GRC international group plc™

A *Leader* in integrated cyber security

Annual Report and Accounts 2020

We are a leading, global integrated cyber security service provider delivering great value to clients.

As a group of companies, we provide a range of products and services to ***address the cyber security governance, risk management and compliance requirements of organisations*** to enable them to meet the commercial requirements and regulatory standards that are now in force, or are coming into force, in jurisdictions across the world.

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Improving financial performance resulted in positive underlying EBITDA in Q4, a better quality of earnings, and greater visibility

- Continued investment in Software as a Service (SaaS) products: CyberComply, GRC e-learning, ITGP DocumentKits and Cyber Essentials
- Operational restructure to leverage strengths in e-commerce, SaaS and Professional Services
- Continued billings growth in recently established businesses: GRCI Law, IT Governance Europe and IT Governance USA
- Completed the payment for DQM GRC
- Pandemic-proofed the operations of the business by transitioning the entire Group to a cyber secure remote working model, with the vast majority of staff now permanently home-based and 98% of services capable of remote delivery

FINANCIAL HIGHLIGHTS

Revenue (£'000)

£14,146

2019: £15,849

(11%)[1]

Underlying EBITDA[2] (£'000)

£(1,501)

2019: £(4,336)

65%[1]

Loss before tax (£'000)

£(3,651)

2019: £(5,365)

32%[1]

Loss after tax (£'000)

£(3,206)

2019: £(5,395)

41%[1]

Earnings per share (undiluted)

(4.67)p

2019: (9.30)p

50%[1]

OPERATIONAL HIGHLIGHTS

Total billings[3] (£'000)

£14,027

2019: £15,833

(11%)[1]

Average FTE headcount

187

2019: 270

(31)%[1]

Billings per month per FTE

£6,307

2019: £4,881

29%[1]

Website visits ('000)

3,552

2019: 4,902

(28%)[1]

Website revenue (£'000)

£2,293

2019: £3,374

(32)%[1]

Net customer additions[4]

3,864

2019: 3,300

+17%[1]

1. Year-on-year: 2020 compared with 2019
2. Underlying EBITDA ("Earnings Before Interest, Tax, Depreciation, Amortisation") excludes share-based payment expenses (which are excluded as they are a non-cash expense) and exceptional costs in relation to acquisitions made in the year
3. The relationship between billings and revenue is explained on page 20
4. 2019 excludes customers acquired from DQM Group Holdings Ltd

A *comprehensive suite* of quality services and products

Our unique mix of innovative off-the-shelf products and productised services, and our capability to create bespoke packages that reach across all divisions, enables us to provide unique solutions to our customers' requirements, regardless of company size, maturity or business sector.

WHAT WE OFFER

Training
A comprehensive market-leading portfolio of instructor-led and self-paced training courses on data protection, cyber security, ISO 27001 certification, and business continuity, with live online delivery.

Consultancy
On-site and remote support to help organisations design and implement cyber security, data protection and privacy policies, procedures and practices. Penetration testing, Payment Card Industry Data Security Standard ("PCI DSS") and SoC2 compliance and Cyber Essentials certification and consultancy, Privacy by Design, Privacy as a Service and GDPR compliance.

Publishing and Distribution
Books, toolkit documentation templates and software sold via the Group's websites, both those GRC publishes or writes itself and those supplied by third parties.

Software
Software solutions created and sold by the Group including a range of "software-as-a-service" products such as e-learning, risk assessment and data flow mapping tools, data seeding and data watermarking solutions.

Our customers include
BAE Systems, Barclays, BBC, BT, Carlsberg, Domino's, Freshfields Bruckhaus Deringer, Grant Thornton, Halfords, HSBC, John Lewis, Kubota, National Health Service, Next, Inmarsat, Royal Mail, Slaughter & May, Thames Water, The Bank of England, UK national and local government departments, Vodafone, Volkswagen, US Army, PwC.

Where we are
- Registered offices: UK, Belgium, Netherlands, Ireland and the United States.
- EU website: 11 country websites.

OUR SUITE OF QUALITY SERVICES AND PRODUCTS

A leading, global, "one-stop shop" supplier of cyber security governance, risk and compliance products and services delivering great value to clients.

GRC: GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE

CYBER RESILIENCE

GOVERNANCE AND RISK MANAGEMENT

DATA PROTECTION COMPLIANCE, GDPR

CYBER SECURITY AND ISO 27001

IT GOVERNANCE AND COBIT®

SERVICE MANAGEMENT

RISK MANAGEMENT

PCI DSS

INCIDENT RESPONSE

BCM AND ISO 22301

PENETRATION TESTING AND CYBER ESSENTIALS

ISO 9001, ISO 14001, ISO 45001

ITIL® AND ISO 20000

PROJECT MANAGEMENT, PRINCE2®

CONSULTANCY AND CERTIFICATION

TECHNICAL SECURITY

SOFTWARE TOOLS

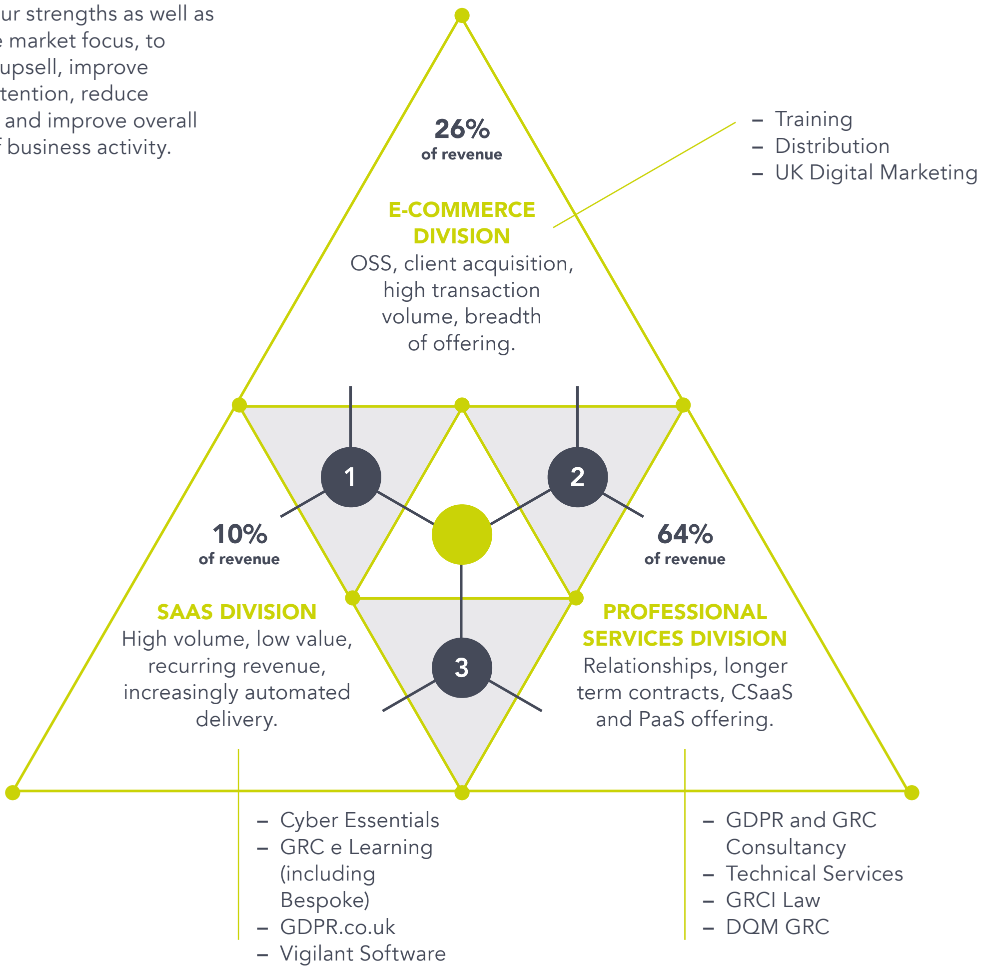
BOOKS AND TOOLKITS

TRAINING AND QUALIFICATIONS

OUR DIVISIONAL STRUCTURE

New divisional structure

Our new structure helps to leverage our strengths as well as to improve market focus, to cross-sell, upsell, improve account retention, reduce overheads and improve overall visibility of business activity.



CROSS SALES / DIVISION

- Service Centre
- Websites
- CRM System(s)

1
- ITGP Books & Toolkits

2
- EU and USA

3
- Channel Team

Working at the *forefront* of a market driven by a growing need for cyber security and data protection compliance

OPERATING IN AN ATTRACTIVE, HIGH-GROWTH MARKET

- Demand for products and services is directly correlated to a market that is experiencing rapid expansion in the volume of cyber security, data protection and privacy demand.
- The Department of Business, Energy and Industrial Strategy estimates governance to be the fastest growing area of the cyber security market.
- In a global and fragmented market, GRC International's "one-stop shop" solution offers a highly attractive proposition.
- A clearly addressable market:
  - Cyber security is a global business risk issue, where cyber breaches have strong financial and reputational implications.
  - The global cyber security market is predicted to be worth USD 243.6 billion by 2025, equating to a CAGR of 11.7% between 2020 and 2025 (according to VynZ Research).
  - US: More states are implementing data protection laws with significant financial exposures for breached organisations.
  - EU: Regulatory action strongly focused on data protection requirements of the GDPR.

A COMPREHENSIVE SUITE OF HIGH-QUALITY SERVICES AND PRODUCTS

- A broad range of both "off-the-shelf" and bespoke solutions for clients seeking to address their cyber security governance, risk management and compliance requirements.
- Our e-learning, publishing, training, certification and consultancy solutions can be tailored specifically to each client's unique strategies and requirements.
- Cost-effective and flexible delivery options to suit our clients' needs.
- A dominant digital marketing presence, a strong, recognised brand and a well-established e-commerce offering that brings significant volumes of new customers.
- Extensive cross-selling and upselling opportunities owing to multiple touch points with clients and complementary offerings.
- A consultancy and professional services team with widely-recognised skills and competences in cyber security and privacy.
- The creation of a cyber compliance "platform" provides the opportunity to embed further into client operations.

A HIGH-QUALITY, DIVERSIFIED AND INTERNATIONAL CUSTOMER BASE

- Strong UK establishment with customer base spanning multiple jurisdictions, including the USA, Ireland, France, Italy, Belgium, the Netherlands and the Gulf.
- Significant potential to expand our geographic footprint further.
- Blue-chip client base including BT, Microsoft, Domino's, Royal Mail, Vodafone and a variety of other household names.
- No single client accounting for more than 5% of Group revenues.
- In the year ended 31 March 2020, 19% (2019: 17%) of the Group's billings originated from customers outside of the UK. The Board's ambition over time is for non-UK revenue to exceed domestic revenue.

PROVEN TRACK RECORD

- Strong organic growth in the Group's core business of cyber security related products and services.
- Successful track record in introducing new products and services – many new products launched in the past 12 months.
- Successfully helped over 800 companies achieve ISO 27001 certification, proving their compliance with one of the world's most demanding management system standards.

AN EXPERIENCED MANAGEMENT TEAM WITH A CLEAR STRATEGY, SUPPORTED BY A DYNAMIC AND ENGAGED TALENT POOL

- Management team widely recognised as leading authorities on cyber security, IT governance, regulation, systems and certification in the UK and globally.
- Senior management team has been active in the field of cyber security governance, risk and compliance for more than 20 years.
- Experienced multi-discipline consultancy team.
- An innovative and agile workforce, with strong product development and customer account management capabilities.
- Clear aim to invest in business development and new client solutions.

We are confident that the Group operates in *global markets that are set to grow significantly* over the medium and long term, whilst gaining in importance

The Group's strategic ambition is to become an international "one-stop shop" under the umbrella of governance, regulation and compliance, expanding into other forms of compliance and new jurisdictions.

A S Brode
Chairman

Fundraise

£3.75m

February 2020

Overview

I am pleased to share GRC International's Annual Report for the year ended 31 March 2020, the Group's third Annual Report since admission to the London Stock Exchange's AIM market in March 2018.

GRC International provides a "one-stop shop" for cyber security and data compliance products and services. The Group is largely UK-based but its clients are global. The Group's strategic ambition is to become an international "one-stop shop" expanding into other forms of compliance and new geographies, with non-UK revenues eventually exceeding domestic sales.

Overall, the Group believes that cyber security, business continuity and privacy compliance issues will become increasingly critical for all companies in sectors with ongoing business operations. The Group is well-positioned to deliver the required products and services to address client needs.

Performance

FY20 was a challenging year for the Group due to an industry wide misconception that following the May 2018 introduction of GDPR, UK business would embrace the ongoing importance of GDPR compliance and that the Information Commissioner's office would begin to issue large fines for breaches of the new legislation. Instead the sector experienced an immediate and significant reduction in business which the Group had not anticipated. The Group mistakenly held on to its GDPR consultancy staff for too long and therefore was required to undertake a cost cutting exercise in the first half of the year in order to 'right-size' the business.

As a result, the Group's cash balance was constrained for the first nine months of FY20. However, in February 2020 the Group announced the successful equity fundraise of £3.75 million, enabling it to complete the acquisition of DQM Group and to provide additional working capital to expand the product suite. In the Group's Q4, we headed into the COVID-19 pandemic. I was, therefore, pleased to note that the Group was EBITDA-positive in each of the three months of Q4.

COVID-19

The widespread shift to remote working from March 2020 as a result of COVID-19 has created new vulnerabilities for clients and, therefore, new opportunities for GRC International's products and services. Whilst the onset of the COVID-19 crisis impacted revenues from mid-February, management moved swiftly to protect our employees, who all migrated successfully to a working-from-home business model. The Group put in place a pandemic response plan allowing for a substantial drop in revenues and cash receipts and is currently trading ahead of this plan.

People

Following on from the substantial scale-up in headcount in 2018 to cope with the anticipated GDPR-related increase in revenues, the Group had already begun to scale down GDPR resources entering into FY20. This reduction in staff has continued throughout most of FY20. Having right-sized the business the Group have then had to manage the impact of COVID-19.

GRC International is essentially a people business, dependent upon the skills, passion and commitment of its entire workforce to be able to deliver the quality and service clients expect. On behalf of the Board, I would like to place on record our thanks for their hard work in challenging circumstances, especially when the pandemic lockdown took hold.

Outlook

In its pandemic response plan, the Group modelled a significant decline in FY21 Q1 performance. GRC International traded well ahead of that model in terms of billings, and with all costs under tight control.

Whilst the Group is unable to provide financial guidance for FY21 given the prolonged uncertainty caused by the pandemic, we are confident that the Group operates in global markets that are set to grow significantly over the medium and long term, whilst gaining in importance.

We have made the necessary investments to broaden the range of our products and services and will continue to do so.

A S Brode
Chairman

OUR MISSION

We engage with directors, business executives, senior managers and IT professionals, to help them:

1. Protect and secure their data and IT systems.
2. Comply with relevant data regulation.
3. Thrive as cyber security enables them to achieve strategic business objectives.

OUR VALUES

We are dedicated to:

1. Solving our clients' real business problems.
2. Being open and transparent with our clients, partners and other stakeholders.
3. Being honest, responsible and accountable for the work we do.
4. Collaborating with our colleagues and stakeholders.
5. Showing leadership and initiative both within the business and externally.
6. Delivering results and exceeding our clients' expectations.
7. Being distinctive through the range of our skills and the depth of our experience.
8. Delivering great value to our clients.

FY20 has been *a year of strategic development*, evolution and return through H2 to positive EBITDA

We have worked intensely throughout the year to 'right-size' the Group, become EBITDA-positive, improve the quality and visibility of earnings, and strengthen our core business platform for future growth, enabling us to accelerate our strategy to become a leading "one-stop shop" global supplier of cyber security, risk and compliance services.

Alan Calder
Chief Executive Officer

The year to 31 March 2020 ("FY20") has been another year of investment, strategic development and significant change for GRC International. We have successfully 'right-sized' the Group, completed the acquisition of DQM, embedded data protection (including GDPR and Privacy Services) into our broader cyber security business and, with the exception of the seasonally weak December, achieved positive EBITDA throughout the second half of FY20.

Monthly, Quarterly and Half yearly numbers are unaudited

The fact that the Group continued to achieve EBITDA-positive results throughout FY20 Q4, in spite of the deteriorating economic climate caused by the global coronavirus pandemic, highlights the greatly improved financial stability of the Group due to the 'right-sizing' programme that was so successfully executed in the first half of the financial year.

Our ambition remains to become a leading "one-stop shop" global supplier of cyber security governance, risk management and compliance services. However, ongoing Brexit negotiations and associated political uncertainty impacted much of FY20 and the onset of the COVID-19 pandemic in Q4 bookended the financial year. These uncertainties caused some clients to de- prioritise their cyber security spending in the short term. The wave of operational retrenchments across most sectors of the economy in Q4 also had a slowing effect on expected Q4 revenue growth.

Despite the headwinds, the Group's increasingly robust business and invoicing model did, however, mean that in Q4 we could hold all our clients to their existing contracts. We also successfully scaled up our existing remote-delivery capability across our continuity, security and privacy compliance services worldwide. With very minor exceptions, we were able to meet all our clients' delivery needs – including instructor-led training, consultancy, audit, testing and legal compliance services, across the world on a remote basis.

Overall performance

The overall performance of the Group in FY20 showed steady, sustained improvement. As we noted in our Interim Results, the decline in GDPR-related demand from the peak of the GDPR demand curve in May 2018 meant that revenue in H1 was down 20% to £7.1 million (H1 2019: £8.9 million). This overall decline reflected a 53% decline in Privacy partially offset by an increase of 1% in Cyber Security. Gross profit in H1 was down 22% to £4.0 million (H1 2019: £5.1 million), with margins broadly stable against the comparative period at 56% (H1 FY19: 57%).

However, the quarter-on-quarter comparison showed the steady improvement in performance across the Group. Revenue in the first half grew steadily, with Q2 revenue up +15% on Q1. There was also a steady improvement in gross margin through H1 FY20, from 55.8% in Q1 to 59.4% in Q2. As a result, Q2 saw a significant EBITDA improvement with positive EBITDA achieved for the first time this year in September.

Divisional overview

During Q1 FY20, we divided our UK businesses into three operating divisions: e-commerce, Software as a Service and Professional Services.

e-Commerce Division (28% of Group revenue)

The Group operates multiple business-to-business ("B2B") e-commerce websites, which provide a leading source of useful information and other content to our customers which also provide a route to market for the majority of our products and productised services. e-commerce generated 26% of our sales in FY20 and has a positive effect on the Group's cash flow. The improvements in UK performance across the year were noticeable:

- H2 vs H1 Website performance: visitor volumes up by 8.5%. Web transaction volume up by 17%.
- Classroom training fill rates up from 47% in April 2019 to 77.5% in March 2020.
- Distance learning product sales portfolio up by 9% since April 2019.
- IT Governance Publishing revenues up 4% against H2 FY19, with strong growth in the audio books product group.

SaaS Division (19% of Group revenue)

Vigilant Software Ltd was the Group's initial software business. vsRisk, a cyber security and ISO/IEC 27001 risk assessment tool, was originally sold on a desktop licence basis. Over the last two years, the vsRisk product has been expanded into a complete cyber security and privacy management platform (CyberComply), available on a subscription, SaaS basis.

The Group has converted its Cyber Essentials certification business into an annual subscription model, expanded its subscription-based e-learning staff awareness training and launched a subscription version of its documentation toolkits.
In addition, the Group has continued to work with the education sector in its use of the GDPR.co.uk platform, which was acquired in Q2 of FY19.

High-margin, recurring revenue is a key feature of the SaaS division activity; subscription billings were approximately 11% of total group billings from all subscription and contractually recurring products and services were around 29% of total group billings.

- Cyber Essentials certifications in H2 FY20 were up 8% on H1 FY20.
- Staff awareness training (e-learning) client profile changing from a high number of small clients to smaller number of larger, more committed organisations and the overall number of users of our Learning Management System ("LMS") is 87,000 at 31 March 2020, a 24% increase on the total at 31 March 2019.
- Vigilant Software subscription pricing now driving a steady increase in revenue.

Professional Services division (53% of Group revenue)

The Group's Professional Services division includes all the cyber security and data protection consultancy services that we deliver to clients of all sizes across most industrial sectors.

- Demand for cyber security testing and compliance services continues to be driven by a combination of compliance and regulatory pressure.
- ISO/IEC 27001 (the international standard for an information security management system) consultancy is the backbone of our Professional Services division. In FY20 we helped 79 businesses achieve certification (FY19:31).
- Driven by continuing demand for data protection support, our DQM business, acquired in March 2019, and GRCI Law, set up in Q3 of FY19, both continued to trade profitably through the year.
- GRCI Law has approximately 90% of its revenues on a contracted, recurring basis providing a range of ongoing data protection and privacy-related services to a growing range of medium and large organisations. DQM has 50%+ of its revenue on an annual contracted basis.

Our continued progress through FY20 is testament to GRC International's inherent nimbleness in developing new products and solutions swiftly to service all clients' cyber security and data protection needs. Utilising the skill and deep industry knowledge of our management team to identify emerging trends in the market and consequent client needs, it is one of our key competitive advantages. Furthermore, we continue to be the only organisation in the market that can deploy a full suite of services to help clients respond to proliferating cyber security threats.

Product and service development remains at the heart of what we do and is fundamental to our business model. The market we operate in changes very quickly and we are agile in launching new products and services on a regular basis. The fact that, in the final weeks of Q4 FY20, we were able to launch ten new products focused on supporting organisations shifting to remote working clearly demonstrates how important this agility is to our performance.

Our businesses in the EU and the USA both made continued progress through the year. Both are still small businesses and do not yet offer the full range of products and services that are available through our UK websites. Nevertheless both businesses continue to win new clients, and both made positive EBITDA contributions to the Group.

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

The depth of the negative economic impact of the coronavirus crisis remains unclear; we nevertheless believe we are well-placed to serve the growing, and global, cyber security market. In FY21, we intend to evolve our business model further to better service clients and enable us to grow margin-accretive, recurring revenues. The fundamentals of our strategy remain unchanged, with investment in our product and service offerings, across both new and existing jurisdictions, coupled with continued growth in cyber security demand, driving profitable growth for our shareholders.

Alan Calder
Chief Executive Officer

Monthly, Quarterly and Half yearly numbers are unaudited

How we got here

1997

Alan Calder and Steve Watkins become the first people in the UK to successfully implement an Information Security Management System ("ISMS") compliant with BS 7799 (the precursor to ISO 27001).

2002

Incorporation of IT Governance Ltd.

Alan Calder, CEO, becomes sole shareholder and appointed as Director.

2012

Vigilant Software Ltd becomes a wholly-owned subsidiary of the Group.

2016

Subsidiary incorporated in Ireland (IT Governance Europe Ltd).

2017

Ireland subsidiary commences trading.

19% of Group revenues come from customers outside the UK.

Many of our products and services translated, for the first time, into German, French, Spanish and Italian.

2018

Following a reorganisation, a newly incorporated company, GRC International Group plc created.

GRC International Group becomes the holding Company and is admitted to trading on the LSE's AIM market.

