GRC International Group Plc

Unaudited Interim results for the six months ended 30 September 2019

GRC International Group plc ("GRC International" or the "Group"), a leading supplier of IT governance, risk management and compliance products and services, is pleased to announce its unaudited interim results for the six months ended 30 September 2019.

Financial Highlights

	H1 FY20	H2 FY19	H1 FY19	H1 FY20 to H2 FY19 Change	H1 FY20 to H1 FY19 Change	FY 2019
Billings[2]	£7,163k	£7,019k	£8,814k	+2%	-19%	£15,833k
Revenue	£7,095k	£6,935k	£8,914k	+23%	-20%	£15,849k
Training	£1,701k	£1,752k	£4,019k	-3%	-58%	£5,771k
Consultancy	£4,195k	£3,472k	£3,756k	+21%	+12%	£7,228k
Software and distribution	£1,199k	£1,711k	£1,139k	-30%	+5%	£2,850k
Total	**£7,095k**	**£6,935k**	**£8,914k**	**+23%**	**-20%**	**£15,849k**
Privacy (Including GDPR)	£2,269k	£2,205k	£4,838k	+3%	-53%	£7,043k
Cyber security	£4,450k	£4,283k	£3,669k	+4%	+21%	£7,952k
Other	£376k	£447K	£407k	-16%	-7%	£854k
Total	**£7,095k**	**£6,935k**	**£8,914k**	**+23%**	**-20%**	**£15,849k**

- Revenue down 20% to £7.1m (H1 2019: (£8.9m) reflecting -53% decline in Privacy (Including GDPR) partially offset by an increase of +21% in Cyber security
- Revenue in the first half has grown steadily throughout the period, with Q2 revenue up +12% on Q1
- Gross profit down -22% to £4.0m (H1 2019: £5.1m), with margins broadly stable against the comparative period at 56% (H1 FY19: 57%)
- Steady Improvement in gross margin through the H1 FY20 reporting period from 55.8% in Q1 to 59.4% in Q2
- Underlying EBITDA[1] loss reduced to £1.4m (H1 FY19: £1.8m loss) (H2 FY19: £2.5m loss) reflecting a reduction in overhead costs predominantly due to a reduction in headcount and associated headcount related overhead
- Underlying EBITDA[1] loss improved from £(1.0)m in Q1 to £(0.4)m in Q2
- Basic loss per share of 3.37p (H1 2019: Basic loss per share: 3.76p)
- Since acquisition in March 2019, DQM has traded profitably
- Capital expenditure of £0.6m (H1 2019: £1.5m)
- Net Cash (being cash less bank overdraft) at period end of £0.3m (FY 2019: £0.1m). Borrowings (excluding both bank overdraft and lease obligations) at period end of £1.3m (FY 2019 £0.0m)

Operational Highlights

- Strong organic growth of +21% in the Group's cyber security products and services versus H1 2019. Cyber security now represents 62.7% of Group revenues
- Increase in Cyber Security Revenue at a rate higher than the decline in GDPR revenue with a substantial improvement in Q2
- Increase in productivity, through reduction in headcount in line with the demand profile
- Recurring revenue services are now generating 30% of our monthly billings, in comparison to 10% in FY19
- Regional businesses continue to grow with increased revenues

[1] Underlying EBITDA is defined in the Financial Review contained within this announcement
[2] 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

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

"The macro economic climate in H1, with customers' ongoing worries about Brexit and the overall macro-economic malaise continued to provide challenges for the Group. Against that background the Group continues to grow revenue and has returned to positive EBITDA monthly performance by the period end.

We are pleased with the strong growth from cyber security products and services. Investments we have made in the previous year in new business areas and geographies, have started to bear fruit. This gives us the momentum to deliver revenue growth and underpin our long-term growth into FY20 and beyond."

- ends -

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The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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 provides a comprehensive suite of products and services to address the IT governance, risk management and compliance requirements of organisations seeking to address a wide range of data protection and cyber security regulation. The Company provides a range of services and products through three divisions: Training, Consultancy, and Publishing and Distribution.

The Group has an international customer base which is expected to grow as GRC expands its geographical footprint. Since admission to AIM, the Group has expanded internationally with operations now established in Ireland, the US and Northern Europe.

