2020: 780,680).

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 as set out in the Annual Report 2021. The one exception is 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 and cash/debt".

Chris Hartshorne

Finance Director

Consolidated Income Statement

For the year ended 31 March

	Notes	2021 £'000	2020 £'000
Revenue	**4**	**11,760**	14,146
Cost of sales		**(5,614)**	(6,082)
Gross profit		**6,146**	8,064
Administrative expenses:			
– Other administrative expenses		**(8,882)**	(11,230)
– Exceptional administrative expenses		**-**	(358)
Total administrative expenses		**(8,882)**	(11,588)
Other operating income		**148**	99
Operating loss		**(2,588)**	(3,425)
Net finance costs		**(247)**	(222)
Share of post-tax loss of equity accounted joint ventures		**-**	(4)
Loss before taxation		**(2,835)**	(3,651)
Taxation		**264**	445
Loss for the financial year		**(2,571)**	(3,206)
Loss for the financial year attributable to:			
Equity shareholders of the parent		**(2,571)**	(3,206)
Basic loss per share (pence)	**10**	**(2.58)**	(4.67)
Diluted loss per share (pence)	**10**	**(2.58)**	(4.67)

Consolidated Statement of Comprehensive Income

For the year ended 31 March

	2021 £'000	2020 £'000
Loss for the year	**(2,571)**	(3,206)
Other comprehensive profit/(loss) – items that may subsequently be reclassified to profit/loss:		
Exchange differences on translation of foreign operations	**4**	(6)
Other comprehensive profit/(loss) for the financial year, net of tax	**4**	(6)
Total comprehensive loss for the financial year	**(2,567)**	(3,212)
Total comprehensive loss to equity shareholders of the parent	**(2,567)**	(3,212)

Consolidated Balance Sheet as at 31 March

	Notes	2021 £'000	2020 £'000
Assets			
Non-current assets			
Goodwill	5	6,804	6,804
Intangible assets	6	5,765	5,706
Property, plant and equipment		426	783
Investments in equity-accounted joint ventures		7	7
Deferred tax asset		-	144
		13,002	13,444
Current assets			
Inventories		33	61
Trade and other receivables	7	1,694	2,247
Cash at bank		233	245
Current tax		-	76
		1,960	2,629
Current liabilities			
Trade and other payables	8	(5,986)	(3,629)
Borrowings	9	(863)	(1,446)
Contingent consideration		-	(100)
Lease liabilities		(197)	(201)
Current tax		(127)	-
		(7,173)	(5,376)
Net current liabilities		(5,213)	(2,747)
Non-current liabilities			
Borrowings	9	(460)	(401)
Lease liabilities		(83)	(286)
Deferred tax liability		(340)	(582)
		(883)	(1,269)
Net assets		6,906	9,428
Equity			
Share capital		100	100
Share premium		13,227	13,182
Merger reserve		4,276	4,276
Share-based payment reserve		126	171
Translation reserve		(8)	(12)
Accumulated deficit		(10,815)	(8,289)
Total equity		6,906	9,428

Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	Share capital £	Share premium £	Merger reserve £	Share-based payment reserve £	Retained earnings £	Translation reserve £	Total £
Balance at 1 April 2020	**100**	**13,182**	**4,276**	**171**	**(8,289)**	**(12)**	**9,428**
Loss for the year	–	–	–	–	(2,571)	–	(2,571)
Foreign exchange difference on consolidation	–	–	–	–	–	4	4
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(2,571)**	**4**	**(2,567)**
Shares issued	-	45	-	(45)	45	-	45
Deferred tax on share-based payments	–	-	–	-	–	–	-
Transactions with owners	**-**	**45**	**-**	**(45)**	**45**	**–**	**45**
At 31 March 2021	**100**	**13,227**	**4,276**	**126**	**(10,815)**	**(8)**	**6,906**