US subsidiary incorporated and office opened in New York.

In August, first acquisition completed: www.gdpr.co.uk

2005

e-commerce website launched selling books and documentation toolkits on information security.

2006

IT Governance Ltd co-founds Vigilant Software Ltd and subscribes to 50% of the equity.

Vigilant develops software programme to help organisations assess risks to information and select appropriate controls to reduce risks.

2007

First training course delivered in Pakistan.

Alan Calder starts undertaking consultancy work.

2008

Alan Calder starts working for IT Governance full time as Executive Chairman.

Begins providing public training courses on information security management.

Steve Watkins begins working full time for IT Governance in April 2008.

2009

The Group acquires control of 80% of Vigilant Software Ltd.

2010

Successful growth of the Consulting division leads to the launch of a "penetration testing" service (testing customer data protection and cyber security processes).

Software division established, focused on developing software to help organisations assess risks to information and select appropriate controls to reduce risks.

2019

Acquisition of DQM Group Holdings Ltd, a provider of data consulting and technology solutions.

2020

Settlement of deferred consideration paid to owners of DQM using proceeds of new Shares in February.

Restructure and refocus on Cyber Security side of the business.

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

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

Data protection complaints received by the ICO in the UK increased from 21,019 in 2017/18 to 41,661 in 2018/19. The FBI's IC3 2019 Internet Crime Report indicates that, globally, more than $3.5 billion was reported lost as the result of cyber crime in 2019; a total of 467,351 incidents were reported by businesses and individuals.

Increased technology-enablement and digitalisation are driving companies to rely heavily on digitally-stored information, which is shared in vast quantities both internally and externally. This is increasing the opportunity for data to fall victim to a cyber-attack, resulting in potentially devastating impacts to an organisation's bottom line and reputation.

Companies around the world are, however, now recognising the criticality of taking action and, in the UK alone, 54% of companies sought information or guidance on cyber security from outside their organisation in the past year (UK Government Cyber Security Breaches Survey 2020). Furthermore, the Ernst & Young 2018-19 Global Information Security Survey ("GISS") – which analyses findings from 1,400 C-suite leaders and information security and IT executives/managers around the world – reported:

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

Accenture reported that cyber security breaches had increased by 11% since 2018 and 67% since 2014, and that 68% of business leaders felt their cyber security risks were increasing.

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

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

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

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

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

We operate in a growing and global market

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

- The global cyber security market is predicted to be worth USD 243.6 billion by 2025, equating to a CAGR of 11.7% between 2020 and 2025 (according to VynZ Research).
- Cyber security Ventures predicted cybercrime will continue rising and would cost businesses globally more than $5.2 trillion over the next five years.
- Average total to identify and contain a breach in 2019: 280 days (Accenture-Ponemon Institute Cost of Cybercrime Study 2020).
- Average total cost of a cyber breach in 2019: USD $3.86million (Accenture-Ponemon Institute Cost of Cybercrime Study 2020).
- Where cyber security skills were concerned, 82% of employers report a shortage of cyber security skills and 61% of companies thought their cyber security applicants weren't adequately qualified.

GRC International offers a unique proposition to the market

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

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

> "THE GLOBAL CYBER SECURITY MARKET IS PREDICTED TO BE WORTH USD 243.6 BILLION BY 2025, EQUATING TO A CAGR OF 11.7% BETWEEN 2020 AND 2025 (ACCORDING TO VYNZ RESEARCH)."

Our core proposition is built around our ability to provide a *comprehensive range of integrated services* to clients

WHAT WE DELIVER	HOW WE DELIVER
TRAINING Courses related to data protection, cyber security, ISO 27001 certification and related topics. Online training, e-learning courses and examinations that are required to obtain certification.	**Instructor-led courses range from one to five days with typically 8-20 delegates. Courses are held at:** – Our classroom training business is now completely online, with a bio-secure training centre opening in Cambridgeshire with an innovative 'Learn from Anywhere' multi-channel delivery model. – Hired premises. – Customers' premises (for organisations that require training for a number of their employees). – Via live webinars to domestic and international audiences. – Self-paced courses enable learners to acquire new skills at their own pace and in their own time.
PROFESSIONAL SERVICES The range of consultancy services and products has grown over the years to meet the customer demand. Our two service offerings are: – **Consultancy** – **Technical services**	**Consultancy** We provide on-site and remote support, helping organisations to design and implement data protection and cyber security policies and procedures. Through GRCI Law, we also provide specialist legal privacy advice, and annual support packages like Privacy as a Service and DPO as a Service. DQM GRC is the leading Privacy by Design consultancy. The Group attracts most of its consultancy customers via online searches carried out by the customer, through attendance on training courses, recommendation or as a result of relationships that have developed over time. We are successfully delivering 95% of our cyber security, privacy and continuity services remotely to customers across the world.
PUBLISHING We sell books and documentation templates, both those we publish or write and those supplied by third parties.	**Materials are sold through the Group's websites.** **Books** We commission authors to write books on the basis of feedback from clients or knowledge of the markets in which the Group operates. Most of the books we sell relate to how organisations should manage their IT risk exposures or standards published by various bodies.
SOFTWARE We create and sell software solutions, including a range of "software-as-a-service" products such as e-learning, risk assessment and data flow mapping tools, data seeding and watermarking solutions, all on an annual subscription basis. Our in-house development team is able to deliver continual improvements on the basis of customer feedback and our own subject matter expertise.	**We create and sell software solutions through our subsidiary, Vigilant Software Ltd, including:** – **vsRisk** (provides a programme for identifying and recording management decisions relating to information security risk levels within an organisation). – A compliance management tool. – A data flow mapping tool.

Advertising and marketing of our training courses is predominantly through use of search engine optimisation. Resulting bookings and sales are usually through:

- Online e-commerce sale or booking with no human intervention.
- Inbound phone or online enquiries that lead to a booking or sale.
- Active sales calls to the organisation making the enquiry.

Technical services

Through this line we provide:

- **Penetration testing:** we carry out an authorised simulated attack on a customer's IT systems to test the effectiveness of the systems and procedures and to identify any weaknesses. We also offer simulated phishing attacks and a broad range of security testing services.
- **PCI DSS assessments:** in line with contractual payment card industry requirements, we regularly test organisations' data protection and cyber security systems.
- **Cyber Essentials certification and consultancy:** we provide an accredited certification service that helps organisations of all sizes become certified to the UK Government's Cyber Essentials scheme.

Documentation templates

We create and sell 37 sets of documentation templates, the most important of which are now sold through a cloud-based subscription service.

We have four strategic priorities that enable us to grow our *"one-stop shop"*

Our integrated services are designed to help customers protect the data they hold by enabling them to:

Understand what their legal, regulatory and commercial obligations are;

Identify the risks to their data protection and cyber security systems and procedures;

Design and implement systems and processes to train their management and employees so that they can meet their obligations and address the risks identified; and

Prepare for, and obtain, certification to standards such as: ISO/IEC 27001 or Cyber Essentials or demonstrate compliance with requirements such as PCI DSS or the GDPR.

EXPAND EXISTING SERVICES IN EXISTING MARKETS

The Group's largest business, IT Governance Ltd, has a well established brand, reflected in the strength of its online market positioning in the UK and globally. We continuously innovate, launching new products and services into the changing and maturing market, both within the UK and internationally. We also continue to invest in building IT Governance Ltd's infrastructure to support and automate its operations, so that it is more cost-effectively able to service growing numbers of small and medium-sized organisations that require access to appropriate cyber security and data protection products and services.

Alongside our increasingly automated internet and website systems, we have significantly grown our account management and business development teams in order to better develop our relationships with medium and large organisations.

DELIVERING AGAINST OUR STRATEGY

We have continued to invest significantly in three of our existing businesses during FY20:

- **Vigilant Software –** an existing subsidiary with a risk assessment tool. We have significantly improved the underlying cyber compliance platform and developed a suite of GDPR-related software tools which, together or individually, are used by organisations to automate key parts of their risk and compliance activity and provide an integrated compliance and cyber risk view. This also has a software-as-a-service ("SaaS") business model. The Co-op is the first organisation to take all the modules.
- **GRC e-learning –** in order to foster its growth, we moved our e-learning activity out of IT Governance UK and created a separate business for it. We developed a bespoke Learning Management System and established an offer that makes it easy for clients to deploy off-the-shelf staff awareness training, as well as custom-built products. Carlsberg is a significant customer of our e-learning business.
- **GRCI Law –** many of our clients seek legal advice from our GDPR implementation consultants and, rather than refer them to their own lawyers, we set up GRCI Law to provide specialist legal advice. The Company operates within the UK's legal framework, does not deal with litigation or property transactions, and focuses primarily on fixed-price, privacy-related advice. GRCI Law now also manages Privacy as a Service and Data Protection Officer ("DPO") as service contracts, for a growing number of organisations.

EXPAND EXISTING SERVICES INTO NEW JURISDICTIONS

The Company is rolling out its 'tried and tested' successful business model and infrastructure to the EU and USA, but with appropriate adjustments to reflect local cultures and market dynamics. While we expect it to take some time to establish sizeable, profitable operations across these regions, these are all identified as clear growth markets for cyber compliance activities and these markets are EBITDA.

DELIVERING AGAINST OUR STRATEGY

We have established IT Governance-branded operations in Ireland (Drogheda, Eire) which coordinates all non-UK pan-EU activities, and in the US (New York). All these businesses are performing well and have led to significant contract wins, including Kubota and Microsoft.

ADDING NEW SERVICES FOR EXISTING AND NEW CLIENTS

We continue to evaluate market demand for new services, products and propositions to deliver to both existing and new customers in both existing and new jurisdictions. Agile and innovative, in Q4, we launched ten new products and services specifically focused on serving the cyber security establishment and training needs of organisations rapidly shifting to a remote working model.

DELIVERING AGAINST OUR STRATEGY

Product development is fundamental to what we do. The market changes very quickly and we are agile in launching new products and services on a regular basis. We have successfully launched many new products and services in the year ended 31 March 2020, including:

- ISO/IEC 27701 consultancy services
- e-Learning staff awareness training courses
- Anti-phishing training course (updated on a quarterly basis to reflect market changes)
- Learning management system
- Self-paced learning courses on key topics (e.g. Cyber Security Foundation)
- Converted 20 of our pre-existing book titles into audio books to improve accessibility
- Subscription version of our documentation toolkit business
- Cyber security hotline
- Cyber "instant-response" service
- Data flow mapping tool
- Data protection impact assessment tool
- GDPR manager to deal with breach reporting, gap analysis and supply chain management

MAKE SELECTIVE ACQUISITIONS

In addition to organic growth, the Group continues to scan the environment for businesses that own complementary technology and intellectual property, offer access to new markets or territories, or extend our existing capabilities and the range of products and services offered to our customers.

DELIVERING AGAINST OUR STRATEGY

In August 2018, the Group acquired the domain, web platform, customer list and goodwill of www.gdpr.co.uk from Wonde Ltd. The Group has enhanced the platform by offering relevant books, e-learning and Data Protection Officer services available across www.gdpr.co.uk.

In March 2019, the Group acquired DQM Group Holdings Limited, a provider of data consulting and technology solutions. This acquisition extended the Group's existing offering to include high margin, data governance services; add market share to the Group, by introducing additional household name clients with ongoing contracts; provide cross-selling and upselling opportunities; and provide strategic opportunities and additional sector crossover.

This acquisition enabled us to broaden our audit offering, add a growing range of Privacy by Design services, as well as watermarking and data breach tracking services.

We are leaner and fitter with an *improving quality* of earnings

I'm delighted to present a set of results that sees the Group return to positive EBITDA in Q4 and improve the forward visibility of revenue.

Chris Hartshorne
Finance Director

In H1 of FY20 the Group went through a period of restructuring and rebuilding in order to scale back parts of the business built to handle the spike in demand for General Data Protection Regulation ("GDPR") related products and services and focus more strongly on the underlying growth in the cyber security business that has historically been at the core of the Group's activities. In H2 the benefits of restructuring and changing of focus began to show through in the financial performance, with the Group getting back to being consistently cash generative and EBITDA positive throughout Q4.

The Group's Q1 results to 30 June 2019 made it apparent that the lack of regulatory action and the uncertainty in the wider economic and political landscape meant that the temporary decline in GDPR-related products and services, that had always been anticipated by the Board, was not likely to give way to a second wave of GDPR fuelled growth in the near future. 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 delivered improved internal efficiencies with significant cost savings, together with more focused marketing and messaging to drive revenue growth in the three 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, demonstrating a transition back to what has delivered many years of strong performance historically.

In H2, headcount savings from the restructure and tight cost control in other areas delivered consistently EBITDA positive monthly results with the only exception being known seasonality in the month of December where customer demand reduces over the Christmas period. A positive Q4 result is particularly pleasing in light of the fact that February and March revenue growth was noticeably curtailed by the early impact of the COVID-19 pandemic.

Revenue

Overall revenue in FY20 was down 11% to £14.1 million (FY19: £15.8 million). However, the direction of travel following the restructure is clearly positive, with H2 revenue of £7.05 million being almost exactly equal to H1 revenue of £7.09 million despite the notable impact of COVID-19 on the final two months of Q4.

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

As shown in the period-on-period table below, despite revenue being down in three of the four revenue streams, double-digit revenue growth was recorded in Consultancy (up 19% on the prior year), which includes much of the Group's Cyber Security activity along with the legal services delivered through GRCI Law Ltd, mostly on a contracted recurring revenue basis.

The GDPR-fuelled growth through FY18 was strongly seen in the Group's Training business as customers raced to upskill themselves and to understand the new regulatory landscape. It is therefore unsurprising that this business has declined following the implementation date of GDPR in May 2018. This also impacted the Publishing and Distribution business. It is however pleasing to see the Group replace this revenue with revenue from other products and services over the last three years.

As demonstrated by the tables below, the Group's overall revenue has grown strongly from £6.8m FY17 to £14.4m FY20.

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

Period-on-period %	Consultancy	Publishing and Distribution	Software	Training	Total
FY18	82%	58%	(3)%	237%	130%
FY19	37%	(19)%	279%	(31)%	1%
FY20	19%	(27)%	(10)%	(45)%	(11)%

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

Gross profit

While Gross profit was down 6% to £8.1 million (FY19: £8.6 million) compared with the prior year, gross profit as a percentage of sales is up 300 basis points on the prior year at 57% (FY19: 54%). Whilst the improvement for the year as a whole is encouraging, the upward trend through the year is more significant, with H2 FY20 at 58% compared to H1 FY20 at 56%. This half year on half year improvement comes despite the COVID-19 impact on revenue in Q4 and December being a traditionally low margin month because the reduced number of trading days impacts revenue but not headcount costs, which account for the majority of the Direct Costs within the Group.

Operating expenses

Other operating expenses (excluding share-based payment expenses and exceptional costs) decreased by £2.5 million to £11.2 million, down 18% (FY19: £13.7 million).

Whilst the overall reduction is pleasing, it is the steady reduction through the period that is more meaningful. The overhead run rate at the end of the period was significantly down on that at the beginning of the period; and some of the reductions that came through in the H2 numbers were a result of actions taken as part of the restructuring work in H1. The reduction in overhead costs is predominantly due to lower headcount reduction and in associated headcount related overheads, together with a strong management focus on non-headcount related overheads which has also delivered savings.

By the end of FY20 overheads were running at an annualised run rate more than £4 million lower than the full year FY19 figure.

Underlying EBITDA

Underlying EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) excludes share-based payment expenses (non-cash) and non-recurring 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 FY20 was a loss of £1.5 million, (10.6)% of revenue (FY19: loss of £4.3 million, (27.2)%). Not only is this a significant improvement from FY19 to FY20, but also to HY2 from HY1 is set out in the table below:

£'000	Unaudited HY1 FY20	Unaudited HY2 FY20	FY20	FY19
Operating loss	(2,149)	(1,276)	(3,425)	(5,357)
Depreciation	194	192	386	183
Amortisation	586	594	1,180	611
Exceptional costs	63	295	358	164
Share-based payments	–	–	–	63
Underlying EBITDA	(1,306)	(195)	(1,501)	(4,336)

Finance expense

The net finance expense of £222k (FY19: £8k) relates mainly to interest on the Group's new borrowings (£139k) and leases (£61k) due to the increase in borrowings and the change in accounting policy relating to the introduction of IFRS 16 respectively.

Loss before tax
Loss before tax was £3.6 million (FY19: £5.4 million). Normalised loss before tax (defined as loss before tax excluding share-based payment expenses and exceptional costs relating to the acquisition of DQM) was £3.3 million (FY19: £5.1 million).

Taxation
A tax credit of £0.4 million has been recognised in the period (FY19: £29k charge). The tax credit recognised relates primarily to the unwinding of deferred tax on the acquisition of DQM and a Research and Development tax credit.

Earnings per share
Loss per share was 4.67 pence (FY19: loss per share 9.30 pence).

Statement of financial position
Net current liabilities at period end were £2.8 million, reduced from £5.5 million at 31 March 2019.

Property, plant and equipment has increased to £0.8million (31 March 2019 £0.5m) due to the addition of Right of Use Assets under the introduction of IFRS 16.

In February 2020 the Group successfully completed an equity fundraise of approximately £3.75 million (net of expenses of £0.1 million), resolving the cash element of the contingent consideration (£1.6 million) consistent with the DQM Deed of Variation, the balance of deferred consideration being settled by the issue of shares now paid to the vendors of DQM and repaying a bank borrowing facility (£0.5 million). The remainder of the funds raised provided additional working capital for the Group to strengthen the overall balance sheet position. Consequently trade and other payables are down to £3.6 million at the period end (31 March 2019 £4.4 million).

Included within the current liabilities balance of £5.4 million (FY19: £9.1 million) is a deferred income balance of £0.9 million (FY19: £1.0 million), relating to training and consultancy projects due to be delivered after the statement of financial position date. Also included within current liabilities is the deferred liabilities payable to HMRC as laid in the Going Concern section.

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 under the modified retrospective method. Further information is provided in note 22.

Lease obligations under IFRS 16 at 31 March 2020 were: Current £0.2 million, Non-current £0.3 million.

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 £1.1 million largely relate to software development of £0.9 million and consultancy and courseware products £0.2 million.

Cash flow and cash/debt
The Group's closing cash position net of bank overdrafts was £0.2 million (FY19: £0.1 million). The significant reduction in operating cash outflows before changes in working capital (FY20: £1.9 million, FY19: £4.5 million) is a reflection of the improvement in trading result during the period. The decrease in trade and other payables (FY20: £4.4 million, FY19 £0.7 million) is the result of clearing the contingent consideration relating to the acquisition of DQM along with a conscious effort to reduce the size of the trade payables ledger.

The Group has banking facilities to provide adequate headroom for unforeseen working capital requirements by way of an invoice discounting facility that was inherited as part of the acquisition of DQM. In addition, the unsecured loan facility provided to the Company by Andrew Brode for the amount of £700k at an interest rate of 5% above the Bank of England base rate to provide additional working capital is available to the Company until at least 31 December 2021 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 £1.8 million (31 March 2019: £nil, 30 September 2018: £nil) an increase on the previous period to support the working capital requirements during the restructuring in the first 9 months of the year. A full schedule of Borrowings and terms are disclosed in note 18.

Going concern
The Group has recorded a loss for the year of £3.2m (2019: £5.4m) and at 31 March 2020 its current liabilities (excluding deferred income) exceeded its current assets by £1.9m (2019: £4.5m). Notwithstanding this, the Directors consider it appropriate to prepare the financial statements on a going concern basis. The key considerations relating to this judgement are described below.

During FY20 the Group significantly restructured its operations, including reducing its cost base. Of the loss for the year of £3.2m, £2.2m (69%) was incurred in H1 and £1.0m in H2 the Group was EBITDA positive in 5 out of the 6 months, with the only exception being known seasonality in the month of December as our customers' businesses wind down for the Christmas period. Also, during H2 the Group successfully completed a placing of new shares which raised £3.75m (approximately £3.5m net of fees) enabling the Group to settle the cash element of the contingent consideration (£1.6m) due to the vendors of DQM, acquired in March 2019, and repaying a bank borrowing facility (£0.5m). The remainder of the funds raised provided additional working capital for the Group to strengthen the overall balance sheet position.

Having been through a transitional year the Group was looking forward to a strong FY21, continuing its H2 FY20 momentum and anticipating profitable results for the year. However, the global COVID-19 pandemic led to an immediate reduction in monthly billings as customers delayed projects, reduced spend seen as not immediately critical to day-to-day operations and focussed on establishing new business processes and procedures to survive the short term. This unprecedented trading environment resulted in a reduction in revenues and the net result for April and May 2020, followed by a recovery towards pre-COVID-19 levels of revenue and profitability in June prior to a flattening out of trading levels over July and August 2020 as is the traditional pattern in the Group's annual cycle.

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.

Notably; the Group has made savings in marketing costs, property and training venue costs, and continues to rationalise IT infrastructure. Having extended the hiring freeze the Group is continuing to see payroll costs reduce. In particular, early progress on the integration of DQM with the rest of the GRC group enabled one of the founder directors to take early retirement and the other to reduce workload by 60%; and these savings (c. £0.2m annualised) became effective from 1 April 2020. Furthermore, IT Governance USA Inc. qualified for a $0.1m loan through the Paycheck Protection

Programme (PPP) which should qualify in due course for forgiveness. The Group also deferred certain liabilities payable to HMRC amounting to approximately £1.0m, representing a rolling 3-4 months of the Group's monthly liability, which the Group has scheduled to repay both in the base case and worst case forecast on an instalment basis commencing from April 2021.

Despite the drop in monthly billings the Group has focused operationally on developing new products and services and redesigning existing ones such that all products and services can be delivered remotely or in person as customer preference and rapidly changing regulation and guidance dictate. As evidenced by the early months of FY21, the Directors believe the Group is in a strong position to continue to support its customers and deliver services in a rapidly changing environment and is well placed to benefit from the need for organisations to change their business processes in a cyber secure and regulatory compliant manner.

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 another national "lockdown".
- 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 have prepared an integrated profit and loss, balance sheet and cash flow forecast by month to 31 March 2022 (the 'base case forecast'). A key assumption to the base case forecast is that the level of business interruption caused by the pandemic would gradually ease over the summer with a resumption of more normal pre-COVID-19 levels of billings from September 2020 onwards, though still notably lower than originally budgeted prior to the impact of COVID-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 subject to settlement of the outstanding HMRC liabilities from April 2021.

Additionally, the Directors have prepared a sensitised forecast to the base case forecast where if the COVID-19 pandemic was more prolonged than currently envisaged by the Directors (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 effected. The worst case forecast does not identify a potential cash flow shortfall in any month, on the basis that outstanding HMRC liabilities are capable of being further deferred.

The Directors are monitoring actual business performance and cash flow against the base case forecast. Encouragingly, since the year end the Group has traded ahead of the expectations set out in the base case forecast and is currently seeing trading almost back at pre-COVID levels, although behind the growth plans originally budgeted. 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 base case forecasts (including the currently expected payment profile of the deferred liabilities to HMRC referred to above) 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 reduce by any reasonably foreseeable degree and that the Group will remain within the 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.