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Chief Executive Review

As we expected, H1 revenues were lower than last year's Q1 peak in GDPR-driven performance; the period was also negatively affected by customers' ongoing worries about Brexit and the overall macro-economic malaise. Against this background, we continued to improve marketing and sales skills and processes, while continuing to drive down both direct and indirect costs. We successfully focussed on increasing cyber security revenue, countering the continued decline in GDPR work, which we believe has now reached its nadir.

In order to better focus our sales and marketing activities, we re-organised the Group, at the beginning of July, into three divisions: e-commerce, Software-as-a-Service and Professional Services. We expect to be able to report on performance on this new divisional basis by the end of the financial year.

These initiatives started paying off, with Q2 revenue of £3.8million, a noticeable 15% improvement on Q1's £3.3million. Together with targeted cost reductions, this supported an improvement in gross margin from 55.8% to 59.4%, as well as the transition through Q2 to a lower EBITDA loss, with September month achieving a welcome EBITDA profit of £0.04million.

Excluding DQM which was acquired in March 2019, headcount has reduced by 43% from a peak of 280 in October 2018 to 160 by the end of September, with the effects of the re-structuring continuing to generate further significant savings into H2.

e-Commerce Division

Whilst website visitor volumes in H1 fell by 48% compared with the prior year, Q2 grew by 7% over Q1. Web transaction volume increased by 16%, and web revenue therefore increased by 21%.

We improved average classroom training fill rates from 54% in April 2019 to 73% in September 2019, which translated into improved gross margins. Expansion of the distance learning portfolio enabled monthly revenue from this product group to improve by 50% across the six months from April 2019.

Our publishing business, ITGP, increased revenue 17% against H2 FY19, with the recently launched audio books product group achieving particularly strong growth.

Our channel team, which works through MSPs (Managed Service Providers) is continuing to strengthen and now generates around 8% of monthly group billings. The primary contribution is Cyber Essentials, but there is growing success with penetration testing and ISO 27001 services. In Q2, channel sales have been consistently ahead of the prior year (as well as up on the previous quarter).

SaaS Division

Cyber Essentials certifications are running at a 42% increase on H1 FY19, with annual renewals playing an increasingly important part of the overall growth.

Staff awareness training (e-learning) has seen a steady change, over the period, from a high number of small clients to smaller number of larger, more committed organisations, such that the overall number of users of our Learning Management System (LMS) has increased by 20% in H1 compared with H2 FY19.

We re-structured the Vigilant Software pricing model in Q1 and, while this led as anticipated to an initial drop in revenue, subscriptions are now increasing at a steady rate.

Recurring revenue is a key feature of the SaaS division activity; repeat invoicing (across Cyber Essentials, e-Learning, Vigilant Software and GDPR.co.uk is now running at in excess of 10% of total group billings with total billings from all subscription and contractually recurring products and services now around 30% of total group billings.

Professional Services

Although the DQM business, which we acquired in March 2019, and GRCI Law, which we set up last year, have both continued to trade profitably through the period, GDPR implementation consultancy across the rest of the Group has declined very substantially from 27% of consultancy revenue in Q1 last year to just 2% in Q2 this year.

In parallel, in-house training course (training delivered at a client's site to a group of client personnel) revenue, which was substantially GDPR-related, has halved from 17% of training revenue to just 8%; its complexion has changed and what we do deliver is now biased toward cyber security. The only area in which GDPR revenue has held firm is in GRCI Law, where we continue to improve on what we achieved last year.

Cyber security consultancy revenue has approximately doubled as a percentage between Q1 last year and Q2 this year. Within that growth, penetration testing revenue growth has been constrained by resource availability.

In parallel with managing this substantial change in the consultancy product mix, we have also managed to grow total consultancy contract values by 3%, up from £1,278 in Q2 last year to £1,316 in Q2 this year.

Regional businesses

While IT Governance EU revenues are flat across the 6 months, gross margins and EBITDA contributions have increased. IT Governance USA achieved a 108% improvement in revenue to £113,015 between Q1 and Q2 and is also EBITDA positive.

Outlook

We expect, with Brexit clarity and the improving macro-economic outlook, to continue building on the positive steps we took in H1. Key client wins and continued tight cost control should underpin continued progress in both revenue and EBITDA terms.

