GRC International Group Plc

Unaudited Interim results for the six months ended 30 September 2020

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 2020.

Trading ahead of COVID-19 minimum plan despite Lockdown 2.0

Strong upturn in activity levels from end of November following optimism over Covid-19 vaccines.

Financial Highlights

- Revenue down 24% to £5.4m (H1 FY20: £7.1m) due to the impact of the C-19 pandemic.
- Significant 33% reduction in overhead expenses to £4.1m (H1 FY20: £6.1m) as a result of the benefits from restructuring work in FY20 and management's close attention to cost control through H1 FY21.
- Underlying EBITDA[1] loss reduced by 56% to £0.8m (H1 FY20: £1.3m loss), notwithstanding the C-19 pandemic related reduction in revenue.
- Substantial 32% reduction in loss before tax of £1.5m (H1 FY20: £2.2m).
- Basic loss per share reduced by 55% to 1.53p (H1 FY20: Basic loss per share: 3.37p).
- Net Cash at period end of £0.2m (H1 FY20: £0.3m). Pre-existing facilities remain untouched. Further information is provided in the Financial Review.

Operational Highlights

- Strong finish to period end with September reporting significant growth and positive EBITDA.
- Recurring revenue services are now generating 55% (H1 FY20: 44%) of our monthly billings.
- IT Governance Ltd's opportunity pipeline increased by 30% in value from £3.1m at the end of FY20 to £4.0m at end H1 FY21.
- Customers continued to turn to our websites for advice throughout the pandemic. Website visits up by 12% to 1.9m (H1 FY20 1.7m).
- Successful switch to remote and online delivery model for all Group products and services.
- Permanent relocation of many staff to home working allowing for savings on property costs into H2 and beyond.
- Increase in productivity and efficiency, through reduction in headcount.

[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

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

"GRC International Group plc has traded successfully through the pandemic-induced economic contraction. Billings were ahead of the minimum plan; costs were below plan and we did not draw on our pre-existing cash facilities.

The end of Lockdown 2.0 and the growing availability of regulator-approved C-19 vaccines have together triggered a strong late November/early December upturn in website traffic and in client buying decisions."

- ends -

GRC International Group Plc

Enquiries:

GRC International Group plc	**+44 (0) 330 999 0222**
Alan Calder, Chief Executive Officer Christopher Hartshorne, Finance Director	
Grant Thornton UK LLP (Nominated Adviser)	**+44 (0) 20 7383 5100**
Philip Secrett / Jamie Barklem/ Seamus Fricker	
Dowgate Capital Limited (Broker)	**+44 (0) 20 3903 7715**
James Serjeant / David Poutney	

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.

GRC International Group Plc

Chief Executive Review

I am pleased to report that GRC International Group plc has traded successfully through the pandemic-induced economic contraction.

Headlines

Billings were consistently better than internal minimum targets and costs were all lower than projected. After the severe challenges of Q1, we achieved positive EBITDA in September.

We were also able to take advantage of government support, in both the UK and the US. As a result, we achieved a better cash outturn for H1 than expected. The headroom available on our existing cash facilities remains unchanged since we reported our year end results In September.

Our audience continued turning to our websites for advice and guidance throughout the period – website visits in H1 FY21 were up 12% to 1.9m (H1 FY20: 1.7m).

Our ongoing success in attracting potential new business - despite slower than usual client decision-making - saw the IT Governance UK opportunity pipeline increase by 29% from £3.1m at the end of FY20 to £4.0m at end H1 FY21. GRCI Law continued growing strongly across the period.

We continued to materialise the benefits of last year's restructure. Full Time Equivalent (FTE) numbers reduced by 8% from 163 on 31 March 2020 to 150 by 30 September. Our monthly productivity ratio increased – despite the C-19 impact – increased by 3% from £6,307 per FTE at the end of FY20 to £6,514 per FTE at the end of H1 FY21.

Encouragingly, contracted and recurring revenue increased from 44% of revenue in H1 FY20 to 55% in H1 FY21.

Covid-19 impacts

As previously reported, market worries about C-19 had already begun to negatively affect our short-term revenues from February 2020 onwards, with billings in February and March 10 % down on January. The impact of the national lockdown implemented on 23 March 2020 only really showed through in April. As organisations across the UK switched their attentions, during April and May, to putting in place systems and process support home-based workforces, most other IT projects – including cyber security and privacy projects – were postponed or shelved. April billings, as a result, were 36% down on January. Thereafter, we saw a steady improvement very month, with June recovering to only 15% below January.