Nevertheless, in order to trade through the pandemic period without making significant headcount cuts that would have damaged the rate of the Group's recovery, it was necessary for the Group to defer the HMRC liabilities described above without a formal payment arrangement being in place. At the time of writing this report the Directors' are confident that these liabilities can be settled in the near future, and the Group currently has adequate cash and facilities in place to settle the liabilities in full if required. Given Government's clear advice to HMRC to be supportive of UK businesses and based on the Group's communications with HMRC to date management do not expect that the immediate need to settle the deferred balance in full is likely. However, in the event that the liabilities are demanded in full and the effect of COVID-19 on future trading is more prolonged or severe than the Directors' expectations, the two events combined may impact the Group's ability to generate sufficient positive cashflow to settle future liabilities as they fall due and as a result the Parent Company would be required to raise additional funding in order to meet its liabilities with no guarantee such funding would be secured.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern. Notwithstanding the impact of COVID-19 identified above, the Directors have a reasonable expectation that the Group will have sufficient cash flow and available resources and if necessary will be able to raise additional funds to continue operating for at least 12 months from the approval date of these Financial Statements. Accordingly, the Directors continue to adopt the going concern basis in preparing the Group and the Company its Financial Statements.

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

Capital structure

The issued share capital at 31 March 2020 was 99,577,589 ordinary shares of £0.001 each (31 March 2019: 64,484,172). There were no share options granted in the period to 31 March 2020, and the total number of unexercised share options at 31 March 2020 was 780,680 (31 March 2019: 2,360,680).

Risks and uncertainties

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

Chris Hartshorne
Finance Director

Our *principal* risks and uncertainties

The Group is exposed to a number of potential risks which may have a material effect on our reputation, financial or operational performance. The Board is aware that the nature and scope of risks can evolve and that there may be further risks to which GRC International is exposed. While this list is not intended to be exhaustive, the Directors consider the below to be the principal risks and uncertainties faced by the Group. The Board has overall responsibility for risk management and internal control and is fully supported by the Audit Committee.

	Risk	Mitigation
Economic environment	Our operations are affected by overall economic conditions in the key geographic markets it operates in. The Group could be affected by unforeseen events outside of its control including: – Economic and political events, such as Brexit and COVID-19 – Inflation or deflation – Currency exchange fluctuation	While the increasing geographic diversity of GRC provides some mitigation from individual country economic fluctuations, we continue to review and monitor our economic environment and will continue to consult widely to better understand any economic uncertainty and associated impacts. GRC operates on a basis of natural hedging to help minimise exposure to this risk.
COVID-19	The COVID-19 disruption has led to reduced sales in the short term and deferred projects. It has also disrupted daily business life with remote working instigated wherever possible and a shift to remote working and delivery. With the continued uncertainty associated with the virus it is too early to assess the impact on the Group's operational and financial performance in FY21.	**Business Continuity:** GRC has executed its UK business continuity plan in response to the UK Government's instruction that where possible and as far they are able to, all employees should work from home. The Company is able to confirm that by 25 March all our staff across the Group in the UK, USA and EU were successfully working from home and carrying out business as usual. Encouragingly, to date this approach has meant that the Group has suffered minimal disruption as a result of staff having to self-isolate. **Customer Focus:** During March, we successfully shifted almost all of our client service delivery across our continuity, security and privacy compliance services worldwide, online. With very minor exceptions, we are now able to meet all our client's delivery needs – including classroom training, consultancy, audit, testing and legal compliance services, on a remote basis to clients across the world. **Privacy Management:** While executing our continuity plan and completing our pivot to comprehensive online service delivery, we were also successfully audited against ISO/IEC 27701, the new privacy management extension to ISO/IEC 27001. It is another standard for which we provide training and implementation services. The Group has adequate cash resource and committed undrawn debt facilities available to ensure that the immediate impact of the disruption can be managed. The business has a proven track record of disciplined cost control which will continue to be vital in the current trading environment. We are continuing to take action to reduce costs and preserve cash and, where possible, will take advantage of emerging Government support schemes in all of the geographies in which we operate including deferral of tax payments and furloughing of some staff.
Operating environment	**Competition:** The Company's current competitors, or new entrants to the market, particularly the data protection and cyber security market, might bring superior technologies, products or services to the market, or equivalent products or services at a lower price which may have an adverse effect on the Company's business. **Customers:** Loss of key customers has the potential to materially impact Group revenue. **Compliance environment:** Customer activity is to a significant extent driven by their fear of a data or cyber security breach and the regulatory and commercial consequences thereof. A reduction in external compliance pressure on the Company's clients may have an adverse effect on the Company's business. **Suppliers:** We have a strategic relationship with Xanthos Ltd, a key supplier of digital marketing and website services, and a related party. If Xanthos Ltd were to withdraw provision of these services, it may have an adverse impact on the business, results of operations and financial condition of the Group.	We believe that the best way to mitigate this risk is to continue to deliver and maintain high-quality products and services to our customers. We continually review and monitor competitive activity in all our markets to ensure GRC remains innovative, competitive and attractive in the markets in which we operate. We have adapted to COVID-19 pandemic by moving to remote working and delivery of some of our services. In addition to the above, we seek to balance our exposure to customer dependency across all our geographic markets. We monitor customer demand and, in the event of a reduction in demand, would take steps to reduce delivery capacity and overhead. We maintain a close working and contractual relationships with key suppliers and endeavour to limit those services for which we have a single point of failure.

	Risk	Mitigation
Legislation and regulation	The markets in which the Group operates are subject to legal and regulatory changes and the emergence of new industry standards. To compete successfully, the Group will need to continue to improve its products and services, and to develop and market new products and services that keep pace with changes in legislation, regulation and commercial practices.	We monitor developments and proposed changes in Government policies, legislation, regulation and other factors that may impact our business and our customers' businesses. Our strategy is kept under close review to ensure we respond to any such impact. We have well-developed IT systems, operational controls, comprehensive training and a rigorous compliance monitoring programme in order to maintain adherence to legislation.
International expansion	The continued expansion of the Group into new countries brings associated risks. With a number of offices located outside the UK, there is a risk that the Group's growth overseas may result in a reduction in the quality of control and oversight provided by senior management. Factors such as different time zones, languages, regulatory regimes and working cultures may all reduce the efficacy of the oversight provided by senior management. The financial performance of the Group may be impacted by changes to taxation regulation and the repatriation of profits, as the UK begins to leave the EU.	The Board and senior management review international activity on a regular basis and consider both strategic and operational issues that may impact performance. The Board has full oversight of UK and overseas operations through regular management meetings, both remotely and in person.
System and technical	The nature of the Group's business means that it is exposed to a number or risks associated with information technology which have the potential to cause a significant impact on operational performance, Company reputation and financial performance. These risks include: – Cyber security breach – Data breach – Reliance on key systems, including defects in software	We manage this risk in a number of ways, including external certification to international security standards, such as ISO/IEC 27001 and UK standards such as Cyber Essentials Plus. Our GDPR compliance management system is externally audited to comply with BS 10012. A business continuity plan is in place to minimise the impact to the business should IT systems fail. The internal IT team assesses risks associated with potential cyber threats on a regular basis and uses antivirus software, amongst other controls, to protect the integrity of systems. We also undertake regular penetration testing to assess infrastructure and data security. In the event that an IT incident does occur, back-up facilities are in place to ensure business interruptions are minimised and internal and customer data is protected from corruption or unauthorised access. GRC also has cyber insurance appropriate to its risk profile. We continue to invest in cyber security measures, tools and infrastructure, as well as seeking to develop and upgrade systems in line with the Group's plans for significant expansion.
People	The Company's future will be greatly influenced by the continued services and performance of its Directors and senior management. Furthermore, failure to recruit and retain skilled personnel at all levels across the business could also have an adverse impact.	GRC takes pride in creating a positive and exciting workplace environment, through training, engagement, rewards and values. The Remuneration Committee seeks to ensure that rewards correspond with performance and retention. Keyman insurance has been put in place in respect of the Chief Executive Officer, Alan Calder, for £750,000.
Bank facilities and liquidity	With a strategy for the Group of significant growth, including further international expansion, the Board recognises the importance of regular review and monitoring of the Group's financing. The Group maintains an invoice discount facility short-term and has an unsecured loan facility provided by Andrew Brode to provide additional working capital. The Group only has a limited forward order book for its services, creating unpredictability in revenues and cash, hence impacting on the level of liquidity. Further details are included on page 20 of this Annual Report and in note 1 of the financial statements.	The Group maintains regular and transparent dialogue with its facility lenders to ensure they are aware of developments in the business and reviews the level of facilities required based on the Group's forecasts. The Board receives weekly and monthly information to enable it to consider the Group's short and medium-term performance. If performance is not in line with forecast, the Group has a number of mitigating actions that could be implemented.

How we measure our performance

BILLINGS

Billings equate to the total value of invoices raised and cash sales through Group websites.

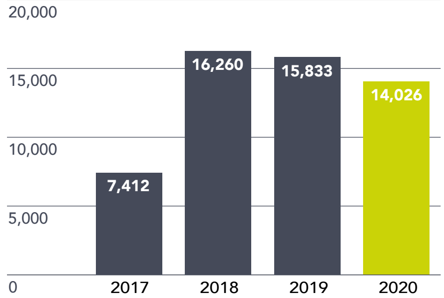
This figure does not take account of accrued or deferred income adjustments that are required to comply with accounting standards.

Total billings

£14,026,660

(11)%

(£000s)



AVERAGE FTE HEADCOUNT

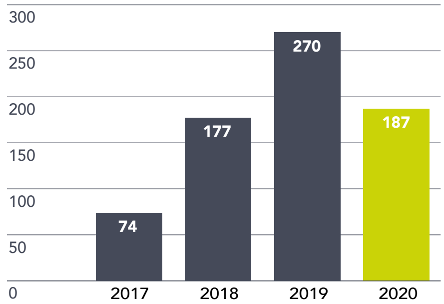
While the number of full-time equivalent ("FTE") employees is not a KPI in itself, the decrease demonstrates the scale of the Group's restructure over the course of the financial year.

Average FTE headcount

187

(31)%

FTE as at 31 March 2020: 163
FTE as at 31 March 2019: 184



MONTHLY BILLINGS DIVIDED BY FTE EMPLOYEES

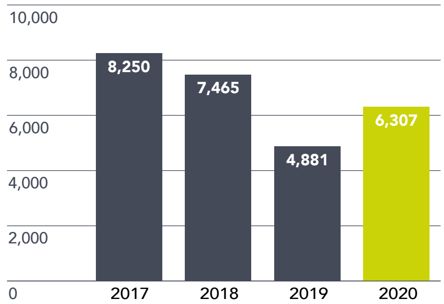
This is an internal target given to the Group's sales and marketing teams.

Billings per FTE

£6,307

29%

(£)



WEBSITE VISITS

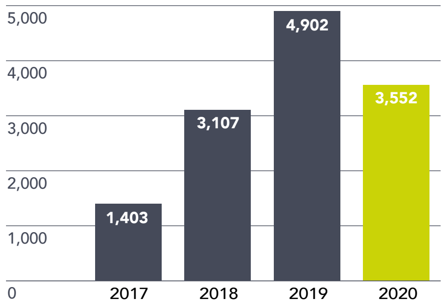
The Group invests significant funds into digital marketing in order to maintain our dominance of certain web search term results. There is a distinct correlation between website visits and sales, however, we remain careful to use the term "correlation" rather than "causation".

Website visits

3,552,335

(27)%

(000s)



WEBSITE REVENUE

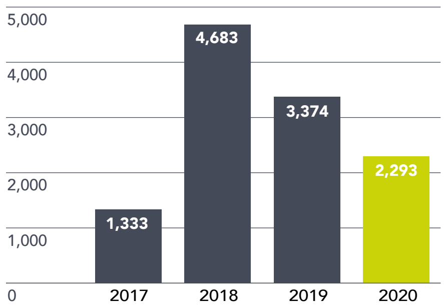
This equates to debit and credit card sales via the website that turn into cash immediately. This is an important KPI as it is a key driver of the Group's working capital. Furthermore, the Group refers to website sales trends to estimate the returns generated through digital marketing campaigns and, therefore, how to prioritise these accordingly.

Website revenue

£2,293,422

(32)%

(£000s)



The Strategic Report was approved by the Board of Directors and signed on its behalf.

Alan Calder
Director
25 September 2020

We *engage* with our stakeholders to develop effective relationships and improve business decisions

By understanding our stakeholders and listening to their views and feedback, we can factor into Board discussions, the potential impact of our decisions on each stakeholder group and consider their needs and concerns.

OUR STAKEHOLDERS	MATERIAL TOPICS
EMPLOYEES Engaging with our people enables us to create an inclusive company culture and a positive working environment.	– Opportunities for development and progression – Opportunity to share ideas and make a difference – Diversity and inclusion
CUSTOMERS Listening to our customers helps us to better understand their needs and provide suitable and reliable products and services.	– Help customers make better decisions – Personalised customer propositions – Leveraging a deep understanding of their needs and views to create innovative solutions
SHAREHOLDERS Our shareholders are vital to the future success of our business, providing funds which aid business growth and the generation of sustainable returns.	– Financial performance – Strategy and business model – Proactive approach to communication
THIRD PARTY SUPPLIERS Interaction with our suppliers and treating our suppliers fairly allows to drive higher standards and reduce risk in our supply chain whilst benefiting from cost efficiencies and positive environmental outcomes.	– Long-term partnerships – Collaborative approach – Open terms of business – Fair payment terms

S172 Statement

As required by s172 of the Companies Act 2006, a director of a company must act in the way he considers, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In so doing, the director must have regards amongst other matters to the:

- Likely consequences of any decision in the long term
- Interests of the company's employees
- Need to foster the company's business relationships with suppliers, customers and others
- Impact of the company's actions on the community and environment
- Desirability of the company maintaining a reputation for high standards of business conduct
- Need to act fairly between members of the company

HOW WE ENGAGE	OUTCOMES
We have an experienced, diverse and dedicated workforce which we recognise as the key asset of our business. It is vital to the success of the Group to continue to create the right environment to encourage and create opportunities for individuals and teams to realise potential. FY20 was a transition year for employees as we welcomed our new colleagues from DQM to the Group. Throughout the COVID-19 lockdown daily employee briefings have been held. Employees have been consulted on some very difficult decisions facing the Group during the COVID-19 crisis. We have had an overwhelming level of support throughout the organisation.	The majority of our previously office-based staff in all our geographic locations are now permanently home-based. Following the introduction of the HR Software tool in the later part of FY19 we have much greater data accuracy, increased over data, improved efficiency and a modern employment experience.
Social media is a key channel for mobilising customer engagement. During the COVID-19 crisis we have actively supported many of our customers with payment holidays and flexible approaches on delivering our products.	Our classroom training business is now completely online, with a bio-secure training centre opening in Cambridgeshire with an innovative 'Learn from Anywhere' multi-channel delivery model. We are successfully delivering 95% of our cyber security, privacy and continuity services remotely to customers across the world.
During the year the primary mechanism for engaging with shareholders in more depth was via meetings with the largest shareholders following the financial results for the half and full year. In addition, in FY20, Board members consulted informally with the largest investors on the acquisition of DQM. Additional areas of discussion with the largest shareholders were focused on the future development of the Group.	Investors showed their support for the Board and the Company's strategy by passing all resolutions at the Annual General Meeting and the general meetings to approve the raising of additional funds to complete the purchase of DQM and additional working capital requirements.
We operate in a way that safeguards against unfair business practices and encourages suppliers and contractors to adopt responsible business policies and practices for mutual benefit. We recognise that we must, where possible, integrate our business values and operations to meet the expectations of our stakeholders, including customers, suppliers, the community and environment.	We regularly monitor the relationship and engagement approach with our third-party suppliers.

Andrew Brode
Non-Executive Chairman

On behalf of the Board of Directors, I am pleased to introduce the Group's Corporate Governance Statement for the year ended 31 March 2020.

Introduction

This statement of the report sets out GRC International Group plc's approach to corporate governance and intends to provide information on how the Board and its Committees operate. As a Board, we take corporate governance very seriously, and I will continue to ensure that we maintain high standards throughout my tenure.

As a Company whose shares are traded on the AIM market of the London Stock Exchange, GRC International has chosen to monitor and report its compliance with the Quoted Companies Alliance ("QCA") Corporate Governance Code ("the Code") and its Statement of Compliance with the same can be found and information on governance arrangements on the Company website (https://www.grci.group/corporate-governance).

Further information is provided in the table on pages 30-32.

This report seeks to inform shareholders about how it complies with the QCA Code, and where it departs from the QCA Code, the Board will provide an explanation of the reason(s) for doing so.

The role of the Board

The Board is collectively responsible for GRC International's performance and creating value for shareholders. The Board meets as often as required to effectively conduct its business. The Board is responsible for overseeing the management of the Group and approving the strategic direction of GRC International.

Composition of the Board and meetings

The QCA Code states that a company should have at least two independent Non-Executive Directors.

The Board comprises six Directors; four Executive Directors and two independent Non-Executive Directors, reflecting a blend of different experiences and backgrounds, as set out on pages 34 and 35.

The Board believes that the current composition of the Board brings a desirable range of skills and experience in light of the Company's challenges and opportunities following admission to AIM in March 2018, while simultaneously ensuring that no individual or group can dominate the Board's decision making.

The structure of the Board is designed to ensure that the Board focuses on the strategic direction of the Group, monitoring its performance, governance, risk and control issues.

The Board meets regularly to review, formulate and approve the Group's strategy, budgets, corporate actions and oversee the Group's progress towards its goals. The Company will continue to appraise the structure of the Board on an ongoing basis.

The table below sets out the Directors' attendance at scheduled Board meetings during the period ended 31 March 2020, against the number of meetings each Board member was eligible to attend:

Andrew Brode	10/10
Alan Calder	10/10
Christopher Hartshorne	10/10
Stephen Watkins	9/10
Neil Acworth	10/10
Ric Piper	10/10

At each Board meeting, the Directors follow a formal agenda, which is circulated in advance by the Company Secretary.

Board Committees

The Board has delegated specific responsibilities to the Audit Committee and the Remuneration Committee, details of which are set out below.

Each Committee has written Terms of Reference setting out its duties, authorities and reporting responsibilities which can be obtained from the Company Secretary on application via https://www.grci.group/contact.

Audit Committee

The Audit Committee has the responsibility of reviewing and reporting to the Board on the Group's financial reporting, internal control and risk management systems, the independence and effectiveness of the external auditor and the effectiveness of the Internal Audit function.

The Audit Committee meets no less than three times in each financial year and has unrestricted access to the Group's external auditor. The members of the Audit Committee comprise two Non-Executive Directors: Ric Piper (as Chairman) and Andrew Brode.

More information about this Board Committee can be found in the Audit Committee Report on pages 36 to 38.

Remuneration Committee

The Remuneration Committee reviews the performance of the Executive Directors, Chairman of the Board and senior management of the Group and makes recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time.

The Remuneration Committee meets as and when necessary, but at least twice each year.

In exercising this role, the Directors have regard to the recommendations put forward in the QCA Code and, where appropriate, the QCA Remuneration Committee Guide and associated guidance.

The members of the Remuneration Committee include two Non-Executive Directors. The Remuneration Committee comprises Ric Piper (as Chairman) and Andrew Brode.

More information about this Board Committee can be found in the Remuneration Committee Report on pages 39 to 41.

Nomination Committee

No nomination committee has been established. Instead, decision-making on matters of nomination and succession will be retained with the Board as a whole. This approach is considered appropriate considering the small size of the Board and is believed to enable all Board members to take an active involvement in the consideration of Board candidates and to support the Chair in matters of nomination and succession.

Board effectiveness

In line with the requirements of the QCA Code, an annual evaluation process is undertaken which considers the effectiveness of the Board, its Committees and individual Directors. This review identifies areas for improvement, informs training plans for Directors and identifies areas of knowledge, expertise or diversity which should be considered in the Group's succession plans.

The evaluation for the year ended 31 March 2020 was conducted on 21 July 2020 and was carried out by the Board, led by the Chairman.

In addition to the annual evaluation exercise, there remains an ongoing dialogue within the Board to ensure that it operates effectively and that any matters raised are addressed in a timely manner. The Board maintains strong relationships with external advisers and has access to advice as required.

The performance of the Executive Directors is reviewed annually by the Remuneration Committee in conjunction with their annual pay review and the payment of bonuses.

The Corporate Governance Statement was approved by the Board of Directors and signed on its behalf.

Andrew Brode
Non-Executive Chairman
25 September 2020

APPLICATION OF THE QCA CODE

The QCA Code sets out ten principles which should be applied by companies which have adopted it as their corporate governance code. These are listed below, together with a short explanation of how the Company applies them.

Governance principle	Compliant	Explanation
Establish a strategy and business model which promote long-term value for shareholders.	Yes	The Board is committed to delivering long-term value for GRC International's shareholders. The Group's business model and strategy is explained fully within the Strategic Report on pages 16 to 17. Details of the principal risks and uncertainties which the Board considers to be associated with the Group's activities, together with the mitigating actions which are being pursued in relation to them, are set out on pages 22 to 23.
Seek to understand and meet shareholder needs and expectations.	Yes	The Board attaches great importance to communication with all of GRC International's shareholders. We encourage all our shareholders to attend our AGM, which provides a forum and time for shareholders' questions and open discussions. Furthermore, feedback from investors is obtained through direct interaction with the Chief Executive Officer and Finance Director at meetings following its interim full-year results, and certain other ad hoc meetings that take place during the year. There is a regular dialogue with shareholders through the medium of the Company's corporate broker, Dowgate Capital Ltd. The voting record at the Company's general meetings is monitored and we are pleased that all resolutions proposed so far have been passed by shareholders (with a great majority being passed by 100% of attending votes).
Take into account wider stakeholder and social responsibilities and their implications for long-term success	Yes	As an international company, GRC International places significant importance on understanding and respecting different cultural and social values within the international realm in which it operates. The Group has adopted policies to encourage an open and transparent corporate culture, including policies addressing anti-slavery, anti-bribery and whistleblowing. We continue to adopt new policies and monitor existing policies on an ongoing basis. Details of the stakeholder engagement which the board considers to be associated with the Group's activities are set out in the S172 disclosure on pages 26 to 27.