We are pleased with the strong growth from cyber security products and services. Investments we have made in the previous year in new business areas and geographies, have started to bear fruit. This gives us the momentum to deliver revenue growth and underpin our long-term growth into FY20 and beyond.

Alan Calder
Chief Executive Officer

GRC International Group Plc

Financial Review

The six months ended 30 September 2019 has been a period of restructuring and rebuilding in order to scale back parts of the business built to handle the spike in demand for GDPR related products and services in the lead up to the regulation coming into force in May 2018 and to focus more strongly on the underlying growth in the cyber security business that has historically been at the core of the Group's activities.

The Board had always anticipated a temporary decline in demand for GDPR-related products and services in the period immediately following the deadline date for compliance (being 25 May 2018), but the revenue performance in Q1 2020 made it apparent that the lack of regulatory action, together with an uncertain macro-economic and political climate, was going to result in organisations continuing to delay projects, meaning a second flurry of GDPR driven growth was unlikely in near term. At the end of Q1 the Board took the decision to restructure the Group into 3 divisions:

- E-Commerce
- Software as a Service (SaaS)
- Professional Services

The initial phases of the restructure provided opportunities for internal efficiencies, resulting in significant cost savings, whilst also enabling more focused marketing and messaging to drive revenue growth in the 3 divisions. Underpinning the restructure is a clear shift away from GDPR/Privacy products driving growth and back to Cyber Security products driving growth supported by GDPR/Privacy. This is somewhat of a transition back to what has delivered many years of strong performance historically.

Revenue

Overall revenue for the six months ended 30 September 2019 was down 20% to £7.1 million (H1 2019: £8.9 million). The comparator H1 FY19 period included the run-off of the GDPR peak leading up to the implementation date. H1 FY20 revenues have grown steadily through the period, with Q2 revenue significantly up 12% on Q1.

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 12% period-on-period to £4.2 million, Software up period-on-period 204% to £0.7 million. Revenue from Publishing and Distribution was down 55% period-on-period to £0.5 million and Training down 58% period-on-period to £1.7 million.

Strong period-on-period revenue growth in Q1 FY19 was driven primarily 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. It is therefore unsurprising to see an overall period-on period revenue reduction in H1 FY20. The comparison to H1 FY18 demonstrates the solid growth in the underlying cyber-security business throughout.

As demonstrated by the tables below, the Group's overall revenue has grown strongly over a 4 year period.

£'000	Consultancy	Publishing and Distribution	Software	Training	Total
HY1 FY17	1,193	501	109	872	2,675
HY1 FY18	1,887	637	262	3,014	5,800
HY1 FY19	3,756	907	232	4,019	8,914
HY1 FY20	4,195	493	706	1,701	7,095

Period-on-period %	Consultancy	Publishing and Distribution	Software	Training	Total
FY18	58%	27%	141%	246%	117%
FY19	99%	42%	(23)%	33%	54%
FY20	12%	(55)%	204%	(58)%	(20)%

£'000	UK	Non-UK	Non-UK %
HY1 FY17	2,111	564	21%
HY1 FY18	4,750	1,050	18%
HY1 FY19	7,880	1,034	12%
HY1 FY20	5,717	1,378	19%

Gross profit

Gross profit was down 22% to £4.0 million (H1 2019: £5.1 million).

Gross profit as a percentage of sales remained broadly stable for the period as a whole at 56% (H1 2019: 57%). Whilst, the underutilisation of GDPR consultants in Q1 resulted in margins being down on expectation, the effects operational restructuring and the associated cost reduction, along with steady revenue growth saw gross margin running comfortably above 60% throughout Q2 and continuing at this level into Q3.

Operating expenses

Other operating expenses (excluding share-based payment expenses and exceptional costs) decreased by £1.1 million to £6.1 million, down 16% (H1 2019: £7.2 million).

Whilst the overall reduction is pleasing, it is the steady reduction through the period that has more meaning. The overhead run rate at the end of the period was significantly down on that at the beginning of the period; and there are further reductions to come through in the H2 numbers as a result of actions already taken in H1. The reduction in overhead cost is predominantly due to headcount reduction and reduction in associated headcount related overhead, though a strong management focus on non-headcount related overhead has also delivered savings that will continue to see the cost base continue to fall into H2.