The arrival of the holiday season meant that July was slightly weaker than June. August, though, was a real challenge. Seasonally a weak month, August this year was massively disrupted by the chaos surrounding holiday corridors, with most clients struggling to accommodate pent-up staff holiday demand. Cyber security took something of a back seat and, as a result, August billings fell back to the level of April.

September saw a return to growth which would have carried strongly through into the final quarter of Calendar 2020, the Company's Q3. However, Lockdown 2.0 slowed sales through late October and most of November.

The end of Lockdown 2.0 and regulatory approval for C-19 vaccines together triggered a strong late November/early December upturn in website traffic and in client buying decisions.

Overall, C-19 caused Group revenues to fall, on an H1 FY20 comparative basis, from £7.1m to £5.4m, a 24% drop. Reduced consultancy utilisation and lower classroom fill rates saw gross margin decline from 56% to 50%. Our restructure in FY20, and our ongoing cost management programme, did however reduce overhead by £2.0m (33%) from £6.1m to £4.1m.

Outlook

As noted above, in recent weeks the end of Lockdown 2.0 and the growing availability of regulator-approved C-19 vaccines have triggered a strong late November/early December upturn in website traffic and in client buying decisions

While Brexit may create further economic disruption, there are significant opportunities for us to assist UK organisations with adapting their privacy frameworks to comply with UK GDPR and with being a third country in respect to EU data.

Privacy has now become a fundamental component of cyber security management, both in the UK and across the world. Privacy compliance and the proliferation across the world of regulatory requirements in respect of data protection drive growing opportunities for the Group. Privacy by Design – a key area of expertise for the Group's DQM business – is increasingly important and GRCI Law's outsourced Privacy as a Service offering is seeing sustained increases in demand.

Cyber security threats continue to escalate, are becoming more widespread and more sophisticated. Our evolving Cyber Security as a Service and related offerings are focused on supporting clients respond to these threats.

Our Channel strategy is an increasingly strong driver to growth; our Managed Service Provider (MSP) partners are having to deal with the

whole spectrum of cyber and privacy challenges among their clients and being able to deploy IT Governance resources to support their clients is a win for them.

Cyber and Privacy compliance requirements in the EU and US are also becoming more challenging for our clients, which generates new opportunities for us.

The Board and I look to the rest of the financial year to 31 March 2021 and the rest of calendar 2021 with cautious optimism.

Alan Calder
Chief Executive Officer

GRC International Group Plc

Financial Review

The six months ended 30 September 2020 has been a period in which the Group has demonstrated resilience and agility in order to navigate a difficult trading environment caused by the C-19 pandemic.

In FY20 the Group significantly restructured its operations, reduced its cost base significantly and was looking forward to a successful and profitable FY21. However, as the Group's FY20 ended in March 2020 the impact of the C-19 global pandemic led to an immediate reduction in monthly billings as lockdown restrictions closed significant sectors of the UK economy and those customers allowed to trade inevitably focused on short term survival rather than longer term strategy by deferring spend not seen as critical to day-to-day operations by delaying projects.

Operationally the Group has focused on developing new products and updating existing ones such that all products and services can be delivered remotely, with a number of new products being specifically aimed at helping customers adapt to the constantly changing challenges and cyber security threats created by the current business environment and increased numbers of home workers.

The impact of the pandemic made it necessary early in the period for the Group to revisit its original FY21 budgets and strategic plans. The Group prepared a minimum viable plan for the year and through H1 has achieved billings ahead of that plan and kept costs below it. Together with the benefit of government support in the UK and US, this has resulted in the Group's financial position being stronger than initially expected at the end of the period.

Revenue

Overall revenue for the six months ended 30 September 2020 was down 24% to £5.4m (H1 FY20: £7.1m). The Group saw a significant reduction in April and May's revenue as the initial impact of the pandemic was felt, but then saw a strong recovery towards pre-C-19 levels in June and July. The easing of lockdown and travel restrictions in August resulted in another challenging month before another recovery in September, which has held into the Group's Q3. Despite the August revenue dip, Q2 revenue was 7% up on Q1 revenue.