Governance principle	Compliant	Explanation
Embed effective risk management, considering both opportunities and threats, throughout the organisation.	Yes	Details of the principal risks and uncertainties which the Board considers to be associated with the Group's activities, together with the mitigating actions which are being pursued in relation to them, are set out on pages 22 to 23. The Company sets out in its annual report the steps taken to ensure that effective risk management is embedded within the Company culture. The Board has identified the principal business and financial risks and has implemented control procedures. The Company has an established framework of internal financial controls which is subject to review by the Directors and the Audit Committee considering the ongoing risks faced by the Group. The Board acknowledges its responsibility for reviewing the effectiveness of the systems that are in place to manage risk. However, no such system can provide absolute assurance against misstatement or loss. The Board considers that the internal controls that are in place are appropriate for the size and complexity of the Group. The key elements of the Group's internal control environment include: – close involvement of the Executive Directors in the day-to-day running of the Group; – weekly Executive Committee meetings – clear lines of authority and reporting established; – centralised control and decision making over key areas such as capital expenditure and financing; and – a suite of daily and monthly reports focusing on the key performance and risk areas. Such reports include detailed annual budget setting with monthly monitoring and daily reporting including reports on sales, orders and cash balances compared with budget. The Board, with the advice of the Audit Committee, has reviewed the effectiveness of the systems of internal control for the year to 31 March 2020. Given the current size of the Group and the close involvement of the Executive Directors in the day-to-day operations, the Group does not consider it necessary to have a separate financial internal audit function due to the Group's size and its centralised administrative function but keeps this need under review. The Company receives regular feedback from its external auditors on the effectiveness of its internal controls and aims to implement any improvements identified. The Group undertakes regular updates and reviews of its business processes, co-ordinated by the Group quality function to ensure that it not only addresses basic financial controls but that non-financial controls are also in place over areas such as health and safety, environmental issues and adherence to law and regulations. Mitigation can only provide reasonable, but not absolute, assurance against material misstatement or loss. As such the Group maintains appropriate insurance cover for the Group's activities, with the types of cover and insured values being reviewed on a periodic basis by the Board. The Group also has a Business Continuity Plan to manage significant risks such as the COVID-19 pandemic.

Governance principle	Compliant	Explanation
Maintain the Board as a well-functioning, balanced team led by the Chair.	Yes	The Board is responsible for taking all major strategic decisions and also addressing any significant operational matters. In addition, the Board reviews the risk profile of the Group and ensures that an adequate system of internal control is in place. The Board has a formal schedule of matters reserved for its approval and is supported by the Audit and Remuneration Committees. All Directors are required to devote sufficient time to carry out their role. The Board believes that the current composition of the Board brings a desirable range of skills and experience in light of the Company's challenges and opportunities following admission to AIM in March 2018, while simultaneously ensuring that no individual or group can dominate the Board's decision making. Non-executive Directors have a time commitment to the Company of not less than eight days per annum including the attendance of Board meetings and the Company AGM. In addition, Non-executive Directors are expected to devote appropriate preparation time ahead of each meeting. The structure of the Board is designed to ensure that the Board focuses on the strategic direction of the Group, monitoring its performance, governance, risk and control issues. The Board has considered Mr Brode's independence and, notwithstanding his shareholding in the Company and his position as a debt provider, the Board considers that Mr Brode is of independent mind in regards to his interactions with the Company. Ric Piper is considered to be independent as described on page 35. The composition and experience of the Board is shown on pages 34 to 35 of the Annual Report.
Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.	Yes	The GRCI Board has, in its opinion, an appropriate balance of sector, financial and public market skills and experience, as well as an appropriate balance of personal qualities including gender balance and capabilities to successfully execute the Group's strategy. The Board fully supports and funds any training, formally or otherwise, that is required by any individual Board member so as to ensure that their knowledge and experience remains relevant and effective. The Directors receive briefings at Board meetings on regulatory and other issues relevant to the Group and its business sector and may attend external courses to assist in their professional development. All Directors, the Audit Committee and Remuneration Committee are able to take independent professional advice in the furtherance of their duties, if necessary. A summary of the skills and experience of each Board member is included in their biographies on pages 34 to 35 of the Annual Report.
Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	Yes	In line with the requirements of the QCA Code, an annual evaluation process is undertaken which considers the effectiveness of the Board, its Committees and individual Directors. This review identifies areas for improvement, informs training plans for Directors and identifies areas of knowledge, expertise or diversity which should be considered in the Group's succession plans. The process of Board evaluation is a continuous one as the Board communicates regularly as a group, picking up on matters where a particular Director's time and efforts should be focused. Both the Chairman and the CEO hold regular one-to-one conversations with other members of the Board, with the Finance Director also communicating regularly with the Chairman of the Audit Committee. The Board is considered to be operating effectively and appropriately for the size and complexity of the Group.

Governance principle	Compliant	Explanation
Promote a corporate culture that is based on ethical values and behaviours.	Yes	The Board believes that the promotion of a corporate culture based on sound ethical values and behaviours is essential to creating a workplace environment that allows people to flourish and this will contribute to enhancing shareholder value. Each Director places great importance on demonstrating ethical behaviours, both during the decision-making process, and in the implementation and communication of strategic decisions. Senior managers are also encouraged to lead by example in the promotion of ethical values and behaviours. So far as possible, we ensure that these values are visible through our recruitment process, internal communications and management style, corporate reports and external announcements. Our values are set out on page 4 to 5.
Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.	Yes	The Board meets regularly throughout the year to consider strategy, performance and the framework of internal controls. A scheduled meeting calendar is arranged as far in advance as possible, and ad hoc meetings are held in person or by telephone when it is necessary for the Board to discuss specific issues. To enable the Board to discharge its duties, the Directors receive appropriate and timely information. A formal agenda and briefing papers are distributed to the Directors in advance of each Board meeting. The Directors have access to the advice and services of the Finance Director and Company Secretary, who is responsible for ensuring that the Board procedures are followed, and that applicable rules and regulations are complied with. The Board reviews its governance structures regularly to ensure they are fit for purpose and will carry out a review of the terms of the Audit and Remuneration Committees during financial year 2021. Further details on our governance structure and the role of our Board Committees are set out on pages 28 to 29.
Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	Yes	The Board attaches great importance to communication with shareholders. Regular communication is maintained with our shareholders primarily through: – our Annual General Meeting; – our website (www.grci.group); – meetings and conversations between the Chief Executive Officer and shareholders, both on an ad hoc basis, and following publication of the interim and final results; and – Company announcements. Our Group website (www.grci.group) sets out details of the Group and its activities, regulatory announcements and Company press releases, annual reports, half-year reports, notices of general meetings and information required by the AIM Rules for companies and the QCA Code. The "Investors" section of the Group website includes a dedicated "Corporate Governance" section, where our annual Corporate Governance Statements can be found (www.grci.group/corporate-governance). Further information can also be found in the Audit Committee report on page 36 to 38 and the Remuneration Committee report on pages 39 to 41.

Bringing a *broad range* of skills and a depth of experience

The existing Directors of GRC International Group plc are listed below. The Directors' Report on page 42 sets out details of the Directors who served during the year ended 31 March 2020. The Board is committed to maintaining high standards of corporate governance.

The Company has adopted policies and procedures which reflect the principles of the QCA's Corporate Governance Guidelines for Smaller Quoted Companies ("QCA Code") as appropriate to a company whose shares are admitted to trading on AIM.

ANDREW STEPHEN BRODE
NON-EXECUTIVE CHAIRMAN

Appointment to the Board

November 2012

Key skills and experience

In 2012, Andrew acquired an initial shareholding in IT Governance Ltd before later joining the Board as a Non-Executive Director in November 2012. In 2014, Andrew subscribed for further shares in IT Governance Ltd, increasing his shareholding to 22% (of the issued share capital of the Company prior to Admission). Andrew was appointed Non-Executive Chairman of the Company in February 2018.

As well as being a Chartered Accountant, Andrew has gained significant leadership experience on the boards of several listed companies. He was Chief Executive of Wolters Kluwer (UK) plc between 1978 and 1990 and Andrew is currently Chairman of RWS Holdings plc and Learning Technologies Group plc. These roles together with his extensive executive experience, ensure he is well placed to lead the Board of GRC International plc effectively.

Board Committee membership

- Audit Committee member
- Remuneration Committee member

Principal external appointments

- Chairman of RWS Holdings plc
- Chairman of Learning Technologies Group plc
- Non-Executive Director of a number of private equity backed media companies

ALAN PHILIP CALDER
CHIEF EXECUTIVE OFFICER

Appointment to the Board

April 2002

Key skills and experience

As CEO and founder of IT Governance Ltd, Alan leads the senior team and is responsible for delivering GRC International plc's strategy.

Prior to founding IT Governance Ltd in 2002, Alan held a number of roles including the position of CEO of Business Link London City Partners, CEO of Focus Central London, CEO of Wide Learning, the Outsourced Training Company and was Chairman of CEME.

Alan graduated from the University of Witwatersrand in 1978 before moving to the UK. Alan has written a number of books about IT management including the definitive compliance guide "IT Governance: An International Guide to Data Security and ISO27001/ISO27002" (co-written with Steve Watkins), which is in its sixth edition and is the basis for the UK Open University's postgraduate course on information security and "IT Governance – Guidelines for Directors".

With his significant executive experience and expertise in the field of IT governance, risk management and compliance, Alan is well placed to lead the senior team of GRC International plc effectively.

Principal external appointments

- None

CHRISTOPHER JOHN HARTSHORNE, FCCA
FINANCE DIRECTOR

Appointment to the Board

April 2017

Key skills and experience

Chris joined the Group in April 2017 as Finance Director.

Prior to this, Chris qualified as a Chartered Certified Accountant with Deloitte in 2007 and subsequently worked for PwC. In 2015, Chris joined MM (UK) Limited as Financial Controller before leaving to take up his position with GRC International.

Board Committee membership

- None

Principal external appointments

- None

STEPHEN GEORGE WATKINS
EXECUTIVE DIRECTOR

April 2008

Steve joined the Group as a Director in 2008 and is responsible for the Professional Services division of the Group. Prior to joining IT Governance Steve's senior management career spanned the public and private sectors.

He is an active member of the international standards technical committee responsible for cyber security information security and privacy protection and chairs the UK committee that mirrors that. He is a Technical Assessor for the UK national accreditation body, UKAS assessing audit bodies offering ISO/IEC 27001 and ISO/IEC 20000-1 certification services.

Steve has authored titles relating to data protection and information security.

- None

- Chair of IST/33 which is responsible for UK contributions to ISO 27001, ISO 27002 and other cyber security and privacy standards
- ISMS (& ITSMS) Technical Assessor for UKAS
- Chairman of the UK ISO/IEC 27001 User Group

NEIL ROGER ACWORTH
CHIEF INFORMATION OFFICER

April 2017

In his role as Chief Information Officer and Chief Information Officer, Neil is responsible for the Group's information technology systems including its websites and Vigilant Software Ltd, the Group's software development subsidiary.

Neil was appointed as a Director of IT Governance Ltd in 2017 after originally joining IT Governance Ltd in 2012 as Chief Technology Officer and Chief Information Officer. Prior to this, he held roles at Featurespace (as Chief Technology Officer), Cambridge Assessment, Sequel Business Solutions Limited and Close Brothers Treasury Services.

- None

- None

RICHARD JOHN PIPER, ACA
INDEPENDENT NON-EXECUTIVE DIRECTOR

February 2018

Ric has over 40 years of experience as a Chartered Accountant, including a number of senior finance roles at ICI, Citicorp and Logica. He was also Group Finance Director at WS Atkins plc from 1993 to 2002. Ric advises a number of businesses in the Engineering and Technology sectors. He was a Member of the Financial Reporting Review Panel for ten years until May 2019.

- Audit Committee Chair
- Remuneration Committee Chair

- Partner at Restoration Partners
- Senior NED at Elektron Technology plc

Ric Piper
Audit Committee Chair
Remuneration Committee Chair

As Chairman of the Audit Committee, I am pleased to present this report of the Audit Committee ("Committee") for the year ended 31 March 2020. This report is intended to explain how the Committee has met its responsibilities.

I will be available at the Annual General Meeting ("AGM") to respond to any questions shareholders may raise on any of the Committee's activities.

Apart for the material uncertainty related to going concern in the independent auditor's report on page 44, from a "business as usual" perspective, there is nothing to bring to your specific attention.

Aims and objectives

The Committee has responsibility for monitoring the integrity of the annual and interim financial statements and formal announcements relating to the Group's financial performance, including advising the Board that the Annual Report is fair, balanced and understandable.

It reviews significant financial reporting issues and accounting policies and disclosures in financial reports, the effectiveness of the Group's internal control procedures and risk management systems and considers how the Group's internal audit requirements shall be satisfied, making recommendations to the Board. It reviews the independent auditor's audit strategy and implementation plan and its findings in relation to the Annual Report and Interim Financial Statements.

The main duties of the Committee are set out in its Terms of Reference which are available from the Company Secretary on application via https://www.grci.group/contact.

Committee membership, meetings and attendance

Membership

Throughout the year ended 31 March 2020, and since the year end to the date of this Report, the Committee comprised two Non-Executive Directors:
- Ric Piper (Chairman of the Committee and independent Non-Executive Director); and
- Andrew Brode (Chairman of the Board).

Both Andrew Brode and Ric Piper are Chartered Accountants and the Board considers them to have recent and relevant financial experience. Further information on Mr Piper and Mr Brode can be found in the Directors' biographies on pages 34 to 35. The Board considers that the Committee as a whole has competence relevant to the sector in which the Group operates.

Meetings and attendance

The Audit Committee met two times during the year ended 31 March 2020.

The Committee has met with the external auditor to agree the Audit Plan, including the likely impact of COVID-19 working arrangements on the preparation and audit of the financial statements.

The Chief Executive Officer and the Finance Director are also routinely invited to Committee meetings.

The attendance at the Audit Committee meetings is set out in the following table:

Andrew Brode	2/2
Ric Piper	2/2

Since the year end, the Committee met privately with the independent auditor. Ric Piper, the Committee Chairman, also met privately with the senior statutory auditor, Tim Neathercoat, outside of the Committee meetings.

Operation of the Committee

Each year, the Committee works to a planned programme of activities which are focused on key events in the annual financial reporting cycle and other matters that are considered in accordance with its Terms of Reference.

It provides oversight and guidance to contribute to the ongoing good governance of the business, particularly by providing assurance that shareholders' interests are being properly protected by appropriate financial management, reporting and internal controls.

The main activities of the Committee in the year ended 31 March 2020 are as follows:

- Financial statements: The Committee reviewed the Annual Report. Presentations were made by management and the auditor about the key technical and judgemental matters relevant to the financial statements.
- Acquisition of Data Quality Management Group Limited ("DQM"): On 1 March 2019 shareholders approved the acquisition of DQM. In the light of the changes, notified to shareholders on 31 January 2020, under a Deed of Variation to the Deferred Consideration, the Committee has reviewed the accounting for the acquisition. Further information is set out in note 29 to the financial statements.
- Taxation: The Group operates under varied tax regimes. The completeness and valuation of provisions to cover the range of potential final determinations by the tax authorities of the Group's tax positions are the subject of judgement. Further information is set out in note 7 to the financial statements. The provisions held by the Group were reviewed by management as at 31 March 2020. The Committee agreed with management's assessment of the Group's tax provisions. The Committee notes that the Group is committed to paying the correct amount of tax and receiving the correct amount of research and development tax credits and will only undertake transactions that have a genuine commercial purpose.
- Fair, balanced and understandable: The content and disclosures made in the Annual Report are subject to a verification exercise by management to ensure that no statement is misleading in the form and context in which it is included, no material facts are omitted which may make any statement of fact or opinion misleading, and implications which might be reasonably drawn from the statement are true. The Committee was satisfied that it was appropriate for the Board to approve the financial statements and that the Annual Report taken as a whole is fair, balanced and understandable such that it allows shareholders to assess the Group's performance against the Group's strategy and business model.
- Internal financial control systems: The Committee reviewed the observations made by the independent auditor, as part of the audit process, and management's responses and actions. The Committee was satisfied that it was appropriate for the Board to make the statements regarding internal controls included in the Corporate Governance Statement.

Compliance reviews, both of financial and operational activities, were satisfactorily completed for the Group's International Organisation for Standardisation ("ISO") accreditations.

Internal Audit is reported on below.

The Chairman of the Committee reported to the Board on the Committee's activities after each meeting, identifying relevant matters requiring communication to the Board and recommendations on the steps to be taken.

Significant issues related to the financial statements

The Committee reviewed the key judgements applied to a number of significant issues in the preparation of the financial statements. The review included consideration of the following:

Revenue recognition and recoverability of accounts receivables

The Group has well-developed accounting policies for revenue recognition – see the principal accounting policies section in the financial statements. The Committee receives reports from management and from the independent auditor to ensure that the policies are complied with across the Group.

The Board also receives regular reports on the collectability of aged accounts receivables, accrued income and deferred income. On the basis of these reports, the Committee concluded that it was content with the judgements that had been made.

Intangibles: accounting

As set out in intangibles accounting policy to the financial statements, the Group has significant unamortised intangibles. As at 31 March 2020, the Committee agreed with the management's recommendation on capitalisation and that no impairment charge was required.

Intangibles impairment assessments (including assumptions about future performance) are carried out at least annually by management and reviewed by the Board and the Committee.

Going concern

The Group continues to prepare its financial statements on a going concern basis, as set out in the accounting policies to the financial statements on page 53. Management produces working capital forecasts on a regular basis. The forecasts are reviewed by the Board, particularly ahead of the publication of interim and annual results. Having reviewed the forecasts as at the date of this report, the Committee concluded that it was appropriate for the Group to continue to prepare its financial statements on a going concern basis. Shareholder attention is drawn to the material uncertainty related to going concern in the independent auditor's report on page 44.

This year, the Committee also considered several other matters, including the accounting for and disclosure of exceptional items (see the principal accounting policies section in the financial statements), accounting for share-based payments and the introduction of IFRS 16 Leases (further information is set out in note 22 to the financial statements.

Shareholders' attention is drawn to the sections titled "Responsibilities of Directors" and "Auditor's responsibilities for the audit of the financial statements" in the Independent Auditor's Report on page 44, about specific areas as reported by the independent auditor in order to provide its opinion on the Financial Statements as a whole.

Independent auditor

The appointment of the independent auditor is approved by shareholders annually. The independent auditor's audit of the financial statements is conducted in accordance with International Standards on Auditing (UK) ("ISAs"), issued by the Financial Reporting Council.

There are no contractual obligations that act to restrict the Committee's choice of external auditor.

At the Annual General Meeting on 29 October 2019 shareholders approved the reappointment of BDO LLP as the Group's independent auditor, with Tim Neathercoat as the senior statutory auditor.

This year, having considered the effectiveness and performance of the independent auditor, the Committee has recommended to the Board the appointment of BDO LLP as independent auditor of the Company for the next financial year.

Services, independence and fees

The independent auditor provides the following:
- A report to the Committee giving an overview of the results and judgements and observations on the control environment.
- An opinion on the truth and fairness of the Group financial statements.

The Committee monitors the cost effectiveness of audit and any non-audit work performed by the independent auditor and also considers the potential impact, if any, of this work on independence. It recognises that certain work of a non-audit nature may be best undertaken by the independent auditor as a result of its unique position and knowledge of key areas of the Company.

Approval is required, prior to the independent auditor commencing any material non-audit work, in accordance with a Group policy approved by the Committee. Certain work, such as providing bookkeeping services and taxation planning advice, is prohibited. The Committee requires that non-audit fees do not have any material negative impact on BDO's independence.

Further, the Committee seeks positive evidence of the independence of the independent auditor through its challenge to management.

The Committee regularly reviews all fees for non-audit work paid to the independent auditor. There were no fees from BDO LLP for non-audit work in the year ended 31 March 2020.

The Committee will continue to keep the area of non-audit work under close review, particularly in the context of developing best practice on auditor's independence.

The Committee regulates the appointment of former employees of the independent auditor to positions in the Group. The independent external auditor also operates procedures designed to safeguard its objectivity and independence. These include the periodic rotation of the senior statutory auditor, use of independent concurring partners, use of a technical review panel (where appropriate) and annual independence confirmations by all staff.

The independent auditor reports to the Committee on matters including independence and non-audit work, on an annual basis.

Risk management and internal control

The Group holds weekly Executive Directors' meetings to discuss all business matters which includes risks and risk mitigation. Depending on the nature of the risk, it is escalated to the Committee and/or Board meetings for review.

The Group's principal risks and uncertainties and the Board's approach to mitigation are set out on pages 22 and 23 of the Annual Report.

Internal audit

During the year, the Board received regular updates from the internal audit function. There are no matters to report to shareholders.

The Board is satisfied that there are no significant weaknesses in these systems and that the Group's internal controls are operating effectively.

Evaluation of the Committee

There are no matters to report to shareholders.

Approval

This report was approved by the Committee, on behalf of the Board, and signed on its behalf by:

Ric Piper
Chair of the Audit Committee

REMUNERATION COMMITTEE REPORT

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2020. This report is intended to explain how the Remuneration Committee (the "Committee") has met its responsibilities.

Whilst there is no requirement for companies quoted on AIM to produce a formal Remuneration Report, the Committee prepares this Remuneration Report for information purposes in order to give shareholders, and other users of the financial statements, greater transparency about the way in which the Directors of GRC International Group plc are remunerated.

This report sets out the remuneration paid to the Directors for the year ended 31 March 2020 and sets out the remuneration policy for the forthcoming financial year and beyond.

We value the views of our shareholders and guidance issued by investor bodies. As Chair of the Committee, I will be available at the AGM to respond to any questions shareholders may raise on any of the Committee's activities.

Aims and objectives

The Committee has responsibility for determining the overall remuneration policies and practices within GRC International Group plc, taking into account applicable laws, regulations and the principles of good governance. In particular, the Committee is responsible for:

- Setting the remuneration policy for all Executive Directors.
- Approving their remuneration packages.
- Reviewing the ongoing appropriateness and relevance of the remuneration policy.
- Reviewing and approving the overall remuneration spend (fixed and variable) to ensure that evidence exists to demonstrate that awards have been adjusted where appropriate for risk and will not limit the ability to strengthen the capital base.
- Approving the design of, and determining targets for, all performance-related incentive plans operated by the Group and approving the total annual payments made under such plans.
- Reviewing the design of all share incentive plans for approval by the Board and shareholders. For plans such as these, the Committee will make recommendations to the Board on proposals for the granting of share options, and other equity incentives, pursuant to any employee share option scheme or equity incentive plans in operation from time to time.

The Committee's Terms of Reference can be obtained from the Company Secretary on application via https://www.grci.group/contact.

In exercising their roles, the Directors shall have regard to the recommendations put forward in the QCA Code and, where appropriate, the QCA Remuneration Committee Guide and associated guidance.

Committee membership, meetings and attendance

Membership

The Committee comprises two Non-Executive Directors:

- Ric Piper (Chairman of the Committee and independent Non-Executive Director); and
- Andrew Brode (Chairman of the Board).

The Chief Executive Officer and the Finance Director only attend meetings by invitation from the Committee, but may not be present when their own remuneration is being discussed.

Meetings and attendance

The Remuneration Committee met once during the year ended 31 March 2020. The attendance at the Remuneration Committee meetings is set out in the following table.

Andrew Brode	1/1
Ric Piper	1/1

In the context of the early months' impact of COVID-19 on the Group's operations and performance, the Committee has yet to consider and determine the annual bonus scheme for the Executive Directors for the year to 31 March 2021.

Remuneration policy objectives

The main objective of the Committee is to ensure that the Company's policy:

- Attracts, motivates and retains executives in order to deliver the Group's strategic goals and business outputs.
- Encourages and supports a high-performance sales and service culture.
- Adheres to the principles of good corporate governance and appropriate risk management.
- Aligns executives with the interests of shareholders and other key stakeholders.