By the end of FY20 we expect overheads to be running at annualised run rate more than £3.5million lower than full year FY19 figure.

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. This is considered to be a more accurate measure of underlying business performance as it removes the impact of non-cash accounting adjustments.

Underlying EBITDA for H1 was a loss of £1.4 million, (19.1)% of revenue (H1 2018: loss of £1.8 million, (20.4)%).

£'000	HY1 FY20	HY2 FY19	HY1 FY19	FY 19
Operating loss	(2,195)	(3,182)	(2,175)	(5,357)
Depreciation	194	98	85	183
Amortisation	586	340	271	611
Exceptional costs	63	164	-	164
Share-based payments	-	31	32	63
Underlying EBITDA	(1,352)	(2,549)	(1,787)	(4,336)

Finance expense

The net finance expense of £47k (H1 2018: £2k) relates to interest on the Group's borrowings and leases.

Loss before tax

Loss before tax was £2.2 million (H1 2019: £2.2 million).

Taxation

No provision for tax has been made in the period (H1 2018: £Nil). The tax credit recognised relates to the unwinding of deferred tax on the acquisition of DQM.

Earnings per share

Loss per share was 3.37 pence (H1 2019: Loss per share 3.76 pence).

Statement of financial position

Net current liabilities at period end were £7.7 million, 30 September 2018: £0.1m. Net assets were £5.2 million, up by £1.6m compared to 30 September 2018: £3.6m.

The main factors in the overall increase in net liabilities of £7.6 million to £7.7 million are the reduction in cash of £1.4m (30 September 2019: £0.3m, 30 September 2018: £1.7m) and additional borrowings of £1.3m (30 September 2019: £1.3m, 30 September 2018: £nil) to fund the working capital in the business together with £3.7million of deferred consideration on the acquisition of DQM (further information is provided under Going concern below).

Included within current liabilities balance of £10.6 million (30 September 2018:£4.0 million) is a deferred income balance of £1.1 million (30 September 2018:£1.5million), 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.

Accounting for Leases Under IFRS 16

During the period the Group has adopted IFRS 16.
Further information is provided in Note 3.

Lease obligations under IFRS at 30 September 2019 were: Current £0.2m, Non-current £0.4m.

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 or borrowing costs.

Additions of £0.6 million largely relate to software development £0.4 million and consultancy and courseware products £0.1m.

Cash flow and cash/debt

The Group's closing cash position net of a bank overdraft was £0.3 million (30 September 2018: £1.7 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.

In February 2019 the Group raised a further £5.0 million (£4.8 million net of costs) by way of a placing to fund 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 to provide additional working capital for the enlarged business.

The significant reduction in the net cash outflow from operating activities (H1 FY20: £0.4 million, H1 FY19: £2.3 million) reflects the close attention paid to working capital management during a period of both revenue and cost reduction.

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 is available to the Company until at least 31 December 2020 and shall automatically renew for a further 12 months unless terminated by either party.

Borrowings (excluding both bank overdraft and lease obligations) at period end were £1.3m (31 March 2019: £nil, 30 September 2018: £nil)

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. Currently the Board are comfortable with the level of growth in the forecasts but 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. As previously reported in the Annual report 2019, 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 prior 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. The process for completing the work required by the Board to sign off the Earn-out Accounts for the purpose of calculating the Deferred Consideration is taking longer than anticipated and is still ongoing.

In advance of the Deferred Consideration falling due, the Group continues to hold discussions with the vendors of DQM, who are mainly Group employees, about the settlement of that balance.

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 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.

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 30 September 2019 was 64,484,172 ordinary shares of £0.001 each. There were no share options granted in the period to 30 September 2019, and the total number of unexercised share options at 30 September 2019 was 2,348,920.

Risks and uncertainties

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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, have not significantly changed from those set out on pages 18 to 19 of the Group's Annual Report for 2019 (a copy of which is available from our website **www.grci.group**).

