GRC International Group Plc

Interim results for the six months ended 30 September 2018

GRC International Group plc ("GRC International" or the "Group"), a leading supplier of IT governance, risk management and compliance products and services, is pleased to announce its interim results for the six months ended 30 September 2018.

Good strategic progress with the launch of new products and services and expansion into new geographies

Financial Highlights

	H1 2019	H1 2018	Change	FY 2018
Billings[2]	£8,814k	£6,249k	+41%	£16,260k
Revenue	£8,914k	£5,800k	+54%	£15,688k
Training	£4,019k	£3,014k	+33%	£8,366k
Consultancy	£3,756k	£1,887k	+99%	£5,274k
Software and distribution	£1,139k	£899k	+27%	£2,048k
Privacy (Including GDPR)	£4,484k	£2,791k	+61%	£9,137k
Cyber security	£3,482k	£2,358k	+48%	£5,384k
Other	£948k	£651k	+46%	£1,167k

- Increase in year-on-year billings[2] of +41%, reflecting the Group's growth over the course of the past twelve months
- Organic revenue growth +54% to £8.9m (H1 2018: £5.8m), with a particularly strong Q1 performance attributable to the General Data Protection Regulation ("GDPR") compliance deadline of 25 May 2018
- Gross profit up +49% to £5.1m (H1 2018: £3.4m), with margins broadly stable at 57% (H1 2018: 59%)
- Underlying EBITDA[1] declined to a £1.8m loss (H1 2018: £0.8m profit), following investment in new business lines, infrastructure and people to build a platform for future growth
- Basic loss per share of 3.79p (H1 2018: EPS: 1.22p)
- Capital expenditure of £1.5m (H1 2018: £0.6m)
- Net cash at period end of £1.7m (FY 2018: £5.6m). Subsequent to the period end, the Group incurred further losses and has secured a sterling overdraft facility and a loan facility agreement in order to ensure sufficient headroom for working capital requirements.

Operational Highlights

- Strong organic growth of +48% in the Group's cyber security products and services versus H1 2018
- We believe that the current slowdown in GDPR billings will be short lived as we estimate that 70% of organisations are yet to be fully compliant and the Information Commissioner's Office (ICO) has indicated that the imposition of fines is imminent
- Revenue from GDPR now reaching more normalised levels of steady growth following a surge of activity ahead of the deadline of 25 May 2018
- Good progress made with the strategic development of the Group, with net proceeds of £4m raised through the Group's admission to trading on AIM in March 2018 used to progress the launch of new products and services and invest in people and infrastructure
- Significant investments made into new business line and geographies:
    - The acquisition of the domain, web platform, customer list and goodwill of www.gdpr.co.uk. The Group has enhanced the platform by offering relevant books, e-Learning and Data Protection Officer services available across the www.gdpr.co.uk. The acquisition is fully integrated and trading in line with expectations
    - Operations established in Europe (Drogheda, Eire), America (New York) and the Gulf, with all businesses performing well, including significant contract wins with Kubota and Microsoft
- Considerable investment into building the infrastructure and management structures of the core business to facilitate future growth

- Resources and headcount scaled up to capitalise on the surge in demand for GDPR-related offerings before being scaled back down in line with the demand profile. We expect to incrementally increase headcount as a result of expected growth, after the initial headcount reduction

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

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

"The first half of FY 2019 has been a period of strategic development for GRC International, as we have used the proceeds raised as part of our admission to trading on AIM in March 2018 to accelerate the launch of product offerings and invest in people and infrastructure.

"The profile of revenues during the half has been driven primarily by GDPR, with a surge in customer spend in Q1 ahead of the legislation coming into force, unwinding over Q2, and now reaching more normalised levels. We're pleased with the strong growth from cyber security products and services and are confident that the investments we have made in new business areas and geographies, coupled with the ongoing requirement for GDPR consultancy and support, gives us the momentum to deliver revenue growth across the year as a whole and underpin our long-term growth into FY20 and beyond.

"As per our previous market communications, we expect to see opportunities to acquire other businesses and pursue a roll up strategy. We continue to see interesting opportunities in this area."

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About GRC International Group plc

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

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

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

Chief Executive Review

The first half of FY 2019 has been a period of strategic development for GRC International. Following our admission to trading on AIM in March 2018, we have accelerated the launch of product offerings and expanded our geographic reach, underpinning our long-term growth and ambitions in an evolving compliance environment.