We remain committed to a remuneration policy that rewards high individual performance to drive strong results.

Basic salary

The basic salaries of the Group's Executive Directors will be reviewed on an annual basis. The Committee seeks to establish a basic salary for each position commensurate with the individual's responsibilities and performance, taking into account comparable salaries for similar companies of a similar size in the same market.

Directors’ remuneration

The remuneration of each of the Directors during the year ended 31 March 2020 has been audited as part of the financial statements and is set out in detail below:

Directors remuneration for the year ended 31 March 2020

£000s	Salary and fees	All taxable benefits	Annual bonuses	Pension	Total for the year ended 31 March 2020
Andrew Brode	–	–	–	–	–
Alan Calder	220	–	–	33	253
Christopher Hartshorne	110	–	–	1	111
Stephen Watkins	115	–	–	1	116
Neil Acworth	113	–	–	1	114
Ric Piper	35	–	–	–	35

Directors remuneration for the year ended 31 March 2019

£000s	Salary and fees	All taxable benefits	Annual bonuses	Pension	Total for the year ended 31 March 2019
Andrew Brode	–	–	–	–	–
Alan Calder	220	–	–	33	253
Christopher Hartshorne	105	–	–	1	106
Stephen Watkins	115	–	–	1	116
Neil Acworth	110	–	–	1	111
Ric Piper	35	–	–	–	35

The Executive Directors have entered into a service agreement with the Company. Each Director’s appointment will be terminable on six months’ notice given by either party and summarily by the Company in certain limited circumstances. Each Director has given certain non-compete and non-solicitation undertakings which will apply during his engagement and in respect of the period of 12 months post termination.

Share-based incentive schemes

In order to align the interests of shareholders and employees following admission, the Company adopted a new employee share option scheme, as further detailed in the Group’s AIM admission document which is available on the Group’s website at https://www.grci.group/investors.

Share options held at 31 March 2020 are set out below:

	Shares	Exercise price (pence per share)	Total exercise value
Steve Watkins	–	–	–
Neil Acworth	353,920	12.71474	£45,000
Chris Hartshorne	315,000	42.85714	£135,000

Options held by Steve Watkins and Neil Acworth had fully vested and were exercisable from the date of admission to AIM, being a direct replacement of already vested options previously held. In the case of Chris Hartshorne, 50% of the options vested and became exercisable from the date of admission to AIM.

Steve Watkins exercised options over 1,680,000 ordinary shares of 0.1 pence in the Company ("Ordinary Shares") at a price of 0.31429 pence per share, with 898,646 Ordinary Shares being immediately sold at a price of 13 pence per Ordinary Share to cover a personal tax liability. Both transactions took place on 31 January 2020.

Following admission, further options, in addition to those referred to above, were limited to a further 10% of the nominal value of the shares in issue at 6:00 p.m. (London time) on the date which is three business days following Admission. Options granted following Admission are subject to standard performance conditions, as determined and recommended by the Remuneration Committee in accordance with the plan rules.

Directors’ share interests are set out below:

Alan Calder	29,822,461 shares (29.95%)
Calder family (including Alan’s shares above)	31,049,218 shares (31.18%)
Andrew Brode	13,972,108 shares (14.03%)
Steve Watkins	4,542,282 shares (4.56%)
Neil Acworth	1,245,465 shares (1.25%)
Ric Piper	319,231 shares (0.32%)
Chris Hartshorne	11,760 shares (0.01%)

On 20 February 2020, Andrew Brode purchased 2,692,308 ordinary shares. On 20 February 2020, Alan Calder purchased 603,393 ordinary shares. On 20 February 2020, Steve Watkins purchased 115,385 ordinary shares. On 20 February 2020, Neil Acworth purchased 115,385 ordinary shares. On 20 February 2020, Ric Piper purchased 269,231 ordinary shares.

On 10 April 2019, ITG Pension Fund, a self-invested personal pension scheme for the benefit of Alan Calder and his wife, purchased 3,500 ordinary shares.

Other benefits

Depending on the exact terms of each individual Executive Director’s service contract with GRC International Group plc, they are entitled to a range of benefits including contributions to pension schemes.

Non-Executive Directors
The Group has two Non-Executive Directors: Andrew Brode, the Chairman and Ric Piper. Both Non-Executive Directors have letters of appointment, initially for a three-year period, to be reviewed annually thereafter.

The Non-Executive Directors' letters of appointment do not provide specifically for any termination payments, although the Group might make payments in lieu of notice. Non-Executive Director fees are determined by the Executive Directors, having regard to the requirement to attract high calibre individuals with the right experience, the time requirements and the responsibilities incumbent on an individual acting as a Non-Executive Director for a company, such as GRC International Group plc, admitted to trading on AIM. The Non-Executive Directors are not eligible for annual discretionary bonuses and do not participate in the Group's long-term incentive plans.

At his request, the Chairman does not receive a Director's fee or other remuneration.

Ric Piper receives an annual fee of £35,000, paid monthly in arrears.

Evaluation of the Committee
There is nothing to report to shareholders.

Approval
This report was approved by the Committee, on behalf of the Board, and signed on its behalf by:

Ric Piper
Chair of the Remuneration Committee

The Directors present their annual report on the affairs of the Group, together with the financial statements and Auditor's Report, for the year ended 31 March 2020. The Corporate Governance Statement set out on pages 28 and 29 forms part of this report.

There have been no significant events since the balance sheet date. An indication of likely future developments in the business of the Company are included in the Strategic Report.

Information about the use of financial instruments by the Company and its subsidiaries is given in notes 19 and 20 to the financial statements.

Capital structure and dividends

The board is not proposing a dividend for the year.

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 2 to the financial statements. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 26 to the financial statements.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Main Board Terms of Reference, copies of which are available on request, and the Corporate Governance Statement on pages 28 and 29.

Under its Articles of Association, the Company has authority to issue up to 10% of issued share capital.

Directors

The Directors, who served throughout the year, are as follows:

- Andrew Brode – Non-Executive Chairman
- Alan Calder – Chief Executive Officer
- Christopher Hartshorne – Finance Director
- Stephen Watkins – Executive Director
- Neil Acworth – Chief Information Officer
- Ric Piper – Independent Non-Executive Director

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, the Company magazine and a special edition for employees of the annual financial statements. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. The employee share scheme has been running successfully since its inception on 12 February 2018. Options can be granted to any employee or Director within the Group. The Board may set performance or time conditions for vesting. The option holder indemnifies the Company against income tax and national insurance. Options are normally exercisable after they have vested. In addition, all employees receive an annual bonus related to the overall profitability of the Group.

R&D activity

Research activity is expensed through the income statement as it is incurred. At the point where all relevant recognition criteria are met the expenditure incurred on internally guaranteed intangible fixed assets, where relevant to development activity, is capitalised in line with the Group's accounting policy.

Auditor

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

The Directors' Report was approved by the Board of Directors and signed on its behalf.

Alan Calder
Director
25 September 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the Group's Consolidated Financial Statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the Company's Financial Statements in accordance with United Kingdom generally accepted accounting practice (United Kingdom accounting standards and applicable law).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the AIM.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

BDO LLP has expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming AGM.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRC INTERNATIONAL GROUP PLC

Opinion

We have audited the financial statements of GRC International Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2020 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Balance Sheet and notes to the Consolidated and Parent Company financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union ;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which states that the ability of the Group and Parent Company to continue as a going concern is reliant upon both the continuing recovery of the trading performance following the onset of the effects of the COVID-19 pandemic and the ability to continue to defer settlement of unpaid HMRC liabilities that are past due, with no formal arrangement in place. If the deferred liabilities are demanded in full and the effect of COVID-19 on future trading is more prolonged or severe than the Directors' expectations, the two events combined would impact the Group's ability to generate sufficient positive cashflows and the Parent Company would be required to raise additional funding in order to meet its liabilities, with no guarantee such funding would be secured.

These conditions indicate a material uncertainty exists that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Given the conditions and uncertainties noted above, we considered going concern to be a key audit matter. We have performed the following work as part of our audit:

- we examined the terms of the Group's borrowing arrangements and made enquiries as to the Group's repayment plans for certain other liabilities which had not been settled during the COVID-19 pandemic;
- we critically assessed Management's financial forecasts and the underlying key assumptions, including operating and capital expenditure. In doing so, we considered factors such as whether the forecast operating expenditure is reasonable in light of historic spend;
- we reviewed the mathematical accuracy of the going concern model prepared by Management and the underlying calculations used within it;
- we considered the possible courses of action HMRC may take in relation to amounts that have not been settled by their due dates and in respect of which no repayment plan has been agreed;
- we compared data on the Group's expected cash outflows in relation to its liabilities as at the last practical date for which information was available post year end to the forecast trading scenarios and sensitivity analysis used by the Directors to assess the Group's and Parent Company's ability to meet its financial obligations over a period of at least 12 months after the approval of these financial statements;
- we gained an understanding of the Directors' plans for cost reduction measures in the event that revenue levels were not sustained at a level that would enable the Group's operations to generate sufficient positive cash flows; and
- we evaluated the adequacy of disclosure made in the financial statements in respect of going concern.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and in directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition	
Key Audit Matter	The Group's accounting policy for revenue recognition is disclosed on page 55 and the financial statements disclose further detail concerning the Group's revenues in note 2. The Group's revenue of £14.1m (2019: £15.8m) is generated from a number of different revenue streams. We evaluated in our planning the risks we expected would be present across revenue as a whole, as well as the risks specific to each stream. We considered that a significant risk of material misstatement existed in all revenue streams, in relation to the possibility of overstatement. We formed this assessment having considered the susceptibility of the financial statements to fraud risks and we identified that the risk was most likely to present itself in the Consultancy and Software revenue streams in the non-deferral of revenues invoiced pre year end but earned post year end, because of the nature of the Group's contracts and invoicing arrangements. Whilst considered less susceptible to errors of judgement, we also considered cut off in other revenue streams such as in Learning and Publishing/Distribution to pose a significant risk of material misstatement.
How we addressed the matter in our audit	Our procedures across revenues as a whole included testing of supporting documentation including contracts, records of delivery or of performance of the service, from sources outside the Group or from systems independent of the Group's accounting systems. Our work was planned to ensure we tested both information in the accounting system as well as outside of the accounting system in such a way as to ensure that revenues existed and where appropriate the relevant proportion of amounts invoiced prior to the year end were deferred in to future periods where performance obligations had not been fully satisfied. For each stream we performed cut off testing, agreeing relevant documentation as set out above to ledger entries, based on a representative sample of revenues invoiced pre-year end and post-year end. Using data interrogation software, we conducted a targeted procedure on journal entries posted to revenue to enable us to confirm that entries recorded in revenue arose from transactions that existed, by analysing the types of entries made and the method in which they were recorded.
Key observations	Nothing has come to our attention as a result of performing the above procedures that causes us to believe that a material misstatement is present in respect of revenue recognition.

Impairment of goodwill and intangible assets	
Key Audit Matter	The Group's accounting policy for impairment is disclosed on page 59 and the financial statements disclose further detail concerning the Group's impairment testing in notes 10 and 11. In accordance with IAS 36, goodwill is tested for impairment annually and other non-current tangible assets with finite lives are tested for impairment whenever an indicator of impairment arises. The Group's goodwill balance attaches only to the DQM cash generating unit ("CGU"), along with the Group's acquired finite-lived intangible assets. The Group's internally-generated intangible assets attach only to the GRC cash generating unit. Having identified indicators of impairment in the GRC CGU, management performed impairment tests on a value in use basis in respect of both of the Group's CGUs. The preparation of impairment tests under IAS 36 requires significant management judgement over the timing and degree of certainty attaching to forecast net cash flows and the rate at which those future cash flows should be discounted to present value. The degree of management judgement involved and the sensitivity of the conclusion to changes in key assumptions was the driver for us assessing this area to be significant in our audit. The recoverable amount of both of the Group's CGUs was assessed as being higher than its carrying value at the reporting date and therefore, management concluded that the goodwill and intangible assets were not impaired at the reporting date.

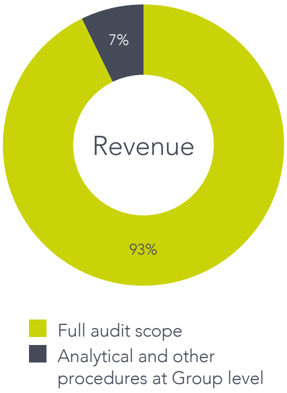
How we addressed the matter in our audit	Our work on the impairment tests prepared by management had a dual focus: firstly, to ensure the models were mechanically accurate and prepared in accordance with the detailed requirements of IAS36 and secondly, to ensure that the assumptions regarding future cash flows and the rate at which they had been discounted were appropriate to the respective CGUs' circumstances. We used internal valuations specialists in order to assist with our interrogation of the impairment testing models. This work also included comparison to industry data, historic trading, and macro-economic factors. Our audit procedures relating to the review of operating cash flows included analysis of CGU performance trends, post year end performance and key assumptions relating to revenue levels and projected operating cost levels. We examined development cost intangible assets to determine that no additional impairment indicators in respect of specific assets within the CGU were present.
Key observations	Nothing has come to our attention as a result of performing the above procedures that causes us to believe that a material misstatement is present in respect of impairment of goodwill and intangible assets. The related disclosures in the financial statements are appropriate.

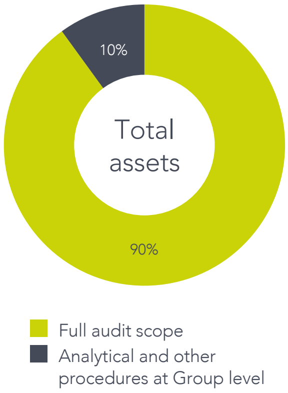
Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Level of materiality applied and rationale	We considered revenue to be the most appropriate performance measure for the basis of materiality in respect of the audit of the Group as this measure reflects the volume of business undertaken by the Group, which is a critical driver for the Group at this stage in its life cycle. Using this benchmark, we set materiality at £230,000 (2019: £233,500), being 1.6% (2019: 1.5%) of revenue. Materiality in respect of the audit of the Parent Company has been set at £171,000 (2019: £200,000) based on a similar percentage of total assets, on the basis that the Parent Company is primarily an investment entity. Performance materiality was set at 62.5% (2019: 62.5%) of materiality for both the Group and Parent Company audits. In setting the level of performance materiality, we considered a number of factors including the expected total value of known and likely misstatements and the extent to which we expected to use sampling in our audit approach.
Component materiality	The significant components comprise two UK trading subsidiaries and the Parent Company. We set materiality for the significant component trading subsidiaries at a level commensurate with the component's own revenues, again adopting 1.6% (2019: 1.5%) of subsidiary revenues as our benchmark. The materiality of the Parent Company has been set as explained above. In the audit of each component, we further applied a performance materiality level of 62.5% (2019: 65%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.
Agreement with the Audit Committee	We agreed with the Audit Committee that we would report to the Committee all audit differences individually in excess of £5,700 (2019: £5,800). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit
We identified three significant components in the Group as explained above, which were subject to full scope audits. Excluding dormant subsidiaries, we assessed seven group companies (five UK subsidiaries and two overseas subsidiaries) as non-significant components on the grounds of their size and assessed risk of material misstatement to the Group financial statements. We performed targeted audit procedures on one overseas non-significant component according to our assessment of audit risk across the Group, as well as analytical procedures on the remaining non-significant components. The Group audit team was responsible for the component audits of all significant components and the procedures performed in relation to non-significant components. The coverage we obtained over the Group's loss before tax, revenue and total assets is summarised as follows:





Other information
The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement set out on page 43, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Use of our report

This report is made solely to the Parent Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Tim Neathercoat (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London

25 September 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH

	Notes	2020 £'000	2019 £'000
Revenue	2	**14,146**	15,849
Cost of sales		**(6,082)**	(7,295)
Gross profit		**8,064**	8,554
Administrative expenses:			
– Other administrative expenses		**(11,230)**	(13,716)
– Share-based payment charge		**–**	(63)
– Exceptional administrative expenses	3	**(358)**	(164)
Total administrative expenses		**(11,588)**	(13,943)
Other operating income		**99**	32
Operating loss	4	**(3,425)**	(5,357)
Net finance costs	6	**(222)**	(8)
Share of post-tax loss of equity accounted joint ventures	13	**(4)**	(1)
Loss before taxation		**(3,651)**	(5,366)
Taxation	7	**445**	(29)
Loss for the financial year		**(3,206)**	(5,395)
Loss for the financial year attributable to:			
Equity shareholders of the parent		**(3,206)**	(5,395)
Basic loss per share (pence)	8	**(4.67)**	(9.30)
Diluted loss per share (pence)	8	**(4.67)**	(9.30)

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH

	2020 £'000	2019 £'000
Loss for the year	**(3,206)**	(5,395)
Other comprehensive loss – items that may subsequently be reclassified to profit/loss:		
Exchange differences on translation of foreign operations	**(6)**	(7)
Other comprehensive loss for the financial year, net of tax	**(6)**	(7)
Total comprehensive loss for the financial year	**(3,212)**	(5,402)
Total comprehensive loss to equity shareholders of the parent	**(3,212)**	(5,402)

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

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH

	Notes	2020 £'000	2019 £'000
Assets			
Non-current assets			
Goodwill	10	**6,804**	6,693
Intangible assets	11	**5,706**	5,760
Property, plant and equipment	12	**783**	489
Investments in equity-accounted joint ventures	13	**7**	10
Deferred tax asset	7	**144**	144
		13,444	13,096
Current assets			
Inventories	14	**61**	64
Trade and other receivables	15	**2,247**	2,904
Cash at bank	16	**245**	639
Current tax		**76**	–
		2,629	3,607
Current liabilities			
Trade and other payables	17	**(3,629)**	(4,367)
Borrowings	18	**(1,446)**	(521)
Contingent consideration	19	**(100)**	(3,747)
Lease liabilities	22	**(201)**	(6)
Current tax	7	**–**	(433)
		(5,376)	(9,074)
Net current liabilities		**(2,747)**	(5,467)
Non-current liabilities			
Borrowings	18	**(401)**	–
Lease liabilities	22	**(286)**	–
Deferred tax liability	7	**(582)**	(273)
		(1,269)	(273)
Net assets		**9,428**	7,356
Equity			
Share capital	24	**100**	64
Share premium		**13,182**	9,588
Merger reserve		**4,276**	2,353
Share-based payment reserve		**171**	440
Capital redemption reserve		**–**	–
Translation reserve		**(12)**	(6)
Accumulated deficit		**(8,289)**	(5,083)
Total equity		**9,428**	7,356

The financial statements were approved by the Board of Directors and authorised for issue on 25 September 2020 and were signed on its behalf by:

Chris Hartshorne
Director
Company registration number: 11036180

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH

For the year ended 31 March 2020

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

For the year ended 31 March 2019

	Share capital £	Share premium £	Merger reserve £	Share-based payment reserve £	Retained earnings £	Translation reserve £	Capital redemption reserve £	Total £
Balance at 1 April 2018	57	4,793	–	628	421	1	–	5,900
Adjustment on initial application of IFRS 15 (net of tax)	–	–	–	–	(109)	–	–	(109)
Adjusted balance at 1 April 2018	57	4,793	–	628	312	1		5,791
Loss for the year	–	–	–	–	(5,395)	–	–	(5,395)
Foreign exchange difference on consolidation	–	–	–	–	–	(7)	–	(7)
Total comprehensive loss for the year	–	–	–	–	(5,395)	(7)	–	(5,402)
Share-based payment expense	–	–	–	63	–	–	–	63
Deferred tax on share-based payments	–	–	–	(251)	–	–	–	(251)
Shares issued	7	4,995	2,353	–	–	–	–	7,355
Cost of share issue	–	(200)	–	–	–	–	–	(200)
Transactions with owners	7	4,795	2,353	(188)	–	–	–	6,967
At 31 March 2019	64	9,588	2,353	440	(5,083)	(6)	–	7,356

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
Loss before tax		**(3,651)**	(5,366)
Depreciation		**386**	183
Amortisation	11	**1,180**	611
Share-based payment expense		**–**	63
Foreign exchange gains		**(22)**	(5)
Share of post-tax profits of equity accounted joint ventures		**4**	1
Finance income		**–**	(2)
Finance costs		**222**	10
Operating cash flows before changes in working capital		**(1,881)**	(4,505)
Decrease in inventories		**3**	12
Decrease in trade and other receivables		**625**	498
Decrease in trade and other payables		**(815)**	(660)
Net cash outflow from operating activities		**(2,068)**	(4,655)
Cash flows from investing activities			
Settlement of contingent consideration	19	**(1,626)**	–
Acquisition of subsidiary, net of cash acquired		**–**	(2,513)
Purchase of intangible assets	11	**(1,124)**	(2,289)
Purchase of plant and equipment		**(11)**	(234)
Sale of plant and equipment		**–**	8
Acquisition of joint venture investment		**–**	(11)
Interest received		**–**	2
Net cash outflow from investing activities		**(2,761)**	(5,037)
Net cash flows from financing activities			
Proceeds from issue of shares	24	**3,750**	5,000
Costs of share issue		**(130)**	(200)
Repayment of acquired contingent consideration liability	19	**(100)**	(450)
Proceeds from borrowings	18	**2,356**	–
Repayment of borrowings	18	**(568)**	(52)
Interest paid	18	**(134)**	(9)
Interest on lease liability on right of use asset	22	**(60)**	–
Payments of lease liabilities on right of use asset	22	**(181)**	–
Capital element of finance lease payments		**(6)**	(8)
Net cash inflow from financing activities		**4,927**	4,281
Net increase/(decrease) in cash and cash equivalents		**98**	(5,411)
Cash and cash equivalents at beginning of financial year		**147**	5,558
Effects of exchange rate changes on cash and cash equivalents		**–**	–
Cash and cash equivalents at end of financial year		**245**	147
Comprising			
Cash at bank	16	**245**	639
Bank overdraft	18	**–**	(492)
Cash at bank		**245**	147

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

NATURE OF OPERATIONS AND GENERAL INFORMATION

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

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

Principal accounting policies

Basis of preparation and consolidation

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

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

The results for the year ended 31 March 2020 and 31 March 2019 include the results of GRC International Group plc and its subsidiaries. A subsidiary is a company controlled directly by the Group. Control is achieved where the Group has the power over the investee, rights to variable returns and the ability to use the power to affect the investee's returns.

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

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

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

IFRS is subject to amendment and interpretation by the IASB and the IFRS Interpretations Committee, and there is an ongoing process of review and endorsement by the European Commission. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 March 2020.

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

The principal accounting policies adopted are set out below.

Going concern

The Group has recorded a loss for the year of £3.2m (2019: £5.4m) and at 31 March 2020 its current liabilities (excluding deferred income) exceeded its current assets by £1.9m (2019: £4.5m). Notwithstanding this, the Directors consider it appropriate to prepare the financial statements on a going concern basis. The key considerations relating to this judgement are described below.