Chris Hartshorne
Finance Director

GRC International Group Plc

Unaudited Consolidated Income Statement for the six months ended 30 September 2019

	Notes	6 months to 30 September 2019 unaudited	12 months to 31 March 2019 audited	6 months to 30 September 2018 unaudited
		£	£	£
Revenue	4	7,095,297	15,848,566	8,913,559
Cost of sales		(3,134,837)	(7,295,039)	(3,821,790)
Gross profit		3,960,460	8,553,527	5,091,769
Administrative expenses:				
- Other administrative expenses		(6,064,664)	(13,715,750)	(7,246,601)
- Share-based payment charge		-	(63,285)	(31,642)
- Exceptional administrative expenses	5	(63,404)	(164,149)	-
Total administrative expenses		(6,128,068)	(13,943,184)	(7,278,243)
Other operating income		18,996	32,425	11,490
Operating loss		(2,148,612)	(5,357,232)	(2,174,984)
Net financing expense		(46,810)	(7,470)	(2,276)
Share of profits of joint ventures accounted for using the equity method		253	(746)	1,333
Loss before taxation		(2,195,169)	(5,365,488)	(2,175,927)
Taxation		21,704	(29,157)	-
Loss for the financial period		(2,173,465)	(5,394,605)	(2,175,927)
Loss for the financial period attributable to:				
The Group's equity shareholders		(2,173,465)	(5,394,605)	(2,175,927)
Basic loss per share (pence)	6	(3.37)	(9.30)	(3.76)
Diluted loss per share (pence)	6	(3.37)	(9.30)	(3.76)

All of the Group's loss relates to continuing operations.

The accompanying accounting policies and notes form an integral part of these financial statements.

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Unaudited Consolidated Statement of Comprehensive Income for the six months ended 30 September 2019

	6 months to 30 September 2019 unaudited £	12 months to 31 March 2019 audited £	6 months to 30 September 2018 unaudited £
Loss for the financial period	(2,173,465)	(5,394,605)	(2,175,927)
Other comprehensive loss – items that may subsequently be reclassified to profit/loss:			
Exchange differences on translation of foreign operations	(4,953)	(7,618)	(7,450)
Other comprehensive loss for the financial year, net of tax	(4,953)	(7,618)	(7,450)
Total comprehensive income for the financial year	(2,178,418)	(5,402,223)	(2,183,377)

The accompanying accounting policies and notes form an integral part of these financial statements.

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Unaudited Consolidated Statement of Financial Position as at 30 September 2019

	Notes	30 September 2019 unaudited £	31 March 2019 audited £	30 September 2018 unaudited £
Assets				
Non-current assets				
Goodwill		6,693,234	6,693,234	-
Intangible assets	7	5,732,835	5,760,273	2,551,277
Property, plant and equipment		397,018	488,678	567,228
Right of use assets		569,582	-	-
Investments accounted for using the equity method		10,597	10,041	12,479
Deferred tax		144,157	143,893	641,460
		13,547,423	13,096,119	3,772,444
Current assets				
Inventories		98,473	64,242	123,257
Trade and other receivables		2,451,391	2,903,953	2,069,669
Cash at bank		743,433	639,202	1,736,301
		3,293,297	3,607,397	3,929,227
Current liabilities				
Trade and other payables		(4,868,904)	(4,367,219)	(3,697,141)
Borrowings		(1,785,638)	(520,554)	(25,222)
Deferred consideration		(3,747,025)	(3,747,025)	-
Lease obligations		(189,627)	(5,667)	(9,444)
Current tax		(433,677)	(433,677)	(301,884)
		(11,024,871)	(9,074,142)	(4,033,691)
Net current liabilities		(7,731,574)	(5,466,745)	(104,464)
Non-current liabilities				
Borrowings		-	-	(28,143)
Lease obligations		(390,569)	-	-
Deferred tax liability		(247,625)	(273,301)	-
		(638,194)	(273,301)	(28,143)
Net assets		5,177,655	7,356,073	3,639,837
Equity				
Share capital	8	64,484	64,484	57,463
Share premium		9,587,828	9,587,828	4,792,828
Merger reserve		2,352,714	2,352,714	-
Share-based payment reserve		440,139	440,139	659,792
Accumulated deficit		(7,255,623)	(5,082,158)	(1,863,480)
Capital redemption reserve		5	5	5
Translation reserve		(11,892)	(6,939)	(6,771)
Total equity		5,177,655	7,356,073	3,639,837