We are pleased with the performance across all three of the Group's business divisions – Training, Consultancy and Publishing & Software – and remain encouraged particularly by the performance of our cyber-security-focused products and services. In a market driven by increasing legal and regulatory obligations for companies to have in place data protection and cyber security systems and procedures, cyber security in particular has continued to be a critical, fast-growing part of the Group, with revenues generated through cyber security products and services continuing to show strong year-on-year revenue growth.

The profile of revenues over H1 2019, however, was driven primarily by the EU General Data Protection Regulation (GDPR) coming in to force, where our ability to develop and launch offerings swiftly to service customer demands saw us successfully grasp the significant opportunities presented. Strong year-on-year growth in GDPR training and toolkit sales in Q1 was driven by companies' initial steps to make themselves GDPR-compliant, ahead of the legislation coming into effect on 25 May 2018. This surge in demand moderated in Q2 2019, where we saw a year-on-year decline in overall Group revenues, as the effect of companies bringing forward (from Q2 to Q1 2019) their GDPR-related spend unwound, and as we began to lap tough comparators from the GDPR build-up which had begun in Q2 2018.

Despite the surge in customer spend as companies worked to make themselves compliant ahead of the deadline, research indicates that some 70% of organisations in the UK were yet to be fully compliant by June 2018 (Source: Ponemon Institute - GDPR Implementation Review). Therefore, whilst we expect to see the moderation in GDPR-related training and toolkit spend continue into the second half of the current financial year – and as we continue to lap tough year-on-year comparators – there is still a large portion of the market for us to target. Indeed, with the EU Data Protection Supervisor predicting that initial GDPR-related fines and enforcement action will be seen across the EU in the coming months, we expect to see GDPR brought back into focus as a live issue for those non-compliant companies.

Revenue growth was also driven by continued momentum in our cyber security business. While this is, in part, due to the implementation of GDPR – since the regulation is about protecting personal data from cyber crime – growth also stemmed from the mounting pressure from both government and clients for organisations to demonstrate their cyber compliance. Cyber Essentials and ISO/IEC 27001 are both independent standards against which clients can certify themselves and we have seen continued growth in both these areas (and consider ourselves leaders in both), as well as in PCI DSS compliance and penetration testing.

Over the period, to capitalise on the surge in GDPR demand, we scaled up resources and increased headcount as fast as we could; post-May 25, as demand subsided in line with expectations, we started to and continue to scale down our GDPR training and toolkit businesses in line with the current demand profile and to take advantage of some of the infrastructure improvements in which we have invested. As we continue to grow, we expect to incrementally increase headcount again towards the end of H2 2019.

As planned, we invested significantly and swiftly in those business areas we see contributing to the longer-term profitable growth of the Group. Our businesses in the EU (Drogheda, Eire) and America (New York) are performing in line with expectations and we are encouraged by the opportunities presented by these territories. This on-the-ground delivery capability has enabled us to win significant international contracts for clients such as Kubota and Microsoft. Our infant Gulf business is in its very early stages, however we are encouraged by its initial performance.

We have also invested significantly in three other businesses during the period:

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 GDPR compliance activity and can be linked with the risk assessment tool to provide management with an integrated compliance and cyber risk view. This also has a 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 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 39 Data Protection Officer (DPO) as service contracts, including for companies such as Dominos.

Additionally, our acquisition of www.gdpr.co.uk in H1 2019 enables us to provide a combination of legal, training and GDPR products to the UK's education sector. Since the acquisition, the business has performed in line with expectations.

We expect to see further acquisition opportunities in what continues to be a fragmented market well placed for consolidation.

Outlook

The pattern of trading witnessed in Q2 2019 has continued into the second half. As we lap the tough H2 2018 comparators, we are confident that our investment in new business areas and geographies, coupled with the continued growth in cyber security demand and the ongoing requirement for GDPR consultancy and support, will deliver revenue growth across the year as a whole and underpin our long-term growth into FY 2020 and beyond.

Alan Calder
Chief Executive Officer

Financial Review

I am pleased to report a set of results for the six months ended 30 September 2018 that demonstrates solid progress in revenue generation compared to the equivalent period in the prior year, and promising signs of sustainable future growth such as early revenues being generated from new products and services and progress being made overseas, albeit delivering a net loss for the period. This loss is largely attributable to a number of significant investments made into new business lines and investment in people and infrastructure. However, double digit growth in revenue and gross profit, along with a stable gross margin, provide a robust platform for the future.