The Group has three key revenue divisions:

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

As evidenced by the table below, the impact of the C-19 pandemic was hardest felt in the E-Commerce division, which includes sales of public training courses and documentation toolkits. Although the business was able to deliver training courses remotely many customers saw this as an area of expenditure easy to defer during the uncertainty of lockdown.

£'000	Professional Services	Software as a Service (SaaS)	E-Commerce	Total
H1 FY20	3,353	978	1,082	5,413
H1 FY19	3,494	1,407	2,194	7,095
FY FY20	7,208	2,783	4,155	14,146

Period-on-period %	Professional Services	Software as a Service (SaaS)	E-Commerce	Total
H1 FY21 vs H1 FY20	(4)%	(30)%	(51)%	(24)%

£'000	UK	Non-UK	Non-UK %
H1 FY17	2,111	564	21%
H1 FY18	4,750	1,050	18%
H1 FY19	7,880	1,034	12%
H1 FY20	5,717	1,378	19%
H1 FY21	4,451	962	18%

Gross profit

Gross profit was down 33% to £2.7m (H1 FY20: £4.0m).

Gross profit as a percentage of sales is down on the equivalent period in the prior year at 50% (H1 FY20: 56%).

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 period meant that sales revenue was temporarily out of alignment with the Group's costs. Where possible, the Group has taken advantage of government furlough schemes to reduce to impact of staff underutilization to a manageable level, whist also retaining and supporting the staff resource it will need as the extraordinary trading circumstances experienced through H1 begin to normalise and revenue returns to pre C-19 levels.

Operating expenses

Other operating expenses (excluding share-based payment expenses and exceptional costs) decreased by £2.0m to £4.1m, down 33% (H1 FY20: £6.1m).

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, with further savings achieved in marketing spend, property costs, infrastructure and headcount. Some of these savings started to take effect in H1 FY21 and the cost base will continue to fall into H2 and beyond.

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 as a more accurate measure of underlying business performance as it removes the impact of non- cash accounting adjustments.

Notwithstanding the C-19 pandemic related 24% reduction in revenue, underlying EBITDA loss reduced by 56% to £0.8m (H1 FY20: £1.3m loss).

Underlying EBITDA for H1 FY21 was a loss of £0.8m, (14)% of revenue (H1 FY20: loss of £1.3m, (18)%). Notably the EBITDA loss for the period was significantly smaller than 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 on a normalised level of revenue.

£'000	HY1 FY21	HY2 FY20	HY1 FY20	FY20
Revenue	5,413	7,051	7,095	14,146
Operating loss	(1,427)	(1,276)	(2,149)	(3,425)
Depreciation	157	192	194	386
Amortisation	502	594	586	1,180
Exceptional costs	-	295	63	358
Share-based payments	-	-	-	-
Underlying EBITDA	(768)	(195)	(1,306)	(1,501)
Underlying EBITDA as % Revenue	(14)%	(3)%	(18)%	(11)%

As and when the impact of the C-19 pandemic significantly reduces, the Board continues to the plan for the Group's EBITDA to become positive.

Finance expense

The net finance expense of £111k (H1 FY20: £47k) relates to interest on the Group's borrowings and leases accounted for under IFRS 16.

Loss before tax

Loss before tax was £1.5m (H1 FY20: £2.2m).

Taxation

No provision for tax has been made in the period (H1 FY20: £Nil). The tax credit of £19k recognised relates to the unwinding of deferred tax on the acquisition of DQM.

Earnings per share

Loss per share was 1.53 pence (H1 FY20: Loss per share 3.37 pence).

Statement of financial position

Net assets were £7.9m ((31 March 2020: £9.4m, 30 September 2019: £5.2m).

Net current liabilities at period end were up by £1.7m during the six months to £4.4m (31 March 2020: £2.7m 30 September 2019: £7.7m).

The main factors in the overall increase in net current liabilities of £1.7m are the reduction in trade receivables of £0.8m, the increase in trade and other payables of £1.2m, current tax of £0.2m offset by a reduction in borrowings of £0.5m.