For the year ended 31 March 2020

	Share capital £	Share premium £	Merger reserve £	Share-based payment reserve £	Retained earnings £	Translation reserve £	Total £
Balance at 1 April 2019	**64**	**9,588**	**2,353**	**441**	**(5,083)**	**(6)**	**7,356**
Loss for the year	–	–	–	–	(3,206)	–	(3,206)
Foreign exchange difference on consolidation	–	–	–	–	–	(6)	(6)
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(3,206)**	**(6)**	**(3,212)**
Deferred tax on share-based payments	-	-	-	(269)	-	-	(269)
Shares issued	36	3,725	1,923	-	-	-	6,684
Cost of share issue	-	(131)	-	-	-	-	(131)
Transactions with owners	**36**	**3,594**	**1,923**	**(269)**	**-**	**-**	**5,284**
At 31 March 2020	**100**	**13,182**	**4,276**	**171**	**(8,289)**	**(12)**	**9,428**

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH

	Notes	2021 £'000	2020 £'000
Cash flows from operating activities			
Loss before tax		**(2,835)**	(3,651)
Depreciation		**350**	386
Amortisation		**1,107**	1,180
Loss on disposal of fixed assets		**4**	-
Foreign exchange gains		**(22)**	(22)
Share of post-tax profits of equity accounted joint ventures		**-**	4
Finance costs		**247**	222
Operating cash flows before changes in working capital		**(1,149)**	(1,881)
Net cash from operations			
Taxation refund		**187**	-
Decrease in inventories		**28**	3
Decrease in trade and other receivables		**588**	625
Increase/(decrease) in trade and other payables		**2,560**	(815)
Net cash Inflow/(outflow) from operating activities		**2,214**	(2,068)
Cash flows from investing activities			
Settlement of contingent consideration		**-**	(1,626)
Purchase of intangible assets		**(1,168)**	(1,124)
Purchase of plant and equipment		**(35)**	(11)
Net cash outflow from investing activities		**(1,203)**	(2,761)
Net cash flows from financing activities			
Proceeds from issue of shares		**-**	3,750
Costs of share issue		**-**	(130)
Repayment of acquired contingent consideration liability		**(100)**	(100)
Proceeds from borrowings		**710**	2,356
Repayment of borrowings		**(1,249)**	(568)
Interest paid		**(186)**	(134)
Interest on lease liability on right of use asset		**(43)**	(60)
Payments of lease liabilities on right of use asset		**(168)**	(181)
Capital element of finance lease payments		**-**	(6)
Net cash (outflow)/inflow from financing activities		**(1,036)**	4,927
Net increase in cash and cash equivalents		**(25)**	98
Cash and cash equivalents at beginning of financial year		**245**	147
Effects of exchange rate changes on cash and cash equivalents		**13**	–
Cash and cash equivalents at end of financial year		**233**	245
Comprising			
Cash at bank		**233**	245
Cash at bank		**233**	245

Nature of Operations and General Information

1. 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 2021 and the year ended 31 March 2020 does not constitute the company's statutory accounts for those years.

Statutory accounts for the year ended 31 March 2020 have been delivered to the Registrar of Companies.

The auditor's reports on these accounts was unqualified but did draw attention to a material uncertainty related to going concern.

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

The financial information for the year ended March 2021 is preliminary. The statutory accounts for that year will be delivered to the Registrar of Companies in due course. The audit report will draw attention to the material uncertainty related to going concern which is explained below.

2. Principal Accounting Policies

Basis of preparation

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 accounting standards in conformity with the requirements of the Companies Act 2006

Basis of consolidation

The results for the year ended 31 March 2021 and 31 March 2020 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.

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 Group.

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

The principal accounting policies adopted are set out below.

These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 March 2021.

3. 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, therefore 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:

	2021 £'000	2020 £'000
UK	**9,666**	11,680
Non-UK	**2,094**	2,466
	11,760	14,146

Information about major customers

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

4. Revenue

Revenue is all derived from continuing operations.

Notwithstanding that the Group's revenues are often interdependent, 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:

	2021 £'000	2020 £'000
Consultancy and similar services	**8,106**	8,635
Publishing and Distribution	**750**	977
Software	**1,147**	1,356
Training	**1,757**	3,178
Total revenue	**11,760**	14,146

5. Goodwill

Cost and NBV	2021Total £'000	2020 Total £'000
At 1 April	**6,804**	6,693
Measurement period adjustments	**-**	111
At 31 March	**6,804**	6,804

Goodwill arising from business combinations has been allocated to the Group's DQM cash generating unit ("CGU"). Goodwill is tested at least annually for impairment and whenever there are indications that goodwill might be impaired.