The Board had always anticipated a decline in demand for GDPR-related products and services in the period immediately following the deadline date for compliance (being 25 May 2018) and we invested heavily to broaden our existing cyber security offering, and overseas delivery capabilities. The immediate drop-off in GDPR-related revenue in the same period as this investment was taking place resulted in a net loss for the 6 months.

Revenue

Revenue for the six months ended 30 September 2018 was up 54% to £8.9 million (H1 2018: £5.8 million).

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

Double-digit revenue growth was recorded in three of our four key revenue streams; revenue from Consultancy was up 99% year-on-year to £3.8 million, from Publishing and Distribution up 42% to £0.9 million and from Training up 33% to £4.0 million. Revenue from software sales was down 23% period-on-period to £0.2 million, largely due to the impact of the new accounting standard for revenue recognition (IFRS 15), which resulted in software revenue of £109k being deferred that would previously have been recognised within the period. The software revenue figure presented under the old accounting standard (consistent with 2018) would have been £0.3 million (H1 2018: £0.3 million).

Strong period-on-period revenue growth in Q1 2019 was driven primarily by GDPR-related products and services, as our customers endeavoured to make themselves compliant ahead of the legislation coming into effect on 25 May 2018. Following its implementation, revenues in Q2 2019 declined on a year-on-year basis as the effect of our customers bringing forward their GDPR-related spending unwound and as we lapped tough comparators from the GDPR build-up which had begun in Q2 2018. If the one-off effect to revenues caused by GDPR implementation is stripped out, we were encouraged to see the underlying performance in our core cyber security business continue on a steady growth trajectory throughout the full six-month period.

As demonstrated by the tables below, the Group's overall revenue has grown strongly.

£'000	Consultancy	Publishing and Distribution	Software	Training	Total
HY1 2017	1,193	501	109	872	2,675
HY1 2018	1,887	637	262	3,014	5,800
HY1 2019	3,756	907	232	4,019	8,914

Period-on-period %	Consultancy	Publishing and Distribution	Software	Training	Total
2018	58%	27%	141%	246%	117%
2019	99%	42%	(23)%	33%	54%

£'000	UK	Non-UK	Non-UK %
HY1 2017	2,111	564	21%
HY1 2018	4,750	1,050	18%
HY1 2019	7,880	1,034	12%

Gross profit

Gross profit was up 49% to £5.1 million (H1 2018: £3.4 million).

Gross profit as a percentage of sales remained broadly stable at 57% (H1 2018: 59%). The stability of the gross profit margin, despite the substantial growth in Group revenue and a rapidly changing market, reflects the nature of the direct cost base and the scalability of the business. The slight reduction in the year-on-year percentage reflects a fall in sales from some very high margin products and services that benefited from the peak leading up to the GDPR legislation being implemented. The post-25 May 2018 trading environment also resulted in lower levels of utilisation within the GDPR consultancy team. Subsequent to the period end the Group has scaled back the size of this team.

Operating expenses
Other operating expenses (excluding share-based payment expenses and exceptional costs) increased by £4.4 million to £7.2 million, up 157% (H1 2018: £2.8 million).

During the period, the Group invested heavily in setting up and supporting a number of new businesses and business lines. Considerable investment has also been made into building the infrastructure and management structures of the core business that will act as a platform for future growth, with the expectation of developing a sustainably profitable Group for the future. In many cases the investment cost was 'one off' or for a fixed period. In the longer term we expect to see a reduction in operating costs as a percentage of revenue and a reduction in headcount in proportion to revenue.

As explained in the cash flow and cash section below, this specific investment activity accounted for £2.7 million of the increase, the remaining £1.7 million is largely attributable to (and consistent with) the overall growth in the business. Additional marketing expenditure, office space and IT/infrastructure costs are required to support a bigger business. Amortisation and depreciation of £0.3m was incurred.

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

Underlying EBITDA for the six months ended 30 September 2018 was a loss of £1.8 million, (20.4)% of revenue (H1 2018: profit of £0.8 million, 13.8%).

£'000	HY 2019	HY 2018	FY 2018
Operating (loss)/profit	(2,175)	621	364
Depreciation	85	40	109
Amortisation	271	178	392
Share-based payments	32	-	83
Underlying EBITDA	(1,787)	839	948

Finance expense
The net finance expense of £2k (H1 2018: £7k) relates almost entirely to interest on historic term loans and finance leases taken out in the Group's early stages of growth to support working capital. The Group is repaying the balances in line with the repayment schedule. The total value of borrowings at the balance sheet date was £53k (H1 2018: £120k).