During FY20 the Group significantly restructured its operations, including reducing its cost base. Of the loss for the year of £3.2m, £2.2m (69%) was incurred in H1 and £1.0m in H2 the Group was EBITDA positive in 5 out of the 6 months, with the only exception being known seasonality in the month of December as our customers' businesses wind down for the Christmas period. Also, during H2 the Group successfully completed a placing of new shares which raised £3.75m (approximately £3.5m net of fees) enabling the Group to settle the cash element of the contingent consideration (£1.6m) due to the vendors of DQM, acquired in March 2019, and repaying a bank borrowing facility (£0.5m). The remainder of the funds raised provided additional working capital for the Group to strengthen the overall balance sheet position.

Having been through a transitional year the Group was looking forward to a strong FY21, continuing its H2 FY20 momentum and anticipating profitable results for the year. However, the global COVID-19 pandemic led to an immediate reduction in monthly billings as customers delayed projects, reduced spend seen as not immediately critical to day-to-day operations and focussed on establishing new business processes and procedures to survive the short term. This unprecedented trading environment resulted in a reduction in revenues and the net result for April and May 2020, followed by a recovery towards pre-COVID-19 levels of revenue and profitability in June prior to a flattening out of trading levels over July and August 2020 as is the traditional pattern in the Group's annual cycle.

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.

Going concern continued

Notably; the Group has made savings in marketing costs, property and training venue costs, and continues to rationalise IT infrastructure. Having extended the hiring freeze the Group is continuing to see payroll costs reduce. In particular, early progress on the integration of DQM with the rest of the GRC group enabled one of the founder directors to take early retirement and the other to reduce workload by 60%; and these savings (c. £0.2m annualised) became effective from 1 April 2020. Furthermore, IT Governance USA Inc. qualified for a $0.1m loan through the Paycheck Protection Programme (PPP) which should qualify in due course for forgiveness. The Group also deferred certain liabilities payable to HMRC amounting to approximately £1.0m, representing a rolling 3-4 months of the Group's monthly liability, which the Group has scheduled to repay both in the base case and worst case forecast on an instalment basis commencing from April 2021.

Despite the drop in monthly billings the Group has focused operationally on developing new products and services and redesigning existing ones such that all products and services can be delivered remotely or in person as customer preference and rapidly changing regulation and guidance dictate. As evidenced by the early months of FY21, the Directors believe the Group is in a strong position to continue to support its customers and deliver services in a rapidly changing environment and is well placed to benefit from the need for organisations to change their business processes in a cyber secure and regulatory compliant manner.

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 another national "lockdown".
- 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 have prepared an integrated profit and loss, balance sheet and cash flow forecast by month to 31 March 2022 (the 'base case forecast'). A key assumption to the base case forecast is that the level of business interruption caused by the pandemic would gradually ease over the summer with a resumption of more normal pre-COVID-19 levels of billings from September 2020 onwards, though still notably lower than originally budgeted prior to the impact of COVID-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 subject to settlement of the outstanding HMRC liabilities from April 2021 onwards.

Additionally, the Directors have prepared a sensitised forecast to the base case forecast where if the COVID-19 pandemic was more prolonged than currently envisaged by the Directors (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 effected. The worst case forecast does not identify a potential cash flow shortfall in any month, on the basis that outstanding HMRC liabilities are capable of being further deferred.

The Directors are monitoring actual business performance and cash flow against the base case forecast. Encouragingly, since the year end the Group has traded ahead of the expectations set out in the base case forecast and is currently seeing trading almost back at pre-COVID levels, although behind the growth plans originally budgeted. 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 base case forecasts (including the currently expected payment profile of the deferred liabilities to HMRC referred to above) 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 reduce by any reasonably foreseeable degree and that the Group will remain within the 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.

Nevertheless, in order to trade through the pandemic period without making significant headcount cuts that would have damaged the rate of the Group's recovery, it was necessary for the Group to defer the HMRC liabilities described above without a formal payment arrangement being in place. At the time of writing this report the Directors' are confident that these liabilities can be settled in the near future, and the Group currently has adequate cash and facilities in place to settle the liabilities in full if required. Given Government's clear advice to HMRC to be supportive of UK businesses and based on the Group's communications with HMRC to date management do not expect that the immediate need to settle the deferred balance in full is likely. However, in the event that the liabilities are demanded in full and the effect of COVID-19 on future trading is more prolonged or severe than the Directors' expectations, the two events combined may impact the Group's ability to generate sufficient positive cashflow to settle future liabilities as they fall due and as a result the Parent Company would be required to raise additional funding in order to meet its liabilities with no guarantee such funding would be secured.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern. Notwithstanding the impact of COVID-19 identified above, the Directors have a reasonable expectation that the Group will have sufficient cash flow and available resources and if necessary will be able to raise additional funds to continue operating for at least 12 months from the approval date of these Financial Statements. Accordingly, the Directors continue to adopt the going concern basis in preparing the Group and the Company Financial Statements.

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

Revenue

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

- Consultancy
- Publishing/Distribution
- Learning
- Software

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

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

Revenue is recognised either at a point in time or over time, when the Group satisfies performance obligations by transferring the promised goods or services to its customer. The Group often enters into transactions involving a range of the Group's products and services, for example for the delivery of consultancy, training, software and related after-sales service. In all cases, the total transaction price for a contract is allocated net of discounts amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

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

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

Customer rights to refunds are limited and are not considered material to the financial statements.

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

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Consultancy – On-site and remote support consulting services, helping organisations to design and implement data protection and cyber security policies and procedures.	The Group recognises revenue over time as the services in the contract are performed, generally based on the consultants' estimate of the progress of the work. Revenue from consultancy services which are either a performance obligation within a larger arrangement or are sold on a stand-alone basis is generally recognised over time where the Group agrees to provide labour hours/days. Contracts state a broad list of activities that the services may include. The contracts state daily/hourly rates and estimated amounts to be billed. Contracts state that IT Governance will not exceed the total amount without prior written approval. In cases where contracts are structured on a time basis, the variable amount of the consideration due will be estimated. Where the performance obligations within an agreement are considered to represent services that are substantially the same, these will form a single performance obligation with labour days/hours representing the progress measure. Several contracts define the only obligation as support for customer-led projects, and again in these cases it will be considered that there is one performance obligation with labour hours being the progress measure. Revenue shall be recognised over a time, when the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right for performance completed to date. This is true for all services provided on a time basis. The Group also has an enforceable right for payment for work completed to date.
Publishing/ Distribution – The Group sells books, documentation templates and software via its websites, both that it publishes or writes itself, and also supplied by third parties. The Group also creates and sells sets of documentation templates that are used by customers to assist them to document IT systems and procedures.	The Group recognises revenue at the point in time when control of the asset is transferred to the customer. The product becomes under the control of the customer when the book/software/toolkit is delivered to them. This is when the customer has legal title to the asset or has physical possession of the asset. For the sale of physical soft copy books and CD-ROMs, revenue is recognised when the goods are delivered. Where a product with a subscription or licence is sold on behalf of a third party the revenue is recognised straight away as the obligation to fulfil the contract lies with the third party and not the Group. The full cost of the product sold by the Group in respect of a third-party sale is charged to the Income Statement when the revenue is recognised.
Learning – The Group sells "in person" classroom-based training courses related to data protection, cyber security, ISO 27001 certification and related topics. The courses range from one to five days in length and are held at hired premises. The Group also provides courses at customers' premises for organisations that require training for a number of their employees. The courses are aimed at various different areas of IT governance and at different skill levels.	Revenue is recognised on 'Classroom Based Training Courses' and 'Online Training Courses' when the customer obtains control. The product becomes under the control of the customer when they attend the first day of the Training Course. Revenue is recognised on 'Distance Learning Based Training Courses, when the customer gains control. The product becomes under the control of the customer at the date the online course is made available to them. Once the course is made available the Group has fulfilled its contractual obligation to deliver. The date the user accesses and uses the course is not considered relevant. Revenue is recognised on 'e-learning Courses' dependent on the type of service provided. 'e-learning' is split into four types: • e-Learning Hosting Services – An additional annual fee for LMS (Learning Management System) hosting of the e-learning courses. Customers are not obliged to but can buy our standard 'off-the-shelf' 'Hosting' area. All hosted client courses will be hosted on our LMS. Each client will be given their own space, which can be branded with their logo and company colours. The e-learning course files hosted on our LMS will be the same for all clients, and each client will have a space in the course layout to add any extra information they need, such as documents, links and contact details. Revenue is recognised on 'e-learning Hosting Services' over time as the customer has access to the hosting area. Revenue is then pro-rated equally over the period (normally 12 months) to which the service relates. • Revenue is recognised on 'e-learning Courses' when the customer obtains control. The course becomes under the control of the customer when the online course is made available to access. • e-Learning Set Up Costs – Organisations/customers can contract the Group to 'Customise' the e-learning courses to their organisation's specifications (i.e. company logo/branding etc.). Revenue is recognised on 'e-learning Set Up Costs' when the customer obtains control of the course material. The product becomes under the control of the customer when the online courses are made available to access. • e-Learning Training – Organisations/customers can contract the Group to provide training for the e-learning courses. This is a one-off fee and the Training is a pre-agreed number of hours or days as requested by the customer. Revenue is recognised on 'e-learning Training' when the customer gains control. The product comes under the control of the customer on the first day of the Training Course.

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Software – The Group creates and sells software solutions.	Revenue from the sale of software for a fixed fee is recognised when or as the Group gives access to the customer to download the software.
Maintenance and Support ("M&S") arrangements are usually sold on a stand-alone basis as a renewal of an existing arrangement usually running over a 12-month period. Generally, the first time M&S is sold is when the customer initially buys the software. There are no material rights to consider in connection with renewal options.	Software revenue recognition. Performance obligations are satisfied at a point in time when the Group has a right to payment for the software, the customer has legal right to use the software under the terms of the software licence agreement, and the Group has physically transferred the software to the customer. These criteria are all met at the point in time that the Group transfers the software. The Group does not undertake activities which significantly affect the intellectual property post-delivery of the software which would prevent revenue being recognised at a point in time. The Group does not provide free Maintenance and Support type services as part of the licensing arrangements. Revenue from the sale of Maintenance and Support arrangements are always sold on a stand-alone basis or as a renewal of an existing arrangement usually running over a 12-month period. The technical support and software updates are distinct. This is because the customer can benefit from the licence with or without the Maintenance and Support contract. Technical support: the customer benefits from the technical support as that support is provided. The contracted support period is generally 12 months, so the customer obtains the benefit over the 12-month period. Accordingly, it is appropriate to recognise revenue over a 12-month period. *Software updates:* all software updates are unspecified within Maintenance and Support arrangements with updates being made as and when available. The customer will continue to receive updates during the Maintenance and Support period and accordingly will benefit from the updates as they are provided. Accordingly, it is appropriate to recognise revenue over a 12-month period.

Exceptional administrative costs
The group presents separately those costs which, by there nature, are material and related to non-routine events such as business combinations or capital transactions.

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

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

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

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

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

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

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

Internally developed intangible assets

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

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

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

Development costs not meeting these criteria for capitalisation are expensed as incurred. Directly attributable costs include an apportionment of employee costs incurred on internal development assets.

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

Subsequent measurement

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

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

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

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

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

Trademarks	10 years
Software	5 years
Website costs	5–10 years
Marketing tools	3 years
Courseware	10 years
Publishing products	4 years
Consultancy products	10 years
Customer relationships	12 years

Customer relationships

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

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

Property, plant and equipment

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimated future cash flows have not been adjusted.

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

An impairment loss is recognised as an expense immediately. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

Inventory

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

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

Cash at bank

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

Financial instruments

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

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

Recognition and derecognition

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

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

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. When a financial liability and a financial asset relating to the same contract exist these are offset.

Classification and initial measurement of financial assets

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

Financial assets are classified as "Amortised cost" financial assets.

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

The classification is determined by both:
- The entity's business model for managing the financial asset.
- The contractual cash flow characteristics of the financial asset.

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

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows.
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent measurement of financial assets

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

Impairment of financial assets

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

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

In applying this forward-looking approach, a distinction is made between:
- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

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

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

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

Trade and other receivables and contract assets

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

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

Classification and measurement of financial liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Leases

For any new contracts entered into on or after 1 April 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:
- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract;
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

a) Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or, if not, the Group's incremental borrowing rate.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients available under IFRS 16. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. The expense relating to leases falling within this exemption in the year ended 31 March 2020 was £nil.

b) Measurement and recognition of leases as a lessor

Lease payments received under operating leases are recognised as income on a straight-line basis over the lease term as part of 'other income'.

Equity

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

Share-based payments

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

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

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date").

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The Income Statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

Segment reporting

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

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

New and amended International Financial Reporting Standards adopted by the Group

The Group has adopted IFRS 16 'Leases' from 1 April 2019 which has changed lease accounting for leases under operating leases. Such agreements now require recognition of an asset, representing the right to use the leased items, and a liability representing future lease payments. Lease costs (such as property rent) are recognised in the form of depreciation and interest, rather than as an operating cost.

The Group has adopted the modified retrospective approach with the right of use asset equal to the lease liability at transition date, adjusted by any prepayments or lease incentives recognised immediately before the date of initial application. Under the modified retrospective transition approach, the comparative information is not restated.

The Group has elected to apply a single discount rate to assets with similar characteristics.

On transition, the Group adopted the practical expedient to apply IFRS 16 to contracts that were previously identified as leases. The Group has also elected not to recognise right of use assets and lease liabilities for short-term leases (i.e. lease terms less than 12 months) or low-value assets (i.e. under £5,000). The Group will continue to expense the lease payments associated with these leases on a straight-line basis over the lease term.

Leases

The Group leases many assets, including office space and office equipment.

	Property £'000	Total £'000
Balance on transition at 1 April 2019	664	664
Net book value at 31 March 2020	470	470

Impact on Financial Statements

1) Impact on transition

On transition to IFRS 16, the Group recognised right of use assets and lease liabilities. This impact on transition is summarised below.

Right-of-use assets presented in property, plant and equipment (net of rent incentives)	£664,000
Lease liabilities	£664,000

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted-average rate applied is 10%.

	1 April 2019 £'000
Operating lease commitment at 31 March 2019 as disclosed in the Group's consolidated financial statements	(1,025)
Adjustment to operating lease commitment at 31 March 2019	(145)
Impact of discounting using the incremental borrowing rates at 1 April 2019	99
Effect of expected exercise of break clause	407
Lease liabilities recognised at 1 April 2019	(664)

2) Impact for the year

As a result of applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised £664,000 of right of use assets in property, plant and equipment (see note 12) and £664,000 of lease liabilities (see note 22) as at 31 March 2019.

Also, in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the year ended 31 March 2020, the Group recognised £198,000 of depreciation charges and £60,000 of interest costs from those leases. IFRS 16 had an impact of a decrease in profit before tax of £16,000 but increases our EBITDA by £242,000.

For leases excluded from IFRS 16 under the exemption for leases with terms of less than 12 months, and low-value assets (i.e. under £5,000), the Group recognised less than £10,000 in rent expense in the period.

Other new or amended accounting standards

Accounting standard	Requirement
Amendment to IAS 19 'Employee Benefits'	The amendment clarifies that the current service costs and net interest for the period after a plan amendment, curtailment or settlement, are determined using the assumptions used for the remeasurement.
Amendment to IAS 28 'Investments in Associates and Joint Ventures'	The amendment clarifies the application of IFRS 9 'Financial Instruments' to long-term interests in associates or joint ventures.
IFRIC 23 'Uncertainty over Income Tax'	The interpretation clarifies the determination of taxable profits or losses, tax bases, unused tax losses or credits and tax rate, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.
Amendment to IFRS 9 'Financial Instruments'	The amendment allows for more assets to be measured at amortised cost, in particular some prepayable financial assets. The amendment also clarifies how to account for a modification of a financial liability.
Annual Improvements to IFRS Standards 2015 – 2017 cycle	Amendments to a number of IFRSs including IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements' providing clarity on control of a business that is a joint operation, IAS 12 'Income Taxes' clarifying income tax consequences of dividends, IAS 23 'Borrowing costs' clarifying borrowings outstanding after the related asset is ready for use or sale.

EU endorsed accounting standards effective in future periods
The Directors considered the impact on the Group of other new and revised accounting standards, interpretations or amendments that are currently endorsed but not yet effective. The Directors do not expect any other standards to have a significant impact on the Group's results.

International Financial Reporting Standards in issue but not yet effective

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

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

New/revised IFRSs		Effective date: annual periods beginning on or after	EU adopted
IAS 1 & IAS 8	Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020	No
IFRS 3	Amendments to IFRS 3 Business Combinations	1 January 2020	No

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

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

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

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

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

Significant management judgements

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

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

Recognition of deferred tax assets
The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and timing differences on capital allowances can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions. Judgement is also applied in the recognition of deferred tax assets in respect of losses, based on management's view of the availability of future profits to offset such losses.

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

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

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

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

Going concern:
The identification by management of the Group to continue as a Going concern is a key judgement and has been explained further on page 53.

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

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

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

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

1. Segmental reporting

Operating segments

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

Revenue by geographic destination

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

	2020 £'000	2019 £'000
UK	**11,680**	12,886
Non-UK	**2,466**	2,963
	14,146	15,849

2020 Non-UK revenue includes Rest of Europe £939,000 (2019: £1,335,000), United States of America £863,000 (2019: £824,000), Australia £180,000 (2019: £150,000) and Rest of the World £484,000 (2019: £654,000).

2020 Non-UK non-current assets includes Ireland £33,000 (2019: £58,000) and Germany £7,000 (2019: £10,000).

Information about major customers

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

2. Revenue

Revenue is all derived from continuing operations.

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

	2020 £'000	2019 £'000
Consultancy	**8,635**	7,228
Publishing and Distribution	**977**	1,337
Software	**1,356**	1,513
Training	**3,178**	5,771
Total revenue	**14,146**	15,849

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

	2020 £'000	2019 £'000
Point in time delivery	**9,023**	7,557
Over time	**5,123**	8,292
Total revenue	**14,146**	15,849

The revenue is analysed as follows for each revenue category:

	2020 £'000	2019 £'000
Sale of goods	**976**	1,333
Provision of services	**13,170**	14,516
	14,146	15,849
Other income	**99**	32
Interest on cash deposits	**–**	2
Total revenue	**14,245**	15,883

2. Revenue continued

Contract liabilities: deferred income

	Deferred income 2020 £'000	Deferred income 2019 £'000
At 1 April	**971**	1,395
On acquisition of DQM	**–**	19
Amounts included in deferred income that were recognised as revenue in the period from the opening balance	**(971)**	(1,395)
Amounts invoiced in the period and not recognised as revenue until later periods	**855**	952
At 31 March	**855**	971

The Group recognises deferred income as a contract liability. This balance equates to the value of the remaining performance obligations for revenue recognised over time, given the nature of the Group's invoicing arrangements with customers.

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

3. Exceptional administrative costs

	2020 £'000	2019 £'000
Expenses relating to the acquisition of DQM	**358**	164
	358	164

The Group's exceptional administration costs comprise substantially of professional fees. These professional fees relate to the DQM deed of variation of contract and also to the fundraise to settle the outstanding contingent consideration.

4. Operating profit

	2020 £'000	2019 £'000
Operating profit is stated after charging:		
Cost of sales		
Wages and salaries	**3,533**	4,871
Other direct costs including consultancy and training costs, books and manuals	**2,549**	2,424
	6,082	7,295
Other administration costs		
Wages and salaries	**6,935**	9,024
Sales and marketing costs	**634**	1,205
Depreciation of property, plant and equipment	**386**	183
Amortisation of intangible fixed assets	**1,180**	611
Auditor's remuneration:		
– Fees payable for the audit of the annual accounts	**141**	120
Foreign exchanges (credits)/charges	**1**	(5)
Operating lease costs		
– Building	**–**	149
– Other	**–**	10
Other costs including office administration, legal and professional, IT and website costs	**1,953**	2,419
	11,230	13,716

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

5. Employees

The aggregate payroll costs of the employees were as follows:

	2020 £'000	2019 £'000
Staff costs		
Wages and salaries	**9,706**	12,490
Social security costs	**866**	1,244
Share-based payment charge	**–**	63
Pension costs	**230**	160
	10,802	13,957

Directors made gains of £364k on exercise of share options (2019:£nil).

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

	2020	2019
By activity		
Administration	**92**	130
Sales and distribution	**95**	140
	187	270

Remuneration of Directors is disclosed in the Remuneration Committee Report.

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

6. Net finance costs

	2020 £'000	2019 £'000
Interest received on cash deposits	**–**	(2)
Interest on overdrafts	**11**	–
Interest on loans	**138**	10
Interest on lease liabilities	**61**	–
Other interest	**12**	
	222	8

7. Taxation

Analysis of (credit) charge in the year:

	2020 £'000	2019 £'000
Current tax – current period	**(60)**	72
Current tax – adjustment in respect of prior period	**(427)**	(139)
Foreign tax – current period	**–**	(119)
Deferred tax – current period movement	**50**	51
Deferred tax – adjustment in respect of prior period	**(8)**	164
Total tax (credit)/charge	**(445)**	29

	2020 £'000	2019 £'000
Loss before taxation	**(3,651)**	(5,365)
Profit by rate of tax (2020: 19%; 2019: 19%)	**(694)**	(1,019)
Expenses not deductible for tax purposes	**33**	93
Deferred tax asset not recognised	**640**	777
Adjustments to deferred tax in respect of prior period	**(8)**	25
Adjustments to current tax in respect of prior period	**(243)**	–
Effects of change in tax rate	**(41)**	113
Losses carried back	**52**	38
Adjustment in respect of prior period: Research and development tax credit	**(184)**	–
Effects of different tax rates of subsidiaries operating in other jurisdictions	**–**	2
Total tax	**(445)**	29

Deferred tax in equity

	2020 £'000	2019 £'000
Change in estimated excess tax deductions related to share-based payments	**269**	251
Total income tax recognised directly in equity	**269**	251

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. Legislation has been substantively enacted following the budget on 11 March 2020 to repeal the reduction of the main corporation tax rate thereby maintaining the current rate of corporation tax at 19%. Temporary differences have been measured using these enacted tax rates.

At the balance sheet date, the Group has the following unused tax losses for which no deferred tax asset has been recognised on the basis that it is not considered probable that there will be future projects available to utilise the tax losses:

	2020 £'000	2019 £'000
Trading losses (UK)	**4,901**	4,319
Trading losses (Ireland)	**1,446**	1,124
Trading losses (USA)	**232**	–
Non-trading loan relationship deficits	**2**	2

At the balance sheet date, a deferred tax asset has not been recognised for excess unrelieved foreign tax of £20,435 (2019: £19,848) on the basis that it is not considered probable that there will be future taxable profits available to utilise the double tax relief credit.