For the DQM CGU, the carrying amount of Goodwill has been assessed for impairment by comparing the carrying amount of the CGU in which it is included to the recoverable amount based on value in use of the CGU. The value in use calculation for the Cash generating unit uses estimated future cash flows, for which the key assumptions are forecast revenue over the next five years, based on management's estimates; the terminal growth rate for revenues beyond that period, which reflects a cautious approach for the purpose of measuring a value in use and a pre-tax discount rate, which is based on management's assessment of risk inherent in the estimated future cash flows.

The pre-tax cash flows for the forecast period are derived from the most recent financial budget for the year ending 31 March 2022 approved by the Board. The extrapolation for the period 2023 to 2026 is based on management estimates with an assumption of no growth.

The impairment model is built to take into account performance over a number of years. If FY22 were to be further impacted by COVID-19 into the second half of the year, and revenue dramatically reduced as a result, we would realistically expect a recovery to more normal levels in FY23 and then growth in the future. Therefore the approach taken in terms of using the FY22 budget for each year in the model, without any growth, is significantly more cautious in terms of an impairment model than using a very poor current year, a return to normal in FY23 and then growth going forwards.

As of 31 March 2021, the value in use of the cash generating unit was greater by £591k than the CGU's carrying amount. The key assumptions used were the forecasts as explained above, the terminal growth rate of 2%, and the pre-tax discount rate of 6.49%.

There are reasonably possible changes in key assumptions that would give rise to a material impairment loss.

a) The discount rate would have to increase by 0.3% to give rise to an impairment

b) Administrative expenses would have to rise by 8% to give rise to an impairment, this assumes that revenue levels remain constant.

c) If Revenue was to fall by 4% (assuming margins remained the same) this would give rise to an impairment.

6. Intangible assets

	Marketing tools £'000	Publishing products £'000	Consultancy products and courseware £'000	Software and website costs £'000	Trademarks £'000	Customer relationships £'000	Total £'000
Cost							
At 1 April 2019	63	287	698	4,340	464	1,843	7,695
Additions	–	46	182	894	2	-	1,124
Foreign exchange movement	–	–	1	–	–	–	1
At 31 March 2020	63	333	881	5,234	466	1,843	8,820
Additions	–	67	158	943	-	–	1,168
Foreign exchange movement	–	–	(3)	-	–	–	(3)
At 31 March 2021	**63**	**400**	**1,036**	**6,177**	**466**	**1,843**	**9,985**
Accumulated depreciation							
At 1 April 2019	55	203	253	1,420	4	-	1,935
Charge for year	6	31	73	854	50	166	1,180
Foreign exchange movement	–	–	(1)	–	–	–	(1)
At 31 March 2020	61	234	325	2,274	54	166	3,114
Charge for year	2	32	90	783	46	154	1,107

Foreign exchange movement	–	-	(1)	–	–	-	(1)
At 31 March 2021	**63**	**266**	**414**	**3,057**	**100**	**320**	**4,220**
Net book value							
At 31 March 2021	**-**	**134**	**622**	**3,120**	**366**	**1,523**	**5,765**
At 31 March 2020	2	99	556	2,960	412	1,677	5,706
At 1 April 2019	8	84	445	2,920	460	1,843	5,760

Amortisation is included within administrative expenses.

Intangible assets includes capitalised related party costs incurred.

All intangible assets have been developed internally with the exception of those arising on the business acquisition in 2019. The recoverable amounts of the CGUs 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.

Having identified indicators of impairment, management conducted an impairment test to determine recoverable amount of the cash generating unit, and conducted that no impairment of internally generated intangible had arisen as at 31 March 2021.

7. Trade and other receivables

	2020 £'000	2020 £'000
Trade receivables	**1,186**	1,543
Less: provision for impairment of trade receivables	**-**	(15)
Net trade receivables	**1,186**	1,528
Other receivables	**78**	129
Prepayments	**430**	590
	1,694	2,247

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 ageing.

The Group's policy for monitoring default risk over receivables is based on the ongoing 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 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 £356,000 (2019: £1,350,000) 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.

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 macroeconomic factors affecting the Group's customers. The Group has identified gross domestic product growth rates, employment rates and inflation rates as the key macroeconomic 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:

	2021 £'000	2020 £'000
In one year or less, or on demand	**1,694**	2,247

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

	2021 £'000	2020 £'000
UK pound	**1,581**	2,158
US dollar	**67**	11
Euro	**46**	78

	1,694	2,247

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.