(Loss)/Profit before tax
Loss before tax was £2.2 million (H1 2018: £614k profit).

Taxation
No provision for tax has been made in the period (H1 2018: £Nil). No additional deferred tax asset has been recognised in relation to the losses in the period due to insufficient certainty over the timing of future profits.

Earnings per share
Loss per share was (3.76) pence (H1 2018: Earnings 1.22 pence).

Statement of financial position
Net current liabilities at period end were £0.1 million, down from net current assets of £0.3 million at 30 September 2017. Net assets were £3.6 million, up from £1.8 million at 30 September 2017.

Included within the current liabilities balance of £4.1 million (30 September 2017: £2.9 million) is a deferred income balance of £1.5 million (30 September 2017: £1.3 million), relating to training and consultancy projects due to be delivered after the statement of financial position date.

The overall increase in net liabilities is mostly due to the overall growth in the business and inevitably partly to timing. Trade payables increase as our direct costs and overheads increase and our payroll related taxes increase with headcount.

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 £1.2 million largely relate to software development (£0.7m) and development of the Group's website (£0.5 million).

Cash flow and cash
The Group's closing cash position was £1.7 million (31 March 2018: £5.6 million). In March 2018, the Group raised £5.0 million (£4.0 million net of costs) as a result of successful admission to AIM, with the intention of investing into new businesses in the UK and overseas and also into the core business to create a strong platform for future growth. During the six months ended 30 September

2018, the Group invested £1.0 million into the purchase of intangible fixed assets (H1 2018: £0.4 million), £0.2 million (H1 2018: £nil) on a business acquisition (included in Intangibles) and £0.2 million (H1 2018: £0.2 million) into the purchase of tangible fixed assets. Additionally, the Group has invested £1.4 million (H1 2018: £0.1 million) to support the working capital cycle of new start-up businesses in the Group and £1.3 million (H1 2018: £nil) on people costs in the core business that are deemed to be an investment in new teams and management structures designed to bring future benefits.

The core business, after deducting the expenditure detailed above, therefore had a net cash inflow for the period of £0.3 million (H1 2018: £1.1 million) on a comparable basis to the prior year.

Subsequent to the period end, the company continued to make these investments, coinciding with a flattening of revenues following a period of decline in Q2. As the business continued to utilise cash reserves, the directors have sought short-term funding by way of bank overdraft. In addition, Andrew Brode has provided to the Company an unsecured loan facility for the amount of £700,000 at an interest rate of 5 per cent. above the Bank of England Base rate to provide additional working capital. The facility will be available to the Company until 31 December 2019 and shall automatically renew for a further 12 months unless terminated by either party. As Mr Brode is a director of the Company, the loan is deemed to be a related party transaction pursuant to rule 13 of the AIM Rules for Companies. The Board of GRC International, excluding Mr Brode, having consulted with Grant Thornton as the Company's Nominated Adviser, considers the terms of this transaction to be fair and reasonable in so far as the Company's shareholders are concerned.

The Group's forecasts assume revenue growth into 2019 and beyond, and the cost base of the Group is based on this assumption. However, there is an inherent level of uncertainty associated with timing and quantum of revenue forecasting due to the rapidly changing environment, which may impact the Group's ability to generate sufficient positive cashflow if revenue falls below expectations and it is not possible to reduce costs in line with this.

The directors' cash flow forecast does not indicate that additional finance will be needed within the next few months. Despite this, the directors' have secured an overdraft and loan facility to ensure adequate headroom for unforeseen working capital requirements.

Capital structure

The issued share capital at 30 September 2018 was 57,462,940 ordinary shares of £0.001 each. There were no share options granted in the period to 30 September 2018, and the total number of unexercised share options at 30 September 2018 was 2,348,920.

Risks and uncertainties

The Board continuously assesses and monitors the key risks of the business. The key risks that could affect the Group's performance, and the factors which mitigate these risks, have not significantly changed from those set out on pages 16 to 17 of the Group's Annual Report for 2018 (a copy of which is available from our website **www.grci.group**).

Chris Hartshorne
Finance Director

INDEPENDENT REVIEW REPORT TO GRC INTERNATIONAL GROUP PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 which comprises the income statement, the statement of financial position, the statement of changes in equity, the cash flow statement and related notes 1 to 10. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules of the London Stock Exchange.