Deferred tax

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

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

	Fixed asset timing differences £'000	Retirement benefit obligations £'000	Share-based payments £'000	Short-term timing differences £'000	Tax losses (Ireland) £'000	Tax losses (UK) £'000	Intangibles £'000	Total £'000
At 1 April 2018	89	(2)	(535)	(171)	(23)	–	–	(642)
Business acquired	2	–	–	–	–	–	421	423
Charge/(credit) to profit or loss	20	2	22	29	(119)	(21)	–	(67)
Credit direct to equity	–	–	251	–	–	–	–	251
Prior year adjustment	2	–	1	141	(2)	22	–	164
Deferred tax (asset)/liability at 31 March 2019	113	–	(261)	(1)	(144)	1	421	129
Charge/(credit) to profit or loss	103	(2)	(7)	(4)	–	–	(40)	(50)
Credit direct to equity	–	–	269	–	–	–	–	269
Prior year adjustment	(6)	–	(2)	–	–	–	–	(8)
Deferred tax at 31 March 2020	**210**	**(2)**	**(1)**	**(5)**	**(144)**	**1**	**381**	**438**
Asset (Non-UK)	**–**	**–**	**–**	**–**	**(144)**	**–**	**–**	**(144)**
Liability (UK)	**210**	**(2)**	**(1)**	**(5)**	**–**	**1**	**381**	**582**
Deferred tax at 31 March 2019								
Asset (Non-UK)	–	–	–	–	(144)	–	–	(144)
Liability (UK)	113	–	(261)	(1)	–	–	421	273

8. Earnings per share

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

	2020 '000	2019 '000
Loss attributable to equity holders of the Group (£)	**(3,206)**	(5,395)
Weighted average number of shares in issue	**68,689,792**	57,982,319
Basic loss per share (pence)	**(4.67)**	(9.30)

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:

	2020	2019
Number of shares	**68,689,792**	57,982,319
Dilutive (potential dilutive) effect of share options	**–**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**68,689,792**	57,982,319
Diluted loss per share (pence)	**(4.67)**	(9.30)

Due to the losses incurred during the year, a diluted loss per share has not been calculated as this would serve to reduce the basic loss per share. There were 1,680,680 (2019: 2,360,680) share incentives outstanding at the end of the year that could potentially dilute basic earnings per share in the future.

9. Subsidiaries

Details of the Group's subsidiaries are as follows:

Name of subsidiary and registered office address	Principal activity	Place of incorporation and operation	% ownership held by the Group 2020	2019
IT Governance Limited*	Information technology governance services	England & Wales	**100%**	100%
Vigilant Software Limited*	Information technology Software development	England & Wales	**100%**	100%
IT Governance Europe Limited 6th Floor, South Bank House, Barrow Street, Dublin 4	Information technology governance services	Ireland	**100%**	100%
IT Governance USA Inc 420 Lexington Avenue, Suite 300, New York, NY 10170, USA	Information technology governance services	USA	**100%**	100%
IT Governance Publishing Limited*	Information technology governance publications	England & Wales	**100%**	100%
GRCI Law Limited*	Information technology governance legal services	England & Wales	**100%**	100%
GRC Elearning Limited*	Information technology governance internet-based training	England & Wales	**100%**	100%
IT Governance Europe Limited*	Dormant company***	England & Wales	**100%**	100%
IT Governance Consulting Limited*	Dormant company***	England & Wales	**100%**	100%
IT Governance Franchising Limited*	Dormant company***	England & Wales	**100%**	100%
IT Governance Sales Limited*	Dormant company***	England & Wales	**100%**	100%
IT Governance Software Limited*	Dormant company***	England & Wales	**100%**	100%
IT Governance Training Limited*	Dormant company***	England & Wales	**100%**	100%
ITG Certifications Limited*	Dormant company***	England & Wales	**100%**	100%
ITG Qualifications Limited*	Dormant company***	England & Wales	**100%**	100%
ITG Security Testing Limited*	Dormant company***	England & Wales	**100%**	100%
ITG Encryption Limited*	Dormant company***	England & Wales	**100%**	100%
Data Quality Management Limited**	Dormant company***	England & Wales	**100%**	100%
Data Quality Management Group Limited**	Information technology governance services	England & Wales	**100%**	100%
Data2 Limited**	Dormant company***	England & Wales	**100%**	100%
DQM Group Holdings Limited**	Holding Company***	England & Wales	**100%**	100%

* Registered Office: Unit 3, Clive Court, Bartholomew's Walk, Cambridge Business Park, Ely, Cambridgeshire CB7 4EA
** Registered Office: DQM House, Baker Street, High Wycombe, Buckinghamshire HP11 2RX
*** Dormant subsidiaries which have taken advantage of the s394A exemption from preparing individual accounts

10. Goodwill

Cost and NBV	**2020 Total £'000**	2019 Total £'000
At 1 April	**6,693**	–
Additions	**–**	6,693
Measurement period adjustments	**111**	–
At 31 March	**6,804**	6,693

Goodwill arising from business combinations has been allocated to the Group's DQM cash generating unit ("CGU").

Goodwill is tested at least annually for impairment and whenever there are indications that goodwill might be impaired.

The global COVID-19 pandemic has brought uncertainty and wider market disruption globally. GRC international has seen a 30% revenue reduction to date and this reduction has not yet been recovered in the provision of its products and services, and the sector within which the Company operates.

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

The pre-tax cash flows for the forecast period are derived from the most recent financial budget for the year ending 31 March 2021 approved by the Board. The extrapolation for the period 2022 to 2024 is based on management estimates.

The impairment model is built to take into account performance over a number of years. If FY21 were to be further impacted by COVID-19 into the second half of the year, and revenue dramatically reduced as a result, we would realistically expect a recovery to more normal levels in FY22 and then growth in the future. Therefore the approach taken in terms of using the FY21 budget for each year in the model, without any growth, is significantly more cautious in terms of an impairment model than using a very poor current year, a return to normal in FY22 and then growth going forwards.

As of 31 March 2020, the value in use of the cash generating unit was greater by £1,477k than the CGU's carrying amount. The key assumptions used were the forecasts as explained above, the terminal growth rate of 2%, and the pre-tax discount rate of 6.35%.

There are reasonably possible changes in key assumptions that would give rise to a material impairment loss.
a) The discount rate would have to increase by 2% to give rise to an impairment
b) Operating costs would have to rise by 7% to give rise to an impairment, this assumes that revenue levels remain constant.
c) If Revenue was to fall by 5% (assuming margins remained the same) this would give rise to an impairment.

11. Intangible assets

	Marketing tools £'000	Publishing products £'000	Consultancy products and courseware £'000	Software and website costs £'000	Trademarks £'000	Customer relationships £'000	Total £'000
Cost							
At 1 April 2018	63	215	534	2,100	8	–	2,920
Additions	–	72	165	2,052	–	–	2,289
Business acquired	–	–	–	188	456	1,843	2,487
Foreign exchange movement	–	–	(1)	–	–	–	(1)
At 31 March 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**
Accumulated depreciation							
At 1 April 2018	48	172	196	904	3	–	1,323
Charge for year	7	31	56	516	1	–	611
Foreign exchange movement	–	–	1	–	–	–	1
At 31 March 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**
Net book value							
At 31 March 2020	**2**	**99**	**556**	**2,960**	**412**	**1,677**	**5,706**
At 31 March 2019	8	84	445	2,920	460	1,843	5,760
At 1 April 2018	15	44	337	1,196	5	–	1,597

Amortisation is included within administrative expenses.

Intangible assets includes capitalised related party costs incurred as further explained in note 27.

All intangible assets have been developed internally with the exception of those arising on the business acquisition in the prior year (note 29). The recoverable amounts of the CGUs for the purpose of monitoring impairment are determined from value-in-use calculations.

A review of the carrying amounts of the Group's non-current assets to determine whether there is an indication that these assets have suffered an impairment loss was carried out at the year-end.

Having identified indicators of impairment, management conducted an impairment test to determine recoverable amount of the cash generating unit, and conducted that no impairment of internally generated intangible had arisen as at 31 March 2020.

Those intangible assets were acquired in the 2019 acquisition of DQM (note 29) were tested for impairment as explained in note 10.

12. Property, plant and equipment

	Leasehold improvements £'000	Computer equipment £'000	Office equipment £'000	Right of use assets – properties * £'000	Total £'000
Cost					
At 1 April 2018	88	585	45	–	718
Additions	50	162	22	–	234
Businesses acquired	1	–	21	–	22
Disposals	–	(13)	(2)	–	(15)
At 31 March 2019	139	734	86	–	959
Additions	1	5	5	–	11
IFRS 16 transition	–	–	–	664	664
At 31 March 2019	**140**	**739**	**90**	**664**	**1,633**
Accumulated depreciation					
At 1 April 2018	24	250	20	–	294
Charge for year	13	158	12	–	183
Disposals	–	(7)	–	–	(7)
At 31 March 2019	37	401	32	–	470
Charge for year	13	150	24	199	386
Foreign exchange movement	–	–	–	(5)	(5)
At 31 March 2020	**50**	**551**	**56**	**194**	**851**
Net book value					
At 31 March 2020	**90**	**188**	**35**	**470**	**783**
At 31 March 2019	103	333	53	–	489
At 31 March 2018	65	335	24	–	424

* Under the modified retrospective approach in IFRS 16 'Leases', the 2019 numbers are not restated.

Depreciation is included within administrative expenses.

13. Investments in equity-accounted joint ventures

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

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

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

	2020 £'000	2019 £'000
As at 1 April	**10**	–
Additions	**–**	11
Loss for the period	**(4)**	(1)
Foreign exchange movement	**1**	–
	7	10

14. Inventories

	2020 £'000	2019 £'000
Finished goods for resale	**61**	64

	2020 £'000	2019 £'000
Amounts of inventories recognised as an expense during the period as cost of sales	**83**	196

	2020 £'000	2019 £'000
Amounts of inventories (written back)/impaired during the period	**(8)**	10

15. Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	**1,543**	1,986
Less: provision for impairment of trade receivables	**(15)**	–
Net trade receivables	**1,528**	1,986
Other receivables	**129**	218
Prepayments	**590**	700
	2,247	2,904

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

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

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

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

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

The Directors consider that the carrying amount of trade and other receivables approximates to the fair value. Included in the Group's trade receivable balance as at the year end were customer balances with a carrying amount of £1,197,000 (2019: £1,350,000) which are past due at the reporting date for which the Group has not recorded a provision as the Directors believe the amounts to be recoverable in full, with an immaterial remaining exposure for amounts remaining uncollected at the date the financial statements were approved and authorised for issue.

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

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

	2020 £'000	2019 £'000
In one year or less, or on demand	**2,247**	2,904

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

	2020 £'000	2019 £'000
UK pound	**2,158**	2,713
US dollar	**11**	9
Euro	**78**	182
	2,247	2,904

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

16. Cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank (GBP)	**221**	609
Cash at bank (EUR)	**20**	16
Cash at bank (USD)	**–**	7
Cash at bank (AUD)	**3**	7
Cash at bank (other currencies)	**1**	–
	245	639

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

17. Trade and other payables

Amounts falling due within one year:

	2020 £'000	2019 £'000
Trade payables	**1,220**	2,000
Other taxation and social security	**1,043**	869
Other payables	**204**	170
Deferred income	**855**	971
Accruals	**307**	357
	3,629	4,367

18. Borrowings

	2020 Current £'000	2020 Non-current £'000	2020 Total £'000	2019 Current £'000	2019 Non-current £'000	2019 Total £'000
Secured						
Bank loans (i)	**523**	**5**	**528**	–	–	–
Bank overdraft	**–**	**–**	**–**	490	–	490
Total secured borrowings	**523**	**5**	**528**	490	–	490
Unsecured						
Bank Loans	**194**	**396**	**590**	31	–	31
Loans from related parties	**700**	**–**	**700**	–	–	–
Total unsecured borrowings	**894**	**396**	**1,290**	31	–	31
Total borrowings	**1,446**	**401**	**1,847**	521	–	521

* Further information relating to loans from related parties is set out in note 20.

(i) Secured liabilities and assets pledged as security
Of the Bank loans, £426,000 is secured against future receivables. The remaining secured bank loans and overdrafts are secured against assets of the business.

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

	As at 1 April 2019 £'000	Cash proceeds from borrowings £'000	Repayments of capital £'000	Repayments of interest £'000	Interest accruing	As at 31 March 2020
Directors' pension scheme loan	31	–	(28)	(1)	1	3
Paypal	–	246	(108)	(6)	6	138
Wesleyan	–	282	(33)	(12)	12	249
Bute Capital	–	227	(138)	(17)	17	89
Federal	–	65	(27)	(8)	8	38
You Lend	–	396	(108)	(22)	22	288
LDF Finance No. 3 Ltd	–	150	(110)	(14)	14	40
Portman Asset Finance	–	290	(16)	(30)	30	274
A Brode	–	700	–	–	28	728
Total	31	2,356	(568)	(110)	138	1,847

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

	Amount Advanced £'000	Security pledged	Term	Effective Interest rate
Directors' pension scheme loan	70	Unsecured	60 Months	9.5%
Paypal	246	Secured against future receivables	12 Months	4.26% – 10.49%
Wesleyan	262	Parent company guarantee	60 Months	14.32%
Wesleyan	20	Secured against assets of business	36 Months	22%
Bute Capital	227	Secured against assets of business	14-16 Months	6.65% – 10.36%
Federal Capital	65	Director's Guarantee	12 Months	29%
You Lend	396	Secured against future receivables	12 Months	16.67%
LDF Finance No. 3 Ltd	50	Director's Guarantee	36 Months	10.16%
Portman Asset Finance	125	Director's Guarantee	24 Months	29.28%
Portman Asset Finance	165	Director's Guarantee	60 Months	8.8%
Unsecured loan facility provided by Andrew Brode.	700	Unsecured	Available to the Group until at least 31 December 2021 and will automatically renew for a further 12 months unless terminated by either party.	5.0% above the Bank of England base rate

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

19. Financial instruments – risk management

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

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

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

I. Principal financial instruments

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

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

II. Financial instruments by category

Financial assets

	Fair value through profit or loss		Amortised cost	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Cash and cash equivalents	**–**	–	**247**	639
Trade and other receivables	**–**	–	**1,528**	1,986
Total financial assets	**–**	–	**1,775**	2,697

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

Financial liabilities

	Fair value through profit or loss		Amortised cost	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Trade and other payables	**–**	–	**1,524**	2,170
Borrowings	**–**	–	**1,847**	521
Lease payables	**–**	–	**470**	6
Contingent consideration	**100**	3,747	**–**	–
Total financial liabilities	**100**	3,747	**3,841**	2,885

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

III. Financial instruments not measured at fair value

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

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

19. Financial instruments – risk management continued

IV. Financial instruments measured at fair value

Classification of financial instruments

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

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

31 March 2020

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

	Contingent consideration £'000
At 1 April 2019	**3,747**
Adjustment	**7**
Repaid in cash	**(1,726)**
Issue of ordinary shares	**(1,928)**
At 31 March 2020	**100**

There have not been any changes to the amount recorded between initial recognition of the liability on 5 March 2019 and 31 March 2019, although the DQM Deed of Variation resulted in a change in the proportion of the balance which was to be settled in cash and the balance which was to be settled by an issue of ordinary shares. There is limited estimation uncertainty, and expected to be no material change in the value, as the measurement period for determining the amount payable has already concluded.

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

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

20. Financial instrument risk exposure and management

General objectives, policies and processes

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

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

Credit risk

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

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

The credit risk on liquid funds is limited because the third parties are large international banks with a credit rating of at least A. The Group's total credit risk amounts to the total of the sum of the receivables and cash and cash equivalents. At the 2020 year end, this amounts to £1,773k (2019: £2,625k; 2018: £7,786k).

Interest rate risk

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

The interest on most of the loans is fixed, and therefore interest rate risk is considered to be limited.

Interest rate risk arising from borrowing at variable rates is not hedged.

Foreign exchange risk

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

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

Liquidity risk

Liquidity risk represents the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

The Group's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The table below shows the undiscounted cash flows on the Group's financial liabilities as at 31 March 2020 and 2019, on the basis of their earliest possible contractual maturity.

At 31 March 2020

	Total £'000	On demand £'000	Within 2 months £'000	Within 2-6 months £'000	6-12 months £'000	1-2 years £'000	Greater than 2 years £'000
Trade payables	1,220	715	505	–	–	–	–
Accruals	308	–	–	308	–	–	–
Finance lease payables	481	–	–	119	82	82	198
Bank overdrafts	–	–	–	–	–	–	–
Other loans	1,847	728	138	263	316	175	227
Contingent consideration	100	–	–	100	–	–	–
	3,956	1,443	668	715	448	257	425

20. Financial instrument risk exposure and management continued

At 31 March 2019

	Total £'000	On demand £'000	Within 2 months £'000	Within 2-6 months £'000	6-12 months £'000	1-2 years £'000	Greater than 2 years £'000
Trade payables	2,000	–	2,000	–	–	–	–
Accruals	357	–	–	357	–	–	–
Finance lease payables	6	–	2	2	2	–	–
Bank overdrafts	492	492	–	–	–	–	–
Other loans	29	–	9	18	2	–	–
Contingent consideration	3,747	–	–	3,547	200	–	–
	6,631	492	2,011	3,924	204	–	–

21. Capital management

The Group's capital management objectives are:

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

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

	2020 £'000	2019 £'000
Equity	**10,378**	7,356
Borrowings (note 18)	**1,847**	521
Less: cash and cash equivalents (note 16)	**(245)**	(639)
	11,980	7,238

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

22. Leasing arrangements

The following table outlines the maturity analysis of the lease liabilities:

	2020 £'000
Contractual discounted cash flows	
Less than one year	201
Two to five years	286
More than five years	–
Lease liabilities at 31 March	487

	1 April 2019 £'000	Net cash flow £'000	Currency and non-cash movements £'000	31 March 2020 £'000
Lease liabilities	(664)	181	(4)	(487)
Total lease liabilities	(664)	181	(4)	(487)

The following amounts have been included in the Income Statement:

	2020 £'000
Interest expense on lease liabilities	(60)
Operating costs relating to short-term leases and low value assets	–
Amounts recognised in the Income Statement	(60)

The Group has elected not to recognise right of use assets and lease liabilities for short-term leases (i.e. lease term less than 12 months) or low-value assets (i.e. under £5,000). The Group will continue to expense the lease payments associated with these leases on a straight-line basis over the lease term. At 1 April 2019, this was less than £1,000.

Variable lease payments that depend on an index or a rate are also less than £5,000.

The Group subleases office space to Xanthos as outlined in note 27.

The total undiscounted future minimum lease payments under non-cancellable operating leases as at 1 April 2019 was as follows:

2019	Property £'000	Other £'000	Total £'000
Within one year	198	–	198
Later than one year and not later than five years	589	–	589
Later than five years	238	–	238
	1,025	–	1,025

23. Retirement benefit plans

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

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

During the year £33,000 was recognised in the Income Statement in relation to pension contributions (2019: £33,000). As at 31 March 2020, £nil is payable to pension schemes (2019: £nil).

24. Share capital

Authorised share capital

The authorised share capital comprises 99,577,589 (2019: 64,484,172) ordinary shares of £0.001 each.

	£'000
1 April 2018	
57,462,940 ordinary shares of £0.001	57
Issued	
5,000,000 ordinary shares of £0.001	5
2,021,232 ordinary shares of £0.001	2
31 March and 1 April 2019	64
1,680,000 ordinary shares of £0.001	2
1,288,910 ordinary shares of £0.001	1
3,278,353 ordinary shares of £0.001	4
28,846,154 ordinary shares of £0.001	29
31 March 2020	
99,577,589 ordinary shares of £0.001	100

On 1 March 2019, 5,000,000 ordinary shares with a nominal value of 0.1p were issued at 100p per share by way of a subscription and placing.

On 5 March 2019, 2,021,232 ordinary shares with a nominal value of 0.1p were issued at 116.5p per share by way of issue

On 31 January 2020, 1,680,000 ordinary shares with a nominal value of 0.1p were issued at 0.003p per share as the result of the exercise of employee share options.

On 18 February 2020, 28,846,154 ordinary shares with a nominal value of 0.1p were issued at 13p per share by way of a subscription and placing.

On 18 February 2020, 1,288,910 ordinary shares with a nominal value of 0.1p were issued at 116.5p per share by way of issue.

On 18 February 2020, 3,278,353 ordinary shares with a nominal value of 0.1p were issued at 13p per share by way of issue.

25. Share premium

	£'000
1 April 2018	
57,462,940 ordinary shares of £0.001	4,793
Issued	
5,000,000 ordinary shares of £1.00 less issue costs	4,795
31 March and 1 April 2019	9,588
1,680,000 ordinary shares of £0.003	4
28,846,154 ordinary shares of £0.13 less issue costs	3,589
31 March 2020	13,181

Consideration received in excess of the nominal value of the 28,846,154 shares issued on 18 February as a result of the subscription and placing has been included in share premium, less registration and commission of £131,000.

Consideration received in excess of the nominal value of the 5,000,0000 shares issued on 1 March 2019 as a result of the subscription and placing has been included in share premium, less registration and commission of £200,000.

26. Share-based payments

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

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

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

2020

	Number of options	**WAEP £**
Outstanding at the beginning of the year	**2,460,680**	**0.08**
Exercised	**(1,680,000)**	**0.03**
Outstanding at the year end	**780,680**	**0.27**
Number vested and exercisable at 31 March 2020	**780,680**	**0.27**

2019

	Number of options	WAEP £
Outstanding at the beginning of the year	2,360,680	0.08
Outstanding at the year end	2,460,680	0.08
Number vested and exercisable at 31 March 2019	2,203,180	0.06

The Group recognised no expenses in relation to share options accounted for as equity-settled share-based payment transactions during the year (2019: £63,285) in relation to options issued to Directors – these were recognised as expenses in the Income Statement.

27. Related party transactions

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

	2020 £'000	2019 £'000
Remuneration of key management		
Remuneration	**558**	550
Social security costs	**73**	70
Share-based payment charge	**–**	63
Pension contributions to defined contributions scheme	**37**	35
	668	718

Other related party borrowings transactions are as follows:

	Andrew Brode £'000	Directors' pension scheme £70,000 loan £'000	Total £'000
Principal			
At 1 April 2018	–	26	26
Loans repaid	–	(16)	(16)
At 31 March 2019	–	10	10
Loans advance	700		
Loans repaid	–	(10)	(10)
At 31 March 2020	**700**	**–**	**700**
Interest			
At 1 April 2018	–	–	–
Interest accrued	–	2	2
Interest paid	–	(2)	(2)
At 31 March 2019	–	–	–
Interest accrued	28	1	4
Interest paid	–	(1)	(4)
At 31 March 2020	**28**	**–**	**28**

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

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

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

Xanthos sub-leases office space from the Group, which is included within other income. During the year to 31 March 2020 this totalled £20k (2019: £20k). Transactions were carried out on an arm's length basis. Outstanding amounts due from Xanthos at 31 March 2019 totalled £2k (2019: £nil).

The Group also makes purchases from Xanthos. During the year to 31 March 2020, the Group made purchases totalling £533k from Xanthos (2019: £662k) of which £420k (FY19: £500k) was capitalised. Outstanding amounts payable to Xanthos at 31 March 2020 totalled £96k (2019: £99k).

28. Ultimate controlling party

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

29. Business combinations completed in the prior period

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

As disclosed in last year's Annual Report, the value of the identifiable net assets of DQM group Holdings Limited had only been determined on a provisional basis. Having since finalised the acquisition accounting, the fair value of assets and liabilities has been revised such that the Goodwill arising on acquisition has further increased by £111k.