Included within current liabilities balance of £6.1m (31 March 2020: £5.4m, 30 September 2019: £11.0m) is a deferred income balance of £0.9m (31 March 2020: £0.9m, 30 September 2019: £1.1m), 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

Lease obligations under IFRS 16 at 30 September 2020 were: Current £0.3m, Non-current: £0.1m (31 March 2020: £0.2m, £0.3m, 30 September 2019: £0.2m,£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 £0.5m (H1 FY20: £0.6m), relate to software and website development.

Cash flow and cash/debt

The Group's closing cash position net of a bank overdraft was £0.2m (30 September 2019: £0.3m).

The increase in trade and other payables during the period relates predominantly to the deferral of certain HMRC liabilities as disclosed in more detail in the going concern section below.

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 2019. As at the period end and the date of this report all of this facility was remained available to be drawn down. 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 2021 and shall automatically renew for a further 12 months unless terminated by either party. As at the period end and the date of this report £350,000 remained available to be drawn down.

Borrowings (excluding both bank overdraft and lease obligations) at period end were £1.2m (31 March 2020: £1.8m, 30 September 2019: £1.8m).

As at 30 September 2020 the bank overdraft was £nil (31 March 2020: £nil, 30 September 2019: £0.4m) and lease obligations were £0.4m (31 March 2020: £0.5m, 30 September 2019: £0.6m)

Since the period end the Group has agreed formal repayment plans for the substantial majority of the deferred HM Revenue & Customs (HMRC) payroll taxes liabilities and has successfully secured (and drawn down) a £0.25m term loan under the government backed CBILS programme as part of its short term liquidity planning for meeting the repayment plans whilst preserving existing facilities.

Going concern

Having been through a transitional year of restructuring and cost reduction in FY20 the Group was looking forward to a strong FY21, continuing its H2 FY20 momentum and anticipating profitable results for the year. However, the global C-19 pandemic led to an immediate reduction in monthly billings as explained in the Revenue section above.

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 amounting to approximately £1.0m, representing a rolling 3 to 4 months of the Group's monthly PAYE/NIC liability.

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 93% of the Group's revenue in FY20), the Directors acknowledge that trading conditions will necessarily remain uncertain for the foreseeable future. Those uncertainties having effect include:

– The possibility of further local or national "lockdowns".

– The levels of revenue in the context of weakened demand for the Group's products and services.

– Should the Group need to reduce its scalable cost base, its ability to make those adjustments and realise the benefits from doing that on a timely basis.

– The continued access to financing, including government support in its various forms, that would be 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 2022 during Q2 (the 'base case forecast'). A key assumption to the base case forecast was that the level of business interruption caused by the pandemic would gradually ease over the summer with a resumption of more normal pre-C-19 levels of billings from September 2020 onwards, though still notably lower than originally budgeted prior to the impact of C-19. 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 included settlement of the outstanding HMRC liabilities through FY2022 in equal monthly instalments.

Additionally, the Directors prepared a sensitised forecast to the base case forecast where the C-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 September 2020 and March 2022 are 30% below the base case and cost reduction measures, to reflect the reduced level of billings, have been affected. 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, since the year end the Group has traded ahead of the expectations set out in the worst-case forecast, although behind the growth plans originally budgeted and the base 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 2021, although the Group does also have access to additional liquidity through its invoice discounting facility, which is not currently utilised and is not currently expected to be relied upon in the base case forecast or the short term rolling cash flow forecast reviewed by the Board.

Since the period end the Group has successfully agreed formal repayment plans for the substantial majority of the payroll taxes liabilities owed to HMRC starting from December 2020, and these repayment plans are catered for in short term liquidity planning. The Group has also secured (and drawn down) a £0.25m government backed term loan under the CBILS programme to further protect existing facility headroom.

Having reviewed the Group's forecasts and projections to 31 March 2022 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 preparing its accounts.

Capital structure

The issued share capital at 30 September 2020 was 99,931,509 (31 March 2020: 99,577,589, 30 September 2019: 64,484,172) ordinary shares of £0.001 each.

There were no share options granted in the period to 30 September 2020. Neil Acworth exercised options over 353,920 ordinary shares of 0.1 pence in the Company ("Ordinary Shares") at a price of 12.71474 pence per share. Immediately prior to exercising his share options Mr. Acworth sold 353,920 ordinary shares at a price of 20 pence per share. Both transactions took place on 29 September 2020. The total number of unexercised share options at 30 September 2020 was 315,000.