8. Trade and other payables

Amounts falling due within one year:

	2021 £'000	2020 £'000
Trade payables	**1,223**	1,220
Other taxation and social security	**2,737**	1,043
Other payables	**451**	204
Deferred income	**1,114**	855
Accruals	**461**	307
	5,986	3,629

9. Borrowings

		2021			2020	
	Current £'000	**Non-current £'000**	**Total £'000**	Current £'000	Non-current £'000	Total £'000
Secured						
Bank loans (i)	**266**	**-**	**266**	523	5	528
Total secured borrowings	**266**	**-**	**266**	523	5	528
Unsecured						
Bank Loans	**229**	**460**	**689**	195	396	591
Loans from related parties	**368**	**–**	**368**	728	–	728
Total unsecured borrowings	**597**	**460**	**1,057**	923	396	1,391
Total borrowings	**863**	**460**	**1,323**	1,446	401	1,847

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(i) Secured liabilities and assets pledged as security

Of the Bank loans, £260,000 (2020: £426,000) is secured against future receivables. The remaining secured bank loans and overdrafts are secured against assets of the business.

Lease liabilities are secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

	As at 1 April 2020 £'000	Cash proceeds from borrowings £'000	Repayments of capital £'000	Repayments of interest £'000	Interest accruing £'000	Foreign exchange £''000	As at 31 March 2021 £'000
Secured bank loans	528	392	(654)	(71)	71	-	266
Unsecured bank loans	591	318	(217)	(70)	70	(3)	689
Loans from related parties	728	-	(378)	-	18	-	368
Total	1,847	710	(1,249)	(141)	159	(3)	1,323

	As at 1 April 2019 £'000	Cash proceeds from borrowings £'000	Repayments of capital £'000	Repayments of interest £'000	Interest accruing £'000	As at 31 March 2020 £'000
Secured bank loans	-	889	(361)	(22)	22	528
Unsecured bank loans	31	767	(207)	(88)	88	591
Loans from related parties	-	700	-	-	28	728
Total	31	2,356	(568)	(110)	138	1,847

The Group has a number of loans in the period presented, and are summarised as follows:

	Security pledged	Term	Expiry/Maturity Date	Effective Interest rate
Directors' pension scheme loan	Unsecured	60 Months	April 2020	9.5%
Paypal	Secured against future receivables	12 Months	February 2022	4.26% – 10.49%
Wesleyan	Parent company guarantee	60 Months	September 2024	14.32%

Wesleyan	Secured against assets of business	36 Months	February 2022	22%
Bute Capital	Secured against assets of business	14-16 Months	February 2021	6.65% – 10.36%
Federal Capital	Director's Guarantee	12 Months	October 2020	29%
You Lend	Secured against future receivables	12 Months	November 2021	16.67%
LDF Finance No. 3 Ltd	Director's Guarantee	36 Months	August 2023	10.16%
Portman Asset Finance	Director's Guarantee	24 Months	December 2021	29.28%
Portman Asset Finance	Director's Guarantee	60 Months	December 2025	8.8%
Unsecured loan facility provided by Andrew Brode.	Unsecured	Available to the Group until at least 31 December 2022 and will automatically renew for a further 12 months unless terminated by either party.	December 2021	5.0% above the Bank of England base rate
Lloyds Bank – CBILS Loan	Unsecured	72 Months	October 2021	2.45%
USA Coronavirus government loan	Unsecured	12 Months	March 2022	0.00%

In addition, the Group has access to Invoicing discounting facility acquired within the DQM acquisition.

10. 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.

	2021 '000	2020 '000
Loss attributable to equity holders of the Group (£)	**(2,571)**	(3,206)
Weighted average number of shares in issue	**99,754,064**	68,689,792
Basic loss per share (pence)	**(2.58)**	(4.67)

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:

	2021	2020
Number of shares	**99,754,064**	68,689,792
Dilutive (potential dilutive) effect of share options	**-**	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**99,754,064**	68,689,792
Diluted loss per share (pence)	**(2.58)**	(4.67)

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 426,760 (2020: 1,680,680) share incentives outstanding at the end of the year that could potentially dilute basic earnings per share in the future.