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Unaudited Consolidated Statement of Changes in Equity for the six months ended 30 September 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 (unaudited)	**57,463**	**4,792,828**	**-**	**628,150**	**421,221**	**679**	**5**	**5,900,346**
Adjustment on initial application of IFRS 15 (net of tax)	**-**	**-**	**-**	**-**	**(108,774)**	**-**	**-**	**(108,774)**
Adjusted Balance at 31 March 2018	**57,463**	**4,792,828**	**-**	**628,150**	**312,447**	**679**	**5**	**5,791,572**
Loss for the period	-	-	-	-	(2,175,927)	-	-	(2,175,927)
Foreign exchange difference on consolidation	-	-	-	-	-	(7,450)	-	(7,450)
Total comprehensive income for the period	-	-	-	-	(2,175,927)	(7,450)	-	(2,183,377)
Share-based payment expense	-	-	-	31,642	-	-	-	31,642
Deferred tax on share-based payments	-	-	-	-	-	-	-	-
Transaction with owners	-	-	-	31,642	-	-	-	31,642
Balance at 30 September 2018 (unaudited)	**57,463**	**4,792,828**	**-**	**659,792**	**(1,863,480)**	**(6,771)**	**5**	**3,639,837**
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 (net of tax)	**-**	**-**	**-**	**-**	**(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 income 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
Balance at 31 March 2019	**64,484**	**9,587,828**	**2,352,714**	**440,139**	**(5,082,158)**	**(6,939)**	**5**	**7,356,073**
Loss for the period	-	-	-	-	(2,173,465)	-	-	(2,173,465)
Foreign exchange difference on consolidation	-	-	-	-	-	(4,953)	-	(4,953)
Total comprehensive income for the period	-	-	-	-	(2,173,465)	(4,953)	-	(2,178,418)
Share-based payment expense	-	-	-	-	-	-	-	-
Deferred tax on share-based payments	-	-	-	-	-	-	-	-
Transaction with owners	-	-	-	-	-	-	-	-
Balance at 30 September 2019 (unaudited)	**64,484**	**9,587,828**	**2,352,714**	**440,139**	**(7,255,623)**	**(11,892)**	**5**	**5,177,655**

The accompanying accounting policies and notes form an integral part of these financial statements.

GRC International Group Plc

Unaudited Consolidated Statement of Cash Flows for the six months ended 30 September 2019

	6 months to 30 September 2019 unaudited	12 months to 31 March 2019 audited	6 months to 30 September 2018 unaudited
	£	£	£
Cash flow from operating activities			
Loss before tax	(2,195,169)	(5,365,448)	(2,175,927)
Depreciation	193,993	183,351	84,865
Amortisation	586,438	611,220	270,648
Share-based payment expense	-	63,285	31,642
Foreign exchange losses	(6,048)	(5,329)	-
Share of profit of equity accounted investees, net of tax	(253)	746	(1,333)
Finance Income	-	(2,137)	(1,748)
Finance costs	46,810	9,607	4,023
Operating Cashflows before changes in working capital	(1,374,229)	(4,504,705)	(1,787,830)
(Increase)/Decrease in inventories	(34,231)	11,930	(47,086)
Decrease in trade and other receivables	458,512	498,266	569,753
Increase)/(Decrease) in trade and other payables	490,876	(660,067)	(1,053,746)
Net cash outflow from operating activities	(459,072)	(4,654,576)	(2,318,909)
Cash flow from investing activities			
Acquisition of subsidiary, net of cash acquired	-	(2,512,937)	-
Purchase of intangible assets	(557,707)	(2,288,768)	(1,224,711)
Purchase of plant and equipment	(2,603)	(234,229)	(227,923)
Sale of plant and equipment	-	7,522	-
Payment for acquisition of joint venture	-	(10,995)	(10,995)
Interest received	-	2,137	1,748
Net cash outflow in investing activities	(560,310)	(5,037,270)	(1,461,881)
Net cash flow from financing activities			
Proceeds from issue of shares	-	5,000,000	-
Costs of share issue	-	(200,000)	-
Repayment of acquired consideration liability	-	(450,000)	-
Proceeds from borrowings	1,317,578	-	-
Repayment of loans	-	(51,366)	(26,144)
Interest paid	(14,466)	(9,385)	(4,023)
Interest on finance leases	-	(222)	-
Interest on lease liabilities on right of use assets	(32,344)	-	-
Payments of lease liabilities on right of use assets	(88,622)	-	-
Capital element of finance lease payments	(5,667)	(7,555)	(3,778)
Net cash inflow/(outflow) from financing activities	1,176,479	4,281,472	(33,945)
Net (decrease)/ increase in cash and cash equivalents	157,097	(5,410,374)	(3,814,735)
Cash and cash equivalents at beginning of financial year	146,791	5,557,576	5,557,576
Effects of exchange rate changes	(372)	(411)	(6,540)
Cash and cash equivalents at end of financial year	303,516	146,791	1,736,301
Comprising			
Cash at bank	743,433	639,202	1,736,301
Bank overdraft	(439,917)	(492,411)	-
Cash at bank	303,516	146,791	1,736,301