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, have not significantly changed from those set out on pages 22 to 23 of the Group's Annual Report for 2020 (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 2020

	Notes	**6 months to 30 September 2020 unaudited £'000**	12 months to 31 March 2020 audited £'000	6 months to 30 September 2019 unaudited £
Revenue	4	**5,413**	14,146	7,095
Cost of sales		**(2,761)**	(6,082)	(3,135)
Gross profit		**2,652**	8,064	3,960
Administrative expenses:				
- Other administrative expenses		**(4,101)**	(11,230)	(6,065)
- Exceptional administrative expenses	5	**-**	(358)	(63)
Total administrative expenses		**(4,101)**	(11,588)	(6,128)
Other operating income		**19**	99	20
Operating loss		**(1,427)**	(3,425)	(2,148)
Net financing costs		**(111)**	(222)	(47)
Share of profits of joint ventures accounted for using the equity method		**-**	(4)	-
Loss before taxation		**(1,538)**	(3,651)	(2,195)
Taxation		**19**	445	22
Loss for the financial period		**(1,522)**	(3,206)	(2,173)
Loss for the financial period attributable to:				
The Group's equity shareholders		**(1,522)**	(3,206)	(2,173)
Basic loss per share (pence)	6	**(1.53)**	(4.67)	(3.37)
Diluted loss per share (pence)	6	**(1.53)**	(4.67)	(3.37)

All the Group's loss relates to continuing operations

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

GRC International Group Plc
Unaudited Consolidated Statement of Comprehensive Income for the six months ended 30 September 2020

	6 months to 30 September 2020 unaudited £'000	12 months to 31 March 2020 audited £'000	6 months to 30 September 2019 unaudited £'000
Loss for the financial period	(1,522)	(3,206)	(2,173)
Other comprehensive loss – items that may subsequently be reclassified to profit/loss:			
Exchange differences on translation of foreign operations	(6)	(6)	(5)
Other comprehensive loss for the financial period, net of tax	(6)	(6)	(5)
Total comprehensive income for the financial period	(1,528)	(3,212)	(2,178)
Total comprehensive loss to equity shareholders of the parent	(1,528)	(3,212)	(2,178)

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

GRC International Group Plc

Unaudited Consolidated Statement of Financial Position as at 30 September 2020

	Notes	6 months to 30 September 2020 unaudited £'000	12 months to 31 March 2020 audited £'000	6 months to 30 September 2019 unaudited £'000
Assets				
Non-current assets				
Goodwill		6,804	6,804	6,693
Intangible assets	7	5,752	5,706	5,733
Property, plant and equipment		654	783	966
Investments accounted for using the equity method		7	7	11
Deferred tax		148	144	144
		13,365	13,444	13,547
Current assets				
Inventories		63	61	98
Trade and other receivables		1,408	2,247	2,452
Cash at bank		217	245	743
Current tax		-	76	-
		1,688	2,629	3,293
Current liabilities				
Trade and other payables		(4,832)	(3,629)	(4,868)
Borrowings		(886)	(1,446)	(1,786)
Contingent consideration		(50)	(100)	(3,747)
Lease obligations		(255)	(201)	(190)
Current tax		(108)	-	(434)
		(6,131)	(5,376)	(11,025)
Net current liabilities		(4,443)	(2,747)	(7,732)
Non-current liabilities				
Borrowings		(302)	(401)	-
Lease obligations		(154)	(286)	(390)
Deferred tax liability		(566)	(582)	(248)
		(1,022)	(1,269)	(638)
Net assets		7,900	9,428	5,177
Equity				
Share capital	8	100	100	64
Share premium		13,227	13,182	9,588
Merger reserve		4,276	4,276	2,353
Share-based payment reserve		126	171	440
Accumulated deficit		(9,811)	(8,289)	(7,256)
Capital redemption reserve		-	-	-
Translation reserve		(18)	(12)	(12)
Total equity		7,900	9,428	5,177

GRC International Group Plc

Unaudited Consolidated Statement of Changes in Equity for the six months ended 30 September 2020