Use of our report

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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 company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
Cambridge, UK
21 December 2018

GRC International Group Plc

Consolidated Income Statement for the six months ended 30 September 2018

	Notes	6 months to 30 September 2018 unaudited £	6 months to 30 September 2017 unaudited £	12 months to 31 March 2018 audited £
Revenue	4	8,913,559	5,799,735	15,688,216
Cost of sales		(3,821,790)	(2,380,770)	(6,163,690)
Gross profit		5,091,769	3,418,965	9,524,526
Administrative expenses:				
- Other administrative expenses		(7,246,601)	(2,807,941)	(8,384,858)
- Share-based payment charge		(31,642)	-	(82,560)
- Exceptional administrative expenses	5	-	-	(714,251)
Total administrative expenses		(7,278,243)	(2,807,941)	(9,181,669)
Other operating income		11,490	10,080	21,875
Operating (loss)/profit		(2,174,984)	621,104	364,732
Net financing expense		(2,276)	(7,281)	(9,386)
Share of profits of joint ventures accounted for using the equity method		1,333	-	-
(Loss)/profit before taxation		(2,175,927)	613,823	355,346
Taxation		-	-	(153,495)
(Loss)/profit for the financial year		(2,175,927)	613,823	201,851
(Loss)/profit for the financial year attributable to:				
The Group's equity shareholders		(2,175,927)	613,823	201,851
Basic (loss)/earnings per share (pence)	6	(3.76)	1.22	0.40
Diluted (loss)/earnings per share (pence)	6	(3.76)	1.22	0.39

All of the Group's (loss)/ profit relates to continuing operations.

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

GRC International Group Plc

Consolidated Statement of Comprehensive Income for the six months ended 30 September 2018

	6 months to 30 September 2018 unaudited £	**6 months to 30 September 2017 unaudited £**	**12 months to 31 March 2018 audited £**
(Loss)/Profit for the financial year	(2,175,927)	613,823	201,851
Other comprehensive (loss)/income – items that may subsequently be reclassified to profit/loss:			
Exchange differences on translation of foreign operations	(7,450)	579	1,699
Other comprehensive (loss)/income for the financial year, net of tax	(7,450)	579	1,699
Total comprehensive income for the financial year	(2,183,377)	614,402	203,550

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

GRC International Group Plc
Consolidated Statement of Financial Position as at 30 September 2018

	Notes	30 September 2018 unaudited	30 September 2017 unaudited	31 March 2018 audited
		£	£	£
Assets				
Non-current assets				
Intangible assets	7	2,551,277	1,259,116	1,596,894
Property, plant and equipment		567,228	254,604	424,019
Investments accounted for using the equity method	8	12,479	-	-
Deferred tax		641,460	88,444	641,165
		3,772,444	1,602,164	2,662,078
Current assets				
Inventories		123,257	36,906	76,171
Trade and other receivables		2,069,669	2,335,033	2,637,309
Cash at bank		1,736,301	805,827	5,557,576
		3,929,227	3,177,766	8,271,056
Current liabilities				
Trade and other payables		(3,697,141)	(2,667,099)	(4,636,265)
Finance lease payables		(9,444)	(16,999)	(9,516)
Borrowings		(25,222)	(75,801)	(51,366)
Current tax		(301,884)	(141,205)	(301,831)
		(4,033,691)	(2,901,104)	(4,998,978)
Net current (liabilities)/assets		(104,464)	276,662	3,272,078
Non-current liabilities				
Borrowings		(28,143)	(44,497)	(28,143)
Finance lease payables		-	-	(5,667)
		(28,143)	(44,497)	(33,810)
Net assets		3,639,837	1,834,329	5,900,346
Equity				
Share capital	9	57,463	1,795	57,463
Share premium		4,792,828	1,137,098	4,792,828
Share-based payment reserve		659,792	-	628,150
Retained earnings		(1,863,480)	695,876	421,221
Capital redemption reserve		5	1	5
Translation reserve		(6,771)	(441)	679
Total equity		3,639,837	1,834,329	5,900,346

GRC International Group Plc

Consolidated Statement of Changes in Equity for the six months ended 30 September 2018