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

	Book value £'000	Adjustment £'000	Fair value £'000
Goodwill	–	6,804	6,804
Intangible assets:			
– Non-contractual customer lists and relationships	–	1,843	1,843
– Software	11	177	188
– Trade name and trademarks	–	456	456
Property, plant and equipment	22	–	22
Receivables	840	–	840
Cash	1,019	–	1,019
Payables	(1,308)	–	(1,308)
Deferred tax liability	(2)	(421)	(423)
Total net assets	**582**	**8,859**	**9,441**

Fair value of consideration paid

	Fair value £'000
Cash	3,532
Issued ordinary shares	2,355
Contingent cash consideration	1,626
Contingently issuable ordinary shares	1,928
Total consideration	**9,441**

The 2019 comparatives have been not been restated in these financial statements to include the effect of the adjustments to goodwill noted above. Under paragraph 10(f) of IAS 1 Presentation of financial statements, this restatement would ordinarily require the presentation of a third consolidated statement of financial position as at 1 April 2019. However, as the restatement of the provisional fair values would have no effect on the statement of financial position as at that date, the Directors do not consider that this would provide useful additional information and, in consequence, have not presented a third consolidated statement of financial position due to prior period business combinations.

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

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

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

Contingent consideration becomes payable within five days of the sign off of the "Earn-out Accounts", which are based on the statutory accounts for the DQM financial year ended 28 February 2019, calculated based on an agreed multiple of the EBITDA of DQM, as defined in the sale and purchase agreements. The contingent consideration arrangements were subsequently varied as explained in note 19.

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

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

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

Since the acquisition date, for the period from the acquisition date to 31 March 2019, DQM has contributed £255k to Group revenues and £82k to Group profit. If the acquisition had occurred on 1 April 2018, Group revenue for the year ended 31 March 2019 would have been £19,736k and Group loss for the period would have been £(4,323k).

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

30. Post balance sheet events

Facilities

On 17 September 2020, the minimum term on the loan facility provided by the Group's Chairman Andrew Brode has been extended to 31 December 2021. No other changes were made to the facility provided by the Chairman.

Covid-19

Whilst the onset of the pandemic occurred prior to the group's reporting date, Covid-19 has continued to have a material effect on the wider environment in which the group operates. Management's current assessment of the impacts of Covid-19 is provided within the section "Going Concern" in note 1 to the financial statements.

COMPANY BALANCE SHEET
FOR THE PERIOD ENDED 31 MARCH 2020

	Notes	2020 £'000	2019 £'000
Assets			
Non-current assets			
Intangible assets	3	**452**	342
Investments in subsidiaries	4	**10,817**	11,010
Deferred tax asset	5	**2**	261
		11,271	11,613
Current assets			
Trade and other receivables	6	**6,682**	4,696
		6,682	4,696
Current liabilities			
Trade and other payables	7	**(846)**	(743)
Contingent consideration	8	**–**	(3,747)
Borrowings	9	**(728)**	–
		(1,574)	(4,489)
Net current assets		**5,108**	206
Net assets		**16,379**	11,819
Equity			
Share capital	10	**100**	64
Share premium	11	**14,508**	10,913
Merger reserve		**4,276**	2,353
Share-based payment reserve		**171**	440
Retained earnings		**(2,676)**	(1,951)
Shareholders' funds		**16,379**	11,819

As permitted by Section 408 of the Companies Act 2006, a separate income statement for the Company has not been presented. The Company's loss for the period ended 31 March 2020 was £611,000 (2019: £1,952,000).

Additionally, no cash flow statement is presented as permitted by FRS.101.8(L). The accompanying notes form part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 25 September 2020 and were signed its behalf by:

Chris Hartshorne
Director
Company registration number: 11036180

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2020

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
At 1 April 2019	**64**	**10,913**	**2,353**	**440**	**(1,951)**	**11,819**
Loss for the period	**–**	**–**	**–**	**–**	**(725)**	**(725)**
Total comprehensive loss for the period						
Shares issued	**31**	**3,725**	**–**	**–**	**–**	**3,756**
Cost of share issue	**–**	**(130)**	**–**	**–**	**–**	**(130)**
Shares issued on the acquisition of DQM	**5**	**–**	**1,923**	**–**	**–**	**1,928**
Deferred tax on share-based payments	**–**	**–**	**–**	**(269)**	**–**	**(269)**
Transactions with owners	**36**	**3,595**	**1,923**	**(269)**	**–**	**5,285**
At 31 March 2020	**100**	**14,508**	**4,276**	**171**	**(2,676)**	**16,379**

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
Loss for the period	–	–	–	–	(1,952)	(1,952)
Total comprehensive loss for the period	–	–	–	–	(1,952)	(1,952)
Investment in 10,050,236 ordinary shares	50	1,326	–	–	–	1,376
Issue of share options	–	5	–	–	–	5
Shares issued	7	5,033	–	–		5,040
Cost of share issue	–	(245)	–	–	–	(245)
Shares issued on the acquisition of DQM	7	4,995	2,353	–	–	7,355
Cost of share issue	–	(200)	–	–		(200)
Share-based payment expense	–	–	–	146	–	146
Deferred tax on share-based payments	–	–	–	294	–	294
Transactions with owners	64	10,913	2,353	440	–	13,771
At 31 March 2019	64	10,913	2,353	440	(1,951)	11,819

1. Principal accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period.

General information

GRC International Group plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the Registered Office is given on page 53 of this Annual Report and Accounts. The Company is a holding company that manages the other trading subsidiaries of the GRC International Group.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006 (the "Act"). The Company is a qualifying entity for the purposes of FRS 101.

The financial statements have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Contingent consideration

As permitted by FRS 101, no share-based payment disclosures have been included in these financial statements. Details of the share option scheme can be found in note 25 of the Group financial statements.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 'Property, Plant and Equipment';
  - paragraph 118(e) of IAS 38 'Intangible Assets'.
- IFRS 2, 'Share-based Payment'.
- IFRS 7, 'Financial Instruments: Disclosures'
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements.
- the requirements of IAS 7 'Statement of Cash Flows'.
- the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.
- the requirements of paragraph 17 and 18A of IAS 24 'Related Party Disclosures'.
- the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers'.

Going concern

The Group has recorded a loss for the year of £3.2m (2019: £5.4m) and at 31 March 2020 its current liabilities (excluding deferred income) exceeded its current assets by £1.9m (2019: £4.5m). Notwithstanding this, the Directors consider it appropriate to prepare the financial statements on a going concern basis. The key considerations relating to this judgement are described below.

During FY20 the Group significantly restructured its operations, including reducing its cost base. Of the loss for the year of £3.2m, £2.2m (69%) was incurred in H1 and £1.0m in H2 the Group was EBITDA positive in 5 out of the 6 months, with the only exception being known seasonality in the month of December as our customers' businesses wind down for the Christmas period. Also, during H2 the Group successfully completed a placing of new shares which raised £3.75m (approximately £3.5m net of fees) enabling the Group to settle the cash element of the contingent consideration (£1.6m) due to the vendors of DQM, acquired in March 2019, and repaying a bank borrowing facility (£0.5m). The remainder of the funds raised provided additional working capital for the Group to strengthen the overall balance sheet position.

Having been through a transitional year the Group was looking forward to a strong FY21, continuing its H2 FY20 momentum and anticipating profitable results for the year. However, the global COVID-19 pandemic led to an immediate reduction in monthly billings as customers delayed projects, reduced spend seen as not immediately critical to day-to-day operations and focussed on establishing new business processes and procedures to survive the short term. This unprecedented trading environment resulted in a reduction in revenues and the net result for April and May 2020, followed by a recovery towards pre-COVID-19 levels of revenue and profitability in June prior to a flattening out of trading levels over July and August 2020 as is the traditional pattern in the Group's annual cycle.

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.

Notably; the Group has made savings in marketing costs, property and training venue costs, and continues to rationalise IT infrastructure. Having extended the hiring freeze the Group is continuing to see payroll costs reduce. In particular, early progress on the integration of DQM with the rest of the GRC group enabled one of the founder directors to take early retirement and the other to reduce workload by 60%; and these savings (c. £0.2m annualised) became effective from 1 April 2020. Furthermore, IT Governance USA Inc. qualified for a $0.1m loan through the Paycheck Protection Progr amme (PPP) which should qualify in due course for forgiveness. The Group also deferred certain liabilities payable to HMRC amounting to approximately £1.0m, representing a rolling 3-4 months of the Group's monthly liability, which the Group has scheduled to repay both in the base case and worst case forecast on an instalment basis commencing from April 2021.

Despite the drop in monthly billings the Group has focused operationally on developing new products and services and redesigning existing ones such that all products and services can be delivered remotely or in person as customer preference and rapidly changing regulation and guidance dictate. As evidenced by the early months of FY21, the Directors believe the Group is in a strong position to continue to support its customers and deliver services in a rapidly changing environment and is well placed to benefit from the need for organisations to change their business processes in a cyber secure and regulatory compliant manner.

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 another national "lockdown".
- 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 have prepared an integrated profit and loss, balance sheet and cash flow forecast by month to 31 March 2022 (the 'base case forecast'). A key assumption to the base case forecast is that the level of business interruption caused by the pandemic would gradually ease over the summer with a resumption of more normal pre-COVID-19 levels of billings from September 2020 onwards, though still notably lower than originally budgeted prior to the impact of COVID-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 subject to settlement of the outstanding HMRC liabilities from April 2021 onwards.

Additionally, the Directors have prepared a sensitised forecast to the base case forecast where if the COVID-19 pandemic was more prolonged than currently envisaged by the Directors (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 effected. The worst case forecast does not identify a potential cash flow shortfall in any month, on the basis that outstanding HMRC liabilities are capable of being further deferred.

The Directors are monitoring actual business performance and cash flow against the base case forecast. Encouragingly, since the year end the Group has traded ahead of the expectations set out in the base case forecast and is currently seeing trading almost back at pre-COVID levels, although behind the growth plans originally budgeted. 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 base case forecasts (including the currently expected payment profile of the deferred liabilities to HMRC referred to above) 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 reduce by any reasonably foreseeable degree and that the Group will remain within the 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.

Nevertheless, in order to trade through the pandemic period without making significant headcount cuts that would have damaged the rate of the Group's recovery, it was necessary for the Group to defer the HMRC liabilities described above without a formal payment arrangement being in place. At the time of writing this report the Directors' are confident that these liabilities can be settled in the near future, and the Group currently has adequate cash and facilities in place to settle the liabilities in full if required. Given Government's clear advice to HMRC to be supportive of UK businesses and based on the Group's communications with HMRC to date management do not expect that the immediate need to settle the deferred balance in full is likely. However, in the event that the liabilities are demanded in full and the effect of COVID-19 on future trading is more prolonged or severe than the Directors' expectations, the two events combined may impact the Group's ability to generate sufficient positive cashflow to settle future liabilities as they fall due and as a result the Parent Company would be required to raise additional funding in order to meet its liabilities with no guarantee such funding would be secured.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern. Notwithstanding the impact of COVID-19 identified above, the Directors have a reasonable expectation that the Group will have sufficient cash flow and available resources and if necessary will be able to raise additional funds to continue operating for at least 12 months from the approval date of these Financial Statements. Accordingly, the Directors continue to adopt the going concern basis in preparing the Group and the Company Financial Statements.

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

1. Principal accounting policies continued

Investments

Investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired as part of a group reorganisation for consideration, including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

For other acquisitions, investments in subsidiaries and associates are measured at fair value at the transaction date.

Financial instruments

Recognition and derecognition

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

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

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

Classification and initial measurement of financial assets

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

Financial assets are classified into the following categories:
- amortised cost
- fair value through profit or loss ("FVTPL")
- fair value through other comprehensive income ("FVOCI").

In the period presented the Company does not have any financial assets categorised as FVOCI or FVTPL.

The classification is determined by both:
- the entity’s business model for managing the financial asset, and
- the contractual cash flow characteristics of the financial asset.

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

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions:
- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows, and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Classification and measurement of financial liabilities

The Company’s financial liabilities include trade and other payables and contingent consideration.

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

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

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

Deferred consideration

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

Impairment of assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

An impairment loss is recognised as an expense immediately.

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

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Foreign currency

The functional currency of GRC International Group plc is considered to be UK Sterling because that is the currency of the primary economic environment in which the Company operates.

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise.

Share-based payment

The Company grants to its employees rights to its equity instruments of GRC International Group plc. The fair value of awards granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to receive the awards. The fair value of the awards granted is measured using a pricing model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual value of share awards that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Where the Company grants awards over its own shares to the employees of its subsidiaries, it recognises an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its subsidiaries' financial statements with the corresponding credit being recognised directly in equity.

1. Principal accounting policies continued

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares issued.
- "Share premium" represents amounts subscribed for share capital, net of issue costs, in excess of nominal value.
- "Merger reserve" represents the excess of the fair value of the consideration received for the issue of shares over the nominal value of shares issued.
- "Share-based payment reserve" represents the accumulated value of share-based payments.
- "Retained earnings" represents the accumulated profits and losses attributable to equity shareholders.

Dividends

Dividends are recognised in the period in which they are approved by the Company's shareholders, or in the case of an interim dividend, when the dividend is paid. Dividends receivable from subsidiaries are recognised when either received in cash or applied to reduce a creditor balance with a subsidiary.

2. Employees

	2020 £'000	2019 £'000
Staff costs		
Wages and salaries	**3,134**	3,756
Social security costs	**345**	462
Share-based payment charge	**–**	63
Pension costs	**66**	44
	3,545	4,325

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

	2020	2019
By activity		
Administration	**40**	59
Sales and distribution	**4**	38
	44	97

Remuneration of Directors is disclosed in the Remuneration Committee Report.

3. Intangible assets

	Consultancy products and courseware £'000	Software and website costs £'000	Total £'000
Cost			
Additions	75	267	342
At 31 March 2019	75	267	342
Additions	–	162	162
At 31 March 2020	**75**	**429**	**504**
Accumulated depreciation			
Charge for year	–	–	–
At 31 March 2019	–	–	–
Charge for year	8	44	52
At 31 March 2020	**8**	**44**	**52**
Net book value			
At 31 March 2020	**67**	**385**	**452**
At 31 March 2019	**75**	**267**	**342**

4. Investments in subsidiaries

	Investments in subsidiaries £'000
Cost and net book amount	
Additions – IT Governance	1,376
Additions – DQM	9,634
At 31 March 2019	**11,010**
Reduction – DQM	**(193)**
At 31 March 2020	**10,817**

The carrying value of investments in subsidiaries relates to investments in IT Governance Limited and DQM Data Quality Group Holdings Limited.

On 5 March 2018, the Company acquired 100% of the issued share capital of IT Governance Limited for £1,375,875. On 5 March 2019, the Company acquired 100% of DQM Group Holding Limited for a total consideration of £9,633,894.

Further information about subsidiaries is provided in note 9 of the consolidated financial statements.

5. Deferred tax

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

The deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised by way of parent company management services charges.

	Share-based payments £'000
At inception	–
Charge to profit or loss	(9)
Credit direct to equity	270
Deferred tax asset at 31 March 2019	261
Charge to profit and loss	10
Debit direct to equity	(269)
Deferred tax asset at 31 March 2020	2

6. Trade and other receivables

	2020 £'000	2019 £'000
Amount owed by subsidiary undertaking	**7,783**	5,393
Prepayments	**66**	139
Provision for expected credit loss	**(1,167)**	(836)
	6,682	4,696

7. Trade and other payables

	2020 £'000	2019 £'000
Trade payables	**305**	392
Other tax and social security	**266**	226
Accruals	**227**	75
Other creditors	**48**	50
	846	743

8. Contingent consideration

	Deferred consideration £'000
At inception	–
Arising on acquisition	3,747
At 31 March 2019	**3,747**
Repaid in cash	(1,626)
Issue of ordinary shares	(1,928)
Adjustment to investment	(193)
At 31 March 2020	**–**

For further information, please refer to notes 19 and 29 in the Group's financial statements.

9. Borrowings

	2020			2019		
	Current £'000	**Non-current £'000**	**Total £'000**	Current £'000	Non-current £'000	Total £'000
Unsecured						
Loans from related parties	**728**	**–**	**728**	–	–	–
Total unsecured borrowings	**728**	**–**	**728**	–	–	–
Total borrowings	**728**	**–**	**728**	–	–	–

Further information relating to loans from related parties is set out in note 20 in the Group's financial statements.

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

	Amount Advanced £'000	Security pledged	Term	Effective Interest rate
Unsecured loan facility provided by Andrew Brode	700	Unsecured	Available to the Group until at least 31 December 2021 and will automatically renew for a further 12 months unless terminated by either party.	5.0% above the Bank of England base rate

10. Share capital

The total allotted share capital of the Company is:

	2020 Number	£'000	2019 Number	£'000
Ordinary shares of £0.001 each	**99,577,589**	**100**	64,484,172	64

Authorised share capital

The authorised share capital comprises 99,577,589 (2019: 64,484,172) ordinary shares of £0.001 each.

	£'000
1 April 2018	
57,462,940 ordinary shares of £0.001	57
Issued	
5,000,000 ordinary shares of £0.001	5
2,021,232 ordinary shares of £0.001	2
31 March and 1 April 2019	64
1,680,000 ordinary shares of £0.001	2
1,288,910 ordinary shares of £0.001	1
3,278,353 ordinary shares of £0.001	3
28,846,154 ordinary shares of £0.001	29
31 March 2020	
99,577,589 ordinary shares of £0.001	100

On 1 March 2019, 5,000,000 ordinary shares with a nominal value of 0.1p were issued at 100p per share by way of a subscription and placing.

On 5 March 2019, 2,021,232 ordinary shares with a nominal value of 0.1p were issued at 116.5p per share by way of issue.

On 31 January 2020, 1,680,000 ordinary shares with a nominal value of 0.1p were issued at 0.003p per share as the result of the exercise of employee share options.

On 18 February 2020, 28,846,154 ordinary shares with a nominal value of 0.1p were issued at 13p per share by way of a subscription and placing.

On 18 February 2020, 1,288,910 ordinary shares with a nominal value of 0.1p were issued at 116.5p per share by way of issue.

On 18 February 2020, 3,278,353 ordinary shares with a nominal value of 0.1p were issued at 13p per share by way of issue.

11. Share premium

	£'000
1 April 2018	
57,462,940 ordinary shares of £0.001	4,793
Issued	
5,000,000 ordinary shares of £1.00 less issue costs	4,795
31 March and 1 April 2019	9,588
1,680,000 ordinary shares of £0.003	4
28,846,154 ordinary shares of £0.13 less issue costs	3,589
31 March 2020	13,181

Consideration received in excess of the nominal value of the 28,846,154 shares issued on 18 February as a result of the subscription and placing has been included in share premium, less registration and commission of £131,000.

Consideration received in excess of the nominal value of the 5,000,0000 shares issued on 1 March 2019 as a result of the subscription and placing has been included in share premium, less registration and commission of £200,000.

12. Post balance sheet events

Facilities

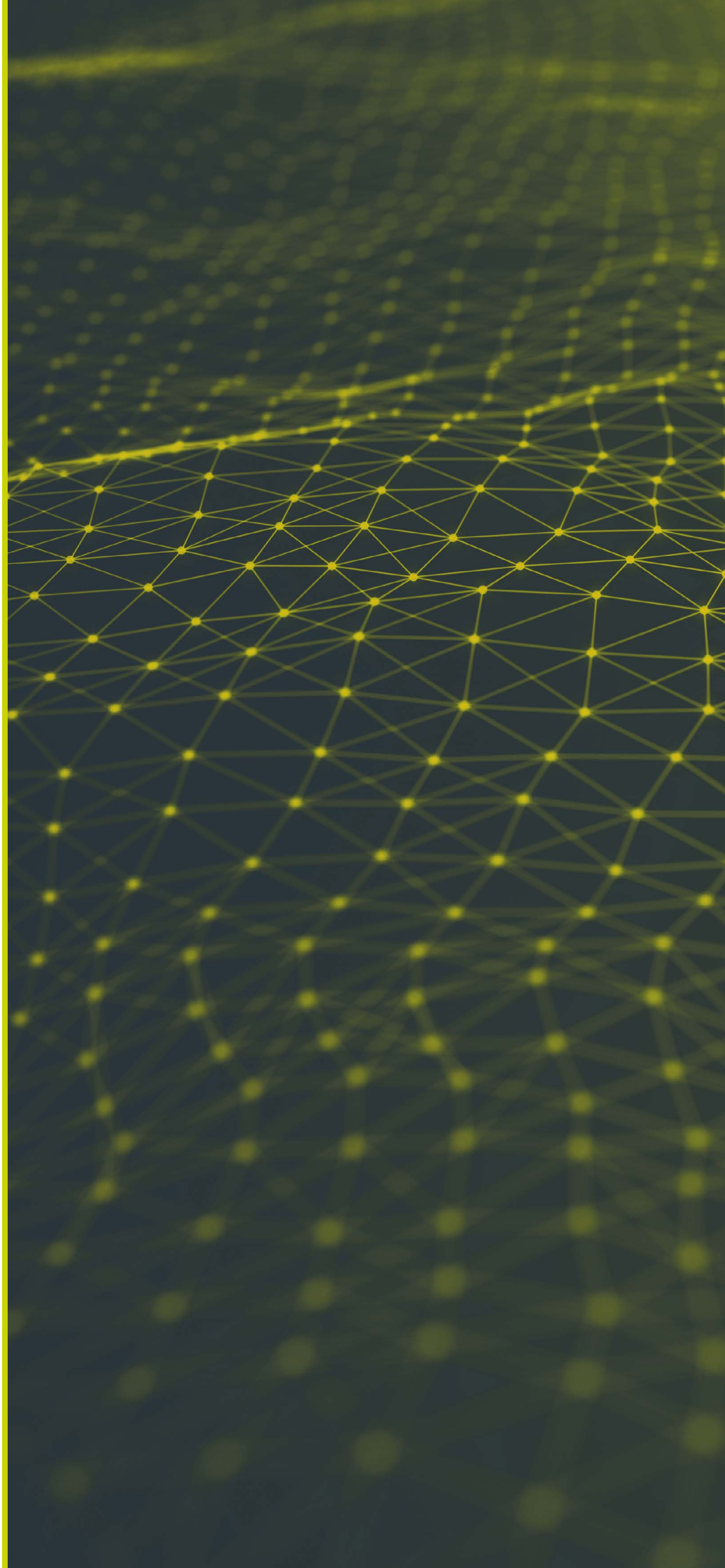
On 17 September 2020, the minimum term on the loan facility provided by the Group's Chairman Andrew Brode has been extended to 31 December 2021. No other changes were made to the facility provided by the Chairman.

Covid-19

Whilst the onset of the pandemic occurred prior to the group's reporting date, Covid-19 has continued to have a material effect on the wider environment in which the group operates. Management's current assessment of the impacts of Covid-19 is provided within the section "Going Concern" in note 1 to the financial statements.

NOTES

NOTES



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