	Share capital	Share premium	Merger reserve	Share-based payment reserve	Retained earnings	Translation reserve	Capital redemption reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2019 (audited)	64	9,588	2,353	440	(5,083)	(6)	-	7,356
Loss for the period	-	-	-	-	(2,173)	-	-	(2,173)
Foreign exchange difference on consolidation	-	-	-	-	-	(5)	-	(5)
Total comprehensive loss for the period	-	-	-	-	(2,173)	(5)	-	(2,178)
At 30 September 2019 (unaudited)	64	9,588	2,353	440	(7,256)	(11)	-	5,178

	Share capital	Share premium	Merger reserve	Share-based payment reserve	Retained earnings	Translation reserve	Capital redemption reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2019 (audited)	64	9,588	2,353	440	(5,083)	(6)	-	7,356
Loss for the period	-	-	-	-	(3,206)	-	-	(3,206)
Foreign exchange difference on consolidation	-	-	-	-	-	(6)	-	(6)
Total comprehensive loss for the period	-	-	-	-	(3,206)	(6)	-	(3,212)
Deferred tax on share-based payments	-	-	-	(269)	-	-	-	(269)
Shares issued	36	3,725	1,923	-	-	-	-	5,684
Cost of share issue	-	(131)	-	-	-	-	-	(131)
Transactions with owners	36	3,594	1,923	(269)	-	-	-	5,284
At 31 March 2020 (audited)	100	13,182	4,276	171	(8,289)	(12)	-	9,428
Loss for the period	-	-	-	-	(1,522)	-	-	(1,522)
Foreign exchange difference on consolidation	-	-	-	-	-	(6)	-	(6)
Total comprehensive loss for the period	-	-	-	-	(1,522)	(6)	-	(1,528)
Shares issued	-	45	-	(45)	-	-	-	-
Transactions with owners	-	45	-	(45)	-	-	-	-
Balance at 30 September 2020 (unaudited)	100	13,227	4,276	126	(9,811)	(18)	-	7,900

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 2020

	Notes	6 months to 30 September 2020 unaudited	12 months to 31 March 2020 audited	6 months to 30 September 2019 unaudited
		£'000	£'000	£'000
Cash flow from operating activities				
Loss before tax		(1,541)	(3,651)	(2,195)
Depreciation		157	386	194
Amortisation		502	1,180	586
Foreign exchange gains		18	(22)	(6)
Share of post-tax profits of equity accounted joint ventures		-	4	-
Finance costs		111	222	47
Operating Cashflows before changes in working capital		(753)	(1,881)	(1,374)
(increase)/decrease in inventories		(2)	3	(34)
Decrease in trade and other receivables		838	625	459
Increase/(decrease) in trade and other payables		1,173	(815)	488
Corporation taxes received		186	-	-
Net cash outflow from operating activities		1,442	(2,068)	(461)
Cashflow from investing activities				
Settlement of contingent consideration		-	(1,626)	
Purchase of intangible assets		(547)	(1,124)	(558)
Purchase of plant and equipment		(27)	(11)	(3)
Net cash outflow in investing activities		(574)	(2,761)	(561)
Net cash flow from financing activities				
Proceeds from issue of shares		-	3,750	-
Costs of share issue		-	(130)	-
Repayment of acquired consideration liability		(50)	(100)	-
Proceeds from borrowings		70	2,356	1,318
Repayment of borrowings		(728)	(568)	-
Interest paid		(90)	(134)	(14)
Interest on lease liability on right of use asset		(21)	(60)	(32)
Payment of lease liabilities on right of use assets		(78)	(181)	(88)
Capital element of finance lease payments		-	(6)	(6)
Net cash inflow/(outflow) from financing activities		(897)	4,927	1,178
Net (decrease)/increase in cash and cash equivalents		(29)	98	156
Cash and cash equivalents at beginning of financial period		245	147	147
Effects of exchange rate changes		1	-	-
Cash and cash equivalents at end of financial period		217	245	303
Comprising				
Cash at bank		217	245	743
Bank overdraft		-	-	(440)
Cash at bank		217	245	303

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

GRC International Group Plc

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.

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 2020 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

Having been through a transitional year of restructuring and cost reduction in FY 2020 the Group was looking forward to a strong FY 2021, continuing its H2 FY 2020 momentum and anticipating profitable results for the year. However, the global C-19 pandemic led to an immediate reduction in monthly billings as explained in the revenue section above.