	Share capital	Share premium	Share-based payment reserve	Retained earnings	Translation reserve	Capital redemption reserve	Total
	£	£	£	£	£	£	£
Balance at 1 April 2017 (unaudited)	**1,798**	**1,137,098**	**-**	**94,043**	**(1,020)**	**1**	**1,231,920**
Profit for the period	-	-	-	613,823	-	-	613,823
Foreign exchange difference on consolidation	-	-	-	-	579	-	579
Total comprehensive income for the year	-	-	-	613,823	579	-	614,402
Purchase of own shares	(3)	-	-	(11,990)	-	-	(11,993)
Transactions with owners	(3)	-	-	(11,990)	-	-	(11,993)
Balance at 30 September 2017	**1,795**	**1,137,098**	**-**	**695,876**	**(441)**	**1**	**1,834,329**
Balance at 1 April 2017 (unaudited)	**1,798**	**1,137,098**	**-**	**94,043**	**(1,020)**	**1**	**1,231,920**
Profit for the year	-	-	-	201,851	-	-	201,851
Foreign exchange difference on consolidation	-	-	-	-	1,699	-	1,699
Total comprehensive income for the year	-	-	-	201,851	1,699	-	203,550
Capital reduction	-	(1,137,098)	-	1,137,098	-	-	-
Dividends	-	-	-	(951,320)	-	-	(951,320)
Purchase of own shares	(4)	-	-	(11,994)	-	4	(11,994)
Bonus issue	48,457	-	-	(48,457)	-	-	-
Share-based payment expense	-	-	82,560	-	-	-	82,560
Deferred tax on share-based payments	-	-	545,590	-	-	-	545,590
Shares issued on exercise of share options	12	5,028	-	-	-	-	5,040
Shares issued	7,200	5,032,800	-	-	-	-	5,040,000
Cost of share issue	-	(245,000)	-	-	-	-	(245,000)
Transactions with owners	55,665	3,655,730	628,150	125,327	-	4	4,464,876
Balance at 31 March 2018	**57,463**	**4,792,828**	**628,150**	**421,221**	**679**	**5**	**5,900,346**
Adjustment on initial application of IFRS 15 (net of tax)	**-**	**-**	**-**	**(108,774)**	**-**	**-**	**(108,774)**
Adjusted Balance at 31 March 2018	**57,463**	**4,792,828**	**628,150**	**312,447**	**679**	**5**	**5,791,572**
Loss for the period	-	-	-	(2,175,927)	-	-	(2,175,927)
Foreign exchange difference on consolidation	-	-	-	-	(7,450)	-	(7,450)
Total comprehensive income for the period	-	-	-	(2,175,927)	(7,450)	-	(2,183,377)
Share-based payment expense	-	-	31,642	-	-	-	31,642
Deferred tax on share-based payments	-	-	-	-	-	-	-
Transaction with owners	-	-	31,642	-	-	-	31,642
Balance at 30 September 2018 (unaudited)	**57,463**	**4,792,828**	**659,792**	**(1,863,480)**	**(6,771)**	**5**	**3,639,837**

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

GRC International Group Plc
Consolidated Statement of Cash Flows for the six months ended 30 September 2018

	6 months to 30 September 2018 unaudited £	6 months to 30 September 2017 unaudited £	12 months to 31 March 2018 audited £
Cash flow from operating activities			
(Loss)/profit before tax	(2,175,927)	613,823	355,346
Depreciation	84,865	40,408	108,944
Amortisation	270,648	177,904	391,550
Share-based payment expense	31,642	-	82,560
Foreign exchange losses	-	13,722	41,851
Share of profit of equity accounted investees, net of tax	(1,333)	-	-
Finance Income	(1,748)	(80)	(516)
Finance costs	4,023	7,281	9,902
Operating Cashflows before changes in working capital	(1,787,830)	853,058	989,637
(Increase)/Decrease in inventories	(47,086)	1,720	(37,545)
Decrease/(increase) in trade and other receivables	569,753	(661,943)	(1,529,039)
(Decrease)/Increase in trade and other payables	(1,053,746)	838,489	2,807,653
Net cash (outflow)/inflow from operating activities	(2,318,909)	1,031,324	2,230,706
Cash flow from investing activities			
Purchase of intangible assets	(1,224,711)	(393,851)	(945,268)
Purchase of plant and equipment	(227,923)	(159,684)	(398,406)
Payment for acquisition of joint venture	(10,995)	-	-
Interest received	1,748	80	516
Net cash outflow in investing activities	(1,461,881)	(553,455)	(1,343,158)
Net cash flow from financing activities			
Purchase of own shares	-	(11,994)	(11,994)
Proceeds from issue of shares	-	-	5,045,040
Costs of share issue	-	-	(245,000)
Dividends paid	-	-	(386,500)
Repayment of loans	(26,144)	(42,806)	(80,127)
Interest paid	(4,023)	(6,606)	(12,511)
Interest on finance leases	-	(17)	(202)
Capital element of finance lease payments	(3,778)	(10,885)	(11,929)
Net cash (outflow)/inflow from financing activities	(33,945)	(72,308)	4,296,777
Net (decrease)/ increase in cash and cash equivalents	(3,814,735)	405,561	5,184,325
Cash and cash equivalents at beginning of financial year	5,557,576	413,552	413,552
Effects of exchange rate changes	(6,540)	(13,286)	(40,301)
Cash and cash equivalents at end of financial year	1,736,301	805,827	5,557,576
Comprising			
Cash at bank	1,736,301	805,827	5,557,576