The accompanying accounting policies and notes form an integral part of these financial statements.

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 and its subsidiary companies is as a one-stop shop for IT Governance including books, tools, learning and consultancy services.

The interim financial statements have not been audited or reviewed by the auditors.

2. Basis of preparation of half-year report

The condensed consolidated interim financial report for the half-year reporting period ended 30 September 2019 has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting.

The results 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 Company.

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

The Interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 March 2019 and any public announcements made by GRC International Group plc during the interim period.

The accounting policies adopted are consistent with those of the previous financial year and the adoption of new and amended standards as set out below.

a) New and amended standards adopted by the group
   A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:
   - IFRS 16 Leases

The impact of the adoption of these standards and the new accounting policies are disclosed in note 3. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

Half-yearly (interim) reports

The comparative financial information for the year ended 31 March 2019 in this interim report does not constitute statutory accounts for that year.

The statutory accounts for the year ended 31 March 2019 have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006, but drew attention to a material uncertainty related to going concern by way of emphasis.

Going concern basis

The Group's forecasts assume revenue growth into 2020 and beyond, and the cost base of the Group is based on this assumption. Currently the Board are comfortable with the level of growth in the forecasts but 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 prior 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. The process for completing

the work required by the Board to sign off the Earn-out Accounts for the purpose of calculating the Deferred Consideration is taking longer than anticipated and is still ongoing.

In advance of the Deferred Consideration falling due, the Group continues to hold discussions with the vendors of DQM, who are mainly Group employees, about the settlement of that balance.

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 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.

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

3. Adoption of IFRS 16

In the current year, the Group, for the first time, has applied IFRS 16. The date of initial application of IFRS 16 for the Group is 1 April 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease, requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

The Group is not party to any material leases where it acts as a lessor, but the Group does have a number of material property leases.

Details of the Group's accounting policies under IFRS 16 are set out below, followed by a description of the impact of adopting IFRS 16. Significant judgements applied in the adoption of IFRS 16 included determining the lease term for those leases with termination or extension options and determining an incremental borrowing rate where the rate implicit in a lease could not be readily determined.

Accounting policies under IFRS 16 Leases

The policy applies to properties where the Group has substantially all of the economic benefits from use of the asset. On adoption of the standard, a right-of-use asset and lease liability has been created. The right-of-use asset is depreciated over the lease term and if necessary impaired in accordance with applicable standards. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (application of the effective interest method) and by reducing the carrying amount to reflect the lease payments made. 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.

The standard allows two options for adoption – fully retrospective and modified retrospective.

The Group has elected to take the modified retrospective approach. As a result of this the Group has:

- recognised a lease liability at 1 April 2019 for leases previously classified as operating leases applying IAS 17. The Group has measured lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application;
- recognised a right-of-use asset at 1 April 2019 for leases previously classified as operating leases applying IAS 17. The Group has chosen to measure right-of-use assets at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the statement of financial position as at 31 March 2019; and
- 2019 comparatives are left unchanged, and any opening adjustment to net assets was recognised on 1 April 2019. The modified retrospective approach also allows a number of practical expedients which the Group has made use of:
- application of a single discount rate to a portfolio of leases with reasonably similar characteristics, being 10.0%; and
- reliance on an assessment of whether a lease is onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review using the principles in IAS 36 Impairment of Assets.

As noted above, no comparatives are given for the adoption of IFRS 16. The Group has calculated that the right-of-use asset recognised and corresponding liability as at 1 April 2019 is £664,418.

lease liabilities.