In response to the pandemic the Board revisited its FY 2021 and FY 2022 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 amounting to approximately £1.0m, representing a rolling 3-4 months of the Group's monthly PAYE/NIC payroll taxes liability.

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 93% of the Group's revenue in FY20), the Directors acknowledge that trading conditions will necessarily remain uncertain for the foreseeable future. Those uncertainties having effect include:

– The possibility of further local or national "lockdowns".

– The levels of revenue in the context of weakened demand for the Group's products and services.

– Should the Group need to reduce its scalable cost base, its ability to make those adjustments and realise the benefits from doing that on a timely basis.

– The continued access to financing, including government support in its various forms, that would be 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 2022 during Q2 (the 'base case forecast'). A key assumption to the base case forecast was that the level of business interruption caused by the pandemic would

gradually ease over the summer with a resumption of more normal pre-C-19 levels of billings from September 2020 onwards, though still notably lower than originally budgeted prior to the impact of C-19 . 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 included settlement of the outstanding HMRC liabilities through FY2022 in equal monthly instalments.

Additionally, the Directors prepared a sensitised forecast to the base case forecast where the C-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 September 2020 and March 2022 are 30% below the base case and cost reduction measures, to reflect the reduced level of billings, have been affected. 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, since the year end the Group has traded ahead of the expectations set out in the worst-case forecast, although behind the growth plans originally budgeted and the base 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 2021, although the Group does also have access to additional liquidity through its invoice discounting facility, which is not currently utilised and is not currently expected to be relied upon in the base case forecast or the short term rolling cash flow forecast reviewed by the Board.

Since the period end the Group has successfully agreed formal repayment plans for the substantial majority of the payroll taxes liabilities owed to HMRC starting from December 2020, and these repayment plans are catered for in short term liquidity planning. The Group has also secured (and drawn down) a £0.25m government backed term loan under the CBILS programme to further protect existing facility headroom.

Having reviewed the Group's forecasts and projections to 31 March 2022 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 preparing its accounts.

3. Revenue

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

	Notes	6 months to 30 September 2020 unaudited	12 months to 31 March 2020 audited	6 months to 30 September 2019 unaudited
		£	£	£
Sale of goods		355	976	493
Provision of services		5,058	13,130	6,602
		5,413	14,146	7,095
Other income		19	99	19
Total revenue		5,432	14,245	7,114

4. Exceptional administrative costs

	Notes	6 months to 30 September 2020 unaudited	12 months to 31 March 2020 audited	6 months to 30 September 2019 unaudited
		£'000	£'000	£'000
Expenses relating to the acquisition of DQM		-	358	63
		-	358	63

5. 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.

	Notes	6 months to 30 September 2020 unaudited	12 months to 31 March 2020 audited	6 months to 30 September 2019 unaudited
Loss attributable to equity holders of the group £'000		(1,522)	(3,206)	(2,173)
Weighted average number of shares in issue		99,579,523	68,689,792	64,484,172
Basic loss per share (pence)		(1.53)	(4.67)	(3.37)

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:

	Notes	6 months to 30 September 2020 unaudited	12 months to 31 March 2020 audited	6 months to 30 September 2019 unaudited
Number of shares		99,579,523	68,689,792	64,497,840
Dilutive (potential dilutive) effect of share options		-	-	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share		99,579,523	68.689,792	64,497,840
Diluted loss per share (pence)		(1.53)	(4.67)	(3.37)

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

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
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	-	22	48	477	-	-	547
Foreign exchange movement	-	-	-	-	-	-	-
At 30 September 2020	63	355	929	5,711	466	1,843	9,367
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	15	45	340	23	77	502
Foreign exchange movement	-	-	(1)	-	-	-	(1)
At 30 September 2020	63	249	369	2,614	77	243	3,615
Net book value							
At 30 September 2020	-	106	560	3,097	389	1,600	5,752
At 31 March 2020	2	99	556	2,960	412	1,677	5,706

Amortisation is included within administrative expenses.

7. Authorised, allotted, issued and fully paid

	Number	6 months to 30 September 2020 unaudited £'000	Number	12 months to 31 March 2020 audited £'000	Number	6 months to 30 September 2019 unaudited £'000
Ordinary shares of £0.001 each	99,931,509	100	99,577,589	100	64,484,172	64
	99,931,509	100	99,577,589	100	64,484,172	64

8. Events after the reporting period

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