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

1. Nature of operations and general information

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

The principal activities of GRC International Group and its subsidiary companies is as a one-stop shop for IT Governance including books, tools, learning and consultancy services.

2. Basis of preparation of half-year report

The condensed consolidated interim financial report for the half-year reporting period ended 30 September 2018 has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting.

The results for the year ended 31 March 2018 include the results of GRC International Group plc and its subsidiaries.

A subsidiary is a company controlled directly by the Group. Control is achieved where the Group has the power over the investee, rights to variable returns and the ability to use the power to affect the investee's returns.

The addition of GRC International Group plc to the Group during the prior year was not accounted for as a business combination, but instead the consolidated accounts are presented as a continuation of the financial statements of the IT Governance Limited Group, adjusted only to reflect the share capital of the new legal parent.

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

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

The Interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 March 2018 and any public announcements made by GRC International Group plc during the interim period.

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

a) New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- IFRS 9 Financial Instruments, and
- IFRS 15 Revenue from Contracts with Customers

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

b) Impact of standards issued but not yet applied by the entity

i. IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the Statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value lease.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the group's operating leases. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit, EBITDA and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The group does not intend to adopt the standard before its effective date.

Going concern basis

The Group's forecasts and projections taking account reasonably possible changes in trading performance, support the conclusion that there is a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, a period of not less than twelve months from the date of this report. The Group therefore continues to adopt the going concern basis in preparing its condensed consolidated interim financial statements.

The Group's capital management policy is to generate positive cash flows from operating activities to finance the Group's business operations, and where necessary to raise sufficient funding to finance the Group's future investments and capital projects. The Group raised £5.04 million on 5 March 2018 through admission to AIM.

Subsequent to the period end, the company continued to make these investments, coinciding with a flattening of revenues following a period of decline in Q2. As the business continued to utilise cash reserves it made changes to headcount in order to reduce the cost base.

The Group's forecasts assume revenue growth into 2019 and beyond, and the cost base of the Group is based on this assumption. However, there is an inherent level of uncertainty associated with timing and quantum of revenue forecasting, which may impact the Group's ability to generate sufficient positive cashflow.

The directors' cash flow forecast does not indicate that additional finance will be needed within the next few months. Despite this, the directors' have secured an overdraft and loan facility to ensure adequate headroom for unforeseen working capital requirements.

Having reviewed the Group's forecasts and projections to 31 March 2020 which, taking account of reasonably possible changes in trading performance, show that the Group is able to generate sufficient liquidity to continue in operational existence for the foreseeable future. On this basis, the Directors believe that the Group will be able to generate sufficient cash through its normal business trading to enable it to continue its operations, and continue to meet, as and when they fall due, its planned and committed liabilities for at least the next twelve months from the date of approval of these financial statements. For this reason, the Directors continue to adopt the going concern basis in preparing the accounts.

3. Adoption of IFRS 15

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

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various goods and services are set out below.

Software maintenance and support
The Group previously recognised revenue for all software products when the customer took delivery of the products and formally accepted them.
Under IFRS 15, where the Group sells a support contract as part of the software package the revenue associated with the support contract is recognised over the period of the support contract associated with the software (normally 12 months) reducing revenue on a pro-rata basis and records it as deferred income.