The lease commitments as at 1 April 2019 were as follows:

	Land and Buildings	Total
	£	£
Not later than one year	198,460	198,460
Less than one year and no later than five years	588,913	588,913
Later than five years	237,345	237,345
	1,024,718	1,024,718

The table below presents a reconciliation from operating lease commitments disclosed at 31 March 2019 to lease liabilities recognised at 1 April 2019.

	Total
	£
Operating lease commitments disclosed under IAS 17 at 31 March 2019	1,024,718
Restatement of lease commitments as a result of break clauses	(230,758)
Interest to be unwound over the lease term	(129,542)
Opening lease liability and right-of-use asset at 1 April 2019	664,418

The impact on adoption within the results reported on continued operations for the six months ended 30 September 2019 is as follows:

- Finance costs have increased by £32,344 due to interest charges on the lease liability
- Depreciation expenses has increased by £99,236 due to depreciation on the right-of-use asset; and
- Adjusted EBITDA has improved by £120,967 due to reduction of rental expense

4. Revenue

Revenue is all derived from continuing operations. The analysis of revenue by category:

	6 months to 30 September 2019 unaudited	**12 months to 31 March 2019 audited**	**6 months to 30 September 2018 unaudited**
	£	**£**	**£**
Sale of goods	493,515	1,332,933	903,955
Provision of services	6,601,782	14,515,633	8,009,604
	7,095,297	15,848,566	8,913,559
Other income	18,996	32,425	11,490
Interest on cash deposits	-	2,137	1,748
Total revenue	7,114,293	15,883,128	8,926,797

5. Exceptional administrative costs

	6 months to 30 September 2019 unaudited	12 months to 31 March 2019 audited	months to 30 September 2018 unaudited
	£	£	£
Expenses relating to the acquisition of DQM	63,404	164,149	-

6. 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.

	6 months to 30 September 2019 unaudited	12 months to 31 March 2019 audited	6 months to 30 September 2018 unaudited
Loss attributable to equity holders of the Group (£)	(2,173,465)	(5,394,605)	(2,175,927)
Weighted average number of shares in issue	64,484,172	57,982,319	57,462,940
Basic loss per share (pence)	(3.37)	(9.30)	(3.76)

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:

	6 months to 30 September 2019 unaudited	12 months to 31 March 2019 audited	6 months to 30 September 2019 unaudited
Number of shares			
Dilutive (potential dilutive) effect of share options	-	-	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	64,497,840	57,982,319	57,462,940
Diluted loss per share (pence)	(3.37)	(9.30)	(3.76)

For the purpose of diluted earnings per share in a loss-making situation options are not dilutive.

7. Intangible assets

	Marketing tools	Publishing products	Consultancy products and courseware	Software and Website costs	Trademarks	Customer relationships	Total
	£	£	£	£	£	£	£
Cost							
At 1 April 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
Additions	-	16,584	97,540	442,189	1,394	-	557,707
Foreign exchange movement	-	-	1,562	-	-	-	1,562
At 30 September 2019	62,883	303,863	796,234	4,782,507	465,544	1,843,201	8,254,232
Accumulated Depreciation							
At 1 April 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
Charge for period	3,325	13,381	35,904	417,185	27,042	89,600	586,437
Foreign exchange movement	-	-	270	-	-	-	270
At 30 September 2019	58,145	216,549	288,774	1,837,080	31,249	89,600	2,521,397
Net book value							
At 30 September 2019	4,738	87,314	507,460	2,945,427	434,295	1,753,601	5,732,835
At 31 March 2019	8,063	84,111	444,532	2,920,423	459,943	1,843,201	5,760,273

Amortisation is included within administrative expenses.

8. Authorised, allotted, issued and fully paid

		6 months to 30 September 2019 Unaudited		12 months to 31 March 2019 audited		6 months to 30 September 2018 unaudited
	Number	**£**	**Number**	**£**	**Number**	**£**
Ordinary shares of £0.001 each	64,484,172	64,484	64,484,172	64,484	57,462,940	57,463
	64,484,172	**64,484**	**64,484,172**	**64,484**	**57,462,940**	**57,463**

9. Events after the reporting period

There have been no other events that require disclosure in accordance with IAS10, 'Events after the balance sheet date'.