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

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

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

4. Revenue

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

	6 months to 30 September 2018 unaudited	**6 months to 30 September 2017 unaudited**	**12 months to 31 March 2018 audited**
	£	**£**	**£**
Sale of goods	903,955	636,449	1,646,650
Provision of services	8,009,604	5,163,286	14,041,566
	8,913,559	5,799,735	15,688,216
Other income	11,490	10,000	21,875
Interest on cash deposits	1,748	80	516

Total revenue	8,926,797	5,809,815	15,710,607

The Group has initially applied IFRS 15 using the cumulative effect method, the comparative information is not restated. See Note 3.

5. Exceptional administrative costs

	6 months to 30 September 2018 unaudited	6 months to 30 September 2017 unaudited	12 months to 31 March 2018 audited
	£	£	£
Expenses relating to the Group's AIM admission	-	-	714,251

6. Earnings per share

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

	6 months to 30 September 2018 unaudited	6 months to 30 September 2017 unaudited	12 months to 31 March 2018 audited
(Loss)/Profit attributable to equity holders of the Group (£)	(2,175,927)	613,823	201,851
Weighted average number of shares in issue	57,462,940	50,251,180	50,785,329
Basic (loss)/earnings per share (pence)	(3.79)	1.22	0.40

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

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

	6 months to 30 September 2018 unaudited	6 months to 30 September 2017 unaudited	12 months to 31 March 2018 audited
Number of shares			
Dilutive (potential dilutive) effect of share options	-	13,668	378,786
Weighted average number of ordinary shares for the purposes of diluted earnings per share	57,462,940	50,264,847	51,164,115
Diluted (loss)/earnings per share (pence)	(3.76)	1.22	0.39

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

7. Intangible assets

	Consultancy products	Marketing Tools	Publishing products	Course-ware	Software	Website costs	Trade-marks	Total
	£	£	£	£	£	£	£	£

Cost								
At 1 April 2017	80,482	46,887	207,284	382,229	877,240	374,167	7,011	1,975,300
Additions	-	15,996	8,217	70,981	564,042	284,782	1,250	945,268
At 31 March 2018	80,482	62,883	215,501	453,210	1,441,282	658,949	8,261	2,920,568
Additions	-	-	47,533	20,273	673,715	483,190	-	1,224,711
Foreign exchange movement	-	-	-	378	-	-	-	378
At 30 September 2018	80,482	62,883	263,034	473,861	2,114,997	1,142,139	8,261	4,145,657
Accumulated Depreciation								
At 1 April 2017	22,289	42,274	139,734	125,820	366,736	233,097	2,180	932,130
Charge for year	7,548	5,189	32,124	41,598	224,440	79,649	1,002	391,550
Foreign exchange movement	-	-	-	(6)	-	-	-	(6)
At 31 March 2018	29,837	47,463	171,858	167,412	591,176	312,746	3,182	1,323,674
Charge for period	4,349	3,700	14,860	23,129	162,994	61,105	511	270,648
Foreign exchange movement	-	-	-	58	-	-	-	58
At 30 September 2018	34,186	51,163	186,718	190,599	754,170	373,851	3,693	1,594,380
Net book value								
At 30 September 2018	46,296	11,720	76,316	283,262	1,360,827	768,288	4,568	2,551,277
At 31 March 2018	50,645	15,420	43,643	285,798	850,106	346,203	5,079	1,596,894

On 1 August 2018, the Group announced the acquisition of the domain, web platform, customer list and goodwill of www.gdpr.co.uk from Wonde Limited.
The acquisition was settled by total cash consideration of £175,000. The total cost of the acquisition has been included in additions for Website costs above.

Amortisation is included within administrative expenses.

8. Interest in other entities

Joint operations
IT Governance Limited has a 50% interest in a joint arrangement called IBITGQ GmbH which 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 principal place of business of the joint operation is in Germany.

	Six months ended 30 September 2018 £
Additions	10,995
Profit for the period	1,333
Foreign exchange movement	151
	12,479

9. Authorised, allotted, issued and fully paid

	6 months to 30 September 2018 unaudited	**6 months to 30 September 2017 unaudited**	**12 months to 31 March 2018 audited**

GRC International Group Plc

	Number	£	Number	£	Number	£
Ordinary shares of £0.001 each	57,462,940	57,463	-	-	57,462,940	57,463
Ordinary shares of £0.005 each	-	-	214,456	1,072	-	-
A ordinary shares of £0.005 each	-	-	117,421	588	-	-
B ordinary shares of £0.005 each	-	-	27,060	135	-	-
	57,462,940	**57,463**	**358,937**	**1,795**	**57,462,940**	**57,463**

10. Events after the reporting period

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